

## SHINEWING

Headquartered in Beijing and with branch offices in Hong Kong, Singapore, Australia, Japan, Shanghai, Shenzhen, Chengdu, Xi'an, Tianjin, Qingdao, Changsha, Changchun, Yinchuan, Kunming, Jinan, Dalian, Guangzhou and Fuzhou, SHINEWING is positioned to provide services throughout the Asia Pacific Region.

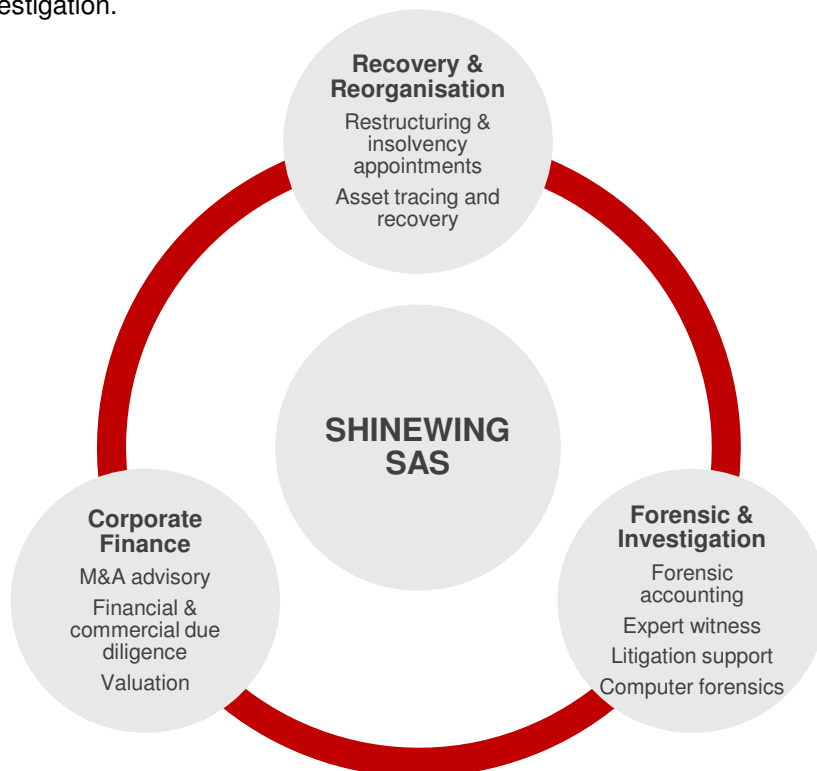
## CONTACT US

43/F., The Lee Gardens,  
33 Hysan Avenue,  
Causeway Bay, Hong Kong  
T. (852) 3583 8000  
F. (852) 3583 8581  
W. [www.shinewing.hk](http://www.shinewing.hk)

Email Us:  
[sasmarketing@shinewing.hk](mailto:sasmarketing@shinewing.hk)

## About SAS

**SHINEWING Specialist Advisory Services Limited (SAS)**, part of SHINEWING Hong Kong, comprises the following service lines: Recovery and Reorganisation, Corporate Finance and Forensic and Investigation.



## In this issue ...

### Social Networking Sites | The dangers that lurk behind

Do you use Facebook? This article gives you an insight into the potential leakages of personal data stored within Social Networking Sites (SNS) and discusses issues that relate to the use of these websites.

### Professional Ethics in Liquidation and Insolvency (Part I)

The HKICPA has recently updated the code of professional ethics for sections which govern the professional work and conduct of insolvency professionals, effective from 1 April 2012 (the Code). This article discusses the key points of these new ethical guidelines.

### FAQs – Mergers and Acquisitions

What types of services can SHINEWING Corporate Finance team provide?

Is now a good timing for merger and acquisition activities?

### Tips

### Announcements and news

## Social Networking Sites | The dangers that lurk behind

By Matthew Chu, Senior Manager

Facebook, Twitter, Google+, Qzone and Renren are just a few Social Networking Sites (SNS) that have a high active user base. For most individuals, they connect to these SNS to stay in touch with their family, friends, colleagues or to find someone who they have lost contact with for a long time. However, how many users would have considered that they may have exposed their personal information to others by simply staying 'connected'.

For most of these SNS, privacy has always been a controversial topic. Striking a balance between what information should be 'private' and what can be 'public' is a challenge itself. For example, since the roll out of Facebook in early 2004, privacy has been a major focus in its development with no exception to the launch of 'Timeline' in late 2011. What Timeline can show is all postings, uploaded photographs and activities since the opening of a Facebook account up to the very present moment.

### Stay private or public

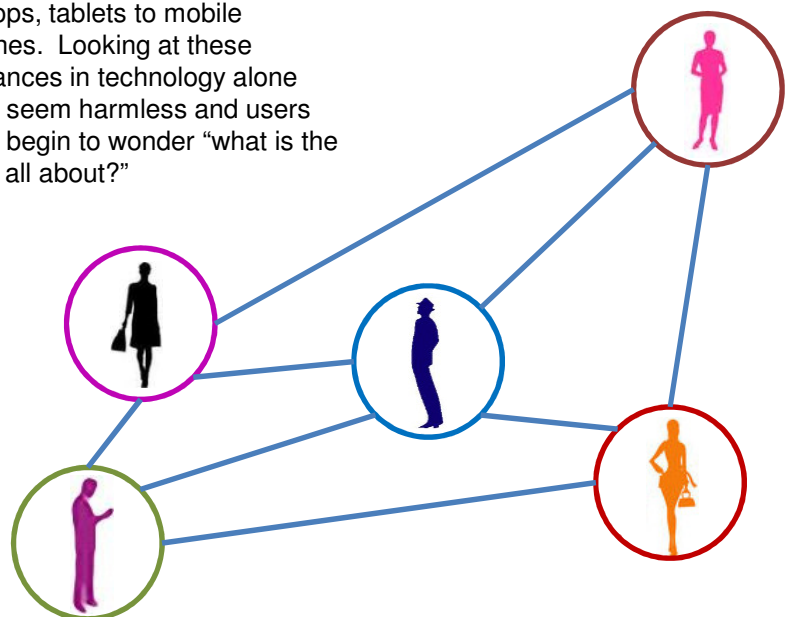
For the new acquaintances and potential fraudsters, Timeline offers a rich source of personal data that would rather be kept away from prying eyes and only shared among close friends. Given that it may be difficult to distinguish between private and public; most users do not consider changing the privacy settings of their accounts until a particular incident occurs.

Despite the privacy settings within Facebook (or other SNS) that can be easily understood and altered by savvy users. However, majority of active users are not aware of such options or they just simply choose to ignore it. These majority users are therefore more likely to be vulnerable and subject to a higher risk of potential leakage of their personal data.

### Advances in technology

Advances in technology from the moment we post a feed, check in at a location or upload a photograph, technology plays a significant role in making our experience unique when we are interacting with our friends. Such advances in technology include facial recognition, geo-tagging, instant updates and most importantly, making these available instantly across different variety of devices including traditional computers, laptops, tablets to mobile phones. Looking at these advances in technology alone may seem harmless and users may begin to wonder "what is the fuss all about?"

So, what is the fuss all about? To put things into perspective and thinking out of the box, combine facial recognition together with tagging (including geo-tagging) give fraudsters an online database to build profiles of users' identities from their family members and friends, places they recently visited, or even getting access to the very embarrassing photos. At the extreme end, the fraudsters can observe and become the user himself / herself. Once the ID fraudsters gather enough personal data of an individual, such personal data can be used to apply for loans, credit cards or even open bank accounts. Victims of ID theft may not be aware of such illegal activities until they are contacted by banks or solicitors for repayment of outstanding debts.



Over the past few years, many people will have witnessed a range of crimes related to SNS that were not directly linked to privacy issue, but rather on how users interact with friends, colleagues and social groups. These can range from unpleasant comments to serious crimes that involve bullying, drugs, rioting, robberies, etc. Some of these crimes are more serious than others, like encouraging people to go looting while a riot is happening which could potentially endanger the general public. This is definitely more serious than posting a comment about your best friend over an argument you just had.

### **Socialise safely**

The primary aim for most individuals is to continue to stay connected in a safe environment while keeping a balance between what should be private or what can be public. While most of the SNS provide tools to assist privacy settings e.g. share with friends only, friends of friends, public or selected groups on what type of information can be viewed and by whom.

In reality, most users do not have the patience and time to apply appropriate privacy settings to their information stored on SNS, as the granularity of these settings can be time consuming and tedious, depending on how paranoia a user may want to apply these settings.

If you are a diligent user and care about whom you are connected to these privacy settings maybe appropriate and necessary. It may be preferable to apply certain settings to all information stored to be viewed by friends only. However, on the other hand, if you are a 'friend's collector', these settings may seem pointless to you and privacy may not be your priority at all, but it should well be a concern.

### **The considerations**

Whether or not we decide to change our privacy settings, we must understand the level of risk involved through evaluating the different potential threats, frequency that these threats may occur and relevant impact. In case of potential leakages of personal data, an instant response may include a revisit to some of the below privacy settings:

- define audience and set groups
- check Apps that can access personal information (including mobile Apps)
- define tags and review
- disable links to email address
- always use HTTPS

Through such risk analysis, users will be able to form their own risk acceptance level and formulate a balance between what information should continue to stay private and what can be made public to mitigate the potential impact of any incidents from occurring.

While some changes can be achieved through the use of privacy settings, on the other end of scale, users must take into account how they interact with new acquaintances. Comparing someone you only met once to someone you have never met, the likelihood of who may misuse your personal data is most probably the latter.

### **Summary**

When considering what information is suitable to be shown to which audience, the user must strike the right balance between real life scenarios, the likelihood that an incident might occur and whether it will cost the user a lot, both financially and non-financially.

matthew.chu@shinewing.hk  
Forensic & Investigation Services

## Professional Ethics in Liquidation and Insolvency (Part I)

By Terry Kan, Director

### Introduction

The new Code adopted a 5 principles-based approach, that supports a conceptual framework that an insolvency practitioner (IP) should comply with when accepting and carrying out insolvency-related engagements.

The possible threats to the fundamental principles and the safeguards that an IP may consider are discussed in detail under the new Code together with the application of the new standard that extends to all team members working for the IP.

Specifically, new Section 500 - *Professional Ethics in Liquidation and Insolvency* supersedes the current Section 432 - *Integrity, Objectivity and Independence in Insolvency* within the Code.

Section 500 has been expanded substantially from 23 to 93 paragraphs when compared to the old one. It divides into 3 parts in which the general and specific applications of the 5 fundamental principles and the conceptual framework are set out in parts 1 and 2; more specific situations in relation to acceptance and conduct of an appointment are addressed in part 3.

The scope of the new Code requires an IP to apply Section 500 to all insolvency and liquidation work as well as any professional work that may lead to the potential insolvency-related engagements. The IP should ensure that insolvency team members under whose control and direction comply with the new ethical standard.

### 5 fundamental principles and 5 categories of threats

The 5 fundamental principles that an IP should adopt in their insolvency administrations are:

- Integrity
- Objectivity
- Competence and due care
- Confidentiality
- Professional behaviour

Among these 5 principles, the principle of objectivity has been highlighted more than once in the new Code where an IP should maintain independence, stay away from influence that may compromise on impartiality in relation of his/her act or conduct and be seen by others.

These principles would become the foundation where one would expect IPs to perform in their work.

Building on these fundamental principles, the new conceptual framework, together with the specific examples, assists an IP to identify, evaluate and address the possible threats that may result in non compliance with the Code.

Possible threats are categorised and examples on each category are summarised on the following table:



Category of threats	Possible influence to IP	Examples of circumstances
Self-interest	Financial and other interest	IP with interest in a creditor with a claim pending for adjudication  Concerns about damaging business relationship and future employment
Self- review	Previous employment or services provided	Recently employment by or secondment to the potential client  Previous engagement to the same client
Advocacy	Promoting a position that will threat objectivity	Advisor to creditor of or a party in a dispute or litigation with an entity becoming insolvent
Familiarity	Long or close relationship	Long or close relationship with any party having a financial interest in an entity, including a potential purchaser of assets / business
Intimidation	Actual or perceived pressure or undue influence	Threats of replacement of IP, litigation or complaint to professional body or employer of an IP

Evaluation of threats rest with the professional judgment of the IP, having regard to the determination of how best to deal with the threats and application of safeguards to reduce the threats to an acceptable level.

The new Code provides 11 examples of possible safeguards which mainly focus on the internal policies and procedures in place within the practice of an IP to identify, evaluate and deal with issues of threats in a timely manner, supported by a control and disciplinary mechanism, as well as training and education to ensure quality work is delivered.

### Conclusion

Building on the 5 core principles, the new Code provides a comprehensive framework to enable an IP or a practice to follow before accepting any potential appointments or dealing with ethical issues in on-going engagements. The more stringent approach and measures of the new Code would no doubt advance the ethical standard for IPs in the field of insolvency in town.

In the next SAS Newsletter, we will further discuss the specific applications of the new approach and how would it impact on the daily administration and conduct of an insolvency administration.

terry.kan@shinewing.hk  
Recovery & Reorganisation Services



## FAQs – Mergers and Acquisitions

**Q: What types of services can SHINEWING Corporate Finance team provide in relation to your company's acquisition projects?**

**A:** Our SHINEWING Corporate Finance team can advise you throughout the transaction processes: identifying and approaching potential acquisition targets; providing indicative valuation, assisting the negotiation; advising on terms and structure; conducting financial, commercial and tax due diligence; reviewing completion accounts as well as post-acquisition services, etc.

**Q: Given the current global economic uncertainty, is now a suitable time for making mergers and acquisitions (M&A)?**

**A:** If a company has a plan for expansion through M&A, economic uncertainty or downturn is often a good time for bargain hunters. Growth in China-related M&A is still expected this year, whilst outbound investment is anticipated to continue to grow at double-digit level.



## Tips



**Banking facilities** sometimes include a 'change of control' clause, and the bank will charge a 'break fee' should the facility be paid before expiry. When computing and negotiating the total consideration for acquisitions, acquirers should take into account the possible consequences of such clauses as a result of the proposed acquisitions.

**Generally accepted approaches in valuing a business include** net asset value (NAV) approach, market approach, and income approach (mostly referred to discounted cash flow (DCF)). Market approach is often widely used as a "sanity check" because it is easy to use and understand. It is important to choose the appropriate approach which fits a transaction most, since the result from different approaches could vary significantly and in turn affect business decisions.

## Announcements and news

- Three partners and a director of SAS (Alan Tang, Alison Wong, Kenneth Chen and Terry Kan) were the first batch awardees of the HKICPA's **specialist designation (SD) in insolvency**. Only CPAs who can demonstrate that they have sufficient experience, as well as industry-leading technical and practical skills, are awarded this designation.
- Anita Hou and Matthew Chu gave a seminar on **forensic accounting** and **computer forensics** during the Academic Festival organised by the Hong Kong Baptist University Society of Accountancy on 24 February 2012.
- Kenneth Chen gave a seminar on **forensic accounting** during a workshop organised by Sun Wah Pearl Linux Training and Development Centre (SW Pearl) on 17 March 2012. SW Pearl provides a wide variety of higher-education programmes and professional training courses
- Members of SAS (Alan Tang, Anita Hou, and Terry Kan and Elisa Lui) were / are speakers in various **insolvency related** courses organised by the Hong Kong Institute of Certified Public Accountants from March to June 2012.
- Kenneth Chen and Terry Kan will also speak for CPA Australia Hong Kong Division in May 2012 on topics relating to **forensic accounting, restructuring** and **insolvency administration**.

## About SHINEWING

**SHINEWING Hong Kong** was formed in August 2005 following the merger between Ho and Ho & Company in Hong Kong, which was founded in 1978, and SHINEWING Certified Public Accountants in Beijing, PRC, the biggest domestic-invested CPA firm in Beijing. We possess over 30 years of experience in auditing, accounting and financial services, catering for both the domestic and international financial reporting needs of public and private enterprises in the territory.

In the PRC, SHINEWING employs over 3,000 people posted among the Beijing headquarters and the full-fledged branch offices in other 14 locations. There are around 250 people in the Hong Kong office.

SHINEWING also operates from Singapore, Japan and Australia and is a member of the prestigious international Leading Edge Alliance as well as Praxity – the Global Alliance of Independent Firms, linking over 500 professional accounting organisations in more than 80 countries.

*Earning trust  
Pursuing truth  
Ensuring fairness  
Seeking harmony*

## Contact our SAS partners

### Head of SAS



**Alan Tang**  
[alan.tang@shinewing.hk](mailto:alan.tang@shinewing.hk)  
(852) 3909 8988

### Corporate Finance



**Alison Wong**  
[alison.wong@shinewing.hk](mailto:alison.wong@shinewing.hk)  
(852) 3583 8098

### Corporate Finance



**Kevin Lam**  
[kevin.lam@shinewing.hk](mailto:kevin.lam@shinewing.hk)  
(852) 3583 8088

### Recovery & Reorganisation



**Kenneth Chen**  
[kenneth.Chen@shinewing.hk](mailto:kenneth.Chen@shinewing.hk)  
(852) 3583 8008

### Forensic & Investigation



**Anita Hou**  
[anita.hou@shinewing.hk](mailto:anita.hou@shinewing.hk)  
(852) 3909 8968

*Feedback from readers is essential to our success. We welcome and value your comments or suggestions. Feel free to contact us for any enquiries as well.*