

From the Editor

Welcome to the Spring 2009 Issue of AIP LINK. It is a great honour to be the Editor of this important publication, which serves as part of our on-going dialogue with clients, friends, professionals, regulators and markets, in Hong Kong, mainland China and abroad. We are a CPA corporate practice with five practising directors, established since 1993, and have grown from strength to strength into a now strong team comprising professionals with complementary expertise, ranging from accountants, analysts, auditors, builders, engineers (IT), investigators, journalists, liquidators, surveyors to translators. In this particular issue, our Managing Director will share her vision for 2009 and beyond with us. **Our People** is the key to this practice, and we would like to introduce each of our key members to you starting with the profiles of our five practising directors. In **Technical Forum**, we will bring you updated of certain technical matters. We will take turn to introduce **Our Services** starting with Corporate Recovery in this issue, and there is **Q&A** section addressing questions of various kinds in business. The last part of this Newsletter will include **In the Press** and **Appointments** featuring our media coverage and appointments.

Benny K B Kwok



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Managing Director's Message

Linking with you in 2009 and beyond

It is a great pleasure to present you with the inaugural edition of AIP LINK - the revamped official newsletter of AIP Partners CPA Ltd. AIP LINK is a link with our clients as well as a platform on which we share the latest news on our people, technical issues and best practices. Over the years, our five directors with a combined experience of over 100 years has been providing the full range of professional business services including assurance, auditing, business valuation, China business advisory, corporate communication, corporate recovery and restructuring, due diligence, forensic accountancy, fraud investigation, Japanese business advisory, management consultancy and tax compliance/consultancy.

We insist on a hands-on approach to our work and have always struck at achieving the highest possible standard in today's fast-moving competitive marketplace.

In view of the current global financial crisis, 2009 is a challenging year for us and most of the other parties in the commercial world, our practice will keep on strengthening the scope and depth of services and the global network giving our clients the highest quality of personalized and responsive services through dedicated team work.

We recognize that our success is linked to the prosperity of our clients and the society at large, and we work hand-in-hand with our clients to achieve our common goals of success! I hope you enjoy reading AIP LINK, and I look forward to receiving your feedback. **A**

Linda Yung

The value of businesses has always been one of the most contentious matters in many commercial disputes. Different bases, assumptions and calculations have been put forward, and disagreements between valuation experts often exist in litigation and arbitration.

Benny K B Kwok has written for the Law Society of Hong Kong in the February 2009 issue of its official journal *Hong Kong Lawyer* in connection with business valuation. Benny has outlined the available methodologies for valuing a business, focusing on the complex task of piecing together the available evidence in order to forecast maintainable profits of a business.

Benny has discussed two main valuation methodologies (earning-based and asset-based) and two possible approaches (direct and indirect). In most cases, earning-based methodology via direct approach should be adopted if possible, but the reality has limited many valuations into the indirect approach by making reference to audited financial statements and market-derived data. Maintainable profits of the business in question are assessed following adjustments to the available audited financials and market-derived data.

The final determination of business value depends on numerous factors in addition to maintainable profits, including the definition of the business and its value, the available of appropriate market-derived data, the marketability of the business and the extent of available control over the entire business. It is a complex task and should not be underestimated. **A**



Our People *Directors' Profiles*

Linda Yung is our founder and Managing Director. Having gained decades of experience in the Big-4 firms and multi-national corporations, Linda started this practice in 1993. Linda specialises in audit, assurance, taxation and company secretarial services for a wide range of industries.

K K Kwan specialises in mainland China business advisory and has extensive experience in management consultancy, corporate recovery and restructuring, and liquidation. KK previously worked in the Big-4 firms and has been very active in the local business community.

Thomas Yip is a native Japanese speaker with over 25 years of professional audit and advisory experience, and held senior managerial positions in the Hong Kong and Tokyo offices of a Big-4 firm. Thomas has been serving the Japanese business community for the past 17 years.

C H Yeung has experience in listing engagements, due diligence and corporate transactions. CH previously worked in the Hong Kong Government and is currently a non-executive independent director of a listed company in Hong Kong.

Benny K B Kwok is a reputable expert in the forensic field with three published titles in print worldwide. Benny, also qualified as a Chartered Surveyor and a Chartered Builder, currently holds a number of public and commercial appointments and previously worked in the Big-4 firms and the UK Government.



Our Services

How can Corporate Recovery help you?

In the first paragraph of the Government’s Budget 2009-10, it stated *“The financial crisis triggered by the US sub-prime mortgage problem is the most severe for the world economy since the Great Depression in the 1930s. This once-in-a-century financial turmoil has spread from the financial markets to the real economy, leading to a synchronised global recession. Being a small open economy, Hong Kong will inevitably be hit by the turmoil and our economy will slide into recession.”*

Our Government has forecast a decrease of GDP by 2-3% in 2009. Our economy is in decline, and managing risk is an essential tool integral to investment. At Corporate Recovery, we provide exactly the necessary expertise and services helping multi-national corporations, small-to-medium size enterprises and individuals to ride through the tide (or the tsunami as most of us would like to refer the current financial crisis to). We work closely with creditors and/or key members of the distressed businesses in order to understand and explore the strengths and shortcomings of the situation and/or business model.

We seek to capitalise on the identified strengths as much as the situation warrants and to work out the most practical steps forward to achieving amicable solutions. In many cases, creditors realize that their recoveries can be significantly improved if the distressed business is restructured rather than liquidated.

When such a win-win situation arises, we can be appointed as an independent insolvency practitioner to assume control of the business during an initial period with a view of turning the business around. Various options and recommendations will emerge after the initial period, such as selling the business as a going concern, bringing in new strategic investors, realising all or part of the assets and winding up the company.

In winding up, we understand the interest of all creditors and employees are of paramount significance, and will seek to protect all parties’ interests and to maximize the value of available assets. Over the last many years, we have undertaken several challenging corporate recovery assignments and have offered an integrated range of services to help clients analyse, restructure and turn around businesses that face financial difficulties. Our Corporate Recovery services are broken down into two components - Insolvency Management and Restructuring. We offer solutions and advice to creditors, directors and companies.

We aim to justify one’s trust by listening to one’s needs with care and respect, then using our skills to deliver a smart, cost-effective solution. **A**

Stephen Liu

Q&A

Why does AIP Partners CPA Ltd have journalists and marketing professionals? How can they help the clients?

Figures, no matter how accurate they might be, tell only part of the stories. All our reports to clients are clearly written and well presented without the use of unnecessary jargons in order to put our messages across in the most effective manner. We believe that report writing is one of the key competences defining the value of business professionals in today’s marketplace. Our in-house journalists, reporters and marketers (as Member of the Chartered Institute of Journalists and Certified Practising Marketer) may also help clients in corporate communication with various stakeholders (both inside and outside the corporation) through the drafting of newsletters, mission statements, corporate announcements, press releases, policy manuals and business plans.



In the Press

On 8 February 2009, **C H Yeung** took part in the Standard Chartered Hong Kong Marathon 2009 organised by Hong Kong Amateur Athletic Association and completed the journey within five and a half hours. It was a demanding exercise requiring physical fitness and determination which has always been reflected in our work attitude and environment.



On 19 February 2009, **K K Kwan** spoke on an experience sharing forum at The Hong Kong Polytechnic University as part of the Work-Integrated Education programme organized by the School of Accounting and Finance. KK's participation reflects our commitment of contributing towards the community.

On 18 February 2009, **Thomas Yip** attended a forum "World Financial Crisis and the direction of the Sino-Japanese Relations" hosted by the Japanese Consulate in Hong Kong (with the former Minister for Internal Affairs Mr Heizo Takenaka as a speaker). On 27 February 2009, Thomas participated in a luncheon seminar hosted by the Nanjing Government delegation in Shanghai. All these have demonstrated our exposure in mainland China.

Benny K B Kwok was featured by The Open University of Hong Kong in its *Learning Express* newsletter of March 2009, in which Benny shared his views and experience on the importance of ethics and governance as a key deterrent to corporate frauds and irregularities.

Appointments

Thomas Yip has recently been elected as a Council Member and Director of The Japan Society of Hong Kong Ltd as well as the Vice-President of the Creation Chapter of the Business Network International.

The Hong Kong Government has recently appointed **Benny K B Kwok** as the Member to the Solicitors' Disciplinary Tribunal under the Legal Practitioners Ordinance. Benny's appointments as the Adjudicator to the Obscene Articles Tribunal (Control of Obscene & Indecent Articles Ordinance) and the Member of the Board of Review (Inland Revenue Ordinance) have also been extended for another 3-year term.

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