

Financial Analysis Series (Part III)

–Compliance & Sustainable Profitability

财务分析系列之“下篇”

—合规性&可持续性盈利能力

Good Business Partner

ASADAL stands for the "morning land" in ancient K...
Asadal has about 35 staffs including well experienced designers, programmers.

By Kevin Li

Preface 序

Basing on CPL' s consultation experience over the past 10 years, we realized that enterprises are paying more and more attention to relation between sustainable profit and compliance. Accomplishments reached with regulations violated are not true accomplishments! As the DNA of a successful enterprise, "innovation capability" is undoubtedly and important driving factor for the enterprise' s value, while "compliance" is the guarantee for the enterprise' s sustainable profit.

在中伯伦过去近 10 年的咨询工作中, 我们认识到, 企业越来越关注可持续性盈利与合规性之间的关联。不按规则的成功不等于成功! 作为成功企业的 DNA, "创新能力" 无疑是重要的企业价值驱动要素, 而"合规性" 则是企业可持续盈利的保障。

**A Successful Enterprise ≈
Standardized Management +
Sustainable Profitability
成功的企业 ≈ 规范管理 +
可持续性盈利能力**

Impact of Financial Compliance on Enterprise Value

财务合规性对企业价值的影响

Commonly, driving factors related to value of an enterprise also include: attraction towards high-caliber talents, financing capability, adequate cash flow,

reservation of knowledge and technology, new market development capability, business license, enterprise reputation, information collection capability, influence on market price, as well as scale of possessed market channel and resource.

企业的价值驱动要素通常还包括: 对高端人才的吸引力、融资能力、良好的现金流、知识技术储备情况、进入新市场的能力、经营许可、企业声誉、掌握信息的能力、对市场价格的影响力、以及拥有的市场渠道资源。

Analysis concerning causal association between "Financial compliance" and "market value of enterprise" may be integrated into investment analysis model. Investors can decrease investment risks or increase investment return by analyzing the enterprise' s "financial compliance". Efficient financial compliance management can create value for an enterprise:

"财务合规性" 和 "公司市值" 之间因果联系的分析可以植入投资分析模型中。投资者可以通过分析企业的 "财务合规性" 来降低投资风险和或增加投资回报。良好的财务合规性管理, 可以为企业创造价值:

–Improving value of enterprise reputation: In the era of globalization and informatization, reputation is one of the most important invisible assets of an enterprise; while financial compliance

is useful for maintaining and improving enterprise reputation, which further results in increase on market value of the enterprise. Furthermore, enterprises can usually acquire lower financing cost.

—提高声誉价值: 在全球信息化时代, 声誉是企业最重要的隐性资产之一。而财务合规性有助于维护并提升企业声誉, 进而提高企业市值。同时, 企业往往可以获得相对低的融资成本。

–Performing sustaining promotion: Financial compliance audits generally include collection, sorting and analysis of materials and data, and evaluation of trade process. This procedure is useful for an enterprise to improve service efficiency of funds, so that it will be easier to find opportunities of lowering cost and creating income, and then perform sustaining promotion.

—实现持续改进: 财务合规性审核通常包括素材、材料数据的收集、整理和分析, 以及交易流程评估。这一程序有助于企业提高资金使用效率, 从而更容易发现降低成本和创造收入的机会, 实现持续改进。

–Motivating innovations: Financial compliance analysis usually motivates innovative thinking and action, which finally results in improved competitiveness of enterprise. For instance, Intensive research on particular concerns, needs and expectations of stakeholders is favorable for developing innovative products and services.

— **鼓励创新**：财务合规性分析往往可以激发出创新思维和做法，由此提高企业竞争力。例如，深入了解利益相关者的特殊关注、需求和期望，有利于开发创新性产品和服务。

— **Strengthening management system and decision-making procedure**: Financial compliance management is helpful for establishing more strict and efficient management system and decision-making procedure, so that business risks and business opportunities can be better managed.

— **加强管理系统和决策流程**：财务合规性管理有助于建立更严格、更强大的管理系统和决策流程，从而更好地管理经营风险、业务机会。

— **Attracting long-term investment, and creating favorable financing terms**: More and more investors start to take financial compliance into consideration before making investment decisions. Financial compliance management system can reduce risks investors bear, and guarantee enterprise using funds efficiently; potential effects on how other personnel from investment field evaluate the enterprise and assess the enterprise's level will also be stimulated.

— **吸引长期投资，形成有利的融资条件**：越来越多的投资者在做出投资决策时考虑财务合规性因素。财务合规性管理体系能够降低投资者的风险，确保企业有序利用资金。这同时对投资界其他人士如何评价企业并给企业评级也有着重要的潜在影响。

— **Maintaining business license**: Sustainable development of enterprises is very inseparable from “business license”, especially in resource industry. A business license approved by the public has become the core value of the industry; compliance business is the foundation for maintaining the business license.

— **维护经营许可**：企业可持续发展与“经营许可”密不可分，尤其是资源行业。社会经营许可成为该行业的核心价值。合规性运营是保持牌照的基础。

Which Financial Compliance Issues Deserve More Attention in Investment and Merger?

投资并购中需关注哪些财务合规性问题？

Investors must be aware of business status of the target enterprise: whether or not the enterprise's business “legally operated”! This is usually the key to the future quit. As for equity investment institutions, particular attention shall be paid to financial noncompliance confronted in historical business activities conducted by the target enterprise in due diligence stage. Noncompliance can be in general divided into the following types, including:

投资者需清楚定位目标企业所处的经营状态：企业是否“合法经营”！这往往是今后能否退出的关键。对于股权投资机构，在尽职调查阶段特别需要关注目标企业在历史经营活动中形成的财务不合规问题。总体上的问题可概括为几类，包括：

- Noncompliance of original contribution
- 原始出资不规范
- Equity issue
- 股权问题
- Actual controller issue
- 实际控制人问题
- Uncertainty of main body of the enterprise or accounting
- 公司主体或会计主体不清
- Business independence issue
- 业务独立性问题
- Noncompliance of procurement, production, sale and other major businesses
- 采购、生产、销售等主要经营业务的不规范
- Noncompliance of investment activities
- 投资活动的不规范
- Noncompliance of asset ownership
- 资产权属不规范

For instance: Has the contribution passed legal and effective capital verification? Has effective assessment been conducted when confront non-money contribution? Has transfer procedure for property right been finished? Are ownerships effective in case of intellectual property contribution? Is there any trademark right dispute? Have procedural protection been thoroughly taken on trade secrets? Do major litigation risk or lawsuit risk exist in major capital?

例如：出资是否经过合法有效的验资手续？如果存在非货币出资形式，是否经过有效评估？财产权是否已经办妥转移手续？知识产权出资，其权属是否有效？商标权是否存在有争议？商业秘密是否已经得到很好的程序保护？主要资产是否存在重大诉讼或法律诉讼风险？

As for equity issue of the target company, it is worthwhile to pay attention on complexity of equity structure, interpretability of equity transfer price, and record about speculative stockholding or entrusting employees to share holdings.

对目标公司的股权问题，可关注股权结构是否太过复杂、股权转让价格是否可解释、是否存在突击入股以及员工代持股情况。

Generally, tax specialists in CPL's investment & acquisition group will conduct further inspection on potential major tax risk in the target enterprise when the investment is not in or not completely in compliance with accounting standards.

Tax issues are core issue that influence listing exit and merger exit, “owing state money” can cause very severe results, regardless of the accounting treatment’s impact on physical nature of the entity. For instance:

中伯伦投资并购小组中的税务专家，通常还会进一步审查目标企业中是否存在不按会计准则处理而可能导致的重大税务风险。税务问题是影响上市退出或并购退出的核心问题，“欠国家的钱”其后果是严重的，而无论该种会计处理是否影响实体的物理本质。例如：

Wrong accounting policy and accounting estimate method, or arbitrary alternation

- 会计政策、会计估计方法不正确或随意变更
- Nonstandard principle for sale revenue recognition
- 销售收入确认原则不规范
- Nonstandard allowance for assets depreciation reserves
- 资产减值准备计提不规范
- Unplanned allowance and amortization expense
- 随意计提和摊销费用
- Nonstandard investment income recognition
- 投资收益确认不规范
- Ignoring treatment on related transaction
- 忽视关联交易的处理问题
- Nonstandard financial accounting
- 会计核算处理随意

“Half of the people who have embarked on a one hundred mile journey may fall by the way side!” In life cycles of an enterprise, from primary business to legal business and then compliance business, insisting standardized management is a process resisting with “short-term temptation” which stimulates certain compliance cost. Nevertheless, with credit rating system for Chinese enterprises being gradually established, payment that we have made for such compliance business will certainly bring high return for enterprises!

“行百步者半九十！”在企业生命周期中，企业从原始经营、合法经营到合规性经营，坚持规范管理是一项与“短期诱惑”相抵抗的历程，并且会因此需要承担一定的合规性成本。但随着中国企业信用评级体系的逐步建立，我们看到这种为合规性运营所支付的成本，必将给企业带来良好的回报！

We shall also remind ourselves that compliance business may still take some time while China is in such a state of high-speed development. Perform compliance management on enterprises step by step is more reasonable in accordance with cycle of enterprise development.

但同时我们也应该认识到，在快速发展的中国，合规性运营往往还需要一个过程。按企业发展的周期，分阶段实现企业合规管理更符合现实。

Sustainable Profitability Based on the Industry Chain

基于产业链的可持续盈利能力

Sustainable profitability of the target enterprise depends on all-win of the whole industry chain. Otherwise, the “profit depression” generated by alone profit on the enterprise’s part will be squeezed by competitors unless the target enterprise has already established an efficient protective selection or realized diversified operation. Developing value chain by strategic finance management always realizes value maximization of the whole company within appropriate profit interval of each part.

目标企业的可持续盈利能力应该建立在产业链共赢的基础之上。否则，仅企业所在单一环节盈利所形成的“价值洼地”会被竞争者迅速挤占。除非目标企业建立有较高的保护门槛，或者实现多元化经营。从战略财务管理的视角出发构建价值链条，往往在各板块的合理利润区间内实现集团整体的价值最大化。

The greatest profitability always concentrates on certain competitive internal parts of target enterprise’s organization. The key for enterprise development is: concentrate and optimize key links and develop enterprise’s own profitability.

最大赢利能力往往集中产生于目标企业组织系统内部某些有竞争力的环节。企业发展的关键点是：集中和优化关键环节，形成自己的核心获利能力。

Impact of Industry Competition on Sustained Profit

行业竞争对持续盈利的影响

Internal control and management is the foundation of sustained profit, while sustainable profitability is not only based on core competitiveness of the enterprise, it can also be largely affected by competition situation of the industry.

内控管理是持续盈利的基石，而可持续性盈利能力不仅取决于企业的核心竞争力，很大程度上还要受到企业所处外部行业竞争程度的影响。

Profitability of target enterprise generally depends on the profit margin of the industry, hence internal competitiveness of the industry will have a major impact towards value creation of the target enterprise. For instance, core issues that require consideration in investment and merger are competitiveness fiercer in the industry, overall growth rate of the industry, concentration level and development balance of the industry, fixed cost / operating leverage, product differentiation, switching cost, overcapacity, entry barriers as well as quitting the industry cost.

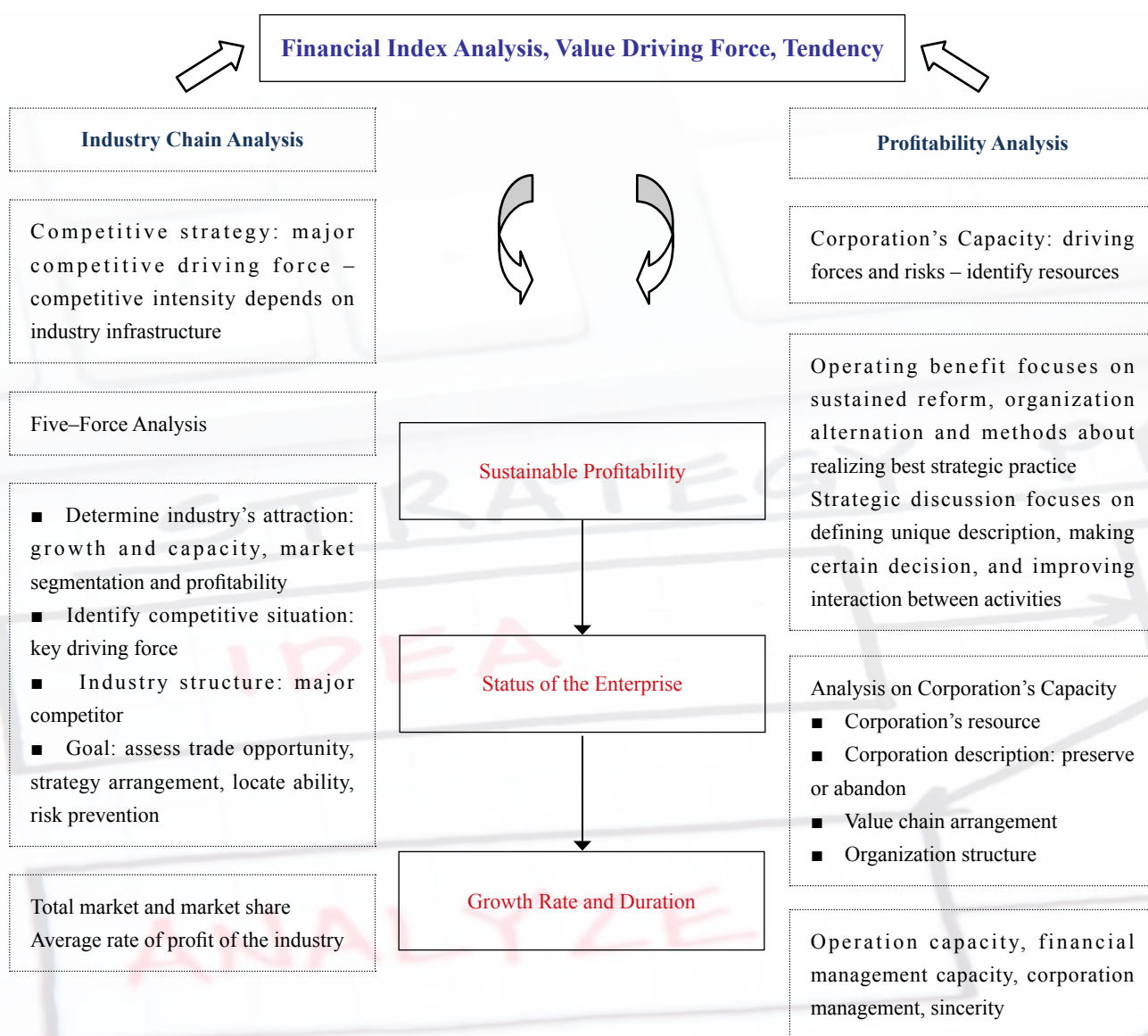
目标企业的盈利能力通常取决于其所在行业的利润率水平。因此业内竞争情况将会极大影响目标企业的价值创造。例如，投资并购时需要考虑的关键问题是，业内竞争的激烈程度、行业整体增长率、行业集中程度和力量均衡程度、固定成本/经营杠杆、产品差异化大小、转移成本（Switching Cost）、生产能力过剩程度、进入壁垒以及行业退出成本等。

Corporation's Strategic Choice Influences Sustained Profitability

企业战略的选择影响持续盈利能力

Sustained profit is usually the result of coordinated development among profit mode, profit control and implementation management. For example, special attention shall be paid to the development strategy of target enterprise, whether or not having orientation of expanding market share and scale which will result in non-profit operation?

持续盈利往往是盈利模式、盈利控制与实施管理的协调发展。例如特别需要注意目标企业选择的发展战略，是否存在以扩大市场份额和规模为导向，陷入无利润经营的状态？



Can strategies chosen by enterprises generate advantages in competitiveness? Generally, target enterprise's strategy has tight interaction with maximization of shareholder's value. For instance, how does enterprise maintain high-speed growth in the next several years? What are reasons for driving value growth of corporations? What are reasons for corporation value's ruining? Aside from cost control, how do enterprises ensure profit's continuous growth? Does corporation's strategy reflected in routine business activities and enterprise culture? Has the market overestimated or underestimated corporations' value?

企业所选择的战略是否能够保证公司获得竞争优势?通常,目标企业的战略与股东价值最大化紧密联系。例如,企业如何在未来几年保持稳定持续的高增长?是什么在驱动企业的价值增长?又是什么在毁坏企业的价值?除了成本控制,企业是如何保证利润的持续增长?企业的战略是否在其日常经营活动和企业文化中体现?市场是否高估或者低估了企业的价值?

Summary 总结

In actual trades, judging target enterprise's compliance and sustainability is a very complex issue. We take the view that financial data usually can reflect nothing more than images. As for investment and merger projects, CPL proposed the theory of "integrated finance" several years ago, which refers to, based on finance, integrate financial information of the investee company with its law frame, business mode, product system and conduct comprehensive analysis to recognize corporation's core value as accurate as possible.....

在实际交易中,判断目标企业的合规性及可持续性是一项十分复杂的工程。我们认为财务数据往往仅反映出一些表象。针对投资并购项目,中伯伦在几年前提出“大财务”的理论,站在财务的角度,把被投资企业的财务信息与其法律架构、业务模型、产品体系,融合起来进行综合性分析,以最大程度上分析出企业的核心价值……

CPL Consulting Co., Ltd.

March 2013

This paper is compiled by CPL Consulting Co., Ltd. for our customers and employees; the content is only for general reference. We recommend readers to consult financial, tax and law consultants for professional suggestions before making decisions based on related papers. If you have the willing to consult us for data and document mentioned in this paper, or else, other analysis and suggestions, please contact us:

本文由中伯伦咨询有限公司为本机构之客户及员工编制,内容只供一般参考之用。我们建议读者就有关资料作出行动前咨询财务、税务及法律顾问的专业意见。如欲垂询有关本文的资料或其它分析及意见,请联络:

Beijing

Kevin Li 李永良

Partner 主管合伙人

Tel: +8610 6591 6000

E-mail: kevin.li@cplchina.cn