



Happy New Year!

**Reminder**

**China**

The new Enterprise Income Tax Law and the new Labor Law will be effective from 1 January 2008.

**Hong Kong**

31 January 2008 is the final extended due date for "M" code current year loss cases.

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**2007 Year End Issue**

- 1. Reminder
- 2. Measure Your Company's Financial Fitness

You are welcomed to suggest interesting topics to us by email to :  
[info@darehabere.com](mailto:info@darehabere.com)

We will manage to address your concern in future issues.

**Measure Your Company's Financial Fitness**

**The Altman Z-score**

Many business enterprises hold year-end performance reviews and plan for the next year. The Altman Z-score, developed by Edward I. Altman in 1960s, is widely used in the financial world to measure the fiscal "fitness" of a company.

It actually employs statistical techniques to predict a company's probability of failure by using several variables from a company's financial statements.



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Dare & Habere Consulting Ltd. specializes in providing tax, transaction advisory, dispute support and corporate services.

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**For listed companies/corporations**, the Z-Score is derived by the sum of :

[Working Capital / Total Assets] x 0.012 **plus**

[Retained Earnings / Total Assets] x 0.014 **plus**

[Earnings Before Interest and Tax / Total Assets] x 0.033 **plus**

[Market Value of the Equity / Book Value of Total Liabilities] x 0.006 **plus**

[Sales / Total Assets] x 0.999

**For Private companies**, the Z-Score is derived by the sum of :

[Working Capital / Total Assets] x 0.717 **plus**

[Retained Earnings / Total Assets] x 0.847 **plus**

[Earnings Before Interest and Tax / Total Assets] x 3.107 **plus**

[Net Worth / Total Liabilities] x 0.420 **plus**

[Sales / Total Assets] x 0.998

**SCORES:** If the Score is 3.0 or more, it is most likely that the company's financial position is quite well.

If the Score is within the range of 2.7 to 3.0, the position is probably safe but is below the threshold of relative safety.

If the Score is within the range of 1.8 to 2.7, it is an alarm to the current situation and dramatic action is required to rectify the company's business strategies.

If the Score is below 1.8, immediate actions are required to save the current situation and to rescue the company from financial troubles.

We provide the following services :

**Tax**

Preparation & Review

Restructuring & Compliance

Investigation & Dispute

Transfer Pricing

International Tax

**Transaction Advisory**

Acquisition & Divestment

Business Valuation

Due Diligence

Forensic Accounting

Dispute Analysis & Litigation Support

**Corporate Services & Consulting**

Business Setup & Incorporation

Company Secretarial Service

Accounting & Assurance

Risk Assessment & Control

Financial Management & Advisory

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