BDO ADVISORY AND BUSINESS SERVICES & OUTSOURCING COMPASS

Navigating value delivery across Deal Advisory, Risk Advisory and Business Services & Outsourcing

JULY 2026

CONTENTS

FOREWORD

The first half of 2026 has been marked by continued uncertainty and transformation in Malaysia and the region. Organisations have navigated a complex landscape shaped by shifting economic conditions, geopolitical conflicts, evolving regulatory expectations, changing investment patterns and unprecedented technology advances. From the widespread adoption of artificial intelligence and increasing cybersecurity threats to more challenging deal and financing environments, businesses are expected to adapt faster than ever before.

Business leaders are being called upon to make critical decisions while balancing growth ambitions with the need for strong governance, effective risk management and sustainable value creation.

This second edition of the BDO Advisory & BSO Compass brings together a collection of thought leadership articles from our specialists across Advisory and Business Services & Outsourcing (BSO). By consolidating these articles into a single publication, it provides readers with a convenient reference to the insights and perspectives they contain. The articles featured in this edition, published between January and June 2026, explore a broad range of topics relevant to the priorities and challenges facing boards and management today. Against an increasingly complex business environment, they offer valuable perspectives and actionable insights drawn from our experience working alongside clients across industries.

Our specialists have contributed to important business conversations through media engagement, offering perspectives on mergers and acquisitions, data privacy, corporate governance, fraud risk management and value creation. Through these engagements, we remain committed to providing practical insights that guide organisations navigate an evolving business landscape.

Continuing our investment in specialist capabilities, we welcomed Judy Tang Pik Ching as Executive Director, further strengthening our Restructuring and Insolvency practice. With extensive experience in debt restructuring, corporate recovery and turnaround strategies, Judy enhances our ability to support clients facing financial challenges, strategic transformations and complex stakeholder environments and position our clients for sustainable growth.

I am pleased to share that BDO Malaysia is now a Microsoft Solutions Partner (Frontier Firm), reflecting the strength of our combined business, technology and industry expertise. Through our Microsoft solutions capabilities, we support clients in delivering business applications, data and artificial intelligence, cloud infrastructure, modern work and governance, helping organisations realise greater value from their digital transformation initiatives. This recognition also builds on our collaboration with BDO India in developing innovative solutions such as our e-Invoice Middleware and CashVue AP & AR automation platform, strengthening our ability to deliver scalable solutions.

At BDO Malaysia, we believe that effective business decisions are driven by a combination of technical expertise, commercial understanding and practical application. Through this publication, we aim to share perspectives that not only address emerging trends but also help organisations respond confidently to the realities of today's business landscape. We hope the insights provide useful guidance and fresh perspectives for your organisation.

As businesses reassess priorities and make the most of available resources, it is often at these moments that independent perspectives and specialist expertise matter most. By partnering with BDO, organisations can focus on the areas where they create the greatest value while relying on our specialists to provide trusted advice and tailored solutions.

DATO' WONG WING SEONG
Head of Advisory & BSO,
Executive Director,
BDO Malaysia

2 Deal Advisory

Deal Advisory Leaders

Corporate Finance

DATO' WONG WING SEONG
Head of Advisory & BSO,
Executive Director,
BDO Malaysia

ENG CHA LUN
Executive Director,
Advisory,
BDO Malaysia

Transaction Services

STEVEN KOH
Executive Director,
Advisory,
BDO Malaysia

IRIS TAN
Executive Director,
Advisory,
BDO Malaysia

Restructuring & Insolvency

MOK CHEW YIN
Executive Director,
Advisory,
BDO Malaysia

BERNARD TAN
Executive Director,
Advisory,
BDO Malaysia

JUDY TANG PIK CHING
Executive Director,
Advisory,
BDO Malaysia

Infrastructure, Strategy & Commercial Advisory

FANG LI WEI
Executive Director,
Advisory,
BDO Malaysia

Deal Advisory | Corporate Finance

Valuation and Its Role in Enhancing Corporate Governance

Introduction

Valuation is a fundamental tool in corporate decision-making, used by stakeholders such as banks, companies, professionals, and regulators in varying scenarios and circumstances. However, the underlying reason remains that of facilitating informed decision making. These circumstances include acquisition/disposal of assets, loan applications, litigation, restructuring or even divorce proceedings.

At its core, valuation is an objective assessment to arrive at an appraised value for a target company or target asset. In its most basic form, a valuation serves to provide the user the valuer's opinion of the value based on facts and information available at the valuation date.

The focus of this article is on valuation in a corporate transaction involving the acquisition or disposal of a company.

In such transaction, valuation assumes a prominent role as one of the check and balance tools for its Board and management to assess the transaction, especially in evaluating the transaction pricing. Based on this evaluation and together with other evaluation factors to be considered, it would assist them to make an informed decision. This reinforces corporate governance as it facilitates thorough deliberation for well informed decisions to be made.

Valuation does not replace the Board's inquiry but it catalyses discussions and adds a broader dimension to the evaluation including the basis of valuation, underlying assumptions and recent comparable transactions. Such robust discussions and deliberations lead to better decisions making and strengthens corporate governance. In a publicly listed entity, this sends a positive signal to investors.

How should the valuation be undertaken?

The credentials of a valuer and the valuation standards or guidelines used plays an important role in a valuation exercise. If the valuer is not competent or does not have the necessary knowledge or experience to undertake the valuation or do not apply applicable international standards or guidelines, it can undermine the valuation's credibility.

The International Valuation Standards Council (IVSC) issues a set of valuation standards entitled International Valuation Standard. IVSC, a not-for-profit organisation whose membership include valuation institutes and regulators sets valuation standards to promote consistency, transparency and professionalism in valuation.

Who should the valuer be?

In Malaysia, the Malaysian Institute of Accountants (MIA) prescribes the International Valuation Standards as a Best Practice Guide, which encourages all members undertaking valuation to comply with these Standards. At the same time, the MIA has also approved the Skills Set to Perform Business Valuation in Malaysia, which draws reference from the Competency Framework for Professional Valuers issued by the International Valuation Standards Council that sets out the minimum qualifications of its members who wish to act as a valuer. In addition to this, MIA members are to comply with its By-Laws (On Professional Ethics, Conduct and Practice) to further strengthen the valuer's independence and qualifications. All of these are expected to instil confidence in valuations undertaken by MIA members that meet the above.

The most important traits of the valuer must be possession of extensive knowledge and experience in valuation and be able to value the subject matter objectively and independently, utilising a set of internationally accepted guidelines or standards in undertaking the valuation.

A valuation by a third-party expert valuer allows the Board of Directors to gain access to an independent opinion, which strengthens the corporate governance process.

For example, in a related party transactions involving a purchase or disposal of an asset/company, independent valuations by an expert independent valuer play a very important role in the decision-making functions as the Non Interested Directors could use these valuations amongst other important reports to deliberate and evaluate the proposed transaction to safeguard the interests of the company and its shareholders.

Conclusion

Valuation is integral to effective corporate governance, adding value to companies engaged in significant transactions.

Given its importance, the role of the valuer remains essential and that it is performed by those that possesses the necessary competency and in compliance with a set of applicable valuation standards.

ENG CHA LUN
Executive Director,
Advisory,
BDO Malaysia

Deal Advisory | Corporate Finance

Why Pre-deal PPA is Essential for Mergers & Acquisition

Introduction

Mergers and acquisitions are often evaluated based on headline metrics such as purchase consideration, projected synergies and the historical profitability of the company being acquired (the **Target**). However, many acquirers only fully appreciate the accounting impact of a transaction after completion, when the purchase price allocation **(PPA)** exercise is performed for financial reporting purposes.

One of the most common post-acquisition surprises is the difference between the Target's reported profits prior to acquisition and the profits that are ultimately consolidated into the acquirer's group financial statements. This difference is frequently driven by the recognition and amortisation of intangible assets identified during the PPA process.

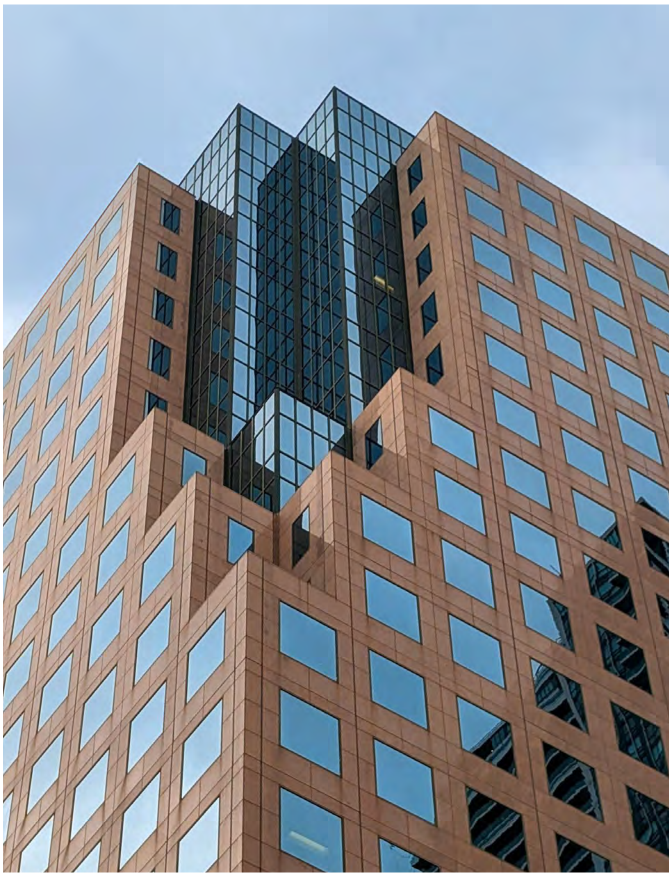
Why PPA Matters Beyond Compliance

Under **MFRS 3 Business Combinations**, an acquirer is required to allocate the purchase consideration to identifiable assets acquired and liabilities assumed at fair value as at the acquisition date. This includes not only tangible assets such as property, plant and equipment, but also **intangible assets** that may not have been previously recognised in the Target's financial statements.

Common examples of identifiable intangible assets include:

- Customer relationships
- Contractual rights or order backlogs
- Brands or trade names
- Patented or unpatented technology

While the recognition of these assets provides greater transparency over the value drivers of the acquired business, it also introduces **non-cash amortisation charges** in future periods, which directly affect consolidated profits.



A Simple Illustration: When PAT Is Not Fully Reflected at Group Level

Consider the following simplified example:

- **Target's Profit After Tax (PAT):** RM10 million per
- annum
- **Intangible asset identified during the PPA exercise:** Customer relationship valued at RM20 million
- **Useful life assessed at 10 years**

Based on this, the annual amortisation expense would be:

RM20 million ÷ 10 years = **RM2 million per annum**

Post-acquisition, the Group's consolidated profit would look like this:

Description	RM million
Target's reported PAT	10.0
Less: amortisation of customer relationships (net of tax)	**(1.5)***
Net consolidated PAT contribution	8.5
*The net impact of RM1.5 million is derived from amortisation of RM2.0 million per annum, less the corresponding tax effect of RM0.5 million.	

Although the Target continues to generate RM10 million in PAT, only RM8.5 million is reflected at the Group level after PPA-related amortisation. This outcome may catch management and boards off guard, particularly when the acquisition was justified based on earnings accretion derived from the Target's reported PAT of RM10.0 million.

Understanding the PPA Impact on Post-Acquisition Profits

Before PPA

Target Standalone Performance
RM 10.0 million

- Operating profits of the Target
- No recognised customer relationships
- No amortisation

This is the profit figure typically relied upon during the deal

What Happens in PPA

Purchase Price Allocation

- Customer Relationships RM20.0 million
- Useful life: 10 years
- Amortisation: RM2.0 million per year

After PPA

Group Consolidated Results

Target's PAT Less:
RM10.0 million
Amortisation (net of tax)
(RM1.5 million)

Net Target's PAT contribute to the Group
RM8.5 million

▼

15% Reduction in reported PAT
(No change in operations)

Why Pre-Deal PPA Matters

- Avoid post-acquisition earnings surprises
- Support informed board and management decisions
- Anticipate post-deal amortisation impact
- Improve clarity in investor and stakeholder communications

Goodwill Is Not the Only Adjustment

Another common misconception is that all "excess" purchase price consideration automatically becomes goodwill. In practice, identifiable intangible assets, such as brand names, customer relationships, order backlogs and contractual rights, are first recognised separately from goodwill during the PPA exercise.
Identifiable intangible assets with finite useful lives are typically amortised over their useful lives, which reduces reported earnings over time. In contrast, goodwill is not amortised but is instead subject to annual impairment testing under MFRS 136.

As a result, two acquisitions with the same purchase consideration and Target profits, but different business or operating profiles, can have very different post-deal earnings outcomes depending on the nature and value of intangible assets recognised during the PPA exercise.

Why This Matters to Boards and Management

As the PPA exercise is performed post-acquisition for financial reporting purposes, the resulting impact on reported earnings may not be fully visible during the deal evaluation stage unless management performs an early assessment of the potential PPA implications. Post-acquisition PPA adjustments can have wider implications beyond accounting:

Impact on Reported Earnings

Transactions that appear earnings accretive based on the Target's PAT may remain accretive post-acquisition. However, the reported earnings contribution may be lower than initially expected once amortisation from recognised intangible assets is taken into account.

Budgeting and Forecasts

Management projections prepared pre-deal may exclude PPA amortisation, leading to variances against post-acquisition actual results.

Dividend Capacity

As dividend capacity and certain financial covenants are often assessed based on accounting profitability, lower reported earnings post-acquisition may affect the Group's ability to declare dividends or comply with covenant thresholds, even if the underlying cash flows of the business remain unchanged.

Investor Communication

Differences between operational performance and reported earnings may require explanation to shareholders and investors.

In many cases, these issues could have been anticipated earlier with better visibility over PPA outcomes.

Benefits of a Pre-Deal PPA Assessment

A pre-deal PPA assessment allows management and boards to understand the likely accounting impact of an acquisition before completion. While preliminary in nature, it provides valuable insights into:

- The expected split between identifiable intangible assets and goodwill
- Indicative amortisation charges post-acquisition
- The difference between Target-level profits and Group-level consolidated profits
- Sensitivity of earnings to changes in useful lives or valuation assumptions

Importantly, pre-deal PPA does not replace the final post-acquisition exercise required under MFRS, but it helps decision-makers avoid surprises and make more informed judgments on valuation, pricing, and deal structure, and better manage expectations of shareholders and other stakeholders.

Balancing Commercial and Accounting Realities

From a commercial perspective, recognising intangible assets does not mean the business is performing worse. In fact, it often reflects the value of its intangible assets e.g. strong customer relationships, contracts, or brands that underpin future cash flows.

However, from an accounting perspective, identifiable intangible assets with finite useful lives must be systematically amortised over their useful lives, and in certain cases may also be subject to impairment assessments. Accordingly, the impact on reported earnings cannot be ignored.

Understanding this distinction early assists the boards and management to:

- Assess the purchase consideration
- Set realistic performance expectations
- Communicate effectively with stakeholders

Conclusion

Purchase price allocation is more than a post-deal compliance exercise. It has a direct and sometimes material impact on post-acquisition earnings, key financial metrics, and stakeholder perceptions.

By considering PPA implications early — particularly the recognition and amortisation of intangible assets and the potential impairment risk associated with goodwill — acquirers can make better-informed decisions, avoid post-completion surprises, and ensure that the transaction delivers value not only in substance, but also in reported financial results.

Given the technical complexity involved in a PPA exercise and the application of financial reporting requirements under MFRS 3 Business Combinations, MFRS 138 Intangible Assets and other applicable financial reporting standards, management and boards should seek advice from professionals with deep technical expertise in the relevant accounting and financial reporting standards, as well as extensive experience in intangible asset valuation.

How BDO Supports PPA Assessments Across the Deal Lifecycle

Navigating the accounting and reporting implications of a transaction requires careful consideration before and after deal completion. BDO Malaysia works with organisations to assess transaction structures, perform valuation and PPA analyses, address financial reporting requirements, and support management teams in managing post-acquisition accounting considerations throughout the deal lifecycle.

ENG CHA LUN
Executive Director,
Advisory,
BDO Malaysia

Deal Advisory | Corporate Finance

LEAP Market 2.0: SC and Bursa Malaysia's Proposed Enhancements

Introduction

The Securities Commission Malaysia **(SC)** and Bursa Malaysia Securities Berhad **(Bursa Malaysia)** had on **18 May 2026** announced the proposed enhancements to the listing rules for Leading Entrepreneur Accelerator Platform of Bursa Malaysia **(LEAP Market).**

The LEAP Market was first launched by Bursa Malaysia in 2017 as an alternative capital-raising platform for micro, small and medium enterprises **(MSMEs)** that allows early-stage companies to access equity financing earlier in their growth cycle. The LEAP Market's intended purpose was to bring together MSMEs and sophisticated investors onto a single platform to create a conducive marketplace to raise funds and a platform for price discovery. The LEAP Market also operates under an adviser-driven, disclosure-based regime with listing requirements that are less extensive compared to the MAIN Market and ACE Market and serves as a stepping stone for companies to transfer to the ACE Market.

The proposed enhancements of LEAP Market announced by the SC **(Proposed LEAP Market 2.0)** form part of a broader effort to improve access to financing for MSMEs and support their growth through Malaysia's capital market ecosystem. The Proposed LEAP Market 2.0 initiative is intended to strengthen the value proposition of the platform to facilitate more seamless fundraising for smaller businesses and mid-tier companies from private to public markets. Currently, the Proposed LEAP Market 2.0 has not taken effect yet and a public consultation paper has been issued by Bursa Malaysia to seek feedback from the public.

	Existing LEAP Market Listing Requirements	Changes under the Proposed LEAP Market 2.0	Remarks
1.	**Who is eligible to invest in LEAP Market?**		
	▶ Currently, all securities offered or issued in conjunction with an applicant's initial listing in LEAP Market must be made to its existing securities holders or sophisticated investors only. ▶ Post-listing, the trading of the shares in LEAP Market companies are limited to sophisticated investors only.	▶ The investor pool for LEAP Market will be expanded to include retail investors. ▶ A retail investor may invest in LEAP Market subject to the following investment limits **(Prescribed Investment Limits)**: • maximum of RM100,000 each in subscription of securities offered or issued in an initial listing of an applicant or a secondary fund raising by a listed corporation • with their participation subject to a total investment limit of RM250,000 at any point in time, including a cap of RM100,000 per issuer in the primary market and RM100,000 per broker in the secondary market. ▶ Sophisticated investors are not subject to the Prescribed Investment Limits.	▶ In the past, trading of the shares in LEAP Market companies was limited to sophisticated investors only. Due to limited pool of market participants, LEAP Market companies have been generally illiquid and have discouraged new listings in the market. ▶ The expansion of investor pool to include retail investors (subject to Prescribed Investment Limits) will increase the market participants in LEAP Market, thus creating a more vibrant and liquid market which makes buying and selling of shares easier. ▶ The increased liquidity will also encourage more companies to raise funds in LEAP Market as promoters now have a better exit opportunity to realise their investments as compared to the past where LEAP Market companies are thinly traded. ▶ The increased liquidity also enables better price discovery on the valuation of LEAP Market companies.
2.	**Disclosure requirements**		
	▶ Currently, all listing applicants in LEAP Market are required to issue an information memorandum based on the prescribed information as set	▶ An alternative disclosure document will be introduced **(Listing Document)**, focusing on a simplified format while retaining essential information required to support informed investment decision-making. ▶ This simplified and structured format is designed to enhance clarity, improve consistency and facilitate greater standardisation across submissions.	▶ The Listing Document (introduced under the Proposed LEAP Market 2.0) is generally a more simplified document which involves lesser disclosure requirements as compared to the Information

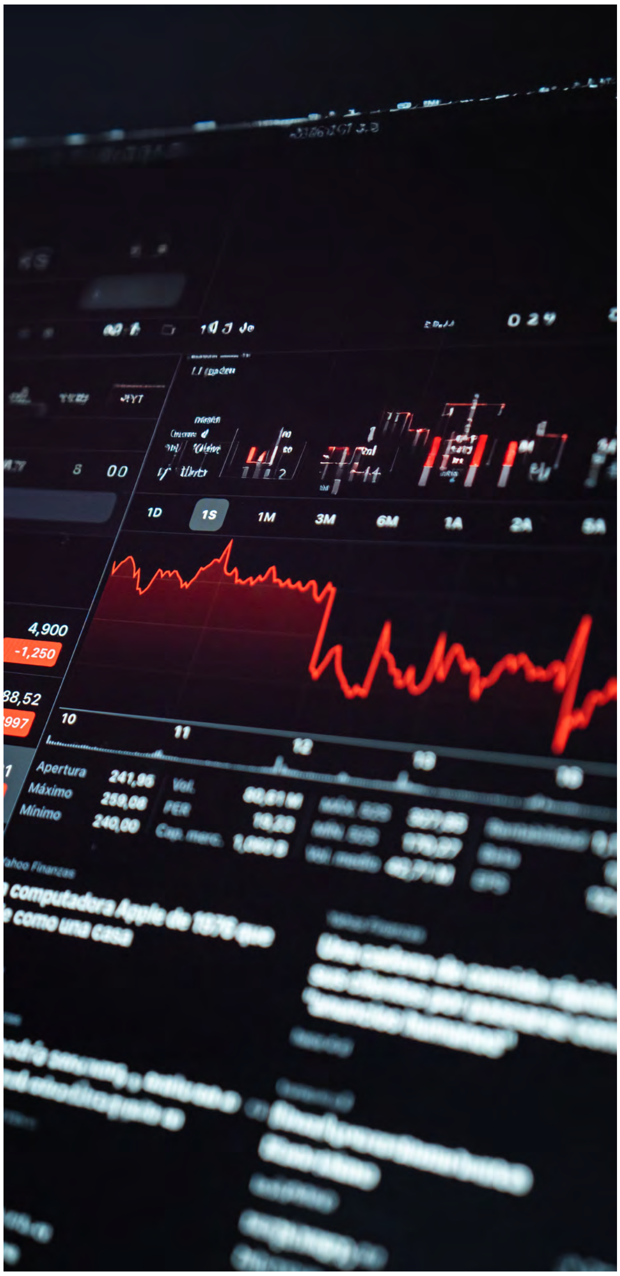
	out in the LEAP Market Listing Requirements (Information Memorandum).	▶ This approach aims to ease access to the market while maintaining the quality and integrity of disclosures for investors.	Memorandum. ▶ The reduction of disclosure requirements is expected to facilitate a lower listing cost.
3.	**Transfer listing from the LEAP Market to the ACE Market**		
	▶ Currently, LEAP Market companies seeking to transfer its listing to the ACE Market is required, among others, to request for a withdrawal of listing from the LEAP Market and offer its shareholders either an exit offer or any other exit mechanism which is equitable to all shareholders.	▶ The existing mandatory withdrawal of listing and exit offer requirements will be removed.	▶ The removal of the existing mandatory withdrawal of listing and exit offer requirements will reduce administrative procedures needed to transfer from LEAP Market to ACE Market, hence, allowing an easier and quicker process for such migration.
4.	**Alternative fundraising pathway for companies listed on equity crowdfunding platforms (ECF Companies)**		
	▶ Currently, ECF Companies are not allowed to apply for direct transfer to LEAP Market.	▶ ECF Companies may apply for admission to the LEAP Market directly based on the following criteria: ▶ it had, within 7 years before the date of submission of its initial listing application: • successfully completed at least 1 equity fundraising exercise on the ECF platform where it was hosted; and • raised an aggregate of RM5 million through ECF platforms which they are hosted or Venture Capital and Private Equity Corporations and Management Corporations **(VC/PE)** firms. ▶ it is suitable for listing on the LEAP Market, having regard to its business and operation, corporate governance record, public interest and adequacy of disclosures. ▶ it has secured the services of a Continuing Adviser for at least 1 full financial year upon its admission to the LEAP Market. ▶ it may only submit its initial listing application to the Exchange after the expiry of at least 6 months from the completion date of its most recent equity fundraising exercise through the ECF platform.	▶ In the past, although ECF platforms were more accessible to a wider investor base compared to the LEAP Market, investments in MSMEs remain largely illiquid, compounded by smaller deal sizes, higher relative transaction costs and fragmented capital-raising platforms with differing fundraising requirements and investor expectations. ▶ The proposed changes allow ECF companies to gain easy access to LEAP Market which is a more recognisable market for ECF companies to enhance corporate profile and visibility.

		▶ Eligible ECF Companies may also submit listing applications without an Approved Adviser, with ECF operators or Venture Capital and VC/PE firms acting as listing agents to liaise with Bursa Malaysia.	▶ The LEAP Market can also act as a stepping stone for ECF companies to grow larger and eventually move to the ACE Market.

Conclusion

The introduction of the Proposed LEAP Market 2.0 marks a significant milestone in the development of Malaysia's capital market ecosystem. By broadening investor participation, enhancing market liquidity, streamlining fundraising and facilitating a smoother transition to the ACE Market, the proposed reforms strengthen LEAP Market's role as a vital growth platform for MSMEs.

These enhancements are expected to improve access to capital, increase market visibility for MSMEs and create a more efficient pathway for business expansion. Ultimately, the Proposed LEAP Market 2.0 has the potential to foster greater entrepreneurial activity, deepen Malaysia's equity market and contribute to the long-term growth and competitiveness of the nation's economy.



How BDO Supports Strategic M&A Decision-Making

BDO Capital Consultants Sdn Bhd (BDOCC), the corporate finance advisory arm of BDO in Malaysia, is licensed by the SC to advise on Corporate Finance and is licensed by Bursa Malaysia as an Approved Adviser for LEAP Market listings.

BDOCC provides the following services:

- Acting as Approved Adviser and Continuing Adviser for new LEAP Market Applicants; and
- Acting as Continuing Adviser for ECF Companies that are seeking admission to LEAP Market.

ENG CHA LUN
Executive Director,
Advisory,
BDO Malaysia

ARTHUR CHENG WEN BIN
Director,
Advisory,
BDO Malaysia

Deal Advisory | Transaction Services

Strategic M&A in Southeast Asia: Financial Due Diligence Amid Geopolitical Uncertainty

Introduction

Mergers & Acquisitions (M&A) activity across Malaysia and Southeast Asia is entering a structurally different risk environment. Heightened geopolitical tensions, policy uncertainty, currency volatility and shifting supply chains are no longer peripheral considerations — they are now core deal variables that directly influence valuation, execution risk and post-close outcomes.

While the region's long-term fundamentals remain intact, the margin for error has narrowed materially. Capital remains available but increasingly selective, with investors and Boards prioritising earnings resilience, cash-flow quality and governance discipline over headline multiples.
Geopolitical developments are now directly influencing regulatory scrutiny, cross-border approvals, trade flows and financing sentiment. In emerging markets, these macro forces transmit rapidly into margins, pricing power, working capital behaviour and covenant headroom, reshaping deal risk in real time.

Under heightened volatility, traditional financial due diligence focused on historical verification is no longer sufficient. What is required is strategic financial due diligence that converts uncertainty into decision-grade insight for valuation, structuring and post-close governance.

Key Due Diligence Risk Focus Areas for Boards

Risk Area	What typically goes wrong	Strategic diligence focus
Foreign exchange (FX) and pricing exposure	Margins erode as currency and cost shocks flow through customer and supplier contracts	Assess pricing mechanisms, currency sensitivity and margin resilience
Working capital volatility	Post-close cash drains from slower collections or inventory build-up	Set a defensible normalised working capital position and early stabilisation actions
Regulatory and compliance risk	Transaction delays or remediation costs emerge after signing	Identify issues early and translate into conditions precedent and deal protections
Customer and supply-chain concentration	Earnings prove fragile under demand or supply disruption	Test concentration risk and downside earnings scenarios
Integration complexity	Synergies are delayed and costs escalate in volatile conditions	Link diligence findings to a realistic and executable integration plan

In a period of heightened geopolitical tension and market volatility, M&A success is increasingly determined by governance discipline. Strategic financial due diligence equips Boards and C-suite leaders with the clarity required to price risk appropriately, structure transactions defensively and execute with confidence—turning uncertainty into a managed, informed decision rather than an unpriced exposure.

How BDO Supports Strategic M&A Decision-Making

BDO supports investors, Boards and C-suite leaders navigate M&A decisions with clarity and confidence by delivering strategic, forward-looking financial due diligence that goes beyond historical analysis. Our team helps structure transactions that minimise risk while keeping upside opportunities and promote robust post-deal governance to protect long-term value. This will enable our clients to be better equipped to manage uncertainty, enabling more grounded valuations, thoughtful negotiations and well-supported investment decisions.

STEVEN KOH
Executive Director,
Advisory,
BDO Malaysia

Deal Advisory | Restructuring & Insolvency

Navigating Financial Distress: Financial Debt Restructuring

Key Takeaways

- Recognition of mismatches between cash flows and debt obligations as well as the need for a restructuring of debts to a sustainable level.
- Open and continued communications between advisers, management, major shareholders and creditors on the status of discussions with potential white knights and the proposed regularisation plan.
- Good working relationship between advisers and all key stakeholders required, including sharing of information and status of matters.
- Early and proactive actions taken (e.g. appointment of advisers and solicitors) to address difficulties faced thus maximising the potential options for a successful restructuring.
- Need for advisers to assist in bridging gaps, providing independent perspectives to stakeholders, and formulating a mutually acceptable solution, culminating in the implementation of the workout proposal.

Economic and industry downturns are inevitable, often placing significant financial strain on businesses. Companies lacking resilience during challenging periods may face financial difficulties which, if not addressed appropriately, may lead to insolvency. For groups or companies that remain fundamentally viable but face temporary mismatches in cash flows, financial debt restructuring should be a primary consideration. Even where certain parts or businesses of a group are not viable, a financial debt restructuring may still be considered alongside other options (e.g. disposal or winding down of value-reducing assets) to maximise returns for stakeholders.

The Challenges and BDO's Role

As a result of the downturn arising from the COVID-19 pandemic, our client faced an unexpected challenge in its business thus being unable to meet the scheduled repayments for its previously restructured debts.

Recognising that there was a mismatch between cash flows and debt obligations as well as the need to right size its debt proportionately to its expected cash flows and repayment capability, our client approached BDO to assist in formulating a workout proposal in relation to its obligations to financial institutions and other creditors, assist them in bridging the gap with major creditors and to communicate or liaise with the White Knight.

Our client was in alignment with BDO in respect of having open and continued communication with key stakeholders to keep them appraised of developments within the client's business as well as options being explored for the debt restructuring. Feedback from stakeholders was also taken on board for consideration and, where possible, incorporated into the final workout proposal.

As there is often a perceived, if not actual, divide between companies and their creditors, there was a need for independent advisers such as BDO to be appointed to provide objective views, bridge any gaps which exist and ultimately devise a workout proposal which is mutually acceptable to all key stakeholders. A workout proposal also requires alignment in relation to, among others, stakeholders' perception of the strengths of the business and sources of repayment, including whether cash flows are able to sustain the proposed or required recoveries, if there will be potential support from major shareholders and if waivers are required.

BDO was then appointed as the financial advisers to formulate a debt restructuring plan for our client and its key subsidiary as well as to work with the client's Principal Adviser with regard to its Practice Note 17 (PN17) status.

BDO thereafter worked in step with the client, key stakeholders and the White Knight to formulate a workout proposal. Feedback for improvement in repayment terms and whether they would be acceptable were sought throughout the process. This involved meetings with key stakeholders and keeping them updated in relation to the progress of the financial debt restructuring.

As our client was facing mounting pressure from creditors, including potential winding up petitions, there was a need to secure legal protection while a workout proposal was crafted. BDO assisted in applications to the Court by the client's solicitors for restraining orders (including extensions) under Section 368 of the Companies Act 2016 (the Act).

The Outcome

The final workout proposal was a "self-rescue" plan based on the business plan agreed between our client and the White Knight. Key highlights:

The workout proposal was a comprehensive solution involving:

- A capital injection from shareholders (including undertakings in relation to subscription of equity issuances by the major shareholder and the White Knight) where some of the proceeds were used to partially repay creditors
- Use of existing cash as partial repayment to creditors; Issuance of equity as part settlement
- Waiver of remaining portions of debts which were not settled
- A regularisation plan to restructure the client's financial position (including improving its gearing, cash position, net asset position and reducing accumulated losses) to regularise its PN17 condition
- A streamlining the client's operations by liquidating, striking off and/or disposing non-core entities

The workout proposal was implemented via proposed schemes of arrangement (SOA) pursuant to Section 366 of the Act, where BDO also assisted in the client's solicitors' application to the Court for:

- An order for meetings of creditors to be convened for the SOAs pursuant to Section 366 of the Act
- Sanction from the Court for the SOA, after it had been approved by the requisite majority of creditors
- The SOAs were successfully completed after all conditions precedents and repayment terms were met
- The holding company is now on track to exit from its PN17 status in the near future

BERNARD TAN
Executive Director,
Advisory,
BDO Malaysia

Deal Advisory | Restructuring & Outsourcing

Early Warning Signs of Financial Distress: Preserving Value Before It Is Too Late

Early indicators of financial distress

1. Erosion of Profitability

A sustained decline in profitability is often one of the earliest indicators of underlying financial pressure. This may present itself through various metrics, including margin compression, rising input costs that cannot be passed on or operating expenses increasing faster than revenue.

Importantly, revenue growth alone cannot be interpreted as a sign of financial health. Businesses can continue to grow their top-lines while simultaneously experiencing a deterioration in underlying earnings quality and therefore potentially accelerating cash burn.

Focus on margin trends over time, variances between forecast and actual performance and whether pressures are cyclical or structural are among the areas which managements should give thought to. If left unaddressed, declining profitability will lead to increased pressure on liquidity.

2. Working Capital Pressures

Working capital is also an important early indicator of financial strain. Two indicators are particularly relevant.

First, lengthening debtor days delay cash inflows and weakens the cash conversion cycle. Second is extended creditor days beyond agreed supplier credit terms. While the latter may have the impact of increasing cash on hand, it typically points to further underlying issues and liquidity constraints.

A prolonged situation can result in strain on supplier relationships, which could spiral downwards from withdrawal of supplies to legal action.
A widening mismatch between receivables and payables cycles should be viewed as a clear warning sign. Even profitable organisations may encounter distress if working capital is not effectively managed.

3. Cash Crunch

Cash is often deemed to be an "unproductive" asset. However, the old adage "cash is king" is especially relevant when it comes to companies in financial distress.

An organisation may appear solvent on paper (e.g. able to pay its liabilities (even if it's on extended credit terms), a positive equity position, etc.) while experiencing cash flow constraints. However, clear warning signs include a consistent trend of declining cash reserves, increasing reliance on short-term funding and difficulty in meeting obligations on a timely basis.

Rolling cash flow forecasts, on a periodic basis and depending on the severity of the situation, e.g. weekly, fortnightly, quarterly, etc., are a key tool for monitoring cash balances and ensuring that any possibility of a cash crunch is identified before it is too late.

4. Deterioration in Creditworthiness

In situations where a company is reliant on external funding, access to funding is both a critical enabler of operations and a key indicator of financial health.

Debt is a key financing option for any business. However, the risk of over-borrowing during the good times is frequently overlooked. Over-leveraging happens across industries and companies of various sizes.

Early signs of credit deterioration or over-leveraging may include tighter lending terms, increased pricing on debt facilities, requests for additional security or reduced availability of new financing. In more critical scenarios, funding may no longer be accessible on commercially viable terms.

Where debt obligations, including difficulties in meeting interest or principal payments, become severe, the options available once again narrow. A common feature of many plans to turnaround a company's fortunes involves injection of capital to strengthen the balance sheet and provision of cash to effect the turnaround. In such a scenario, a weakened credit profile limits the ability to access capital or makes it more expensive.

5. Audit Concerns

Although the external audit process is frequently seen as a matter of compliance, it can nevertheless provide important insights into potential financial issues faced by a company.

Potential warning signs include delays in finalising audited financial statements, modified audit opinions (which may lead to companies listed on Bursa Securities Malaysia Berhad to be classified as Practice Note 17 entities) or an auditor's outright refusal to provide an opinion. These developments should not be dismissed as merely audit opinions as they indicate issues relating to, among others, going concern assumptions, asset valuations and/or financial viability.

6. Market Signals and Share Price Performance

For listed entities, share price movements provide an external, real-time gauge of market confidence.

A sustained decline in share price may reflect investor concerns regarding financial performance, uncertainty around strategy or broader perceptions of increased risk. While market volatility may be influenced by external factors, consistent underperformance relative to peers warrants closer scrutiny.

The above indicators are not exhaustive but are the more common early indicators. They may not, individually, be a cause for concern and can potentially be resolved by an experienced and capable management team which recognises it, especially at the more nascent stage. However, the presence of multiple indicators is a clear warning sign for management to act and if there is an unwillingness to recognise them and act, they will likely have a compounding effect that will only worsen the situation. It is imperative that management teams monitor such indicators and take early actions to preserve optionality and protect value for all stakeholders.

Improving Visibility and Transparency Across Operations

Our Restructuring & Insolvency team comprise experienced individuals who assisted companies in, among others, restructuring of their financial debts and, in unavoidable cases, a managed winding down of operations.

The services which may be relevant include the following.

	Service	How we assist
i)	Business and Financial Review	• Conducting an assessment of a company's financial position and business. • Provide a thorough and objective view of the financial health while identifying areas of concern. • Proactive action where results of review may then be used for, among others, discussions with stakeholders on appropriate actions to be taken.
ii)	Monitoring Accountant	• Conducting periodic review of a company's financial position, with a view of identifying issues affecting the performance. • May either be upon identification of distress signs or after a restructuring. • Proactive action showing a company's willingness to recognise issues faced and to provide stakeholders with information on its performance.
iii)	Restructuring	• If other measures to resolve a company's issues (e.g. cost reductions, inability to reduce debt positions, etc.) are not able to completely resolve difficulties, restructuring may be an alternative solution. • We work with management to, among others, identify areas of concerns, performances of the business(es), determining the level of sustainable debt and projected cash flows. • To ultimately arrive at a proposed restructuring of a company's financial debts, including through a compromise with stakeholders.
iv)	Insolvency	• Late stage of financial distress, where the viability of a company's business is no longer compatible with its financial obligations. • Appointment of professionals to assist in an orderly winding down of the business helps directors minimise the risks of, among others, undue preference or insolvent trading.

How BDO Can Help

Recognising early indicators of financial distress is often the key to preserving value. There is no "one size fits all" solution. BDO Malaysia helps organisations assess their options and implement practical solutions that support business viability.

BERNARD TAN
Executive Director,
Advisory,
BDO Malaysia

Deal Advisory | Infrastructure, Strategy & Commercial Advisory

Capital Structure Optimisation: A Strategic Lever for Capital and Infrastructure Projects

Key Takeaways

- Infrastructure and capital-intensive businesses require carefully designed capital structures to balance long-term funding requirements with stable cash flow generation.
- An optimised capital structure can materially reduce the weighted average cost of capital (WACC), improving project viability and investment returns.
- Financial advisers play an important role in evaluating funding options, benchmarking financing structures against market practices, and identifying opportunities to optimise capital efficiency.
- Early strategic review of capital structure allows sponsors and project owners to proactively manage refinancing risks, covenant constraints and evolving market conditions.
- A structured capital optimisation process, supported by robust financial modelling and stakeholder engagement with the financial institutions and banks can unlock value while ensuring long-term financial sustainability.

Strategic Importance of Capital Structuring

Infrastructure project and capital-intensive businesses require significant upfront investment. These projects are typically supported by gradual cash flow generation over extended concession period or operating lifecycle.

An inefficient capital structure can potentially lead to:

- Higher cost of capital which reduces project viability and impact the overall valuation and investment returns of the project.
- Misalignment between debt service obligations and project cash flows.
- Reduced financial flexibility during period of market volatility or operational stress; and
- Constraints on future expansion or refinancing opportunities.

In most cases, capital structures that were originally designed for the project may become sub-optimal as market conditions evolve, financing costs change or the project transitions from construction to operational phases. For example, when capital markets experience strong liquidity and intense competition among lenders, these market dynamics prompt companies to reassess their existing debt structures and explore refinancing opportunities to secure more competitive financing terms to improve liquidity.

Rather than approaching the original lending institution, companies should approach financial advisers to obtain an independent view on the optimal financing structure. Financial advisers can assist in structuring debt through mechanisms such as syndicated facilities, private placements or capital market issuances. By accessing a broader pool of lenders and investors, companies are often able to create competitive tension among financing providers, which may ultimately result in more flexible financing terms and lower overall borrowing costs.

Challenges in Optimising Capital Structures

Optimising capital structures in infrastructure and capital-intensive projects can be inherently complex due to the risk mitigation among multiple stakeholders, financing instruments and regulatory considerations.

Infrastructure and capital-intensive assets are typically financed through layered capital structures comprising various sources of funding, including promoter/shareholder equity, project finance debt, mezzanine and/or subordinated financing. While such structures often support project development and early-stage financing requirements, they can become less efficient as the project transitions from the construction to operational phases, or as the broader corporate group evolves.

The capital structure challenges that companies may encounter over time include:

Refinancing risk:
As the project matures, the cash flow outcomes may differ from those projected at the time of original financing was secured.

Restrictive loan covenants:
Investors may realise that the original capital structure limits operational flexibility, capital re-deployment and/or the ability to pursue strategic initiatives.

Evolving investor expectations:
As projects transition from development to the operational phase, investors change views about leverage levels, risk allocation and return profiles.

Financing Structures Shaped by Institutional Mandates:
Financing arrangements are typically structured within the respective mandates and risk parameters of the individual lenders. A broader review of the company's capital structure may help identify financing options that would further optimise its overall funding strategy.

How BDO Supports Capital Structure Optimisation

In assisting clients to optimise their capital structure, BDO can do the following:

- **Independent capital structure assessment:**
Acting as an independent adviser to evaluate the company's capital structure holistically across the group and project levels. This includes assessing financing efficiency, identifying opportunities to reduce the overall cost of capital and ensuring that the capital structure remains tax-efficient while maximising long-term value creation.

- **Strategic stakeholder coordination:**
Managing communications and coordination among key stakeholders, including management, financial institutions, investors, legal advisers and other professional parties. Through this process, BDO facilitates alignment among stakeholders and assists in developing an optimal funding strategy tailored to the company's operational and financial profile.

- **Comprehensive financial modelling & analysis:**
Developing detailed financial models that analyse the business at both the project and corporate levels. This enables us to evaluate different capital structure scenarios and provide financing recommendations based on the sustainability of cash flows against the overall financial position of the business.

- **Structuring competitive financing processes:**
Work collaboratively with existing lenders while engaging a broader pool of potential lenders and investors. This may involve syndicated lending arrangements, private placements or other market-based financing structures to enhance competition among financing providers.

More importantly, BDO's capital structuring advisory leverages the broader capabilities of the firm, working closely with specialists across BDO's Tax, Corporate Finance, Transaction Services, Audit and Assurance, and Risk Advisory teams. This integrated approach allows clients to benefit from multidisciplinary expertise, ensuring that capital structuring strategies are commercially robust, tax-efficient and aligned with broader regulatory, financial reporting and strategic considerations.

Illustrative Example: Capital Structure Optimisation Across a Portfolio of Energy Assets

For many capital-intensive projects, promoters develop and operate multiple projects through separate special purpose vehicles (SPVs), each supported by its own project financing structure.

For example, an energy transition developer may invest in a portfolio of assets such as solar plants, wind farms in combination with thermal power plants. During the development phase, each project financed independently through a SPV-level financing arrangement, reflecting the operating nature of the plants. This traditional structure allows lenders to ring-fence project risks when construction and commissioning risks remain significant.

However, once these projects become operational and transition from greenfield to brownfield assets, the underlying risk profile of the portfolio materially changes. Construction risks are largely eliminated, and the projects begin to generate stable and predictable operating cash flows.

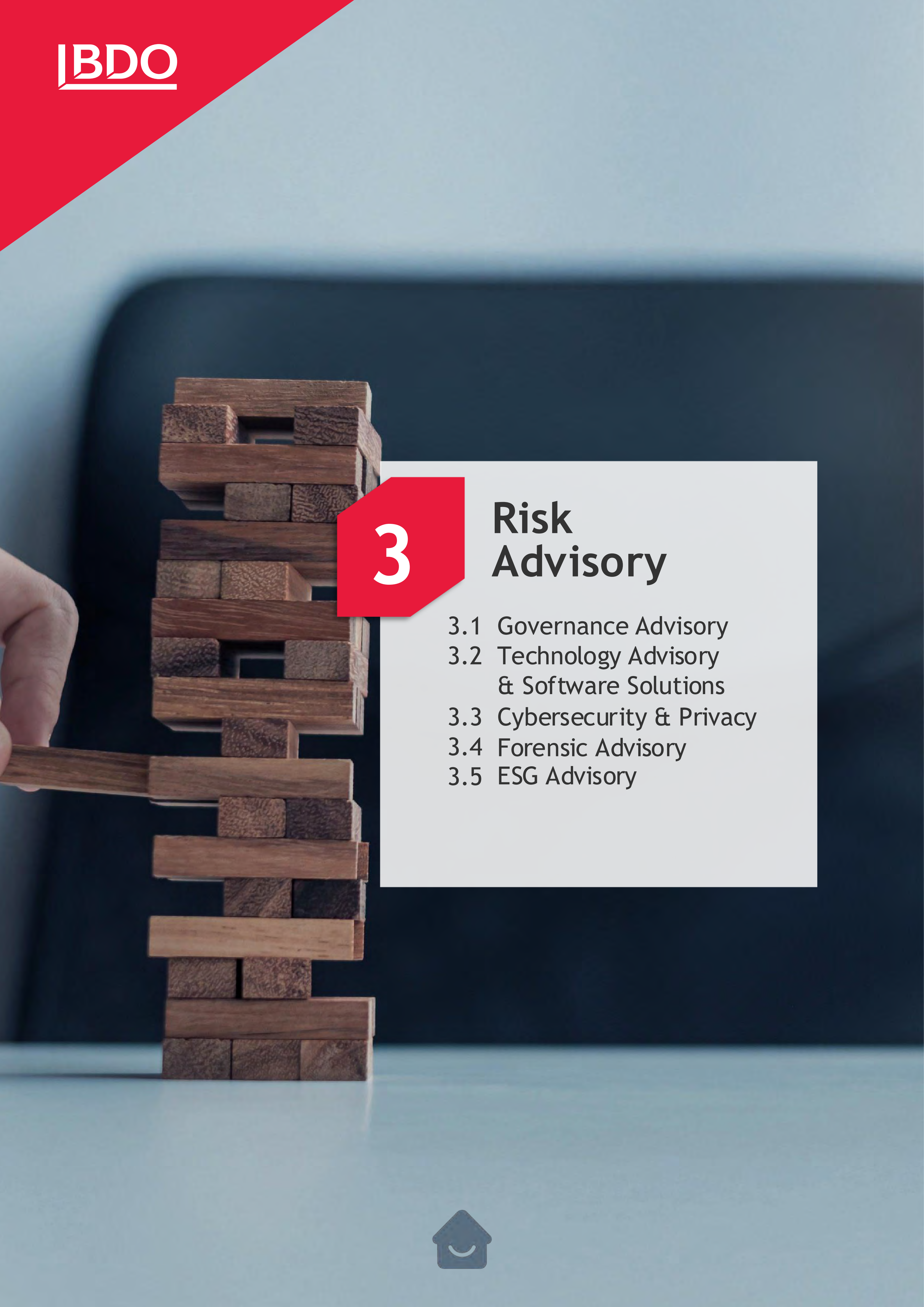
At this stage, companies may explore opportunities to optimise their capital structures at the portfolio or holding company level. Instead of maintaining multiple separate project financings across individual SPVs, it may be possible to refinance the portfolio through a consolidated financing structure at the holding company level.

Such portfolio-level refinancing can unlock several potential benefits, including:

- Capital recycling opportunities where refinancing operational assets may release additional borrowing capacity due to the lower risk of brownfield projects compare to greenfield developments. This can enable companies to redeploy capital into new investments or expansion initiatives while maintaining a sustainable capital structure.
- Improved capital efficiency through consolidation of financing arrangements.
- Enhanced flexibility in managing cash flows across the project portfolio.
- Access to a broader pool of lenders and institutional investors.
- Potential to secure more competitive financing terms as lenders assess the diversified cash flows of the entire portfolio rather than the risks of individual projects.

Through a structured capital structuring exercise supported by detailed financial modelling and stakeholder engagement, investors can evaluate whether such refinancing strategies can enhance the overall efficiency of their funding arrangements while supporting long-term portfolio growth.

FANG LI WEI
Executive Director,
Advisory,
BDO Malaysia



3 Risk Advisory

Risk Advisory Leaders

Governance Advisory

KARTHIGAYAN SUPRAMANIAM
Executive Director,
Advisory,
BDO Malaysia

CHUA LEI YING
Executive Director,
Advisory,
BDO Malaysia

Technology Advisory & Software Solutions

RAYMOND LIM KHOON SENG
Executive Director,
Advisory,
BDO Malaysia

Cybersecurity & Privacy

KESHVIN SINGH
Executive Director,
Advisory,
BDO Malaysia

Forensic Advisory

SHIRLEY TEY
Executive Director,
Advisory,
BDO Malaysia

ESG Advisory

HISHAM ABDUL RAHIM
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Governance Advisory

Value-Added Internal Audit: Enabling Better Decision Making

Introduction

Over the years, Internal Audit (IA) has evolved beyond its traditional role of focusing solely on governance, risk, and compliance. When deployed effectively, it can offer meaningful insights that help businesses operate efficiently, make better decisions, and become more sustainable.

Boards and Audit Committees need to view IA as a trusted partner and not merely as a control function. An independent internal audit function provides a transparent view of how well the organisation is operating and where it can do better.

Why Internal Audit Is Underutilised

Despite its potential, the internal audit is often underutilised due to:

- Being seen mainly as a compliance or fault-finding function.
- Limited collaboration with operational teams, i.e. siloed ways of working.
- Poor follow-through on agreed actions.
- Limited engagement with senior management and the Board.
- Not positioned as a business partner.

To unlock its full value, organisations must shift from retrospective fault-finding and start asking "how can we do this better?"

Role of Internal Audit – Redefined

Traditionally, internal auditors often focus on identifying control gaps or weaknesses and non-compliance with policies and procedures. While this remains important, a value-added approach goes further. It looks at whether processes, systems, and culture are aligned with the organisation's strategic goals.

In practice, this means IA can:

- Evaluate if operations are truly functioning as expected.
- Detect inefficiencies, duplication, and excessive manual work.
- Ensure if roles, responsibilities, and decision-making rights are appropriately defined.
- Identify opportunities for improvement across the organisation.

This approach enables IA to shift from solely providing assurance to assisting management in making informed decisions with regard to its business operations.

Improving Visibility and Transparency Across Operations

A major strength of internal audit is its ability to provide a big picture view across organisational activities. Generally, many organisations rely on high level reporting that does not always reflect what is happening on the ground. To value add, IA should examine the following:

- How activities and transactions flow across processes.
- Are data used for decision making accurate, complete, and timely?
- If activities are consistently executed across departments.
- Whether policies and procedures are applied consistently.
- Does management reporting accurately reflect operational performance?

This insight allows management to understand where gaps exist between intended and actual outcomes.

From Compliance to Strategic Insights

The value of internal audit is not in the number of findings raised, but in how useful and practical those findings are. Value added IA focuses on:

- Distinguishing between one-off control issues and systemic weaknesses.
- Prioritising issues that impact performance.
- Identifying root causes and not just symptoms.
- Communicating findings in a clear and practical way.

This approach transforms audit reports into strategic insights that support lasting improvement.

Oversight and Accountability

Internal audit plays a critical role in ensuring proposed improvements are implemented with clear ownership. This includes ensuring there are:

Agreed ownership of actions and initiatives.

Meaningful performance indicators and monitoring.

Structured follow up processes.

Periodic reporting to senior management and the Audit Committee.

When these elements are consistently followed, organisations are more likely to experience lasting improvements rather than short-term fixes.

How BDO Supports Organisations

At BDO, we believe internal audit should help organisations perform better, not just demonstrate compliance. Our approach focuses on:

- Audit planning that aligns with key risks and strategic priorities.
- Using data to generate meaningful insights.
- Providing practical, business-focused recommendations.
- Maintaining ongoing engagement with management.
- Supporting continuous monitoring and follow-up.

When internal audit is viewed as a value adding function, it becomes more than just a control mechanism. It becomes a driver for stronger governance, better execution, and long-term sustainability.

Find out how BDO's Internal Audit services can help your organisation unlock greater value.

KARTHIGAYAN SUPRAMANIAM
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Technology Advisory & Software Solutions

Embarking and Maturing in Digital Transformation

The Journey and Maturity of Digital Transformation: Why Standing Still Is the Riskiest Move

We are living in the age of Artificial Intelligence. Yet, paradoxically, many organisations are still operating as if technology were a “nice-to-have” rather than a strategic necessity. Across industries, especially among organisations that are not tightly regulated, digital transformation often lags behind. Without a compliance-driven push, technology upgrades are deferred, postponed, or quietly ignored. Systems continue to run—not because they are effective or secure—but because they still “work.” This mindset is more common than many leaders are willing to admit.

The Cost-Saving Illusion

One of the most persistent barriers to digital transformation is the obsession with short-term cost savings. Organisations hold on to obsolete computers, legacy servers, and aging software ecosystems for as long as they can justify their use. The logic is simple: if it's still running, why replace it? But this approach ignores a critical truth— ***cost is not the same as value.***

Outdated technology rarely delivers efficiency. It slows processes, limits scalability, and increases dependency on manual workarounds. Over time, these inefficiencies quietly inflate operating costs. What appears to be savings on capital expenditure often results in higher payroll costs, longer processing times, more errors, and greater exposure to operational risk. In other words, the bill still comes—just in a less visible form.

“Don’t Fix It If It Works” — A Dangerous Strategy

Another familiar refrain in boardrooms and management meetings is: “Don’t fix it if it works.” While this thinking may feel prudent, it is fundamentally misaligned with how modern business environments operate.

Technology does not exist in isolation. It sits at the intersection of cybersecurity, data privacy, customer expectations, regulatory scrutiny, and competitive positioning. Retaining an outdated IT ecosystem does not merely slow the organisation down; it actively increases exposure to cyber threats and data breaches, particularly as obsolete systems no longer receive security patches or vendor support. The risk is not hypothetical. It is cumulative.

Transformation Must Start at the Top

Digital transformation is not an IT project. It is a leadership mandate. For transformation to be effective—and sustainable—it must be driven top-down. Senior leadership must set the direction, acknowledge the reality of technological change, and commit to keeping the organisation aligned with evolving trends.

This begins with three foundational steps:

- **Acknowledgement**
  Leaders must first recognise that technology is no longer a support function—it is a core enabler of strategy, resilience, and growth.

- **Gap Identification**
  Organisations must take an honest assessment of their current-state technology, processes, and skills. Where are the bottlenecks? Where are manual interventions masking system limitations? Where are risks being tolerated simply because "nothing has gone wrong yet"?

- **Effective Budgeting**
  Digital transformation requires intentional investment. Not excessive spending, but purposeful allocation of resources toward systems that improve efficiency, security, and scalability over the long term.

Without leadership ownership, transformation initiatives often stall, fragment, or fail altogether.

The Three Forces That Determine Transformation Success

In any digital transformation—or its failure—three critical factors always come into play.

Although often discussed independently, they are deeply interconnected:

- **People**
  Technology does not transform organisations—people do. Skills, mindset, and change readiness are decisive factors. Resistance to change, lack of training, or unclear ownership can derail even the most well-funded initiatives.

- **Process**
  Automating a broken process only makes inefficiency happen faster. Mature transformation requires rethinking workflows, eliminating unnecessary steps, and redesigning processes to take advantage of digital capabilities rather than replicating old habits in new systems.

- **Technology**
  Tools matter, but only when they are aligned with business objectives. Choosing technology without clarity on use cases, integration, and scalability often results in underutilised systems and frustrated users.

Many organisations fail not because they lack technology, but because the three factors in People, Process and Technology are poorly governed—or worse, treated in isolation.

The Hidden Cost of Staying "As-Is"

One of the most overlooked consequences of retaining legacy technology is its impact on workforce structure. When systems are ineffective, organisations compensate by hiring more people to perform semi-computerised tasks. Manual reconciliations, duplicate data entry, spreadsheet-driven controls, and workaround-heavy processes become the norm.

From Transformation to Maturity: A Practical Path

Digital transformation is not a one-time event. It is a journey toward maturity.

A pragmatic path typically looks like this:

Stabilise the Foundation

Address critical risks—obsolete infrastructure, unsupported systems, cybersecurity vulnerabilities.

Standardise and Automate

Replace fragmented tools with integrated platforms. Automate repeatable processes to reduce manual effort and errors.

Optimise and Integrate

Improve data flow across functions. Enable real-time reporting, analytics, and informed decision-making.

Innovate and Scale

Once the basics are strong, organisations can leverage advanced capabilities such as AI, predictive analytics, and intelligent automation to drive differentiation.

Each stage builds on the previous one. Skipping steps often leads to disappointment and unrealised value.

The Real Risk Is Standing Still

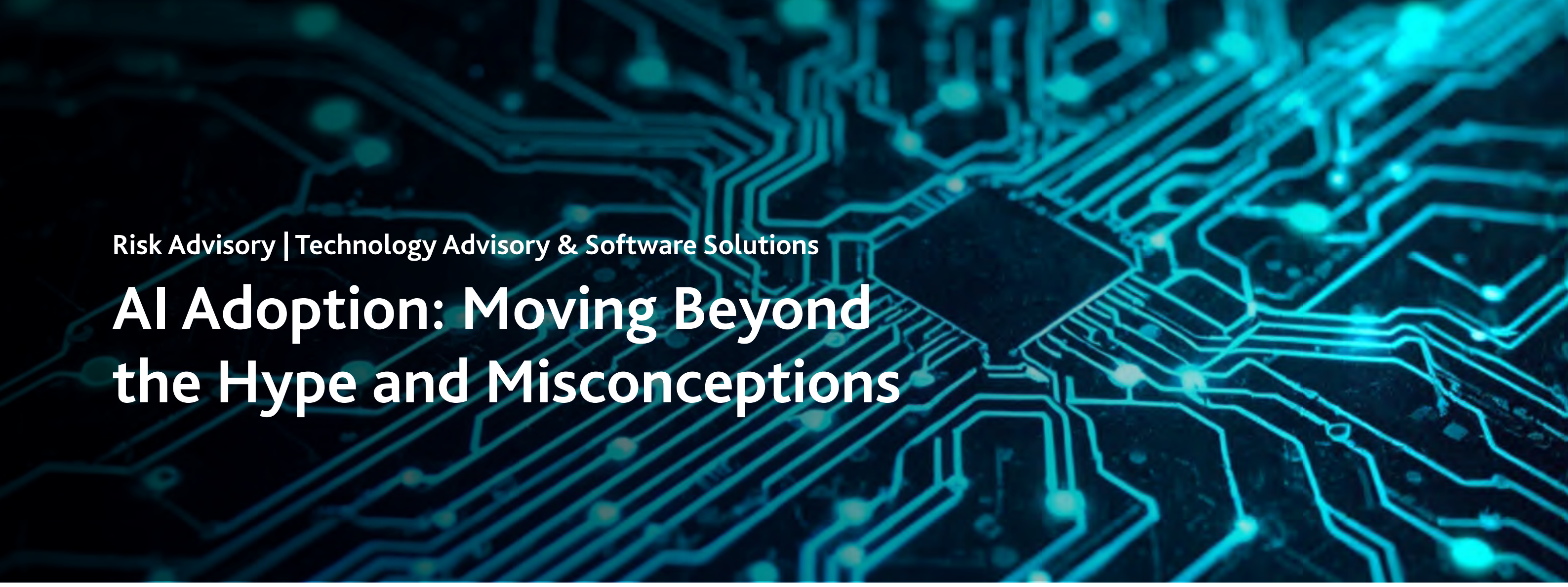
In today's environment, choosing to remain "as-is" is no longer a neutral decision. It is a risk decision.

Non-compliance, cybersecurity exposure, operational inefficiency, and talent frustration are all long-term consequences of failing to keep pace with technological advancement. The question leaders should be asking is not "Can we afford to transform?" but rather "Can we afford not to?"

Digital transformation is not about perfection, nor is it about replacing everything overnight. It is about progress, intentionality, and leadership courage. Organisations that take small but deliberate steps toward modernisation build momentum, capability, and confidence over time. Every system upgraded, every process simplified, and every employee empowered by better tools compounds into long-term resilience.

The organisations that will thrive are not necessarily the most technologically advanced today, but the ones willing to learn, adapt, and evolve. By staying mindful of technological advancements and embracing change as a continuous journey, leaders position their organisations not just to survive the future—but to shape it.

RAYMOND LIM KHOON SENG
Executive Director,
Advisory,
BDO Malaysia



Risk Advisory | Technology Advisory & Software Solutions

AI Adoption: Moving Beyond the Hype and Misconceptions

Introduction

Artificial Intelligence (AI) is no longer a futuristic concept reserved for technology giants and research laboratories. Today, AI is now a central topic in boardrooms, conferences, social media platforms, and daily business conversations. Organisations across industries are actively exploring how AI can transform the way they operate, improve productivity, reduce costs, and enhance decision-making.

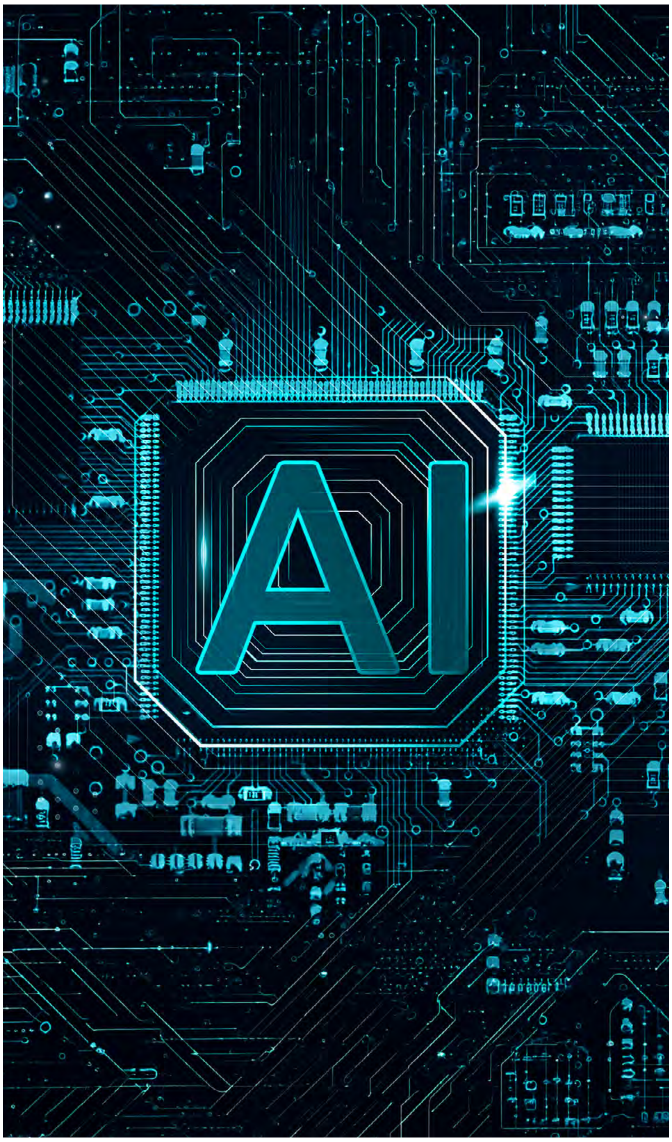
However, the pace of adoption varies across organisations. Those with the right mix of skills, capital, data foundations, and infrastructure can scale AI faster, while others risk falling behind. For leaders, the implication is clear: AI investments must be intentional, secure, and aligned to priority business outcomes to generate meaningful returns.

Understanding the Drivers Behind AI Adoption

The rise of AI has largely been driven by the public's exposure to tools such as ChatGPT, Google Gemini, DeepSeek, [Microsoft Copilot]() and others. These platforms have demonstrated how AI can generate content, analyse information, answer questions, write code, and even assist with complex problem-solving within seconds. Such capabilities have impressed businesses and individuals alike, creating excitement around the possibilities of AI adoption.

At its core, AI relies heavily on data. The intelligence of AI systems comes from their ability to process vast amounts of information, identify patterns, learn from interactions, and continuously improve over time. Common sources of data include publicly available internet information, enterprise databases, operational records, and information provided directly by users during interactions. This ability to learn, adapt, and make decisions based on context is commonly associated with what is now referred to as Agentic AI.

Most users today are highly impressed by their interactions with public AI platforms. The ability to draft reports, summarise documents, analyse trends, and generate ideas instantly has created the perception that AI is capable of solving nearly every business challenge. This growing publicity has also convinced many organisations that AI implementation is no longer optional, but necessary in order to remain competitive.



Balancing Innovation with Trust

One of the most critical concerns surrounding the use of public AI for business purposes is privacy and confidentiality. Public AI platforms often process information through external cloud environments where organisations may not have full visibility or control over how data is stored, processed, or used. Employees may unknowingly upload confidential business information, customer records, financial data, intellectual property, or commercially sensitive documents into public AI systems.

This introduces significant organisational risks, including data leakage, regulatory non-compliance, exposure of confidential information, cyber security concerns, and reputational damage. In heavily regulated industries such as finance, healthcare, legal, and government sectors, improper use of public AI could potentially violate data protection laws and corporate governance requirements. Organisations must therefore establish clear AI governance policies and carefully evaluate how AI tools are being used internally.

3 Strategic Options for AI Adoption

In general, organisations have three strategic options when considering AI adoption:

1. Private AI Environment

Subscribing to a private AI environment offers a more controlled alternative to public platforms. Unlike public AI, private AI solutions provide dedicated environments with stronger data governance, better security controls, and greater confidentiality. This allows organisations to leverage AI capabilities while maintaining control over sensitive business information.

2. AI Integration into Existing Systems

Integrating of AI tools as third-party plug-ins into existing internal systems enables organisations to enhance current business applications such as ERP, CRM, customer service, analytics, and workflow systems with AI-driven functionalities. This enables incremental adoption without replacing the entire infrastructure.

3. AI-Enabled Digital Transformation

The next option would be implementing entirely new systems that are already scoped and designed with embedded AI capabilities. This is often part of a larger digital transformation strategy where AI becomes a core component of future business operations and decision-making processes.

AI as an Enabler, Not a Replacement

Despite all the excitement surrounding AI, one major misconception continues to dominate public opinion — the belief that AI can fully replace humans in all aspects of work. The reality is that AI, while highly capable, is not yet capable of replacing human intelligence, judgement, creativity, emotional understanding, ethical reasoning, and strategic thinking entirely.

Therefore, AI should not be viewed primarily as a replacement for humans, but rather as a tool that augments human capability. Organisations that achieve the greatest value from AI are often those that combine human expertise with AI-driven efficiency.

Strategic Pathways to AI Adoption

For organisations planning to adopt AI, three key steps should be considered.

1. Define Business Objectives & Readiness
Organisations must first identify the business challenges and objectives that AI is intended to address. At the same time, they should assess their organisational readiness, including digital maturity, data quality, infrastructure, governance, and workforce capability.

2. Identify the Right AI Strategy & Use Cases
Businesses should determine where AI can generate measurable value, such as automation, analytics, customer service, or operational optimisation. From there, organisations can select the most suitable AI adoption approach, whether through private AI, third-party integration, or AI-enabled systems.

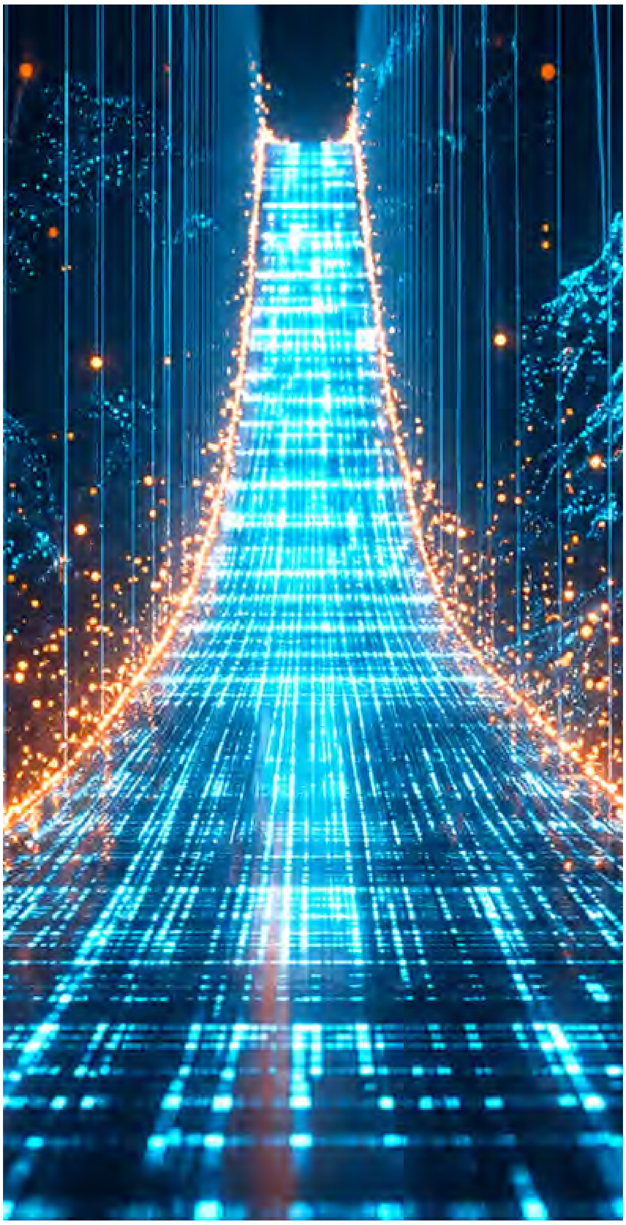
3. Implement, Govern & Enable Adoption
AI implementation should begin with pilot projects and proof-of-concept initiatives to validate outcomes and manage risks. Organisations must also establish proper governance, cyber security, privacy, and compliance controls while ensuring employees are trained to use AI responsibly and effectively.

The Path Forward for AI Adoption

Ultimately, organisations must have strategic reasons for adopting AI. AI adoption should never be driven purely by hype, publicity, or fear of missing out. Instead, the decision must be backed by rationalised business needs, measurable objectives, operational priorities, and long-term value creation.

While AI may be fast and powerful, human judgement, ethics and wisdom remain irreplaceable. As organisations continue their AI journey, the real competitive advantage will not come from replacing humans with AI, but from empowering humans with AI responsibly, strategically, and intelligently.

Ready to move from AI curiosity to a clear, actionable strategy? BDO Malaysia's Software Solutions team helps organisations design and deliver outcome-driven digital strategies that turn AI potential into real business results.



How BDO Supports your AI Transformation

BDO's Technology Advisory team helps organisations design and deliver outcome-driven digital strategies that turn AI potential into business results.

RAYMOND LIM KHOON SENG
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Cyber Security & Data Privacy

Why Leaders Who Lead Privacy Will Win the Next Decade

Introduction

A quiet but significant shift is taking place in boardrooms. Privacy is no longer viewed as a legal obligation; it is emerging as a strategic business priority.

This shift isn't driven only by tougher regulations or higher penalties. It's driven by trust. In a digital economy, trust has become one of the most valuable currencies an organisation can hold. Customers are far more aware of how their data is collected and used. They expect clarity, fairness, and restraint. Organisations that meet these expectations earn more than compliance; they earn the confidence to grow.

That is why privacy is no longer defensive. It is a competitive differentiator. And like any real differentiator, it requires enablement which begins with leadership.

Privacy Has Outgrown Compliance

For years, privacy was managed as a checklist: policies written, notices published, training completed. That model no longer holds.

As organisations digitise, globalise, and adopt advanced technologies, privacy now touches almost every function, including customer experience, product design, marketing, vendor management, analytics, and decision-making. When privacy becomes this embedded, it cannot sit on the sidelines. It must be treated as an enterprise capability, one that reflects organisational values and builds trust at scale. And enterprise capabilities demand direction from the top.

Trust Is a Business Outcome

Revenue, retention, reputation, and long-term growth all rest on trust, particularly in digital environments. When customers trust an organisation with their data, they engage more deeply, adopt new services faster, and stay loyal longer. When they don't, growth slows and every interaction becomes harder.

Trust isn't built through messaging. It is built through consistent behaviour. This means having transparency, accountability, fairness, and respect for individual choice. These behaviours quietly strengthen loyalty and enable sustainable growth.

For leaders, trust must be treated as a tangible business outcome, not a compliance checklist or a soft value.

AI Has Changed the Stakes

The rapid adoption of AI has fundamentally reshaped the privacy conversation. AI depends on data; the same data customers are increasingly sensitive about. Responsible AI cannot exist without responsible data practices. This requires clear understanding of what data is collected, why it is used, how long it is retained, how it moves across the organisation, and how it feeds automated systems.

As AI increasingly shapes customer experience, hiring, financial decisions, and personalisation, even unintended misuse can carry serious consequences. AI strategy without privacy is not innovation. It is unmanaged risk.

This is where leadership becomes essential.

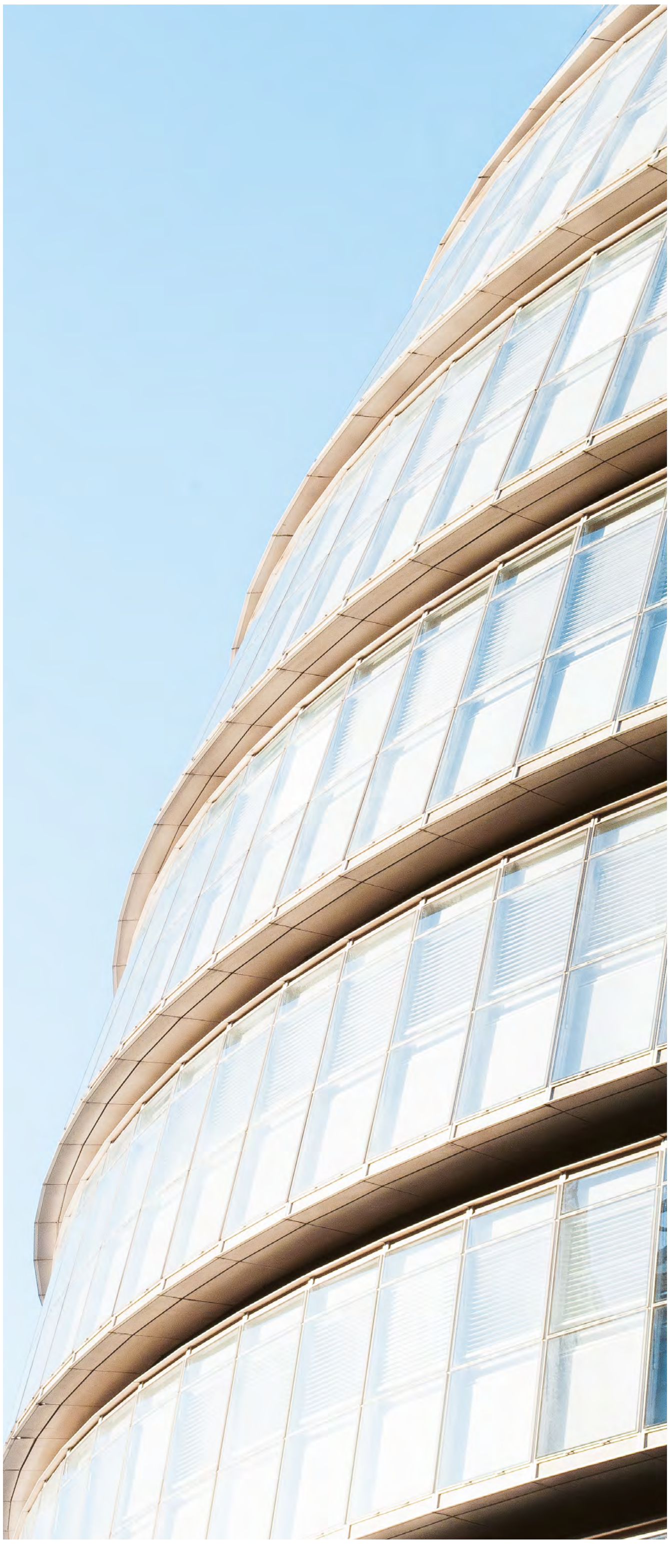
Privacy-by-Design Moves Faster

A common misconception is that privacy slows innovation. In practice, organisations that move fastest are those that embed privacy early. Privacy creates friction only when it is added late. When built-in from the start, it provides clarity and confidence. Clear guardrails allow teams to innovate decisively, launch with fewer disruptions, and operate with alignment rather than fear. Moving from reactive compliance to proactive design is ultimately a Leadership decision.

Privacy Is Now a Leadership Discipline

The organisations that will win the next decade recognise a simple truth; trust is built through responsible use of data, and trust enables growth. Privacy is no longer just legal or technical. It is leadership discipline, a cultural signal, and a strategic advantage through change.

The mandate is clear: lead privacy deliberately, consistently, and visibly. It will deliver something no regulation can enforce and no marketing can buy
— *trust*.



KESHVIN SINGH
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Cyber Security & Data Privacy

The Quiet Beginning of a Cyber Incident

What Leaders Should Be Asking Now

Introduction

Periods of geopolitical tension, economic disruption and wider global uncertainty tend to sharpen cyber risk. When leadership attention is stretched and operations are under pressure, cyber adversaries often see opportunity. Quiet probing increases. Phishing becomes more convincing. Exposed systems are tested. Third-party pathways are explored. Most attempts fail. The ones that succeed may remain unseen for longer than expected.

Most cyber incidents do not begin with alarms. They begin quietly: compromised credential works, a familiar looking connection is accepted, and business carries on as usual. Nothing appears broken. For a while, no one notices.

That is what makes the early stage of a cyber incident so dangerous. The attacker is not yet disrupting operation, they are learning. They observe how systems connect, which accounts carry privilege, and where the organisation is most dependent on technology. By the time systems lock, data disappears, or services fail, the intruder may already understand the environment better than the organisation understands the threat.

Many organisations take comfort in the fact that they have invested in cybersecurity tools. That is necessary, but it is not the same as readiness. Real incidents do not test whether controls exist on paper; they test whether the organisation can recognise that something is wrong early enough to act. The more revealing question is not whether security tools are in place, but how quickly abnormal activity would be identified, responded to and contained.

This is where cyber stops being only a technology issue. Once critical systems are affected, the consequences become operational. Manufacturing slows. Transactions fail. Customers feel the disruption. Reputational pressure builds. What looked like a security event becomes a resilience event. The difference between a manageable incident and a business crisis often comes down to one factor: **Speed of detection.**

The challenge is no longer confined within organisational walls. Modern businesses operate through cloud platforms, managed service providers, software vendors and digitally integrated supply chains.

Every connection improves efficiency, but every connection also extends exposure. Increasingly, attackers look for the weakest point in that wider ecosystem rather than the strongest point inside the organisation itself. In many cyber incidents, the entry point was not the organisation itself, but someone connected to it.

This is where the conversation begins to change. Less about what exists, and more about what is truly understood, validated, and under control today. From that point, the most useful questions are often the simplest and the hardest to answer with certainty.

At this point, leadership teams should now be asking direct questions, less about what exists, and more about what is clearly understood and validated today:

- How often are we testing our ability to detect and respond to real-world attack scenarios, not just reviewing policies or controls
- Which systems, if disrupted without warning, would immediately affect our ability to operate and are we absolutely clear on that today?
- What gives you confidence that we would detect a real attack early, not based on reports, but based on something we've seen work?
- Where are we most exposed right now, and not last quarter, not in an audit report, but today?
- Which external party could create the biggest problem for us if they were compromised, are we aware and how comfortable are we with that exposure?
- Are we relying on the belief that our controls are working or do we have evidence that they have worked when it mattered?

These are not purely technical questions. They go to the heart of operational continuity, governance and leadership judgement. In an environment where cyber threats remain persistent and may intensify when the external world becomes more unstable, resilience depends less on confidence and more on clarity.

If a cyber intrusion began quietly inside the organisation today, how confident are you that you would notice before the attacker decides it is time to act?

KESHVIN SINGH
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Cyber Security & Data Privacy

From Privacy to Protection: Why Cybersecurity is the Backbone of Trust

Introduction

Most organisations today understand privacy. They know they need privacy notices, consent clauses, policies, registers, contracts and regulatory alignment. These are important, but they do not prove that data is protected.

The real question for leadership is now sharper: “Can the organisation protect the trust it is asking for?”

That trust does not sit inside one system or one department. It moves through people, third-party vendors, cloud platforms, digital channels and AI tools. Privacy defines the promise. Cybersecurity determines whether that promise can withstand pressure.

Without strong protection, privacy can look complete on paper but remain fragile in practice. For leaders, this is a question of trust, resilience, governance and accountability.

Why Privacy Without Cybersecurity Falls Short

Privacy and cybersecurity are still often treated as separate areas. Privacy is linked to policies, consent and responsible use of personal data. Cybersecurity is seen as the technical side, covering systems, access, detection, response and recovery. That separation no longer works.

Data no longer moves in neat compartments. It flows through customer platforms, HR systems, finance applications, third-party vendors, cloud services, mobile devices, analytics tools and AI-enabled workflows. Every place where data is in transit, at rest or being processed, is also a place where trust can either be protected or exposed.

Privacy sets the rulebook. Cybersecurity makes the rulebook real. A clear privacy notice and a well-written policy lose strength if access is poorly managed, third-party vendors are not reviewed, systems are not monitored or incidents are handled slowly.

Respecting data is not only about telling people how it will be used. It is also about making sure it is not easily exposed, misused, altered, lost or accessed by the wrong party.

Trust Breaks Faster Than It Is Built

Trust is built slowly through customer service, regulatory relationships, partner confidence and consistent delivery. But one poorly managed cyber incident can weaken that trust quickly.

When sensitive data is exposed, customers will not separate privacy from cybersecurity. They will not ask whether the issue came from a technical control failure, a vendor weakness, poor governance or a process gap. **Their expectation is simpler: my information should have been safe.**

Once that expectation is broken, the issue becomes bigger than data loss. Customers may question whether the organisation is capable. Regulators may question whether governance was strong enough. Partners may question whether the ecosystem remains safe.

This is why cyber risk must be explained in business language. It affects confidence, reputation, continuity, regulatory standing and performance. The bigger cost explains why trust was not protected when it mattered.

Cybersecurity Is Now an Organisation Discipline

Cybersecurity cannot sit only inside the technology function. Technology teams may operate controls, but leadership must own the risk. Cyber incidents now affect enterprise outcomes, not just systems.

The leadership conversation should move beyond asking whether tools exist. Leaders need to ask whether the organisation has visibility, accountability and readiness. Which data is most critical? Which vendors create dependency risk? Who has privileged access? Which processes would fail if systems were unavailable? Who decides in the first few hours?

These are governance questions. They require risk, legal, compliance, operations, procurement, communications, HR and the business to play their part. Cybersecurity becomes stronger when it is treated as a shared organisational responsibility, not a specialist topic owned by one team.

The Risk Has Moved Beyond the Perimeter

The modern organisation no longer has a simple boundary. Cloud platforms, third-party vendors, digital channels, remote access and connected ecosystems have expanded the risk surface. A weakness in one part of the chain can create consequences for the whole organisation.

The stronger approach is to protect data, identity, processes and relationships wherever they operate. The practical issue is visibility. Leaders need to know where sensitive data sits, who can access it, which systems process it, which vendors support it and how quickly the organisation can detect when something goes wrong.

Without visibility, risk is managed by assumption.

Why AI Raises the Cybersecurity Stakes

AI raises the stakes because it depends on data, models, prompts, outputs, integrations and automated workflows. AI can assist decision-making, automate work and personalise services. But if data is not classified, access is not controlled or outputs are not monitored, sensitive information can be exposed or misused.

There is also the issue of automated decision-making and profiling. If AI supports decisions that affect customers, employees or business outcomes, organisations must explain how those decisions are governed, secured and monitored. Responsible AI cannot be separated from privacy and cybersecurity. The systems, data and workflows behind AI must be secured, tested and monitored.

From Prevention to Resilience

Prevention remains important, but it is no longer enough. No organisation can assume every threat will be stopped. The stronger measure of maturity is resilience: can the organisation detect early, respond clearly, recover critical services quickly and communicate in a controlled manner?

A resilient organisation does not wait for an incident to decide what to do. It has already tested decision rights, escalation paths, communication protocols, recovery priorities and regulatory obligations. It knows what must come back first and who must be informed.

This is where leadership and its organisation maturity become visible. A well-managed incident can preserve confidence because stakeholders see control and accountability. A delayed or confused response can create more damage than the incident itself.

Trust Must Be Protected, Not Just Promised

The link between privacy and cybersecurity is now clear. *Privacy defines the promise. Cybersecurity protects the promise.*

An organisation may say it handles data responsibly, but stakeholders will judge whether that responsibility is backed by discipline, visibility and resilience. In today's environment, trust is not only earned through communication. It is sustained through protection.

For leadership teams, the better question is no longer whether privacy policies exist. The better question is whether the organisation can prove that trust is protected across its systems, people, vendors, processes and digital ecosystem.

That is why cybersecurity is now the backbone of trust. Not because it replaces privacy, but because it makes privacy real.

How BDO Can Help

BDO's Cybersecurity and Privacy team helps organisations move from regulatory pressure to lasting resilience, covering Cyber Security Act 2024 and PDPA compliance, critical asset protection, incident readiness, and board-level assurance. To find out how BDO can support your organisation, visit our Cybersecurity & Data Privacy service page.

KESHVIN SINGH
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Forensic Advisory

The Dispute Resolution Two-Step: How Forensic Accountants Complement Lawyers

Introduction

References to forensic accountants immediately bring connotations of investigations into a myriad of financial misdeeds. In reality, forensic accountants play a much wider role, also assisting organisations with preventive or pre-emptive measures to minimise the risk of issues or disagreements arising. In the first of a series of publications on the many ways in which forensic accountants partner with businesses and other professionals, we explore how they complement and support the work of lawyers and, in doing so, assist businesses to achieve the best outcomes when disputes do arise.

An increasing number of complex disputes that arise in the current environment are centred upon financial issues. Whether it involves commercial contract claims, shareholder and partnership fallouts, fraud investigations, matrimonial and estate disputes, construction claims, intellectual property damages, or post-M&A earn-out or warranty conflicts, financial complexity is increasingly the norm rather than the exception. A rapidly growing number of modern disputes are therefore won rarely by legal argument alone — it takes credible narratives supported by evidence, defensible quantification, and disciplined methodology to make and sustain the case. It follows that lawyers are increasingly partnering strategically with or relying on forensic accountants to assist in strengthening the legal team's position.

The field of forensic accounting is a branch of accounting that generally involves the application of specialised knowledge and investigative skills to collect, analyse and evaluate evidential matter, and to interpret and communicate findings. As such, forensic accountants combine accounting, auditing and investigation techniques to analyse financial records to detect errors, discrepancies and anomalies that may indicate acts of non-compliance, fraud, financial crimes or other financial misrepresentations.

This collection of skills, rigour and approach allows forensic accountants to convert financial records into litigation-grade insights, quantify claims and counterclaims, identify weaknesses in opposing positions, and deliver expert testimony that can withstand cross-examination. Beyond trial support, forensic accountants can also play a key role in early case assessment, settlement negotiations, mediation, arbitration, and post-award implementation.

The dispute resolution lifecycle is therefore a complete arena for forensic accountants and lawyers to be in step with each other at every key stage. Here is an overview of how it unfolds:

1. Pre-Action / Early Case Assessment

While lawyers of course excel in legal interpretations, case law and procedural strategy, the forensic accountant can assist with deciphering and translating underlying financial complexities to feed into or support the legal strategy. In doing so, they bridge the gap between the law and the underlying financial matters at hand. They are able to quickly assess whether the financial indicators and irregularities are material and actionable, often by uncovering previously unseen patterns.

By identifying and quantifying financial harm, or through the identification and demonstration of fraudulent schemes, the forensic accountant helps lawyers to draft stronger and more accurate pleadings. Early involvement therefore helps to ensure that legal strategy is grounded in fact-based and defensible financial analysis.

2. Gathering and Preservation of Evidence

The strongest case presented in any dispute is often built upon the paper trail – ledgers, e-mails, bank records, and extracts and reports from financial and operational systems used by the business. The forensic accountant brings to bear knowledge and experience in identifying where the financial evidence can be found, and how to extract, preserve and analyse it.

They assist in determining what documents to request in discovery or subpoenas and, once received, examine these documents to identify data gaps or manipulations such as missing entries, altered time stamps or deleted or altered transactions. The forensic accountant may reconstruct incomplete financial records (especially pertinent to fraud and insolvency matters), and interpret complex financial systems and constructs. Their analysis is key to converting raw financial data and observations into compelling evidence that can be used by lawyers in court or arbitration.

3. Supporting Discovery and Cross-Examination

Knowing which ledgers, sub-ledgers, bank statements, management accounts, tax filings, audit workpapers, emails, and system logs are most revealing is one of the key elements to ensuring that the legal team makes the right requests, asks the right questions and identifies the wrong answers.

The forensic accountant is able to assist the lawyer to craft questions that go beyond surface level issues, and which expose credibility issues without getting lost in technicalities. Inconsistencies in the methodologies of opposing experts can be spotted and probed, as can red flags in opposing party documents or testimony, and always ensuring that complex financial matters are translated into simple, understandable and believable talking points. This ultimately has the effect of strengthening both offensive and defensive strategies.

4. Quantifying Damages with Precision

One of the most critical and common contributions forensic accountants make is in calculating damages – an area that requires both technical expertise and methodological rigour. They employ accepted valuation, statistical, and economic models, ensuring that calculations withstand cross-examination and judicial scrutiny. This is achieved through a combination of selecting the appropriate methodologies and making their approach and assumptions explicit, testable and consistent with the legal precepts of causation, foreseeability and mitigation.

Be it lost profits, business valuations, fraud damages or shareholder disputes, the forensic accountant is able to convert alleged wrongdoing into a defensible monetary claim or rebuttal, complete with mitigating and contributory issues, that may be effectively deployed in settlement negotiations or trial.

5. Credible and Defensible Expert Witness Testimony

As an expert witness, the forensic accountant is able to deliver clear explanations of complicated accounting principles and calculations in a manner that is easily understood by the judge or arbitrator. This is supported by objective and independent analysis, enhancing the credibility of the overall case, and the demonstration of professional scepticism, thus ensuring that their findings are reliable and defensible.

Working together with the lawyer to ensure that their scope aligns with pleadings and legal standards, and that their report is structured to anticipate challenges, the forensic accountant's testimony often becomes the backbone of the financial argument in court or arbitration.

6. Facilitating Effective Settlements and Negotiations

A large and growing number of disputes are settled before trial, or sometimes during trial. The forensic accountant is in a key position to play the role of settlement accelerator as they assist both sides to understand the deeper financial realities behind a claim. This is achieved through providing realistic settlement ranges and scenarios, performing sensitivity analysis to test and demonstrate various claim assumptions, challenging unrealistic demands or unsupported claims and providing financial models that make negotiation more transparent.

The objective and independent perspective brought by the forensic accountant can often help to narrow down issues and drive earlier and more informed settlements, with the added benefit of reducing or avoiding the financial or reputational costs of protracted litigation.

7. Enhancing Compliance, Post-Litigation Remedies and Prevention

Financial issues often continue after judgement or award, with the role of the forensic accountant continuing beyond these points. They can assist with monitoring compliance with court orders, implementing improved or enhanced financial controls, assisting in restitution calculations and also in providing insights for risk mitigation and governance reforms.

In doing so, the forensic accountant can help to ensure that the remedies awarded are properly implemented and sustainable. Equally importantly, they can assist to ensure that the conditions that gave rise to the dispute are not repeated, and that governance and early identification measures are in place to minimise and mitigate the impact of any such event.

Forensic accountants are therefore more than just number-crunchers. They are truly strategic allies who provide legal teams with deep insight, strong evidence, and clear financial narratives that at are at once robust, simple, understandable, credible and defensible. Their involvement improves case preparation, sharpens and rounds out legal arguments, enhances credibility in court, and often leads to more efficient dispute resolution. In a landscape where financial complexity continues to grow, the partnership between lawyers and forensic accountants has never been more critical — or more powerful.

SANJAY SIDHU
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | Forensic Advisory

Fraud Risk Monitoring and Whistleblowing: Why They Matter More Now

Introduction

Forensic services have historically been associated with investigations — mobilised only after fraud, misconduct, or a regulatory breach had already occurred. Many organisations still manage fraud reactively: an issue surfaces, an investigation is launched, and management scrambles to contain the fallout, often with a keen eye on the quantum of loss and the cost of the investigation.

Yet the real cost extends far beyond the financial loss—it includes operational disruption, reputational damage, erosion of stakeholder confidence, and the inevitable leadership question: *"How did we not see this earlier?"*

In today's fast-paced, data-driven environment, that question is becoming harder to justify. In most cases, warning signs already existed—but were not detected in time.

A shift is underway. The Association of Certified Fraud Examiners (ACFE) consistently identifies tips as the leading method of fraud detection, while over half of frauds stem from control gaps or overrides—indicating that the issue frequently lies in control execution, not simply "bad people". As a result, organisations are moving beyond reactive responses toward continuous assurance, integrating proactive **Fraud Risk Monitoring (FRM)** with trusted **Whistleblowing (WB)** frameworks to strengthen early detection, accountability, and organisational resilience.

Fraud Risk Monitoring: From Periodic Reviews to Continuous Visibility

For decades, organisations have relied on internal controls and audit cycles to manage fraud risk. While these mechanisms remain important, they are inherently limited:

- Periodic audits detect issues only after they have occurred
- Sampling methodologies leave significant data unexamined
- Manual processes struggle to keep pace with transaction volumes
- Static controls can be bypassed or overridden

In a business environment where thousands or even millions of transactions occur daily, these approaches are no longer sufficient. Fraud is no longer occasional or obvious; it is faster, more connected, and often disguised within "normal" activity.

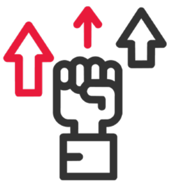
This is where FRM changes the equation: it delivers continuous visibility.

By leveraging data analytics and control signals, FRM provides ongoing, real-time visibility across key risk areas such as procurement, payments, inventory, revenue, and third-party relationships. When effectively implemented, FRM enables organisations to:

Detect anomalies in near real-time

Identify patterns of suspicious behaviour early

Act before issues turn into material losses



Strengthen confidence among regulators, investors, and stakeholders

Rather than relying on policies alone, organisations can demonstrate clear evidence of what was monitored, what was flagged, and how issues were addressed. Done well, FRM functions as a dynamic risk radar, surfacing patterns and red flags that traditional reviews may overlook in high-volume transactional data.

Whistleblowing: The Human Intelligence Layer

If FRM is your radar, WB is your human intelligence network. WB remains one of the most powerful tools for uncovering fraud because it provides something data cannot: human insight.

Yet many WB hotlines underperform because they are implemented as a compliance checkbox. Policies are drafted, reporting channels are introduced, and awareness materials are circulated. However, employees and other stakeholders frequently remain reluctant to speak up due to concerns about retaliation, confidentiality, career consequences, or the perception that reports will not lead to meaningful action.

A hotline without trust is simply a silent system.

An effective WB framework requires:

- Independent and confidential reporting options that whistleblowers genuinely feel safe using
- Clear triage, investigation, and escalation protocols so reports do not disappear into a black box
- Visible protection against retaliation, backed by consequences when retaliation occurs
- Consistent leadership commitment, demonstrated through tone, resourcing, and follow-through

When people trust the system, whistleblowing becomes an early warning mechanism, not just a reporting channel.

If you are looking for a whistleblowing channel, BDO EthicsLine is an independent, confidential online portal built to make reporting safe, accessible, and credible.

How FRM and Whistleblowing Reinforce Each Other

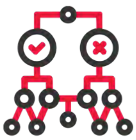
In many cases, whistleblowing systems generate isolated signals rather than actionable intelligence. This is where FRM becomes essential.

When integrated effectively, a whistleblower report becomes more than a tip—it becomes a starting point for targeted, real-time analysis. **For example:**

- **A whistleblower reports suspicious vendor relationships**
  Monitoring tools analyse transaction patterns, pricing anomalies, and payment flows
- **A whistleblower flags unusual payment practices**
  Monitoring detects duplicate payments, approval overrides, or timing irregularities
- **Concerns about conflicts of interest arise**
  Data analytics identify hidden relationships or recurring transactions

This integration enables organisations to:

Validate concerns quickly using data



Identify broader patterns beyond the initial allegation

Reduce investigation time and cost

Strengthen evidentiary support for decision-making

FRM without human input may generate false positives. WB without monitoring may depend too heavily on individuals speaking up. Together, these mechanisms create a more resilient and responsive control environment, enabling organisations to intervene earlier, often before issues escalate into material losses, regulatory investigations, or public crises.

Closing Thought

As fraud risks continue to evolve in scale and sophistication, forensic functions have evolved from being retrospective investigators into proactive risk intelligence resources that support prevention, earlier intervention and better decision-making.

Fraud cannot be eliminated, but it can be detected earlier and managed more effectively. Organisations that combine continuous monitoring with trusted speak-up mechanisms are better equipped to identify issues before they escalate, respond with confidence, and protect both value and reputation.

How BDO Can Help

We support this journey end-to-end: from designing and implementing FRM programmes, to establishing or enhancing trusted WB frameworks that people actually use, and conducting targeted investigations when issues arise.

Our focus is simple: helping organisations spot risks earlier, act decisively, and stay ahead of fraud.

SHIRLEY TEY
Executive Director,
Advisory,
BDO Malaysia

Risk Advisory | ESG and Sustainability Services

Greenhouse Gases (GHG) Emissions: The Next Phase of Reporting and Its Challenges

Introduction

Since 2025, Bursa Malaysia has implemented a multiphase IFRS S1 and S2 sustainability reporting, requiring companies of various sizes to establish robust GHG accounting such that material climate risks, Scope 1–3 emissions, transition plans, and emissions targets are disclosed. BDO Governance Advisory (BDO GA), has assisted numerous organisations in managing this transition, providing specialised expertise, structured methodologies, and tailored resources to assist them on their sustainability journey.

The Challenges that Companies Face in GHG Accounting

Broadly, there are four main challenges that companies face when they embark on their GHG Accounting journey.

Poor data collection and quality

Data is often gathered manually, increasing the risk of errors and fragmentation. Further, information is spread across multiple sources, further complicating the process. For example, different departments may have separate data owners and multiple external suppliers, who may be reluctant to share detailed data or lack the necessary information, which ultimately complicates the process.

Scope 3 emissions challenges

Companies face significant challenges with Scope 3 emissions, which often make up the largest share of their carbon footprint. The main difficulties stem from limited visibility into suppliers' and customers' activities, unclear boundaries of responsibility across complex supply chains, and inconsistent or low-quality emissions data due to varying levels of reporting maturity among suppliers and end-users.

Lack of a single global standard

There is a lack of a single global standard, forcing companies to navigate multiple frameworks such as the GHG Protocol, ISO 14064, GRI, and CSRD. Differences across these standards make it difficult to compare companies, even within the same industry.

Resource gaps in GHG accounting

Companies often face resource gaps in GHG accounting, including the high costs of implementing robust systems and a shortage of skilled personnel, as the field is relatively new and experienced talent is limited and expensive.

Malaysia's GHG Reporting Timeline

Bursa Malaysia mandates that Group 2 listed companies (with a market capitalisation below RM2 billion) must begin their reporting for financial years ending on or after 31 December 2026. Full compliance, including the disclosure of Scope 1, 2, and 3 emissions, will be required by 2027 for Group 1 companies (with a market capitalisation of RM2 billion and above) and by 2028 for Group 2 companies. By 2028, comprehensive GHG accounting is expected to be completed across the entire listed market.

How BDO Governance Advisory Can Support Your Organisation:

BDO GA has supported organisations in navigating the complexities and challenges of GHG accounting. This process includes defining boundaries, identifying Scope 1, 2, and 3 emissions, collecting high-quality data, applying calculation tools, and consolidating results for sustainability reporting and assurance reporting. Our services are provided via access to specialised resources, technical skills, and deep expertise in sustainability practices which enables organisations to strengthen their internal capabilities whilst dedicating valuable time, resources and direct efforts to focus on and manage a clear and actionable sustainability journey plan.

Learn more about our ESG and Sustainability Advisory Services today.

HISHAM ABDUL RAHIM
Executive Director,
Advisory,
BDO Malaysia

KARTHIGAYAN SUPRAMANIAM
Executive Director,
Advisory,
BDO Malaysia

4 Business Services & Outsourcing

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Business Services & Outsourcing Leaders

TANG POH CHOO
Executive Director,
BSO,
BDO Malaysia

EMILY MOK
Executive Director,
BSO,
BDO Malaysia

Business Services & Outsourcing | Payroll Services

Leadership Reflections on ISAE 3402 & ISO 27001: The Payroll Service Provider Perspective

Understanding Compliance and Information Security in Payroll Service

BDO's [Payroll Service] is accredited with ISAE 3402 & ISO 27001

Introduction

In today's digital business environment, payroll service providers operate at the intersection of financial accuracy, employee trust, and data protection. With organisations outsourcing payroll to improve efficiency and reduce risk, they simultaneously entrust providers with sensitive employee information, financial transactions, and compliance obligations.

This growing dependency has elevated the importance of robust governance frameworks. Two globally recognised standards, ISAE 3402 and ISO 27001, have become essential indicators of a provider's maturity, resilience, and reliability. From a leadership perspective, these certifications go far beyond operational requirements. They represent commitment, discipline, accountability and respect for privacy.

ISAE 3402: Ensuring Trust through Control Assurance

ISAE 3402 (International Standard on Assurance Engagements 3402) is a globally recognised assurance standard for service organisations. It focuses on the effectiveness of controls related to financial reporting, providing clients with confidence that their outsourced processes are managed securely and transparently. For payroll service providers, obtaining an ISAE 3402 report signals a commitment to operational excellence, risk management, and regulatory compliance.

From a leadership standpoint, pursuing ISAE 3402 certification is to build trust with clients, differentiate from competitors, and mitigate risks that could impact both the provider and its customers. Recognising this, BDO's payroll service is ISAE 3402 compliant, demonstrating our capabilities as trusted advisors and reliable partners.

"The ISAE 3402 certification reassures our clients that we take control, privacy and governance seriously."

ISO 27001: Safeguarding Information Assets

ISO 27001 is the international standard for information security management systems (ISMS). Its framework enables organisations to systematically manage sensitive data, identify potential threats, and implement comprehensive controls to prevent data breaches.

For payroll service providers, ISO 27001 certification demonstrates a proactive approach to protecting employee data, payroll records, and confidential client information. Leadership teams understand that ISO 27001 is more than a technical specification—it is a culture of security that permeates every aspect of the organisation. Recognising this, BDO has invested in continuous improvement, employee training, and robust incident response protocols. This not only safeguards information assets but also reassures clients that their data is handled with the highest standards of confidentiality and integrity.

"Information security is not just a best practice – it is a business imperative"

The Synergy between ISAE 3402 and ISO 27001

While ISAE 3402 and ISO 27001 address different aspects of organisational risk—operational controls and information security, respectively—they are complementary in the context of payroll outsourcing. BDO has achieved both certifications demonstrating a holistic approach to risk management, combining rigorous process controls with a mature security posture. This proactive stance can be especially persuasive for clients in industries with heightened regulatory scrutiny, gaining assurance from the payroll service provider's validated processes.

BDO recognises that integrating these standards enhances client confidence and loyalty, streamlines compliance with regulatory requirements, and supports long-term business resilience. By aligning operational and security objectives, we can respond effectively to emerging threats, evolving client needs, and increasing scrutiny from regulators.

Conclusion

BDO recognises its ISAE 3402 and ISO 27001 certifications are strategic assets that underpin trust and security. We believe that this leadership plays a crucial role in fostering a culture of compliance and continuous improvement, ensuring that we remain agile and resilient in a dynamic business environment to meet the evolving expectations of clients, driving sustainable growth and success.

"At BDO, we believe that when we champion governance and security, it strengthens how we run the business – providing exceptional client experience."

TANG POH CHOO
Executive Director,
BSO,
BDO Malaysia

BDO Malaysia's Contacts

Kuala Lumpur
Level 8,
BDO@MenaraCenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur, Malaysia

T:+603 2616 2888
E: bdo@bdo.my

Penang
51-21-F,
Menara BHL
Jalan Sultan Ahmad Shah
10050, Penang Malaysia

T:+604 222 0288
E: bdopg@bdo.my

Johor Bahru
Suite 18-04,
Level 18 Menara Zurich
15 Jalan Dato' Abdullah Tahir
80300 Johor Bahru, Malaysia

T:+607 331 9815
E: bdojb@bdo.my

For further information, we welcome you to speak to any of our specialists below:

DATO' WONG WING SEONG
Head of Advisory & BSO
Executive Director
wswong@bdo.my

MOK CHEW YIN
Executive Director
mokcy@bdo.my

BERNARD TAN
Executive Director
chtan@bdo.my

CHUA LEI YING
Executive Director
chualy@bdo.my

EMILY MOK
Executive Director
emilymok@bdo.my

ENG CHA LUN
Executive Director
engcl@bdo.my

FANG LI WEI
Executive Director
fanglw@bdo.my

HISHAM ABDUL RAHIM
Executive Director
hisham@bdo.my

IRIS TAN
Executive Director
iristan@bdo.my

JUDY TANG PIK CHING
Executive Director
judytang@bdo.my

KARTHIGAYAN SUPRAMANIAM
Executive Director
karthigayan@bdo.my

KESHVIN SINGH
Executive Director
keshvin.s@bdo.my

RAYMOND LIM KHOON SENG
Executive Director
raymondlim@bdo.my

SHIRLEY TEY
Executive Director
teysl@bdo.my

STEVEN KOH
Executive Director
stevenkoh@bdo.my

TANG POH CHOO
Executive Director
tangpc@bdo.my