

# Valuation Notes 評估短訊



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Dear Readers,

In the light of increasing M&A activities in this region, we feature in this issue an article focusing on the requirements of 2 new Accounting Rules: Business Combination (IFRS 3) and Impairment of Assets (IAS 36). Importantly, compliance will result in greater Income Statement volatility of a company following an acquisition. In addition, there are corporate governance, accounting information disclosure and independent valuation implications which should be noted by management.

Hong Kong is continuing with its effort to enhance investors' confidence through quality financial reporting. Legislative proposals have been put forward to consider the establishment of a Financial Reporting Council (FRC) along the line of the Public Company Accounting Oversight Board in the US and the FRC in the UK. If formed, this independent statutory body will serve to strengthen the regulatory oversight of auditors and corporate reporting concerning listed companies and collective investment schemes.

It would not be fitting of me not to leave the last word to the Macau casino industry which is currently attracting serious international investments. While complex valuations are part of our daily life, one of our most interesting recent assignments has been the business enterprise valuation of the Galaxy Casino which enabled us to make full use of American Appraisal's extensive global experience in the gaming, entertainment and hospitality industries. We look forward to continuing to serve the needs of our clients and their advisers in these industries.

**Patrick Wu**

*President & Managing Director*

各位讀者，您們好。

鑑於亞太區併購活動有增無減，本期的《評估短訊》特別刊載了一篇文章，闡述了有關收購活動的兩項新頒會計準則：企業合併 (IFRS 3) 及資產減值 (IAS 36)。在新的會計準則下，公司損益表或會因此變得較為波動，而同時這兩項新準則也突顯了公司管治、會計資料披露以及獨立評估的重要性，值得各公司管理層所注意。

香港一直致力於透過優質的財務報告去提升投資者的信心。最近“有關成立財務匯報局 (Financial Reporting Council) 的立法建議”，便是與美國的“上市公司會計監管委員會” (Public Company Accounting Oversight Board) 和英國的“財務匯報局” (Financial Reporting Council) 同出一轍。財務匯報局一經成立，這個法定機關將獨立地規管上市企業，或集體投資計劃的核數師的失當行為及財務匯報。

趁此機會，我亦得湊個熱鬧，談一下最近吸引了全球關注及投資的澳門賭場及娛樂行業。美評每日都會面對複雜的評估項目，而最近我們則完成了一個富挑戰性的工作，便是為銀河娛樂場進行了企業價值評估，藉此發揮了美評過去多年為全球多個博彩、娛樂及旅遊服務行業客戶進行過評估而累積到的豐富經驗。我們期待著日後有更多機會為這行業的客戶及顧問提供服務。

董事總經理

吳勇為 謹啟

## New Accounting Rules and M&A Activities

Merger and acquisition activities in the Asia Pacific region continue to increase in 2005. The anticipated strong economic growth in China also added fuel to the buying spree in this region. However, before jumping on the bandwagon for acquisitions, are you aware of the two new accounting standards relating to acquisition activities? Specifically, they are: -

- International Financial Reporting Standard No. 3 (IFRS 3) – Business Combination
- International Accounting Standard No. 36 (IAS 36) – Impairment of Assets

If you consider these are just another set of accounting standards for compliance purposes, you may run into the risk of trivializing the issue. The truth is - these standards can have a significant impact on the income statement and balance sheet of the company upon completion of the acquisition. The key items in these standards include: -

- Goodwill that arises from the acquisition is now calculated in a more vigorous way. Also, the company needs to identify intangible assets that can be separated from goodwill.
- Goodwill does not amortize. After the initial identification, the goodwill is subject to annual impairment testing under IAS 36.
- Other intangible assets are treated individually as to amortization. Depending on the life and nature of the intangible assets identified, they may subject to amortization (over the economic life) or annual impairment testing (if their lives are indefinite).

A direct effect of the above is that the income statement of the company may become more volatile after the acquisition. In addition, the intangible assets acquired are now shown on the balance sheet, thus investors have more insight on what the company has bought and assess for themselves as to whether it is a good deal. Therefore, to avoid surprises after an acquisition, it is worthwhile to take a closer look on how the value of goodwill and intangible assets are recorded in an acquisition.

These two accounting standards are no strangers to us. Except for some subtle differences, these international accounting standards follow the same ideas in the Statement of Financial Accounting Standard (SFAS) 141 and SFAS 142, which govern United States GAAP reporting (The US standards became effective on June 30, 2001 and were discussed in our past issues). The underlying idea is to improve the relevance and reliability of accounting information, as well as corporate governance in acquisition transactions.

## 新會計準則與併購活動

進入二零零五年，亞太區的併購活動有增無減。對中國強勁經濟增長的憧憬使區內的併購潮更形熱熾。然而，在追趕這股潮流之前，你是否留意到兩項有關收購活動的新頒會計準則：

- 國際財務報告準則第3號(IFRS 3) — 企業合併
- 國際會計準則第36號(IAS 36) — 資產減值

如果你以為那只不過是普通的會計準則，便可能輕視了這兩條準則的影響。事實上，這些準則對合併後公司的損益表和資產負債表都有相當的影響。這兩條準則的要點如下：

- 計算收購中所涉及的商譽變得更為嚴格，要求公司識辨能與商譽分開的無形資產。
- 經第一次識辨分類後，商譽部分不作每年攤銷，而須根據國際會計準則第36號(IAS 36)每年進行減值檢查。
- 至於無形資產方面，則視乎有關資產的經濟壽命和性質，作出攤銷（按經濟壽命）或每年進行減值檢查（如經濟壽命是沒有期限）的安排。

以上規定的其中一項影響，是令合併後的公司損益表變得較為波動。此外，根據新規定，收購所得的無形資產在資產負債表入賬。所以，投資者掌握了更多收購項目的資料，從而判斷有關買賣是否值得。因此，如欲避免在收購後出現任何意料之外的情況，就應該好好了解收購中的商譽和無形資產的會計處理方法。

其實，這兩條會計準則對我們來說絕非陌生。除了一些細節上之分別，它們是與美國財務會計準則(SFAS)第141及142號一脈相承，我們在過去的[評估短訊]中亦已談過該兩條早於二零零一年六月三十日生效的美國準則。這些準則的主要宗旨在於提高企業管治和收購交易中會計處理的質素。

## Intangible Assets Valuation

Many acquisitions include the purchase of significant intangible assets within the target companies. An intangible asset needs to be separately identified apart from goodwill if it satisfies one of the following criteria: -

1. It is separable, i.e. it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
2. It arises from contractual or other legal rights.

According to our experience, intangible assets identified in business combinations generally fall into the following five categories: -

- Market-related
- Customer-related
- Artistic-related
- Contract-based
- Technology-based

From a valuation perspective, three common methods can be employed to value intangible assets: -

Income Approach	This involves identification of cash flow stream attributable to a particular intangible asset. A discounted cash flow analysis is performed with a discount rate matching the risk characteristic of that asset.  This method usually applies to intangible assets that are vital to the future success of the company (e.g. programming technology for a software development company).
Cost Approach	This is a replacement cost analysis aiming to assess the cost to rebuild a particular intangible asset.
Market Approach	This looks for market transactions for similar intangible assets. This method is generally not applicable due to the unique nature of many intangible assets.

## Impairment Test

As mentioned above, goodwill and other intangible assets of indefinite life are now subject to an annual impairment test. Such impairment test must be performed at the "Cash Generating Unit" (CGU) level. Technically, the CGU to which goodwill is allocated for the impairment test must represent the smallest unit for internal management control purposes.

Such definition is a bit vague and can have different interpretations. At one end of the spectrum, CGU can be as large as an operating segment. While at the other end of the spectrum, a CGU may consist of one single legal entity only. Thus, the under-performance of a particular unit will require an impairment charge, and cannot be offset by other units.

## 無形資產估值

無形資產如符合下列任何一項條件，即應與商譽分開歸類：

1. 該項資產可以獨立分開，即可與公司分拆或分離，並能獨立或與相關合約、資產或負債一併出售、轉讓、授權使用、租賃或交換；或
2. 該項資產乃因合約或其他法定權利而產生。

根據我們的經驗，企業合併中的無形資產一般可分為以下五大類：

- 與市場有關
- 與客戶有關
- 與藝術有關
- 與合約有關
- 與科技有關

從評估角度看，無形資產一般採用三種方法進行估值：

收益法	收益法以各項無形資產各自的相關現金流量為基礎，並以符合有關資產風險特點的折現率進行現金流量折現分析。
成本法	成本法即重置成本分析，旨在評估重建個別無形資產的成本。
市場法	市場法參考同類無形資產的市場交易進行估值，但由於不少無形資產的性質獨特，故此法並不常用。

## 減值檢查

如前所述，商譽與無經濟壽命限期的無形資產均須每年進行減值檢查。減值檢查須在「現金產生單位」(Cash Generating Unit)的層面進行。理論上，有關商譽減值檢查的現金產生單位必須為內部管控上界定的最小單位。

這個定義比較含糊，可以有不同的詮釋，舉個極端的例子，大的現金產生單位可以大至一個業務分部；但另一方面，一個現金產生單位可能只包括單獨一個法人實體，任何個別單位表現倒退均須確認減值，不能由其他單位的表現抵銷。

In addition, the initial value of goodwill is directly related to the financial forecast of the CGU. Therefore, if such forecast turns sour in future years after the acquisition, it will likely lead to a goodwill impairment. In the worst case, the entire goodwill will be written off which will certainly have a negative impact on the income statement of the parent company for the year in question.

Under the new accounting standards, more work is required in the identification of intangible assets and their economic lives in an acquisition. It requires the buyer to have a better understanding of both the acquired business and the intangible assets driving the value of that business. To meet this new challenge, management will need a combination of up-to-date valuation techniques, and a good understanding of the business model and the accounting rules. That translates to the need for a close working relationship with the transaction team of company management, valuation specialists, accountants and other advisors in an acquisition exercise.

*Article prepared by Ricky Lee, Assistant Vice President and Simon Tsang, Manager, Financial Valuation Group, American Appraisal China Limited.*

此外，商譽價值與現金產生單位的預測財務表現直接相關。因此，倘於收購後預測轉壞，則可能導致商譽減值。在最壞的情況下，可能需要撇銷全部商譽，從而令控股公司的損益表受到不利影響。

總括而言，新的會計準則要求多花工夫認清收購所得的無形資產及其經濟使用期，買家對所收購企業及支持企業價值的無形資產必須有更深的認識。要應付這項新挑戰，就得結合最新的評估方法和對商業模式和會計準則的深刻理解。這意味着在現今的收購買賣中，管理層、專業評估師及會計師之緊密合作是不可或缺的。

*以上內容由美國評值有限公司企業評價部助理副總裁李成安先生及經理曾偉昌先生編寫。*

## Upcoming Event 活動展望

### Mergers & Acquisitions Summit China 2005 2005年中國企業併購高峰論壇

June 15-16, 2005

Mergers & Acquisitions Summit China 2005, Beijing

Mr. Patrick Wu, President & Managing Director of American Appraisal China Limited, has been invited to speak at the conference, on the topic of "Asset & Business Valuation for M&A in China", on June 16, 2005.

The event is organized by C5, a leading international conference organizer. The Summit will bring together senior government officials, companies that have been involved in recent M&A transactions, banks that have financed the transactions, and leading M&A lawyers and consultants. These experts will give information and insights, based on their own experiences.

For more information, please visit C5's website: [www.c5-online.com](http://www.c5-online.com)

2005年6月15-16日

2005年中國企業併購高峰論壇，北京

美評董事總經理 吳勇為先生 將應邀出席是次會議並以"併購交易中的資產與企業評估"為題，於05年6月16日進行演說。

是次會議由C5舉辦。C5為一所國際會議籌組公司。是次峰會議政府資深官員、最近參與過收購併購交易的公司、為收購合併提供財務安排的銀行，以及活躍於收購合併的律師及顧問雲集一起，透過其豐富的有關經驗，發表演說及進行交流。

要取得更多有關資料，請瀏覽網址: [www.c5-online.com](http://www.c5-online.com)

### Successful Main Board Listings for Fast-growing Hong Kong Fashion Retailers

**I.T** **bauhaus**

I.T (999) Bauhaus (483)

American Appraisal conducted the required valuations for the listings of I.T Limited (999) and Bauhaus International (Holdings) Limited (483). We wish I.T and Bauhaus much success following their listings on the Main Board of the Hong Kong Exchange.

### 香港其中最有力潛力的服裝連鎖店 成功於主板上市

I.T (999) 包浩斯(483)

美國評值有限公司恭賀由我司進行評估的I.T (999)及包浩斯國際(控股)有限公司(483)於香港交易所的主板成功上市，並敬祝業務蒸蒸日上。

1. Mr. Patrick Wu, Managing Director, American Appraisal China Ltd. spoke for the opening  
美評董事總經理吳勇為先生致開幕辭
2. Mr. Con Conway, Representative for the Hong Kong Institute of Directors  
香港董事學會代表Con Conway先生致辭



## Event Review

### March 16, 2005

#### Briefing on International Financial Reporting Standards (IFRS)

*Recent Developments in Valuation, Business Combinations, Impairment and Impacts on Corporate Governance*

The date of January 1, 2005 has passed and the Hong Kong financial reporting standards have now converged with International Financial Reporting Standards (IFRS). These new standards impact the way all companies approach the reporting of business combinations, valuation of assets, impairment and corporate governance.

To shed light on these complex issues, the Hong Kong Institute of Directors and American Appraisal China Ltd. co-organized a seminar on this important topic on March 16, 2005. An international team specializing in valuation, financial reporting standards and business combinations delivered a presentation on this topic.

CFOs and Senior Management of local and multi-national corporations were invited to join the event. We demonstrated the impacts of the new IFRS on corporate governance and approaches to business combination, including the effects on reported earnings and fair value reporting on balance sheet.

Topics of the Conference included:

- Opening speech by Mr. Patrick Wu, President & Managing Director, American Appraisal China Limited
- "Corporate Governance in the Hong Kong Context", by Mr. Con Conway, Representative for the Hong Kong Institute of Directors
- "Corporate Governance and Legislative Review – Global", by Mr. Richard Siladi, Senior Vice President, American Appraisal Associates, National Director, Financial Valuation
- "International Financial Reporting Standards, Review of Selected Standards", by Mr. Ingo Schneemann, Managing Director, American Appraisal Germany
- "IAS Convergence, Emerging Issues and Fair Value", by Mr. Gerald Mehm, Senior Vice President, American Appraisal Associates
- "Intangible Asset Identification and Measurement", by Mr. Ricky Lee, Assistant Vice President, American Appraisal China Limited

The event drew much attention and attracted more than a hundred guests to participate, including company directors and financial professionals, as well as the mass media.



Mr. Richard Siladi



Mr. Ingo Schneemann



Mr. Gerald Mehm



Mr. Ricky Lee

## 活動回顧

2005年3月16日

#### 國際財務報告準則 (IFRS) 簡介會議

資產評估、業務合併、減值之最新發展以及對企業管治的影響

由2005年1月1日起香港實施新財務報告準則 – 香港的會計準則與IFRS接軌。這些新準則與要求對業務合併、資產評估、減值的報告以及公司管治均有着重要影響。

香港董事學會及美國評值有限公司於2005年3月16日聯合舉辦了一個有關這個重要題目的簡介會議。來自歐美及本地的有關資深從業員，在是次會議中，就新修定IFRS對資產評估、公平價值報告、減值及業務合併等方面的影響進行資訊分享，並與本地企業的財務人員進行交流討論。

本地及國際企業的財務總監、董事及資深管理層獲邀出席是次會議。我們闡述了新修定IFRS對公司管治以及進行業務合併等方面的影響；包括採用這新準則對帳列盈餘及資產負債表中的公平價值之影響。

會議內容包括：

- 開幕致辭 — 美國評值有限公司董事總經理吳勇為先生
- "在香港之公司管治" — 香港董事學會代表Con Conway先生
- "全球之公司管治及有關法律" — 美評集團高級副總裁暨商業評價部美國區總裁Richard Siladi先生
- "國際財務報告準則部份內容縱覽" — 美評(德國)董事總經理Ingo Schneemann先生
- "與國際會計準則接軌及公平價值" — 美評集團高級副總裁Gerald Mehm先生
- "無形資產的確認與評定" — 美國評值有限公司商業評價部助理副總裁李成安先生

是次會議吸引了超過一百位嘉賓的參與，當中包括各行業的董事、財務人員及傳媒。

## American Appraisal's Global Developments 美評全球動向

### New Non-Executive Chairman and Managing Director of London Office Announced

American Appraisal's London office is pleased to announce the following new team members reflecting our expansion in UK:

- Mr. John Barnsley as the new Non-Executive Chairman of American Appraisal UK
- Mr. Peter Sanders as the new Managing Director of American Appraisal UK
- Mr. Nick Bennet as the new Director of our Real Estate Advisory Group (REAG) Europe based in UK
- Prof. Roger Mills (Head of the Faculty for Finance & Accounting at Henley Management College) as a new Special Adviser to American Appraisal's global offices

• Mr. Ray Heinz as the new Senior American Appraisal Associates (US) representative in London  
A series of events will be held in London in the summer to celebrate these new appointments, including a cocktail reception on June 8 to introduce to UK clients and guests American Appraisal's Global and UK teams. Please feel free to contact us for details of this function

### 美評英國之新任非執行主席以及董事總經理

美評在英國之業務發展迅速, 現正不斷擴充其倫敦辦事處, 並欣然宣佈以下新任主席、董事總經理及其他主要成員:

- John Barnsley 先生為美評英國之非執行主席
- Peter Sanders 先生為美評英國之董事總經理
- Nick Bennet 先生為美評房地產諮詢(歐洲)組 Real Estate Advisory Group (REAG) Europe駐英國主管
- Roger Mills 教授(英國Henley Management College財務及會計學系主管)為美評全球辦事處之新任特別顧問
- Ray Heinz 先生為新任資深美評集團駐倫敦代表

今年夏天, 美評將於倫敦舉行一連串活動來慶祝這新團隊的上任, 包括於6月8日舉行之雞尾酒會, 向英國客戶及來賓介紹美評全球及英國之評估隊伍。如欲取得更多有關是次活動的資料, 歡迎隨時與我們聯絡。

## Recent Experience - Valuation for Galaxy Casino

The casino business in Macau is expanding rapidly in recent years. American Appraisal China Limited has the opportunity to share this exciting development by taking part in the business enterprise valuation of the Galaxy Casino. American Appraisal has extensive global experience in the gaming and entertainment industries and we look forward to the prosperous development of the entertainment business in Macau.



### 評估經驗分享 - 銀河娛樂場

澳門賭場業務近年發展迅速而且競爭激烈, 美評很高興能透過參與銀河娛樂場的企業價值評估, 分享這行業高速發展所帶來的刺激。美評曾為全球多間娛樂場所進行過評估並累積了豐富經驗。我們期望澳門的娛樂行業繼續蓬勃發展。



## Beijing Office Expansion - Relocation and New Staff

Due to expansion, our Beijing office will be relocating to larger space, also in Beijing CBD, in the summer. In Business Development, we welcome Sherry Xie who brings with her extensive experience in the banking and securities industries; we also welcome Julian Zhao who possesses an international accounting background, as an Analyst of the Business Valuation Group.

### 美評北京辦事處之擴充及新加盟成員

由於業務擴充之需要, 美評北京辦事處將於今年夏季遷往另一個同樣位於北京商業區中心之全新辦事處。與此同時, 我們歡迎兩位新成員的加入: 擁有豐富銀行及證券業經驗的謝曉梅小姐為業務拓展部之區域經理; 以及擁有國際會計經驗的趙宇小姐為企業評價部之分析師。

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## Worldwide Network 全球辦事處

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