

Going Global

Asia Pacific



Edition 1, 2024

Kreston Global in Asia Pacific

Kreston Global has firms in 22 of the 36 countries in Asia Pacific, covering major economies such as China, Japan, India and Australia. We have also recently welcomed two new members into the region who have both contributed to the magazine. Helmi Talib, from our new firm in Singapore, explains recent developments designed to strengthen the credibility of Singapore's financial reporting on page 31 and Bayani Lauraya, from Kreston Thailand, explains why Thailand offers investors a strategic position in South East Asia on page 21.

Mid-market outlook in Asia Pacific

In research carried out by Kreston Global, we spoke to global entrepreneurs in India, China and Japan about their motivations, challenges and outlook for the future. While India and China, both with strong GDP despite challenging headwinds, shared a positive outlook for the future, Japanese responses were much more cautious. Read the full analysis of the results on page 1.



Contents

ASIA PACIFIC INTERPRENEURS

From pragmatism to optimism 1

INDIA

Sovereign AI 9

JAPAN

The island economy 13

AUSTRALIA

Thin capitalisation 17

THAILAND

The latest tiger economy. 22

CHINA

ESG and SOEs 25

NEWS

Cambodia 29

Singapore 31

Vietnam 35

Kreston Global contacts in the region 37

Interpreneur report review

Despite the recent drop in the direct foreign investment global market and an equally sluggish global M&A market, our recent interpreneur report has revealed the positive outlook global entrepreneurs have in the short-to-medium-term and Asia Pacific is no different.

International collaboration is key in a region where China is America's biggest trading partner, with Chinese Premier Li Qiang recently emphasizing the need for global cooperation at a time when war, global recession and supply chain challenges have countries looking for business opportunities closer to home.

This openness for global collaboration is also reflected in the recent Interpreneur survey, with each country in Asia Pacific that was interviewed (Japan, China and India) having a broadly positive and receptive outlook on international business, but also key points of difference on issues such as disruptive risks on the horizon, environmental, social and governance (ESG) and confidence in global tax understanding. We explore what the results mean for doing business in the region.



China: The confident expander

The OECD report forecasts that China's GDP will grow by almost 5% in 2024, ranking it as the third highest among G20 countries over the next two years. With small and medium enterprises (SMEs) making up 60% of the business landscape and exports slated as one of the main contributors to the predicted growth, outbound business plays a key role in supporting China's recovery in a wake of macroeconomic issues.

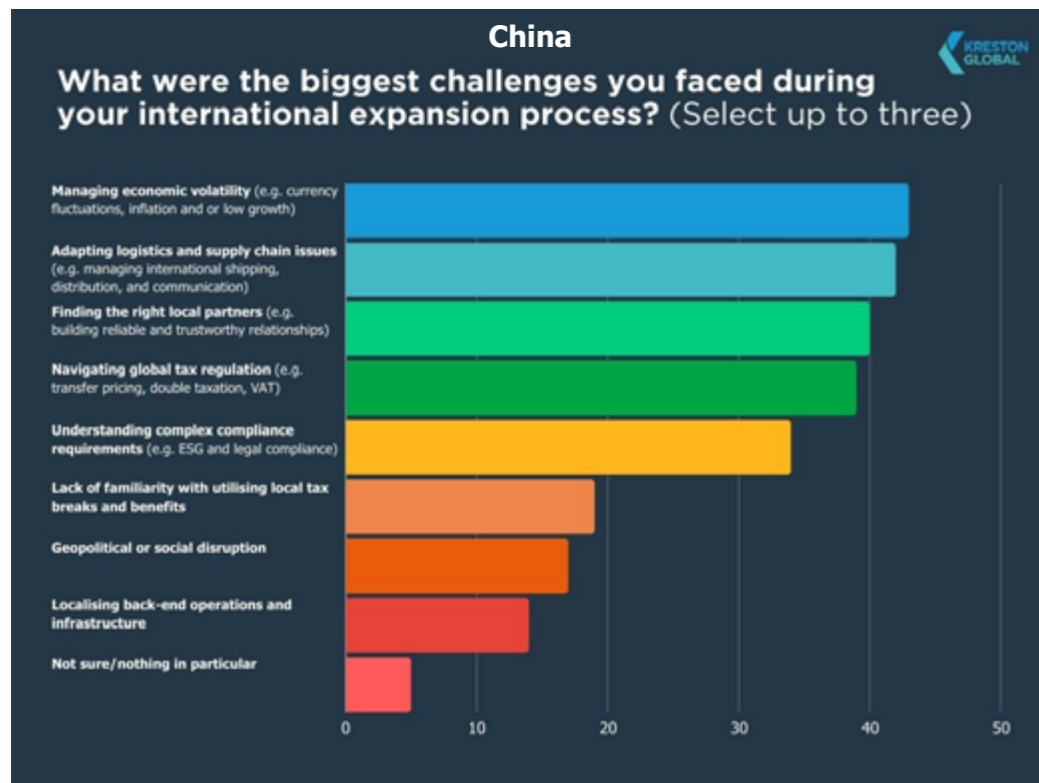
According to the Kreston Global survey Chinese business leaders exhibit a distinct confidence in global markets, with 92% expressing optimism about expanding overseas, making it one of the most optimistic countries out of those surveyed in believing that world that global expansion

is on the rise. In contrast, the least optimistic country was Japan at 59%.

Traditionally the USA is China's number one trade partner, with China exporting an average of \$500 billion worth of goods there each year. With 70% respondents naming the US as their number one choice for expansion, results indicate that 2025 will likely be no different.

What is interesting is that Europe is second choice above North Asia, historically taking second place behind North America, while Europe emerges as a second preference, signaling potential shifts in trade relationships post-supply chain disruptions.

Countries who have a strong appetite for growth, like India, Nigeria and South Africa all joined 43% of respondents from China in



believing economic volatility was a top three challenge to the international expansion process. China was the least concerned of all countries with escalating geopolitical tensions globally.

Chinese CEOs were in the highest of all respondents when considering their ability to understand global

tax rules. They scored 98% confidence, with almost half extremely confident in understanding global tax rules.

Almost two-thirds of the Chinese business leaders prioritise ESG when expanding internationally, over four times the score of the lowest country, Spain.

This could be tied in with China's ambitious plans to be carbon neutral by 2060.

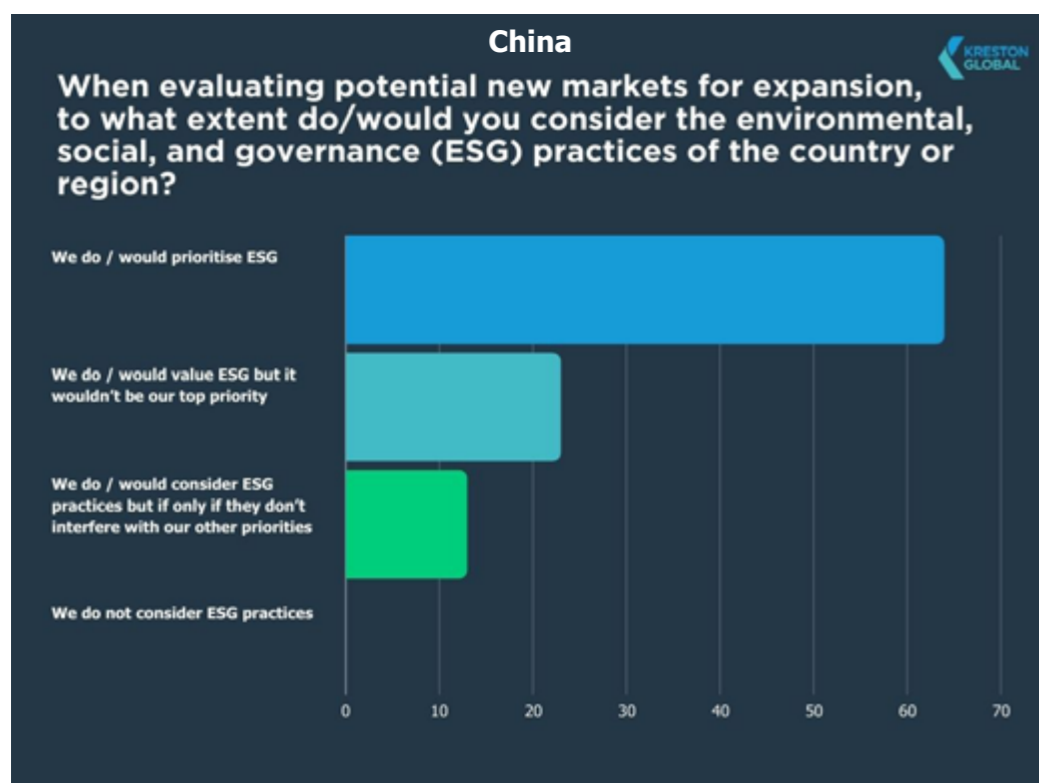
No respondents from the US, Brazil, China, Mexico or Nigeria said they felt unprepared to harness the benefits of AI in global business operations and China was in the top 5 most confident countries.



SUSAN LI

VP of Kreston Brighture, China

"Chinese companies are increasingly subject to government regulations regarding ESG practices. Implementation partners must ensure that their strategies align with local laws and guidelines, such as the Green Development Goals and various environmental protection laws."



India: The ambitious growth-seeker

India is set to be the fastest growing G20 economy in 2024, against a backdrop of rapid infrastructure development and high government capital spending for ambitious entrepreneurs.

It was no surprise to see a total of 96% of respondents expecting to see an increase in international business. India was one of only seven countries surveyed that felt strongly about an increase, scoring over 90%.

Proximity, unlike some responding countries, was not an influencing factor

for Indian respondents. Although the ranking was in the middle of the pack, India scored the Middle East the highest out of all the responding countries. India was one of the least likely countries of all surveyed to consider investing in Africa.

58% of respondents said their business was primarily

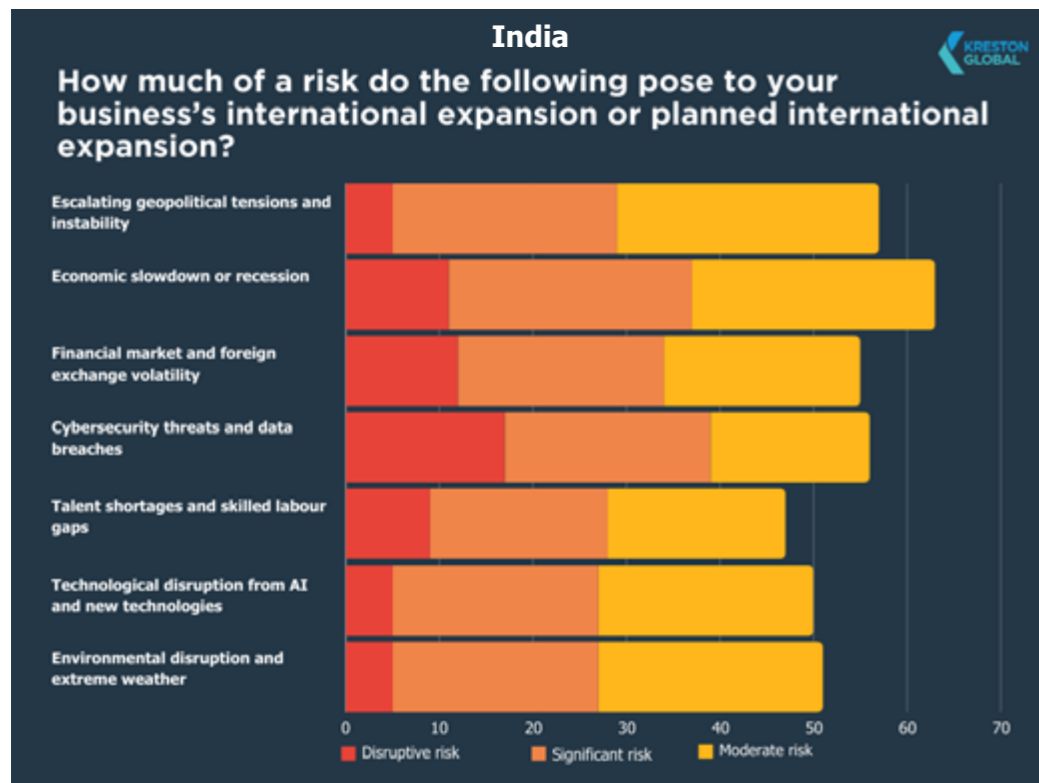
motivated to expand internationally by market growth opportunities: accessing new customer segments, 38% were motivated by the possibility of a talent acquisition (recruiting skilled employees from a broader pool) and 38% said competitive advantage (gaining a foothold in new markets before rivals) motivated their business's international expansion



Indian respondents were the most affected by economic volatility (51%), with Japan being the least affected (21%), but also were the country most likely to feel that localising back end and infrastructure was a challenge.

Although a majority of respondents worldwide felt that future economic growth prospects made a country more attractive, India was the country most likely to be influenced by cultural and language similarities.

India was the only country surveyed to be the most concerned with cybersecurity threats and data breaches pose a disruptive or significant risk to their



business's international expansion or planned expansion at 39%.

37% of Indian respondents also felt that economic slowdown or recession poses a disruptive or significant risk to their business and an additional 34% felt this from financial market and foreign exchange volatility.

India is one of only four countries that also share the most positive outlook for international expansion, that scored private investment the highest as a form of finance-raising. It is an interesting correlation between fast growing and developing economies.

India was one of the few countries that displayed very little fear of global tax rules and had no respondents for not confident at all.

Most (98%) do/would consider ESG practices when considering countries or regions to expand into. Only 2% of respondents said that they don't / wouldn't consider ESG practices.

Most respondents (96%) agree that they feel

prepared to harness the benefits of AI in global business operations in the next two years. Just 1% of respondents disagreed with this statement.

India's business leaders are riding a wave of domestic economic vitality and are the most optimistic about international expansion, with 96% foreseeing growth. Their top choices for expansion are equally split between Western Europe and North America, indicating a strategy that values established, lucrative markets to match their growth ambitions.

Indian firms cite market growth opportunities as their primary expansion driver, closely followed by talent acquisition and competitive positioning. The significant concern for economic volatility reflects the local business climate's sensitivity to global economic shifts. Notably, Indian CEOs show a high confidence in navigating global tax systems, potentially giving them an edge in managing complex international operations.

VINEET RATHI

Managing Partner at Kreston OPR Advisers LLP, India

"North Asia is a key overseas expansion hotspot. Our member firms are seeing a lot of inbound investment directed towards setting up businesses and branches in Japan, as the opportunity set there becomes increasingly appealing.



Japan: The cautious planner

Japan's economy has largely stood still for decades, struggling against a low growth, low interest, low unemployment, low birthrate and a poor exchange rate. After a recent near-miss into recession, there are no signs things might be changing in the country, including an improving stock market.

59% of respondents said they expect the number of businesses expanding overseas to increase in the next 12 months. 11% of respondents said they expect to see a decrease in international expansion, one of the least optimistic countries along with Germany (12%).

38% of Japanese respondents said their business would consider expanding to South Asia, sharing this view with China (52%) and Nigeria (45%). Close behind was closer to home in North Asia, with 30% saying their business would consider expanding there.

North America was the third top choice for Japanese

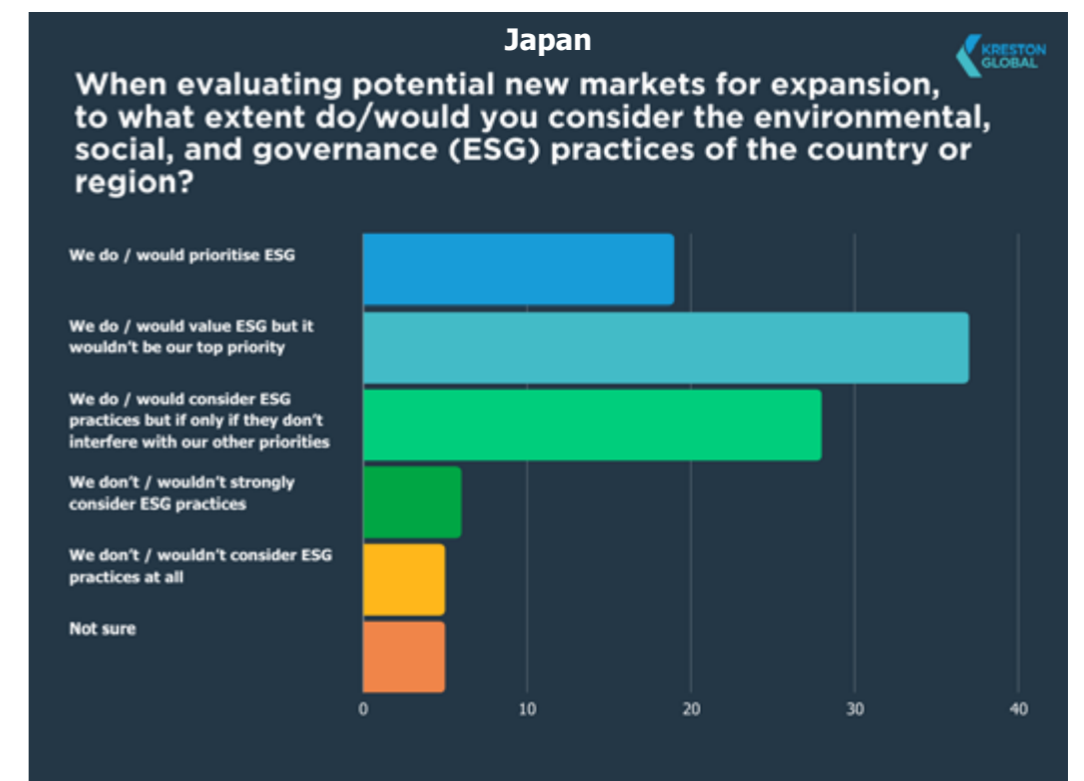
expanding businesses at 28%, showing that although primary choices are geographically close, companies aren't afraid of truly going global.

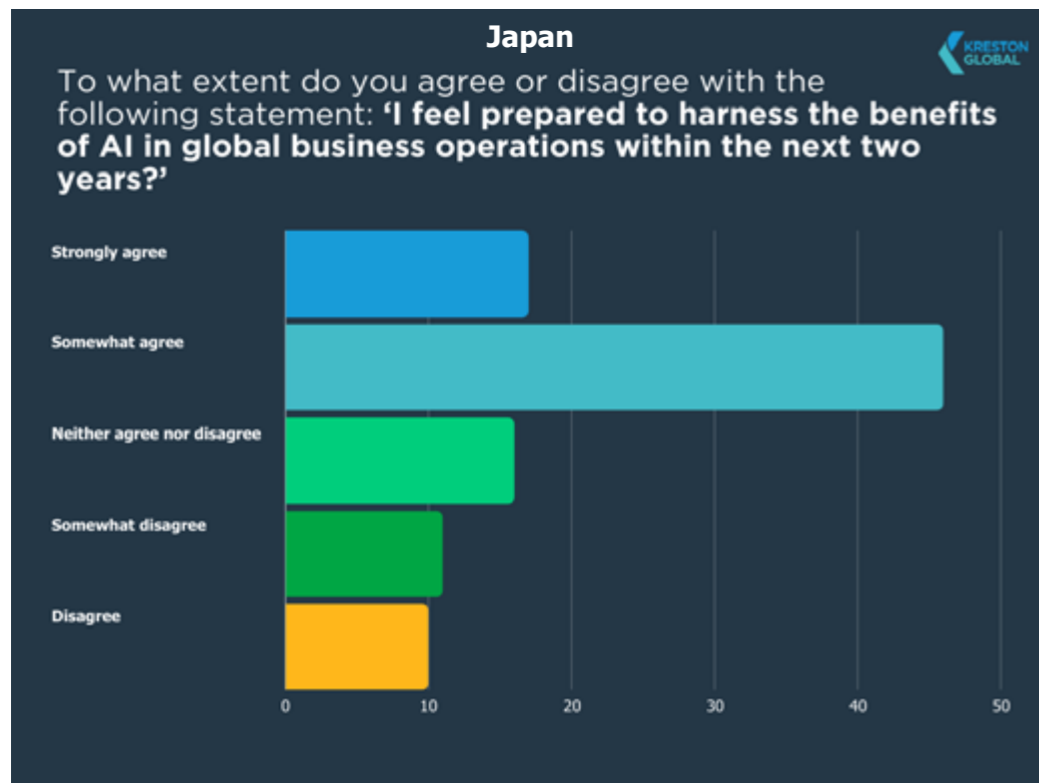
38% of Japan respondents said that future economic growth prospects are one of the most attractive traits for international expansion.

This was followed by skills and talent, such as the availability of local talent and openness to skilled talent immigration (34%) and alignment with long-term growth strategy, such as regional investment into specific industries (33%).

Geographic proximity to existing operations was

viewed as least attractive, which is surprising considering local regions of North Asia and South Asia were chosen as the most attractive for international expansion, suggesting that other business expansion opportunities make these countries desirable rather than their geographic proximity to Japan.





36% of respondents said sales and revenue are among the biggest benefits their business has found following international expansion, a view shared with over half the global respondents.

Just under a third (30%) said that one of the biggest challenges faced by businesses during international expansion was finding the right local partners (e.g. building reliable and trustworthy relationships), highlighting an opportunity for Asian networks to make distinct services supporting Japanese businesses to expand into the region.

Understanding the complex compliance requirements, like ESG and legal compliance, was also ranked top concern for Japanese businesses.

64% of respondents shared they have a good grasp of key principles and can navigate common scenarios but may seek external guidance for complex situations, with 9% of respondents are extremely confident that

they understand the global international tax rules that govern multinational businesses –they have a deep understanding of global tax rules and their implications for multinational businesses.

7% were not confident at all, relying entirely on external advisors for their advice, guidance, and/or decision-making, which was higher than the global average of respondents (1%).

84% consider ESG practices when evaluating potential new markets for expansion, and 19% of respondents consider them a top priority when expanding globally. This is line with European scores, which showed depressed results in comparison to the rest of the world.

5% don't consider ESG practices at all when expanding, the highest score out of all countries.

Over 6 in 10 (63%) agree that they feel prepared to harness AI's benefits in global business operations in the next two years.

The global respondent results showed that only 3% disagreed with this statement, so at 21%, Japan finds itself as one of the most apprehensive countries, highlighting an opportunity to prepare and harness AI.

In contrast, Japanese business leaders maintain a cautious outlook on overseas expansion, influenced perhaps by decades of economic stagnation. Only 59% expect an increase in business activities abroad, with a preference for geographic and cultural proximities like South and North Asia, suggesting a strategic focus on markets with fewer cultural and logistical complexities.

Challenges for Japanese firms centre on finding the right local partners and adapting to logistical and compliance demands. This conservative approach extends to their funding strategies, which show no clear preference, reflecting a varied or perhaps fragmented investment approach. Japanese leaders' apprehension towards AI integration highlights

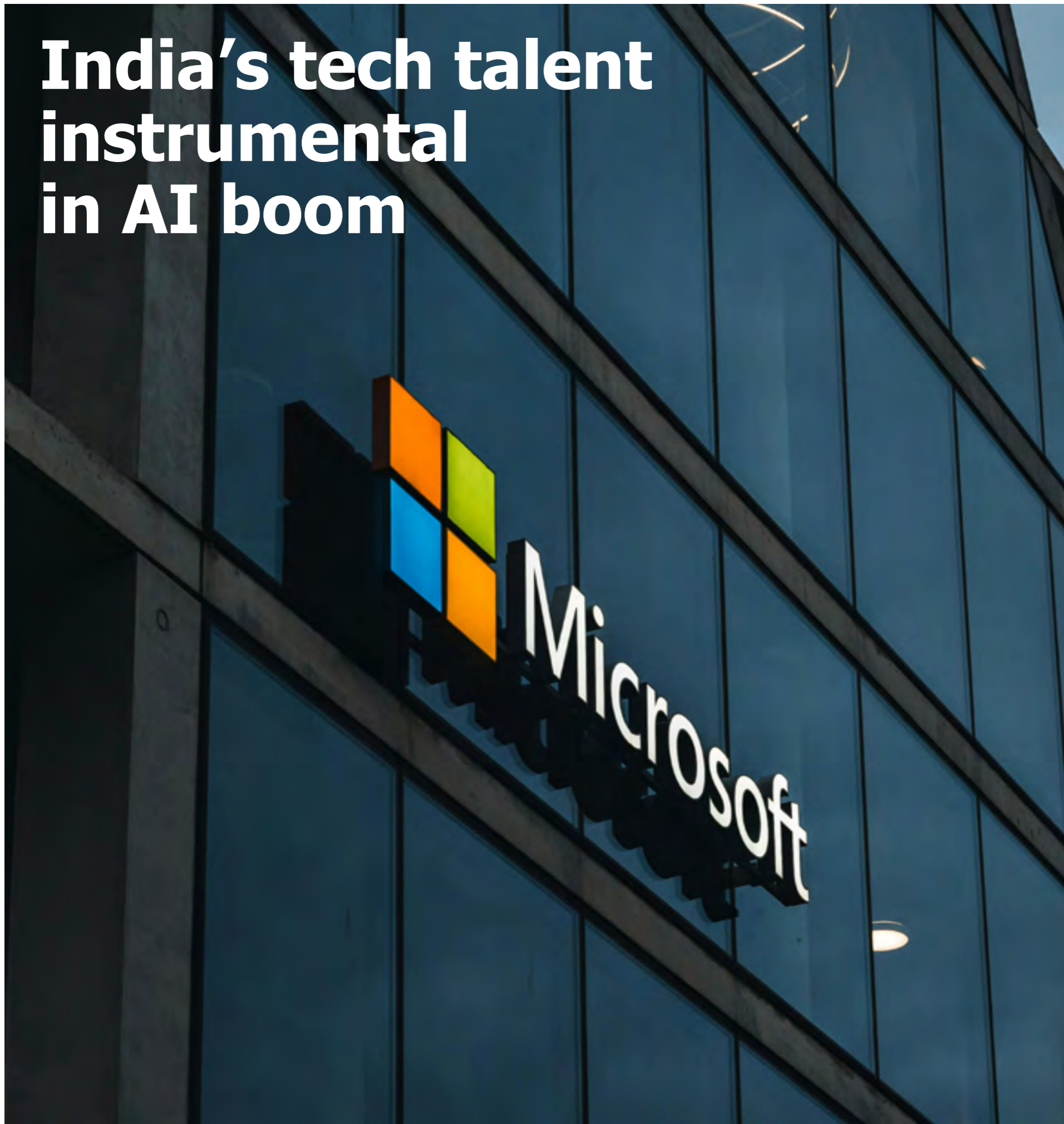
a broader hesitance to rapidly adopt emerging technologies, contrasting with the readiness observed in China and India.

Where to next?

The challenges and opportunities highlighted in the Interpreneur report do vary country to country, however the overall outlook for global business expansion in the Asia Pacific region remains optimistic. This optimism, coupled with a strategic approach to overcoming economic and logistical hurdles, and a mandated approach to collaboration and innovation could see this region nudge ahead of global neighbours.



India's tech talent instrumental in AI boom



VINEET RATHI

Managing Partner,
Kreston OPR Advisors,
India



India's sovereign AI plans are coming into sharp focus as the economy experiences rapid growth, with the highest global rate of 8.2% in 2024. With over 100 unicorns, it's unsurprising that there's a strong appetite for new technology, including AI, to sustain this momentum.

Our latest interpreneur research indicates that 96% of CEOs of Indian businesses with turnovers up to £300 million feel ready to harness AI, compared to a global level of 90%.

Vineet Rathi, Managing Partner at Kreston OPR Advisors, offers a comprehensive view of this transformative phase in India's growth, sharing his thoughts on the readiness, impact, and future potential of AI in India.

Next gen driving AI

Vineet Rathi, Managing Partner at Kreston OPR Advisors, offers insights into this transformative phase in India's growth. He believes generational shifts are driving mid-market AI adoption. "Mid-sized businesses in India, particularly those with

second or third-generation leadership, are at the forefront of AI adoption. These businesses recognise that enabling technology provides a necessary edge for growth."

Larger enterprises are also heavily investing in AI to enhance efficiency and stay competitive. "Businesses are incorporating AI into business operations to ensure they are not left behind in the technology adoption race," he adds. The key drivers include the potential for significant operational efficiency and informed decision-making.

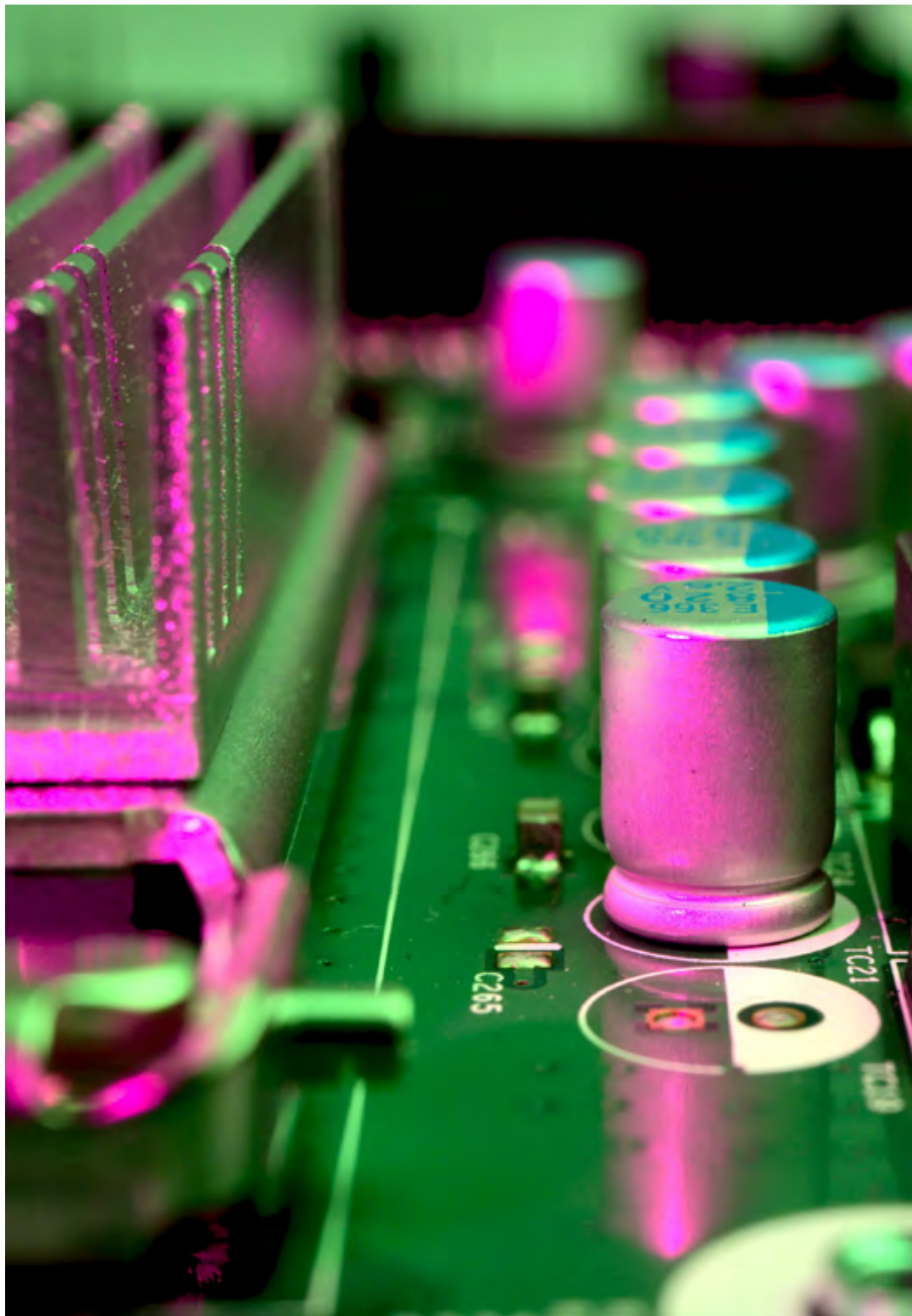
Economic and market impact

AI is poised to transform India's business landscape, especially for large companies. Rathi explains,

"AI adoption will lead to increased efficiency, reduced human errors, lower operational costs, and job realignment." The economic benefits include better decision-making and long-term cost savings, positioning businesses to thrive in a competitive market and driving overall economic growth.

Investment in AI infrastructure

The inflow of investment by tech giants like Microsoft and Amazon is driving AI infrastructure in India. "This investment will lead to increased investment by ancillary industries, more job opportunities, and a larger IT talent pool for AI services," says Rathi. However, he cautions that challenges remain. "We are still in the early stages of AI adoption,



and there are concerns about ethical use and control. India has the potential to lead in ethical AI adoption and become a global frontrunner in various industry verticals," he believes.

Ethical AI

In addition to addressing the ethical implications of AI, focusing on data privacy and security is critical. "One of the biggest discussions around AI adoption is ethical AI," Rathi highlights. With cybersecurity and data breaches being significant concerns, companies are developing policies to ensure responsible AI use. Cybersecurity was the number one risk identified by Indian business leaders in the interpreneur survey, which tracks with this conclusion.

"Frameworks and guidelines are being established to promote ethical AI adoption in India," he adds.

Government incentives and policies

Rathi believes the Indian government's proactive stance on AI is crucial. "The government has earmarked about \$1.25 billion towards developing a robust AI ecosystem and supporting AI startups."

Initiatives such as developing centres of excellence for AI businesses and policies incentivising ethical AI adoption are essential. "Increased funding for research and enhanced public-private partnerships are necessary to support AI innovation."

Industry-specific applications

Rathi identifies several industries in India are leading the AI revolution; Healthcare, agriculture, finance, and retail.

"AI is making significant strides in various industries. In healthcare, it's used for the initial analysis of health reports, drug discovery, early detection of breast cancer, and analysis of X-rays, MRIs, and CT scans. In agriculture, AI aids in yield prediction, soil health analysis, and crop growth monitoring. The finance sector benefits from AI through KYC documentation and fraud detection, identifying outliers in credit card transactions based on geography, transaction value, time, and month. In retail, AI enhances inventory management and employs camera AI detection to analyse customer movement and body language within stores."

Environmental impact

Balancing AI growth with sustainability goals is critical. "Energy-efficient data centres and sustainable practices are essential to mitigate the environmental impact of AI infrastructure." Tech companies are increasingly setting carbon-neutral goals to align AI development with environmental objectives. "Promoting energy-efficient data centres and sustainable practices will help balance AI growth with environmental sustainability," he emphasises.

R&D and Innovation

India hosts Microsoft's largest R&D operations outside the US, significantly influencing local innovation and AI development. "India could become the largest R&D hub with its resource pool," Rathi notes. Indian engineers and developers are key players in global AI projects, often being top contributors on platforms like GitHub. "Their collaboration with global teams is instrumental in advancing AI adoption and innovation," he says.

Long-term vision

These developments are running in tandem to India's plan for sovereign AI, first discussed by Minister of State for Electronics Rajeev Chandrasekhar, with government promises that India's own AI project will not compete with this large scale investment of private AI.

India's advancements in AI and infrastructure will enhance its position in the global market. "India's growing AI capabilities provide competitive advantages, such as cost efficiency, innovation, and improved operational processes," Rathi states.

The future of AI in India remains promising. "The potential for AI to drive business and economic growth is immense," Rathi concludes. "Large clients are strategically positioning themselves to leverage AI, recognising its value in enhancing business operations and competitiveness. AI can make businesses efficient across all sectors, and we are increasingly looking at opportunities to leverage AI for business use cases."

Japan: The singular economy



MAREK LEHOCKY

CEO and Founder,
Kreston Proworks,
Japan



Japan's results in the interpreneur report set it aside from most countries. Understanding the culture is key to doing business there effectively. We explore some of the more surprising results of the report with Marek Lehocky, CEO of Kreston Proworks, Japan, and use his experience of doing business in the country to understand the results.

Global expansion

Only 59% of Japanese SMEs expect an increase in overseas expansion within the next year, a figure significantly lower than the global average of 86%. Preferred expansion regions include neighbouring

markets in South Asia (38%) and North Asia (30%), with North America (28%) and Western Europe (18%) also on the radar.

Lehocky explains that "Compared to regional peers, Japan is showing greater caution towards global expansion and growth patterns, likely tied to domestic labour and economic pressures."

Challenges in Global Mobility

The path to international success can be fraught with challenges. Japanese SMEs cite finding local partners (30%), understanding complex compliance

requirements (30%), and adapting logistics (29%) as their biggest hurdles. These obstacles highlight the critical need for local expertise.

Lehocky stresses the importance of collaboration with local partners, stating, "For those entering into the Japanese market, this report highlights the importance of working with a local in-bound specialised partner who can bridge the regulatory, cultural and commercial forces to ensure a productive entry into a dynamic market."

A different viewpoint

The survey reveals interesting divergences

between Japanese entrepreneurs and their global peers:

- Cybersecurity: 38% of Japanese respondents see cyber threats as a significant risk.
- ESG Priorities: Only 19% prioritise ESG, compared to a global average of 37%.
- Access to Capital: Japanese SMEs are less likely to use private investment (21% vs. 47% globally) or venture capital (23% vs. 43% globally).
- Global Tax Confidence: A mere 9% feel extremely confident about understanding international tax rules.

- AI Preparedness: 21% do not feel prepared to harness AI within the next two years.

Despite these cautious perspectives, Lehocky identifies clear opportunities: "For those that have expanded internationally or are looking to enter Japan, the benefits are evident. Japan offers strong market growth opportunities and several competitive advantages for businesses operating in the region."



Australia shakes up multinational tax

Australia's tax system needs major reform and one of the key changes is making multinationals pay their 'fair share' of tax.

Australia's tax system is going through much needed reform. Critics say it simply cannot deal with multinational trade, increasing global competition for investment, the internet and the digital economy. It has also been criticised for being unfair, and one of the first areas that the government has focused on is multinational taxation.

On 27 March 2024, Treasury Laws Amendment (Making Multinationals Pay Their Fair Share - Integrity and Transparency) Bill 2023 completed its passage through Federal Parliament. This Bill contains the amendments to introduce a new thin capitalisation regime that will apply to most companies for income years commencing on or after 1 July 2023. It will officially become law when the Bill receives Royal Assent.

The Bill aims to strengthen Australia's thin capitalisation rules to combat what the government considers to be excessive debt deductions eroding the domestic tax base. It will limit the amount of debt used to fund Australian operations or investments and disallow debt deductions when debt used to fund Australian assets exceeds certain limits. It applies to most multinational businesses operating in Australia with at least AUS\$ 2 million in debt deductions.

The Bill will affect Australian entities investing overseas and their associate entities; foreign entities investing in Australia; Australian entities with certain overseas operations and their associate entities; Australian entities that are foreign controlled; and foreign entities with operations or investments in Australia.





Delays to the bill have meant that the new tax regime has been enacted only months prior to the income year to which it applies. Companies with a 30 June year-end had less than eight weeks to restructure their debt arrangements.

Regardless of year-end, this will create a lot of work for clients. Organisations will now have an obligation to trace and document the use of all related party loans to assess whether they are used for ineligible debt creation purposes. It may be worth restructuring debt, such as using working capital for ineligible debt creation purposes.

Clients will also need to satisfy their auditor that their interest expense does not give rise to a permanent tax difference. All companies need to take tax advice and at a minimum build a new thin capitalisation model, as 2024 tax return forms will require disclosure of the thin capitalisation method chosen and applied.

It cannot be underestimated how complex and challenging it will be to apply the new rules to such a wide variety of companies. It is going to require consultation with technical accounting and banking experts, and for some, the road to compliance will be a bumpy one. Some organisations may find themselves in a situation where genuine commercial arrangements result in debt deduction denials. Any uncertainty in tax positions that may require disclosures in financial accounts will have to be actioned as soon as possible.

The Bill requires the government to undertake a review of the thin capitalisation amendments to commence no later than 1 February 2026. This will provide an opportunity to assess the impact of these changes, including whether the amendments have had any effect on Australia's ability to attract foreign investment.

Australia is considered a very attractive option for foreign direct investment (FDI) by many companies across the globe, with a high ranking on the FDI confidence index in 2024, according to Statista. Foreign economies had a total of US \$4.7 trillion invested in Australia at the end of 2023.

While mining and energy still attract the lion's share of investment, the technology sector is booming. Treasurer Jim Chalmers has said he wants to see tech companies pay their fair share of tax, and a recent tax victory over royalties will have major implications.

The Federal Court of Australia on November 30, 2023, ruled in favour of the Australian Taxation Office in a dispute with PepsiCo. The ATO argued that certain portions of the payments made in relation to bottling agreements were royalties and so were subject to royalty withholding tax. It was also ruled that diverted profits tax would apply.

This is the first time a court has considered Australia's diverted profits tax since its introduction in 2017. Multinationals will now come under increased scrutiny of embedded royalties that arise from intellectual property use and there may be possible changes to tax treaty interpretation.

It is clear that both indigenous and foreign multinationals will have to be rigorous in their reporting and will need a lot of outside help to ensure they do not fall foul of the new tax regime. If the Australian government wants to make large corporations the villain, companies have to make sure their reporting is as transparent as possible.

If you need any support with your obligations under the new tax bill in Australia, we have two firms who can supported you listed on p37; Kreston Stanley Williamson in Sydney and Mclean Delmo Bentleys in Melbourne.

Breaking into Southeast Asia's Tiger economies

Southeast Asia presents a wealth of opportunities for businesses looking to expand their global footprint. The region's economic growth, large consumer base, and strategic location make it an attractive destination for companies worldwide.

However, entering the top six Southeast Asian markets—Indonesia, Vietnam, Thailand, Malaysia, Singapore, and the Philippines—also brings several challenges for incoming businesses.

Challenges

Regulatory and compliance challenges

Southeast Asia's complex and frequently changing regulatory environments can be challenging for new entrants, with each country having its own set of regulations. Bureaucratic delays and corruption can add to the complexity, increasing operational costs and legal risks.

Overconfidence among businesses expanding into Thailand regarding their understanding of the country's tax compliance requirements is a risk that should be managed. The complexities of Thai tax regulations, including transfer pricing and VAT, present significant challenges, often leading to misunderstandings and resulting in financial penalties and operational disruptions.

It is critical for multinational businesses to seek comprehensive local tax advice from experienced

advisors to ensure robust compliance mechanisms to ensure these regulatory complexities do not impede your route to market.

Infrastructure and logistics issues

Infrastructure quality varies significantly across Southeast Asia, with underdeveloped transportation, logistics, and utilities hindering supply chain efficiency in some countries. Regional disparities in infrastructure quality complicate logistics and distribution strategies. Understanding where these holes are from on-the-ground experienced advisors is a critical part of your planning before you enter the country.

Intellectual Property (IP) protection

Weak enforcement of IP laws in Southeast Asia can lead to challenges in safeguarding patents, trademarks, and copyrights. High levels of piracy and counterfeiting undermine the competitive advantage of companies relying on intellectual property.

BAYANI LAURAYA

Managing Partner,
Kreston Thailand



The 2024 International IP Index by the U.S. Chamber of Commerce ranks Singapore highest among Southeast Asian countries for its strong IP protection and enforcement. Malaysia, Thailand, and Vietnam show progress, while Indonesia ranks lower due to enforcement challenges and regulatory complexities.

Thailand has improved its IP framework in recent years. In 2022, Thailand amended its Copyright Act to strengthen protection measures. Similar positive changes have been observed in other Southeast Asian countries, enhancing their overall IP landscapes.

Opportunities

Significant Consumer Market

With 88% of the population of Southeast Asia concentrated in the top six markets, the region offers a vast and diverse consumer base. As incomes rise and urbanisation increases, demand for a wide range of products and services is expected to grow significantly.

Market maturity and advancement

Southeast Asia's markets are rapidly maturing, with significant investments in digital infrastructure, technological innovation, and economic reforms. Countries like Singapore and Malaysia have well-developed financial systems and robust legal frameworks supporting business operations. The rise of the digital economy and government initiatives such as Thailand 4.0 enhance industrial capabilities and attract foreign investment.

Digital economy and technology

The rapid digital transformation in Southeast Asia presents vast opportunities in e-commerce, fintech, and digital services. High mobile penetration and growing internet usage drive the digital economy, with investments in digital infrastructure and cybersecurity creating a conducive environment for tech innovation. Initiatives like Singapore's Smart Nation exemplify the region's

commitment to fostering a digital economy.

Mid-market Thai businesses are increasingly prepared to harness the benefits of AI in global operations over the next two years, driven by positive economic recovery and strategic digital transformation efforts. Government initiatives like Thailand 4.0 and collaborations such as the FedEx and Visa alliance, which provide advanced digital tools and logistics support, further enhance their readiness. These factors position mid-market Thai businesses to effectively integrate AI into their operations, improving efficiency and global competitiveness.

Manufacturing and industrial growth

Southeast Asia is becoming a manufacturing hub, attracting global investments due to competitive labour costs, strategic location, and favorable trade agreements. Sectors such as electronics, automotive, and textiles are particularly strong, with countries like Vietnam and Thailand leading in these industries.

Renewable energy and sustainability

Governments in Southeast Asia are investing in renewable energy projects and encouraging private sector participation to meet rising energy demands. Opportunities exist in solar, wind, and biomass energy projects, as well as in sustainable agriculture and green technologies. Thailand's push for a Bio-Circular-Green (BCG) economy and Indonesia's renewable energy targets highlights the region's sustainable development goals.

Both China and India scored high (64% and 44% respectively) in the interpreneur report on the consideration of ESG when expanding internationally being a significant priority, indicating an appetite for ESG aligned businesses in the region.

Recent Investments in Thailand

The surge in investments across various sectors in Thailand over the past 12 months highlights the country's growing appeal as

a strategic destination for global businesses. This wave of investments is a positive indicator of the confidence international companies have in Thailand's economic potential and its commitment to fostering a business-friendly environment.

- **Electric Vehicles (EV) Sector:** Chinese companies like MG, Great Wall Motors, BYD, and Neta have established manufacturing plants and infrastructure to support EV production.
- **Electronics Industry:** Circuit Fabology Microelectronics Equipment Co. and ZYNP Corp have set up new production bases focusing on printed circuit boards and combustion engine components.
- **Digital and Cloud Services:** Alibaba has invested in cloud infrastructure and digital transformation projects, while Tencent has expanded its digital services in Thailand.



- **Infrastructure and Industrial Development:** The Eastern Economic Corridor (EEC) attracts high-tech and industrial investments with generous tax incentives and upgraded infrastructure.
- **Medical Services and Biotechnology:** Significant investments in healthcare infrastructure, such as the Siriraj 5G Smart Hospital project in collaboration with Huawei, enhance Thailand's medical tourism appeal.
- **Renewable Energy and Sustainability:** The Thai government promotes investments in bio-based materials and sustainable industries, with Chonburi hosting significant projects.

Conclusion

Thai businesses are likely to follow their regional neighbours in increasing their investments outside Thailand in the next 12 months as they seek new opportunities, driven by positive economic trends and business sentiments.

A UOB Thailand study indicates that three-quarters of Thai companies are optimistic about their prospects and are prioritising overseas expansion, particularly in markets like Singapore, Vietnam, Malaysia, and mainland China, reflecting a trend of robust cross-border economic activities.

Entering the top six Southeast Asian markets offers significant growth opportunities and the potential for substantial rewards. While there are challenges such as regulatory complexities, infrastructure gaps, and IP protection concerns, these can be effectively managed with proactive strategies and thorough preparation. By leveraging recent investment trends and addressing potential hurdles with careful planning, companies can position themselves for success and tap into the vibrant economic growth of Southeast Asia.

China embraces ESG

ESG take-up in China has surged, as the government uses its influence to make it a priority within state-owned companies. But this does not mean it is an easy sell.



SUSAN LI

VP of Kreston Brighture,
China



There has been a seismic shift toward ESG in Chinese corporate culture of late. Few other countries find the ESG concept dovetails perfectly with government policy, as it does with China's social modernisation goals.

'The carbon goal of improving environmental quality, the focus of rural revitalisation on social equity, and the emphasis of governance modernisation and efficiency, all provide a broad development space and diversified practice methods for ESG practice in China,' said Susan Li, VP of Kreston Brighture. 'Implementing ESG is a practical strategy for more and more Chinese corporates. Meanwhile, ESG outstanding enterprises are more likely to win the favour of investors, which helps to improve corporate financing ability and overall value in the capital market.'

The high rate of state-owned enterprises (SOE) in China means the government is able to force through ESG adoption. The Chinese

government has made ESG compliance a priority and SOEs have to align closely with national strategies and regulations, which can drive their ESG initiatives.

But the way SOEs approach ESG can be very different from their privately-owned counterparts. SOEs are accountable not only to shareholders but also to the government and the public. Their ESG efforts are closely watched by regulators and the general populace, which can result in a stronger emphasis on transparent reporting and accountability in their ESG practices.

They can also afford to have a long term view by focusing on objectives that align with national goals, rather than short-term profit maximisation. The emphasis on aligning with governmental priorities, means that market demand is a long way down the list of considerations. Best of all, they have considerable budgets, thanks to their government backing.

However, this does not mean that ESG is an easy sell within China. 'Some SOEs might experience a slower pace of change in implementing ESG practices compared to private companies,' said Li. 'They often have an established bureaucratic process, and they can be resistant to shifting organisational culture.'

There is also a considerable skills gap within Chinese companies for developing and implementing ESG. Although awareness has increased, many employees and management teams in Chinese companies may still have a limited understanding of what ESG entails and its implications for business operations.

Implementing effective ESG practices often requires specialised knowledge in areas such as sustainability reporting, environmental management, social impact analysis, and corporate governance, which many companies do not have. There is often a difficulty in integrating

ESG considerations into core business strategies and operations, and as regulations around ESG evolve, employees may not have sufficient knowledge of relevant laws and standards.

Effective ESG implementation relies heavily on data collection, analysis, and reporting. Many companies may lack the technical skills necessary to gather, process, and analyse data, and then they may not be able to communicate their ESG strategy to various stakeholders, including customers,

'Implementing ESG initiatives often involves multi-disciplinary approaches and cross-functional teams, requiring strong project management skills,' said Li. 'To address these gaps, it is essential for companies to invest in training and capacity-building programs, bring in external expertise, and foster a culture that values sustainability and social responsibility. Collaboration with ESG consultants and

implementation partners can also help bridge the skills gap and facilitate the effective integration of ESG practices within their operations.'

Implementation partners must understand and address several core demands and needs unique to the Chinese market, according to Li.

'Chinese companies are increasingly subject to government regulations regarding ESG practices,' she said 'Implementation partners must ensure that their strategies align with local laws and guidelines, such as the Green Development Goals and various environmental protection laws.

'Chinese firms are looking to enhance their competitiveness through improved ESG practices,' she continued. 'Implementation partners should help companies leverage ESG as a differentiator in both domestic and international markets.'

The cultural adoption of ESG within Chinese companies is one that partners have to get a handle on right from the start if they want to meet client's needs and have a good working relationship.

'Partners must tailor their ESG frameworks and recommendations to resonate with local business practices and societal norms,' said Li. 'Chinese firms increasingly appreciate the need for a sustainable business model that supports long-term growth. Partners should assist in embedding ESG into overall corporate strategy rather than a standalone initiative.'

It can be quite a cultural shift for partners to get their heads around the concept that the market is not the boss of Chinese companies. But if they can make that alignment with Chinese companies, a booming market awaits them.



Cambodia's new investment law offers tax incentives



The Cambodian government has enacted a new investment law designed to provide substantial benefits to investors, with a focus on tax incentives. This move aims to attract and stimulate investment across various high-potential sectors.

The new law offers tax incentives for the following sectors:

- 1. High-Tech Industries:** Companies involved in innovation or research and development (R&D).
- 2. Innovative or Competitive New Industries:** Enterprises engaged in high value-added manufacturing.
- 3. Global Supply Chains:** Industries supplying to regional and global production networks.
- 4. Electrical and Electronic Industries:** Businesses operating within the electrical and electronics sectors.
- 5. Mechanical and Machinery Industries:** Firms involved in mechanical and machinery production.
- 6. Spare Parts, Assembly, and Installation:** Industries focused on the manufacturing and installation of spare parts.
- 7. Special Economic Zones:** Investments within designated special economic zones.

- 8. Digital Industries:** Companies in the digital technology sector.
- 9. Environmental Management and Protection:** Industries dedicated to environmental protection, biodiversity conservation, and the circular economy.
- 10. Green Energy:** Investments in technology that contribute to climate change adaptation and mitigation.

Summary of Basic Incentives for Qualified Investment Projects (QIP):

QIP investors can choose between two main incentive options:

- Option 1: Income Tax Exemption**
- **Income Tax Exemption:** 3 to 9 years, based on sector and investment activities, starting from the first income.

- **Post-Exemption Tax Rates:** After the exemption period, a gradual tax rate applies: 25% for the first two years, 50% for the next two years, and 75% for the final two years.
- **Additional Benefits:**
 - Prepayment tax exemption during the income tax exemption period.
 - Minimum tax exemption, subject to an independent audit.
 - Export tax exemption, unless restricted by other laws.

- Option 2: Special Depreciation**
- **Special Depreciation:** Accelerated deduction of capital expenditure as per current tax regulations.
 - **Expense Deduction:** Up to 200% of eligible expenses for up to 9 years, depending on sector and investment activities.

- **Additional Benefits:**
 - Prepayment tax exemption for a specified period, based on sector and investment activities.
 - Minimum tax exemption, subject to an independent audit.
 - Export tax exemption, unless restricted by other laws.

Additional Incentives (Applicable to Both Options):

- **Export QIP and Supporting Industry QIP:** Exempt from customs duties, special taxes, and VAT on imports of construction materials, equipment, and production inputs.
- **Domestic-Oriented QIP:** Exempt from customs duties, special taxes, and VAT on imports of construction materials and equipment. Incentives for production inputs will be detailed in future regulations.



KEAT HENG
Kreston Cambodia

Keat Heng
Audit Partner,
Kreston Cambodia



MS. HAING SIVTIENG
Kreston Cambodia

Ms. Haing Sivtieng
Tax & Accounting Partner,
Kreston Cambodia

This legislative development underscores Cambodia's commitment to creating a favourable business environment that encourages technological advancement and sustainable practices.

Kreston Cambodia is accredited by the National Bank of Cambodia to provide banking and microfinance audits. This accreditation reflects the firm's dedication to maintaining the highest standards of financial oversight and support for the country's economic growth.

The Singapore business landscape

HELMI TALIB

Managing Partner,
Helmi Talib,
Singapore



Singapore has long been considered a hospitable environment for businesses, consistently ranking well in the Ease of Doing Business index, published by the World Bank Group.

Efficient, with a well-regulated environment it is often considered the ideal gateway to the broader Asian. The country is frequently perceived as a model of economic stability and innovation, offering a conducive environment for both local and international enterprises to thrive.

We spoke to Helmi Talib, Managing Partner of Helmi Talib, a firm that joined the network in March 2024, to understand more about his experience of running a firm that services the mid-market in Singapore and whether that comes at a cost.

Cost benefit

“While it is true that doing business in Singapore remains high, the costs are offset by the country’s strategic location, robust infrastructure, and business-friendly environment.”

Helmi is clear that the challenge of running an accounting firm in Singapore is no different to running any other small to medium enterprise in the country and shares some advice for businesses to improve business resilience,

“Three strategies have helped us thrive. We offshore a portion of our manpower to an overseas representative office, we have digitalised some of our functions, and we are continuously revisiting our work processes to remain adaptive and competitive.

Smart Nation

Moving to digitalisation is almost inevitable as Singapore drives innovation and change with a “Smart Nation” policy. Touted by officials as a society where technology seamlessly empowers individuals to lead meaningful and fulfilled lives, Smart Nation is changing the business environment. It is designed to create opportunities for all and enhances business productivity, enabling companies to capitalise on the digital economy.

This initiative also emphasises collaboration with international partners to develop digital solutions that benefit people and businesses globally. Helmi notes that accounting, closely aligned with the business community, is embracing the initiative.

“Firms have been keeping their competitive edge by investing in technological advancement that both meets clients’ needs and ensures regulatory compliance.”

Recruitment

As new businesses establish a foothold in the territory, moving key personnel to Singapore is not as easy as it once was, Helmi notes.

“On the contrary, hiring foreign workers has become more challenging. Singapore has rolled out an Eligibility for Employment Pass where foreign workers need to pass a point-based COMPASS (Complementarity Assessment Framework). However, while this new framework poses some difficulties for firms especially SMEs to hire more foreign workers, COMPASS enables us to onboard highly skilled talents and maintain a strong local force, which essentially, is the objective of the new system.”

Transparency

And Singapore never seems to rest when it comes to enhancing transparency and compliance.



“The Accounting and Corporate Regulatory Authority (ACRA) has introduced stricter guidelines on anti-money laundering (AML) and counter-terrorism financing (CTF).”

Additionally, the Amendments to the Accountants Act 2022 were implemented which ensure that accounting firms adhere to stringent guidelines that bolster public trust and uphold the credibility of Singapore’s financial reporting ecosystem.”

In general, Singapore remains consistent in upholding high standards of quality, and compliance through the implementation of rigorous measures governing the overall accounting practice in the country.

Business environment

Helmi feels the business environment is still attractive despite softening economies globally, and the complexities of regulatory compliance and the need for financial transparency have kept clients coming through the door for both assurance and non-assurance services at a steady pace. Helmi warns,

“The main challenge is to find the balance between demand and supply as the industry continues to face talent crunch and high attrition rates, coupled with more stringent rulings. This means assurance services demand remains to be high, as the need for transparency remains.”

It is also worth noting the increase in the need for non-assurance services, such as advisory and consultancy services, particularly in the areas of digital transformation and sustainability reporting.

“As businesses navigate the complexities of technological advancements and environmental regulations, they are seeking expert guidance to ensure compliance and strategic growth. Additionally, forensic accounting and risk management services have seen heightened demand due to the rising focus on corporate governance.”

What next?

With “Smart Nation” as a key economic driver, it is no surprise that the tech industry is one to watch.



“Looking ahead, we anticipate continued growth in the adoption of digital technologies within the accounting industry. Firms will increasingly leverage artificial intelligence (AI) and machine learning (ML) to enhance efficiency and deliver more insightful analyses.”

Although technology is a key domestic issue, as a truly international community, Singaporean business advisors like Helmi Talib still have one eye on the environment. With Europe as a significant trading partner, understanding EU ESG regulations is becoming more critical.

“We expect further regulatory updates, particularly in areas related to environmental, social, and governance (ESG) reporting. These developments will present both challenges and opportunities for accounting professionals, underscoring the need for adaptability and continuous learning.”

Market demands

Helmi feels that the positives of doing business in Singapore, both for his firm and the wider business community, are worth the

extra scrutiny and higher costs. Trade from Singapore into the rest of Asia exceeded US \$600 billion in 2023.

“While the cost of doing business in Singapore remains high, the strategic advantages and supportive policies create a fertile environment for growth. This sparks a huge, upward demand for accounting services.

Amidst a continuous decline in talent and the more stringent regulatory policies in place, the accounting profession continuously thrives along the market’s demands. The industry keeps on evolving by investing in alternatives and exploring the implementation of technology into traditional workflows to navigate the challenges brought about by the ever-changing times.”

Reform: Vietnam's path to growth

Vietnam's business environment is becoming increasingly open and supportive. Since 2014, the government has focused on improving the business climate through consistent reforms.



DUNG NGUYEN HOANG

Partner,
Kreston VN,
Vietnam



However, doing business in Vietnam comes with challenges. "Corruption and bureaucracy remain significant hurdles," says Dung Nguyen Hoang, Partner at Kreston VN. Legal uncertainties and weak enforcement of Intellectual Property Rights (IPR) also pose difficulties. Additionally, businesses face issues with inadequate infrastructure, skill shortages, and language barriers, often needing interpreters and translators.

Vietnamese exporters face specific challenges in accessing international markets. Dung highlights several issues: "Market development, intellectual property protection, financial constraints, competitive pricing, and language and cultural differences are major concerns."

Other challenges include compliance with market access regulations, logistics, quality standards, and trade barriers.

Access to growth finance is another obstacle for Vietnamese companies. "The banking loan market is the primary source of credit, but over 50% of businesses struggle to secure funding," says Dung. Many companies do not meet the credit requirements of commercial banks and lack long-term credit relationships.

Despite these challenges, the Vietnamese government's ongoing reforms are creating a more favourable business environment. Addressing the existing issues will be key to ensuring sustained economic growth and greater international integration.

Key contacts

AUSTRALIA

Kreston Stanley Williamson

Level 1, 34 Burton Street,
Kirribilli,
Sydney,
NSW 2061

info@krestonsw.com.au

McLean Delmo Bentleys

Level 3,
302 Burwood Road,
Hawthorn,
Victoria, 3122,
PO Box 582,
Melbourne

info@mcdb.com.au

BANGLADESH

Howlader Maria & Co.

BTI Armitage,
Level: A8,
House: 77,
Road: 12,
Block: E, Banani,
Dhaka, 1213

info@hmacbd.org

CAMBODIA

Kreston Cambodia

#3D, Street 416,
Sangkat Tumnup Tuek,
Khan Beong,
Keng Kong,
Phnom Penh

partner@krestoncambodia.com

CHINA

Chongqing Diwei CPAs

30/F WTCC Building,
131 Zourong Road,
Chongqing,
400010

info@dwcpa.cn

Dongguan Discran CPAs

5 Floor Hongxi Commercial Building,
23 Guantai Road,
Dongguan City,
523009

Guangdong Hengsheng CPAs

Unit 104, 28 Middle Xinhui Avenue,
Xinhui District,
Jiangmen,
529000

Jiangsu Gongqin CPAs

10/F No.8 Tianshan Road,
New District,
Wuxi,
214028

hongchang_zhang@gqcpa.com

Kreston Brighture

Room 602, Fulin Building,
87 Fuzhou South Road,
Shinan District,
Qingdao, 26000

cpa@brighture.com

Kreston Yida Shenzhen

Floor 5, Block A,
Hao Ming Wealth Plaza,
Xiangmihu Sub District Office Futian,
Shenzhen

wawa.wu@kreston-yida.com

Shaanxi San Qin CPAs

18th Floor Guang Feng International
Plaza,
79 Nan Erhuan Lu,
Xian, 710068

xian.qqcpa@qq.com

Shanghai Hugang Jinmao CPAs

381 Wan Ping Nan Road,
Xuhui District,
Shanghai,
200232

hu_gang@126.com

Guangdong Zhong Tian Yue CPAs

Junyuan Mansion,
Floor 20,
No.155,
Tian He Dong Road,
Guangzhou, 510620

Shanxi Sanco CPAs

22nd floor,
Pingyanglu No.1 Jinmao
International Digital Building,
Xiaodian District,
Taiyuan, 30012

Tianjin Guangxin CPAs

12th Floor,
Zhonghai Plaza,
Hexi District,
Tianjin, 300210

Xiang Hao CPAs

21F International Chamber of
Commerce Tower,
No.59 Jinhu Road,
Nanning, 530028

396540405@qq.com

Zhonghui CPAs

6F UDC Time Mension Tower A No.8
Xin Ye Road Qian Jiang New City
CBD,
Hangzhou City

HONG KONG

Kreston CAC

Rooms 2702-3,
27th Floor,
Bank of East Asia Harbour View
Centre,
56 Gloucester Road,
Wanchai,
Hong Kong

info@krestoncac.com

INDIA

Bhatia & Bhatia

81, Hemkunt Colony,
Level 1110048
New Delhi

info@bnbindia.co

Kreston OPR Advisors

102-103,
Shivani Flats,
Bh. Bank Of India,
Ellora Park,
Vadodara,
Gujarat 390023

admin@kopr.co.in

Kreston Rangamani

Lulu Cyber Tower 2,
Floor 11,
Infopark Campus Kakkanad,
Kochi, 682 042

rema@krestonrangamani.com

Kreston SGCO

4A, Kaledonia,
Andheri Sahar Road. Andheri (East),
Mumbai 400069

info@krestonsgco.com

Kreston SNR

A-15, Second Floor Hauz Khas,
New Delhi, 110016

info@krestonsnr.com

V.K Verma & Co.

Connaught Place,
New Delhi, 110 001

pradeep@vkvermaco.com

INDONESIA

Kreston Indonesia

Intiland Tower,
Floor 18,
Jl. Jend. Sudirman Kav. 32,
Jakarta, 10220

hhes.jakarta@kreston.co.id

JAPAN

ARK

Kowa Building, Floor 6,
1-23-3 Nishi-Shinjuku,
Shinjuku, 160-0023

info@ark-audit.com

Kreston ProWorks

Daiwa Akasaka Building 4F,
2-14-5 Akasaka,
Minato-ku,
Tokyo, 107-0052

info@krestonproworks.com

Yaesu Audit & Co.

17th floor, Kioicho Building,
3-12 Kioicho,
Chiyoda-ku,
Tokyo 102-0094

saito@yaesuaudit.or.jp

KAZAKHSTAN

Kreston Kazakhstan

Office 13,
Zheltoksan street 111A,
Almaty, 050000,

audit@kreston.kz

KYRGYZSTAN

Kreston Bishkek

Toktogula Street 108,
Floor 6,
Bishkek

director@kreston.kg

MALAYSIA

Kreston John & Gan

Unit B-10-8, Megan Avenue II,
Jalan Yap Kwan Seng,
Kuala Lumpur,
50450

assurance@kreston.com.my

NEW ZEALAND

McGregor Bailey

2 Crummer Road,
Grey Lynn,
Auckland, 1021

info@mcgregorbailey.co.nz

PAKISTAN

Kreston Hyder Bhimji & Co.

65 - Amir Building,
The Mall,
Lahore
khlhr@krestonhbco.com

PHILIPPINES

MG Madrid & Company

8862 2F Sampaloc St. San Antonio,
Makati City,
1226
mgm@mgm.com.ph

SINGAPORE

Kreston David Yeung PAC

128A Tanjong Pagar Road,
Singapore,
088535
enquiries@davidyeung.com.sg

First Island Fiduciary Services

20 Cecil Street
#07-03 PLUS,
Singapore,
049705
enquiry@firstisland.sg

Helmi Talib

133 Cecil Street,
#15-02 Keck Seng Tower,
Singapore,
069535
enquiry@helmitalib.com.sg

SOUTH KOREA

Daehyun Accounting Corporation

RM #601, Hanjin Bldg,
169-11, Samsungdong,
Kangnam-Ku,
Seoul, 135-882
philip_woo@daehyuncpas.co.kr

SRI LANKA

Kreston Sri Lanka

Advantage Building, Floors 1 & 2,
74A Srimath Anagarika Dharmapala,
Mawatha,
Colombo, 00700
info@kreston.lk

TAIWAN

Gold-In Consulting Co

6F, No. 40 Tun Hua S. Road
Da-an District,
Taipei, 106
service@atctw.com

Top New & Co.

Fuxing N. Road, No.1,
Floor 14, Songshan District"105
Taipei
tncpaa286@gmail.com

TAJIKISTAN

Kreston AC

10 Pushkina street,
office 207734000,
Dushanbe
info@kreston.tj

THAILAND

Kreston Thailand

Sathorn Nakorn Tower,
#437,
Floor 19-20,
South Sathorn Road,
Bang Rak,
Bangkok, 10500
info@kreston-thailand.com

UZBEKISTAN

Kreston Tashkent
15 Istikbol Street,
Office 14-16100047,
Tashkent

VIETNAM

Kreston VN

Office 14,
2nd Floor,
Building R4 Royal City,
72A Nguyen Trai Thuong Dinh ward,
Thanh Xuan district,
Hanoi
contact@kreston.vn

Kreston NNC

Level 46 Bitexco Financial Tower,
2 Hai Trieu Street,
District 1,
Ho Chi Minh City
kncn@kreston-nnc.com





www.kreston.com

7 BELL YARD, LONDON, WC2A 2JR, UNITED KINGDOM ©2024 KRESTON GLOBAL

Disclaimer: Kreston Global is a global network of accounting firms, each of which is a separate and independent legal entity, and as such has no liability for the acts or omissions of any other member firm. Kreston Global is a company registered in England (No:03453194) and limited by guarantee. Kreston Global provides no services to clients and has no liability for the acts or omissions of any member firm.

Registered office: 7 Bell Yard, London, WC2A 2JR. Where the term Kreston is used, this refers to the individual member firms of Kreston Global.

Kreston member firms are separate, independent firms and are responsible for the professional services they provide.

Kreston operates a globally directed quality review programme covering member firms.

Member firms have access to Kreston Global's training and seminars and can apply to use the Kreston name.

Kreston does not provide professional services in any territory and is not responsible for the services provided by any member firm. No member firm is responsible for the services or activities of any other member firm. Member firms of Kreston may consist of more than one legal entity.

For the purposes of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, only member firms are considered to be part of the Kreston Global Network.