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New Investment Plan of

Lukfook Jewellery

六福珠寶
LUKFOOK JEWELLERY

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11th Sept 2023

Executive Summary[↵]

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Since the influence of hit the economic in 2020 and affecting the revenue of all industry, and the tourism hit the most. As Jewellery is one of the industry benefits form the tourism, if the tourism hit, sales of the jewellery will got hit.[↵]

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The sales revenue of the Lukfook Jewellery affected. To maintain the sales and sustain its business, a more target and sales stores needed to be chosen.[↵]

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This report will investigate and do recommendations of the possibility of investing in a new project. In general, there will be introduction of the business, financial analysis, cooperate governance and the discussion of the new projects. Funding recommendations and give conclusion and recommendations will be the last part.[↵]

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Charter 1 will show in the history, basic information, and the business conditions of the business. Chow Tai Fook and Tse Sui Luen are the competitors in the same industry. A comparison will be given in this part. [↵]

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Using different financial ratio to analysis among the companies and to investigate the financial structure of Lukfook Jewellery among the industry in the operational capacity, profitability, chance of bankruptcy in chapter 2.[↵]

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Among Chapter 3, a clear demonstration of the corporate governance. Throughout the committee components, the transparency, and the recommendations will also provide in this chapter.[↵]

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Chapter 4 shows the investment in the new project where chose in Quarry Bay. The profitability and the feasibility of the investment will calculate in different financial ratios which will explained.[↵]

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The next chapter will show sources of funding in the new investment. And the way used in funding. In Chapter 6, a conclusion and recommendations will be given in the last chapter. [↵]

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1. Introduction

1.1 Background

"Brand Hong Kong" that is a confidence as shopping paradise and it is welcome by tourism, especially China since 2003. In epidemic period, revenue decrease (Lukfook Group (International) Co., Ltd., 2023). When the economy is sluggish, shoppers' willingness to buy is affected.

Listed in 1997 named Hong Kong Luk Fook Holdings (International) Limited (HKEX: 0059, Lukfook Jewellery (LKJ) found in 1991 positioned as renowned luxury brands. (Luk Fook Holdings (International) Limited, 2023). A professional institution launched by LKJ in order to foster the professionalism among the industries.

As borders reopen, tourist spending increases which stimulating the retail in sales. (The Standard, 2023a) Sales of jewellery, watches and luxury gifts are initially estimated to grow 88.0% in the first quarter of 2023, research shows. (Luk Fook Holdings (International) Limited, 2022)

With the most current new branding program and new trend, Gold and Jewellery are not only for the luxury, it also for the fashion and for the new trend to fits those Gen-Z (Deloitte, 2022, HKTDC, 2023). As long as the Gold and Jewellery one of the fashionable items that used matching in grooming and outfit. And LKJ also targeted in Middle-class group while the group did not have the any selling spots in the famous middles-class residential area. There are only have branch in nearest in North Point and Causeway Bay where are the key famous spots form tourists. Since the sales from the tourists are saturated, to increase the sales from the targeted customers, targeting back into the middle-class group. As we found that there is no branch in Eastern District where is a traditional residential area for middle-class group, so the location selected is Quarry Bay. Apart from the residential area, we also target those who work in the building blocks in Taikoo and Quarry Bay for easy pick items. There will be more discussion in later chapters.

1.2 Operation Business Overview

LKJ found by the Chairman, Mr., Wong Wai Sheung and Ms. Pauline Yeung, the champion of “Miss Hong Kong Pageant” in 1987. She had been an icon of LKJ for years till 2019. The image of dignified, elegant, smart, and well-educated, a more privileged icon had been footprinted in the mind of the customers. LKJ sponsored the competitions since 1993 and the special icon presented the new woman in this era. Brave, confident, independent, and strong, complementing femininity. The brand targets the mid-to-high-end class because of the wiliness of spend money on clothing. (Luk Fook Holdings (International) Limited, 2023).

Licensing, retailing, and wholesaling, retailing are the major sources of the revenue. The branches located mainly in Eastern Asian countries over 2900 shops. Apart from direct selling the gold and jewellery in their self-operating shops, there are also franchised shops especially in Mainland China to sell the products. LKJ had penetrated the mainland China in 1994, the branches more than 165 till 31 March 2023. There are increasing needs in Gold in the brand of Hong Kong Brand. Besides, there are also branches in Europe area and southeast Asia other than China. (Luk Fook Holdings (International) Limited, 2023).

Other than selling the products of gold and jewellery, LKJ is recognized institution to verify and proof the jewellery. Identification services for diamonds, emerald gemstones and jewelry provided by China Gemological Laboratory Co., Ltd. provides while Professional training in jewelery appraisal provided by the Victoria Gemological Institute Limited. This certification is to prove the value of the jewelry launched by Lukfook Group. It also has a training institution to provide employees with corresponding knowledge. (Luk Fook Holdings (International) Limited, 2023).

LKJ has a property investment in Hong Kong and China. According to annual report, there are around 10% from the total assets are the investment properties in Hong Kong and China, total has 11 properties for whole lease out.

As at year ended in 2023, the rental income is HKD \$62.244 million as compared with

2022 is HKD \$55.491 million So, the difference in incomes is not too much concentration in the profit in table 1.

Table 1: Investment property analysis

	LKY		
	2023	2022	2021
Investment properties	1127.727	1,007.606	909.084
INVESTMENT PROPERTIES to Total Assets Ratio	8%	8%	6%
Rental income	64.244	55.491	45.485
Retail income / Net income after tax	5%	4%	7%

Source: constructed by the Author

1.3 Challenges ahead

The number of tourists stay steady as 2018 in average of 200000 per months after the re-opening of the border from China. (RTHK HK,2023) It had been an importance source of income as (Luk Fook Holdings (International) Limited, 2023). mentioned in annual report. Other than that, The Standard (2023b) revealed that the impulse of the spending for locals are low. Locals are preferring to travel after release the travel restrictions with 3 years-long locked in Hong Kong, especially Hongkonger are travel lovers who travel or prefer to have a short trip in Shenzhen. (The Standard, 2023a, NOW 新聞, 2023) These trends will affect the atmosphere of spending in Hong Kong. There might be useful when the stimulus vouchers launched last year (HKSAR, 2021). However, it just has a slight increase showed in the revenue.

1.4 Current Business Environment

As the time of covid-19, the cities are locked down and the countries restricted tourists to travel. The economic had a big hit ever on this century. As the Jewellery is one of the shopper goods that the tourists, while the new trend of the tourists changed to experience in different cultures and experiences in Hong Kong. So, the traditional way depends on the spending of tourists which no longer sustain. (Fabius et al, 2020)

The sales growth rate had been decreased to only 2% in 2023 and recorded a decrease 6% in 2022, while in 2022 is 14.9 % in 2021 and 14.7% in 2020 before the epidemic.

(Luk Fook Holdings (International) Limited, 2023). As mentioned in previous section, the sales from the market of China sharing nearly half of the whole group in 5,392 million in 2023 while more than half of the whole group as 57.1% in 2022. It shared 59.9% of the sales revenue of the whole group in 2021 which revealed that the importance of the China market for the whole group instead of local markets.

There is a chance to discover another way of sales.

1.5 Company Internal Profile

As on 31 March 2023, there are 6,000 employees which remain the same as 2022. There is 1:2.3 ratio in male to female in 2022. And it is more than 90% are middle management to front line staffs with 8% is the top management of the company. The workforce is energetic as more than 50 % aged below 39 years old and even in top management is one out of 4 from the segment aged below 59 years old. LKJ regularly review the remuneration and benefits in order keep competitive in the market. With providing training to their employees, to equip them with the qualification which align with the government assurance course in QF2 in Advanced jewellery knowledge certificate courses, High-quality service, and jewellery knowledge certificate; and to further foster their ability courses in Coach-style leadership skills courses for shop managers are launched. (Luk Fook Holdings (International) Limited, 2023).

Throughout the markets, there are two competitors have similar structure with LKJ.

These are Chow Tai Fook (CTF) and Tse Sui Luen (TSL) in the same jewellery industry which will always use in comparison to LKJ. These are the summary of the comparison of the listed companies:

1.6 Company Features comparison and financial structures

Table2: Company Features Comparison

Company	LKJ	(Ctrl)	TSL
Stock number	0590.HK	1929.HK	00417.HK
Year of Establishment	1991	1961	1960.
Market Value (In HKD Millions)	\$ 12,564.154	\$155,800	\$36.150
Price per earning	\$2.190	40.540	\$-0.290
Area of Business	Hong Kong, Macau, China, Southeast Asia, United States. Canada	Hong Kong, Macau, China, Southeast Asia, Korea, Japan United States. Canada	Hong Kong, China, Macau, and Kuala Lumpur
Number of Store	3015	7655	643

Source: Constructed by the author

Increasing demands in the use of financial analysis tools to control the overall conditions of financial status and make their investment decisions. Peterson and Fabozzi stated (1999) useful information can be provided by the financial statements in evaluating the company's future. By analyzing the current situation of these companies and assess risks, future predictions can be made through the annual financial reports.

Table3: Financial information

(in \$HKD Millions)	LKJ			CTF	TSL
	2023	2022	2021	2023	2023
Net Working Capital	\$9,506.47	49,093.414	\$8,785.95	\$26,245	\$1,087.53
Total Assets	\$14,928.51	\$16,220.27	\$14,512.04	\$87,341	\$2,844.22
Retained Earning	\$9,668.69	\$9,526.25	\$8,771.92	\$22,397.40	\$831.76
EBIT	\$1586.153	\$1706.73	\$1284.286	\$8,031.9	\$22.198
Stock Value	\$25.10	\$19.08	\$21.40	\$15.58	\$1.35
Number of shares	\$587.11	\$587.11	\$587.11	\$10,000.00	\$249.00
Total Liabilities	\$2,707.56	\$4,141.74	\$2,946.77	\$53,981.20	\$1,950.75
Sales	\$11,977.84	\$11,737.80	\$8,861.34	\$94,684.00	\$2,591.00

Source: Constructed by the Arthor

2. Financial analysis

2.1 Z-score analysis

Extreme Forecasting Models should be useful to analyze the healthiness of the company in the financial statements. The well-known models are the Altman Z-score model (Altman, 2020). Below 1.81 in the score shows the company has a higher chance to go bankruptcy while it falls below 2.99, that falls in dangerous gray area. While the score is above 2.99, that is less likely to go bankruptcy. Friedlob and Schleifer (2003) explained if the 5 scores (A-E) in the ratio also valued low, the companies are unlikely to avoid the chance of bankruptcy.

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Table4: Z-score analysis

	LKJ			CTF			TSL		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
z score	6.09	4.19	4.84	3.84	3.85	3.99	1.91	2.08	2.19

Source: Constructed by the Author

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Altman's Z-Score

$$= 1.2 * A(\text{Net Current Assets} / \text{Total Assets}) + 1.4 * B(\text{Retained earnings} / \text{Total Assets}) + 3.3 * C(\text{EBIT} / \text{Total Assets}) + 0.6 * D(\text{Stock Value} * \text{No. of Shares} / \text{Total Liabilities}) + 0.999 * E(\text{Sales} / \text{Total Assets})$$

The Z-score from 2020 to 2023 is higher than six. LKJ is health and the possibility of bankruptcy is low while compared with CFT and TSL is in safer zone.

Table5: Liquidity value analysis

	LKJ			CTF			TSL		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Current ratio	4.85	3.33	3.98	1.51	1.57	1.90	1.86	1.49	2.01
Quick Ratio	1.27	1.08	1.50	0.35	0.42	0.42	0.70	0.62	0.90
Cash Ratio	0.95	0.89	1.20	0.23	0.30	0.21	0.28	0.23	0.34

Source: Constructed by the Author

Current Ratio – Mohammed and Kim-Soon (2012) explained the company's ability to repay its debts next year depends on its current ratio which measures financial liquidity, a high ratio can indicate that the company has a good liquidity position. Even compared to other companies, LKJ has a good liquidity position. Improved from 3.98 in 2021 to

4.85 in 2023. (table 5)

Quick Ratio - Warrad (2014) mentioned that performance in liquidity can be measured more accurately. A difficulty converting into cash quickly to pay the short-term liabilities showed in low ratio. LKJ has good liquidity performance compared to CTF and TSL.

Cash Ratio – Ismail (2016) explained the ratio shows the company's ability to use cash and investments to pay its current liabilities. LKJ's is not changed profoundly between 2020 and 2022. Although the cash ratio has declined compared with 2020, its ability to pay current liabilities is not strong compared with CTF and TSL.

After overall analysis, LKJ in the above the ratio is better than the industrial standard level.

2.2 Leverage value analysis

Table 6: Leverage value analysis

	LKJ			CTF			TSL		
Leverage Ratio	2023	2022	2021	2023	2022	2021	2023	2022	2021
Total debt ratio %	0.18	0.26	0.22	0.62	0.61	0.51	0.69	0.61	0.81
Debt /equity ratio%	0.22	0.34	0.28	1.62	1.54	1.04	2.18	1.58	2.17
Long term debt ratio%	0	0	0	4.46	5.18	5.70	0.67	0.00	0.45
Equity Multiplier (Times)	1.22	1.34	1.28	2.62	2.54	2.78	3.18	2.58	2.69

Source: Constructed by the Author

Total Debt Ratio –It shows the portion that financed by creditors to total assets (Nindiani and Arylyn, 2019). The company is financially risky while the ratio is high. Looking at the three listed companies, LKJ is still more competitive than other companies, however declined from 2022 to 2023.

Debt/Equity – The ratio of borrowed funds increases when the amount increases. When a company relies on debt financing, its capital should decrease, and creditors face considerable risk which implied the company may not be able to repay). LKJ is between CTF and TSL. Therefore, LKJ suggested not borrowing money to invest in operating their business.

Long-term debt ratio - A lower value indicates that the company has a lower degree of debt capitalization and less financial pressure to repay long-term debt. LKJ declined between 2021 and 2023, while other companies saw significant growth. I believe it was affected by the epidemic.

Equity Multiplier - A low index means company can pay its asset with more equity and less debt. It shows the average of the Equity multiplier is 1 in LKJ, 2.5 in CTF , 3 in TSL in the table 6. It shows LKJ has a good use of the assets.

2.3 Coverage value analysis

Table7: coverage value analysis

	LKJ			CTF			TSL		
Coverage ratio	2023	2022	2021	2023	2022	2021	2023	2022	2021
Times interest <u>earned</u> (Times)	76.40	71.60	44.52	13.72	27.60	23.33	0.32	2.62	0.98
Cash coverage (Times)*	95.97	91.10	60.63	17.51	33.60	28.96	2.55	6.80	5.16

Source: Constructed by the Author

Time to Earn Interest – Farah and Amin (2021) mentioned it measures the number of times a company can pay interest charges. Compared to the other two companies, LKJ can cover interest payments in all years. In 2022, there have been about 27 times in CTF which is far apart from LKJ.

Cash Coverage – A company can pay all the debt by earned profits or its capital. As shown in Table 7, LKJ's value is 95.97 times its liabilities payable, and its value is much better than CTF and TSL.

2.4 Inventory value analysis

Table8: Inventory value analysis

	LKJ			CTF			TSL		
inventory ratio	2023	2022	2021	2023	2022	2021	2023	2022	2021
inventory turnover (times)	0.98	0.97	0.85	1.24	1.34	1.16	1.14	1.24	1.38
Days sales in inventory (days)	378*	356*	451*	294*	272*	312*	318.93	293.17	264.57

Source: Constructed by Author

*The figure source directly from the annual report of LKJ and CTF

Inventory Turnover - Times that inventory sold and replaced in a certain period. Sold quickly to increase profits will shows as High value means (Amanda, 2019). Compared

with peers, LKJ's valuation is low at 0.98, which is not good enough even for CTF and TSL. It may be affected by the epidemic and Hong Kong's economic downturn.

Day's Sales in Inventory – Bagais and Aljaaidi (2021) mentioned the average number of days that company needs to take in conversion of inventory into revenue. LKJ about a year to complete the sale of its inventory. Compared with CTF and TSL, the inventory completed sales is about half of LKJ's.

2.5 Receivable value, operating and cash period analysis

Table9: Receivables turnover, Credit ratio analysis

	LKJ			CTF			TSL		
Receivables ratio	2023	2022	2021	2023	2022	2021	2023	2022	2021
Receivables turnover (times)	56.02	62.53	31.95	15.29	16.73	11.35	1.76	29.87	22.81
Average collection period (days)	6.52	5.84	11.42	23.87	21.82	32.15	207.05	12.22	16.00
Credit ratio									
Creditor's ratio (times)	7.08	7.35	6.09	2.44	3.04	1.99	5.12	6.82	10.87
Period of creditor's payable (days)	51.54	49.64	59.90	149.39	119.92	183.39	71.29	53.53	33.58
Operating Period (days)	384.52	361.84	462.42	317.87	293.82	344.15	525.98	305.39	280.57
Cash Period (days)	332.98	312.20	402.52	168.48	173.90	160.77	454.69	251.86	247.00

Source: constructed by Author

Receivable Turnover – A measurement in times that the ability of accounts receivable

can converted into cash during a specific period which showed in number of times a company collects accounts receivable each year (Purwanti, 2019).4 LKJ is 56.02 times per year in Table9.

Average Collection Period - The time takes for a company to receive payment after a product is sold. When period short, revealed in low probability of bad debt. LKJ used 6.52 days showed in Table 9. When compared with other 2 companies, LKJ is still fewer days to receive the payment.

Period of Credit

Longer period needed in the same industry means postponed paying its creditors. Table 9 shows that the company is. LKJ is 51.54 days shorter than CTF and TSL. A better credit rating will show in shorter days.

Operating period -

LKJ's operational period increased from 462 days in 2021 to 364days in2023 . This shows the days needed transform the inventory to customers. Compared with CTF and TSL 1, LKJ nearly a double as long as CTF but shorter than TSL in the aboved Table.

Cash period -

The days that the company needs to keep cash in maintaining in operation. LKJ needs 332 days in cash kept for operation which is longer than the CTF but shorter than TSL as showed in Table9.

2.7 Profitability analysis

Table10: Profitability analysis

	LKJ			CTF			TSL		
Profitable measures	2023	2022	2021	2023	2022	2021	2023	2022	2021
Gross profit margin. %	26.974	27.55	29.71	22.36	22.58	28.61	35.08	38.40	36.23
Net profit margin %	10.73	11.86	11.50	5.80	6.95	8.80	-2.78	0.56	-1.66
EBITDA margin %	16.63	18.50	19.74	10.83	11.47	15.52	6.84	9.18	9.82
Return on assets (ROA)	8.61	8.58	7.02	6.29	7.84	9.60	-2.53	0.57	-1.74
Return on equity (ROE)	10.51	11.53	9.00	16.46	19.91	19.56	-8.06	1.47	-4.67
Return on Capital Employed (ROCE)	12.90	13.60	10.99	27.09	24.72	25.16	1.48	9.34	3.61
Total asset turnover (TAT) Times	0.80	0.72	0.61	1.08	1.13	1.09	0.91	1.02	1.05

Source: constructed by the author

Gross Profit Margin - The higher the rate, the profitable of the company. LKJ can keep the steady gross profit rate from 2020 to 2022 as compared to CFT but lower than TSL.

Net Profit Margin - Only by better controlling income, costs, expenses and taxes can achieve high net profits and ensure sufficient funds for survival and development. LKJ still has a change the net profit margin from 11.86% in 2021 to 10.73% in Table10, however, the ratio is fewer than LKJ almost a half. LKJ had a good use of the financial reflects the attempt to control costs in the pandemic.

EBITDA margin – The higher value in earnings, the more stable of the business. LKJ

has a stable value of EBITDA margin in 2021 to 2023 and similar to TSL.

Return of Assets – Strouhal et al (2018) explained it is the efficiency of the company the use of assets to generate profits. ROA goes higher when profits used more effective and efficient. However, LKJ has improved rate of ROA since 2022 and up to 8.61 in 2023 showed in Table10. LKJ shows the better profit productivity among the competitors.

Return of Equity –Purnamasari (2015) stated this reflects the wellness in utilization of the investments in the company. Among the industry, LKJ has a lower rate in 2020, but the investment generate more profit than TSL.

Total asset turnover -Firms that use their assets to generate revenue are relatively efficient (Sunjoko and Arylyn, 2016). CTF's business operating efficiency is higher than LKJ and TSL. The value in 2023 is 1.08, which is higher than LKJ in 0.8 and TSL in 0.91. This may indicate that LKJ and TSL has a large amount of fixed assets.

2.8 Stock Market prospects analysis

Table 11: stock Market Prospects Analysis

	LKJ			CTF			TSL		
Market value	2023	2022	2021	2023	2022	2021	2023	2022	2021
Market capitalization	\$14,736,461,000 (2023)	\$11,202,058,800 (2022)	\$12,564,154,000 (2021)	\$155,800,000,000 (2023)	\$142,600,000,000 (2022)	\$118,800,000,000 (2021)	\$336,150,000 (2023)	\$261,450,000 (2022)	\$209,160,000 (2021)
Price Earning ratio	11.461	8.051	12.37	28.852	21.284	19.800	-4.66	17.5	-4.67
Market to book ratio	1.21	0.93	1.11	4.67	4.13	3.76	0.38	0.25	0.22

Source: constructed by the author

Market Capitalization -

Most investors take advantage of stock prices to increase the wealth generated by companies (measured by market capitalization) (Joshi and Hanssens, 2004). TSL is more valuable than other in from 2021 to 2023. There are decrease in 2021 to 2022 for LKJ and CTF, but the stock values increase in 2023. It shows the effects of the Covid-19 time. However, LKJ is the lowest stock values among the companies.

PE ratio - An investment strategy that indicates market predictions of future growth and risk (Wu, 2014). A high P/E ratio reflect investors' expectations of high future growth rates, or that the company's stock is overvalued. LKJ ratio is much higher than TSL but lower than CFT.

Market to book ratio -

A company is considered overvalued if its market value is higher than its book value

per share, vice versa. In comparison, LKJ is same value as book value in 1. It showed that CTF is undervalued in 2021 to 2023 while TSL is overvalued. This ratio gives investors and analysts to do comparison between a public company's true value and investors' speculative value.

2.9 Growth ability capacity

Table12: Growth ability analysis.

	LKJ			CTF			TSL		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Sustainable growth rate	79.12	78.87	77.46	67.14	68.35	65.79	93.09	94.10	93.41
Dividend yield%	4.38	5.82	7.86	7.83	3.51	3.37	0.00	1.90	0.00
Retained yield (times)	7.53	6.84	8.61	0.78	3.43	3.36	-11.55	63.98	-20.00

Source: constructed by the author

Sustainable growth rate – assumes that the company can fund its growth opportunities using retained earnings and new debt (Chen et al., 2021). The LKJ's Sustainable growth rate is higher, but lower than its competitors. LKJ's average interest rate is at an industry-leading level. LKJ continues to maintain a higher interest rate, and internally generated funds can be expanded to new products or other products while TSL rating nearly 100%.

Dividend yield-

Once shareholders have invested their money, it should be paid out to shareholders to maximize their wealth (Azhagaiah and Priya, 2008). As Compared to CTF, LKJ has a poor dividend yield while good performance when compared to TSL. It would be the effects of the COVID-19.

Retained yield -LKJ is based on retained earnings and profit after tax. Increased by 0.68% from 2022 to 2023 and indicator exceeded CTF by 6.74 times more and 19.08

more in TSL. LKJ needs to pay dividends to shareholders to gain shareholder support; also needs to keep some reserves to grow the business. The rate of return remained at a reasonable level as the sales revenue grows at 2%.

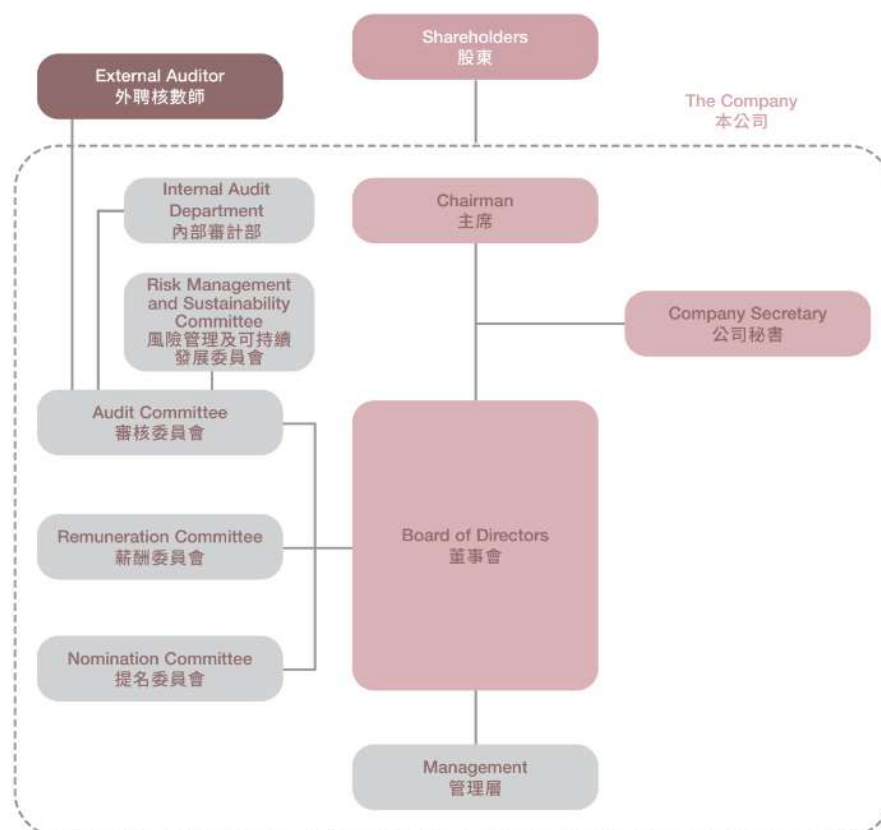
3. Corporate Governance

Corporate governance is a set of rules, practices and procedures designed to enhance efficiency and achieve the long-term success of the Company by reducing misconduct and avoiding risks, thereby safeguarding the interests of all stakeholders. (HKEX, n.d.)

There are 3 committees under corporate governance. The Audit Committee was established to review the Company's financial information and oversee the reporting system and internal control procedures to ensure appropriate reporting and adequate internal controls. Recommendations on policy and structure making or all directors and senior management is responsibility of the Remuneration Committee. To review the structure, size and composition of the Board and to consider the succession of directors and other senior management is the role of nomination committee.

(Luk Fook Holdings (International) Limited, 2023).

Table 13: structure of Lukfook Jewellery



Source: (Luk Fook Holdings (International) Limited, 2023).

As shown in the Table 13, leading the Board of Directors in formulating strategies and achieving goals, and ensures that all directors are fully aware of issues arising in Board meetings and receive sufficient, complete, and reliable information is the role of the chairman. CEO is given the authority and responsibility to run the company's business and implement company strategy to achieve business result. Board of Directors leading the 3 committees to form and control the operations of the company which will be discussed in next section. Besides, board of directors guiding the top management to run the business. (Luk Fook Holdings (International) Limited, 2023).

3.1 Audit Committee

This committee is to do risk management that governs the procedures of the group not to involve in those interest-risking activities to all the shareholders. Committee members are independent non-executive directors. Preparing and examining of financial statements and reviewing the external auditor's performance is the role of this committee.

3.2 Nomination Committee

Considering succession plans for top management to identify the professional qualities and to assess the independence of independent non-executive directors. Regular reviewing the structure, size and composition of the Board in skills, knowledge, diversity and experience, and providing recommendations to the Board, to achieve balance and appropriate qualifications for the Board.

3.3 Remuneration Committee

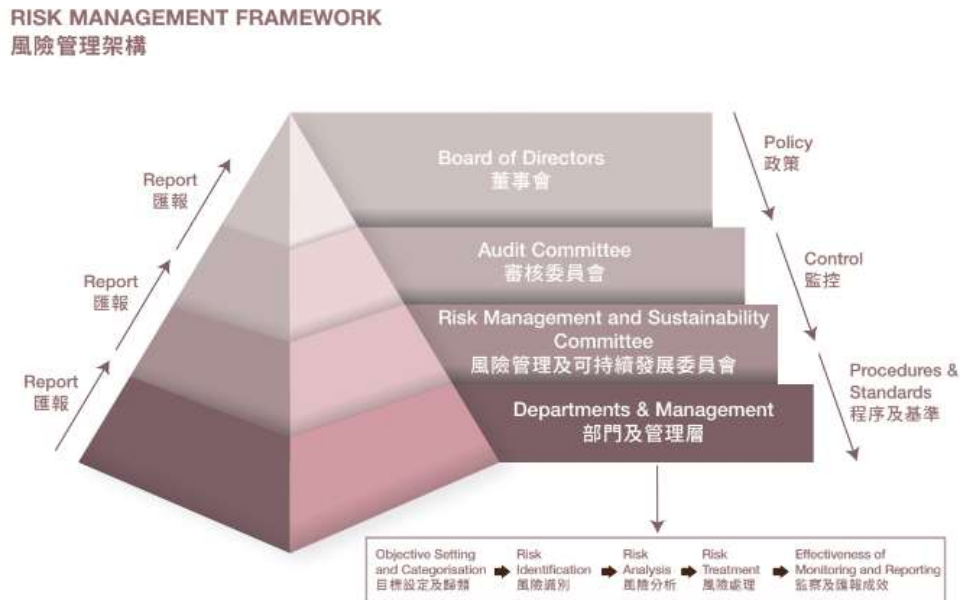
Providing the recommendations on remuneration policies and structures for above the Board and management level staff to ensure that the competitive Remuneration for qualified individuals.

3.4 Risk Management and Sustainability Committee

To have systematic and standardized risk management process and implement the internal control system as an initial aim in corporate governance. The goals to establish and improve a profound risk management system to ensure the risk can be identified.

Manage risks to the achieve of the objectives of company by advising and assisting the on the strategy, implement of the sustainable development and the assess of associated risks.

Table 14: Risk Management Framework



Source: (Luk Fook Holdings (International) Limited, 2023).

3.5 Transparency and Board composition

Consists of 12 directors which is 4 executive directors, 4 non-executive directors and 4 independent non-executive directors. There are more non-executive directors than executive directors, to balance and strike for the interests of shareholders and the group. There are 1/4 of the director and 1 to top management are from the same family. Even though the group explores the relationship within the Wong's family. However, public may concern the family can control over of the company, as hidden information can transfer under the table resulting lack of transparency.

Table 15: Roles and relationship of Wong's family

Name	Roles in Lukfook	Roles in Wong's family
Mr. WONG Wai Sheung (Chairman & Chief Executive Officer)	Executive Directors	Founder
Mr. WONG Ho Lung, Danny (Deputy Chairman)	Non-executive Directors	Son
Ms. WONG Lan Sze, Nancy (Deputy Chief Executive Officer)	Executive Directors	Daughter
Mr. WONG Wai Tong	Senior Business Director	Elder brother

Source: constructed by author

3.6 Ownership of the company

Besides, the majority of the shares are owned by the Wong's family as showed in the report. (Luk Fook Holdings (International) Limited, 2023). It revealed in the annual report, more than 46% of the shares hold by the wife of the CEO which have been clearly stated in the transparency part. And rest of the fund is holding by the foundation also owned by the Wong's family.

3.7 Recommendation in cooperate governance.

- 1) Public interest at risk. It is known that LJK is the grown from a family business, while it goes public and liable to its shareholders. It is a risk on the interest of the public as the entire family can control the operation of the company because there are assumptions that the hidden information may exposure under the table and cannot reach a consensus internally. This is a lack of transparency. Thus, the recommendations are the board should be only involved half of Wong's family members and hired other professional. This can eliminate the concerns of the public by the board members can examine and monitor each other.

- 2) It is known that the family would like to control their own business. However, for the sustainability of the business, the major ownership of the business should be release. Besides, public may be afraid of the family will control the business through the selling and purchase of the shares that affect the shares price resulted the loss of the minority shareholders. This will greatly decrease the willing of the public to have the shares. Thus, it will affect the portion of the investments.

4. Investment Project Appraisal

LKJ plans this year to open a new branch in the Eastern district. (美聯工商舖,2023)

The retail shop area of 800 square meters, the company planned to rent store for long-term use selling the different priced products.

←

Figure 16: Project items basic information←

Project Costs←	←	Remarks←
area (square meters)←	800←	Located in Quarry Bay←
Rental price (in HKD million)←	2.88←	5 years←
Decoration (in HKD million)←	1.92←	Based on the figure in 2023←
Total Cost (in HKD million)←	4.8←	←

Source: constructed by author ←

←

Figure 17: Remaining basic information.←

Remaining basic information←	←	Remarks←
		←
Building depreciation years←	50←	Luk Fook Holdings (International) Limited, 2023)←
Decoration period←	5 years←	Regular approach←
Sales growth rate←	2.7%←	Based on average sales in 2017 to 2023←
ultimate growth rate←	5%←	Assume long-term investment growth←
EBITDA (%)←	16.4 %←	Luk Fook Holdings (International) Limited, 2023←
Cash and equivalents to sales ratio←	2%←	Assuming this is the cash period based on the ratio in 2023←

Source: constructed by author ←

Figure 20: Cashflow calculation Items

Year		1	2	3	4	5
EBITDA (In HKD million)		0.8	0.9	0.9	0.9	1.0
Expenditures *1 (In HKD million)	Cash period	-0.0003	-0.0003	-0.0004	-0.0004	-0.0004
Expenditures *2 (In HKD million)	decoration cost	-0.38	-0.38	-0.38	-0.38	-0.38
Tax expense 16.5% (In HKD million)	Based on the inland revenue department	-0.06	-0.07	-0.08	-0.08	-0.09
Cashflow (In HKD million)		0.37	0.41	0.44	0.48	0.52

Source: constructed by the Author

Note 1) Working capital the first-year calculation $\Rightarrow$ annual direct sales x (cash and equipments to sales ratio in 2023/total number of shops)

Working capital for the rest calculation $\Rightarrow$ the previous year working capital x (1+Sales growth rate)

Note 2) assumption for expenditure to pay for the annual decoration cost, about 1.92 million/5 year = \$0.38 millions per year

Note 3) Cashflow after 5 years, using the assumption the ultimate growth (Appendix K)

Calculation of NPV / PBP / IRR / PI / ARR

Table 20: Calculation of NPV / PBP / IRR / PI / ARR

Method 1 NPV	0.12
Method 2 PBP	9 years 8 months
Method 3 IRR	8.9%
Method 4 PI	1.03
Method 5 ARR	10.2%

Although the cash flow is negative in the first 5 years, however it comes to profit when the projects in 19th year with assuming the inflation rate is 2.3%. (International Monetary Fund, 2023). And it is expected 2.3 % is the same in coming years.

Net Present Value (NPV)

Several different criteria are using in economic benefit measurement and decision-making for the project evaluation. Marchioni & Magni (2018) stated Net Present Value (NPV) is defined as the most dependable tool. The effectively measures the growth of investor value. There is only 0.12 million HKD in Table 20, this positive value is accepted for the investment.

Payback period (PBP)

Payback period is the period to offset the initial investment's cost while it ignores the cash flow beyond the date. That should be to apply a cutoff date while using this measurement. (Dai et al, 2022). Around 9 Years 8 months to recover the investment cost in this project, the period is medium.

Internal rate of return (IRR)

It is commonly used to analyze individual items, but NPV is more preferable as compatible. However, NPV is favored by investors because calculate the cash flow of investment costs and the amount of reinvests. Furthermore, Arshad (2012) stated IRR is also used in provides the answer in percentage form and is easy to understand. The In Table 20, the IRR is 8.9%, which is not high, but is a bit higher than the ROA of 8.61%, so it is more inclined to evaluate the NPV value. However, if the IRR is high enough, the evaluation may be worthwhile.

The profitability index (PI)

It is an important metric that illustrates the costs and benefits of a project in terms of revenue. 1.03 is acceptable as 1 is the minimum value in measurement which better if it's in higher values. John, Dabas, & Naseem (2014) stated that it is not worth to invest in the value is less than 1. For this project of establishing a new sales store, the PI is 1.01, which is a positive value, so LKJ should start running this project based on the strategic of the company.

Accounting rate of return (ARR)

ARR uses the project's cost of capital to evaluate an investment project's average annual net rate of return. Normally the practice will choose a project with a high rate when the project is beneficial. The rate of return in the ideal project. This project has a value of 9.4 % and is suitable for investment.

NPV should be used as the future cash flow will be counted in inflation that easily neglect by investors. Besides, ARR also can used together with NPV as it is determined in the profit offset by the initial cost.

5. Financial Management of Funding

The commitment in an extra HKD \$4.8 million as 0.33% of the total assets in 2023 to the new store for the new project. There will be discussion in the pros and cons for LKJ's financial management methods.

5.1 Bank borrowing

LKJ's preferred banks can lend money for the project. The initial cost of this project is not very large. Therefore, easily borrow funds from banks. Banks can offer loans of 5.5% p.a.(Rodeck, 2023) As studied through the financial statement, there are no long-term liabilities, this method would be used. The funds are not too much and do not have much impact on liquidity.

5.2 Issued share capital fund-raising–

One of the ways to have funds for new project is to conduct a secondary public offering. The move is good to the company while the percentage ownership declines as the shareholder base grows in the perspective of initial investors as acquired their shares through an IPO. Shareholding ratios are affected by dilution. The price of the stock and the original investors will have negatively attitude.

5.3 Internal funding investment –

Using internal retained earnings is the easy sources of funding. In 2021 to 2023, the retained earnings are positive Generally, the cash ratio should be above less than 10%. When the cash ratio is low, companies will face risks such as being unable to pay loan interest on time, repay debts, and fail to meet financial needs in daily production operations and emergencies. Therefore, LKJ may be taking risks if they use internal funds to make further investments.

5.4 Sale of assets

LKJ has investment property which rate in total assets which below 10 % within 3 years and it is not significant. And it initial investing cost is just 5.82 million, if sell for the investment property, there will be not significant changes in all to total assets ratio.

Besides the rental sale on the net income after tax also rate below 10% which will not increase the pressure of the profitability.

In conclusion, the new project only sharing the 0.05 % of the retained earning and sharing the 0.03% of the total assets of the retained earnings. It is believed that the cash flow is positive even it is first year and assuming it is targeting the right markets and location to increase the exposure in such area. Before mid of December, the occasion of Christmas will bring the sales to the company. So, it is used the internal funding.

6. Conclusion and Recommendation

As a result, the project will be process. The project management will be used in oversee the project. Gantt charts is a popular management tool which is easily to understand and easier to manage. Wilson (2003) stated is an efficient way to present basic data and workflows The project manager will manage different tasks and work with different parties based on a Gantt chart.

Figure 4 Gantt Chart of the new project

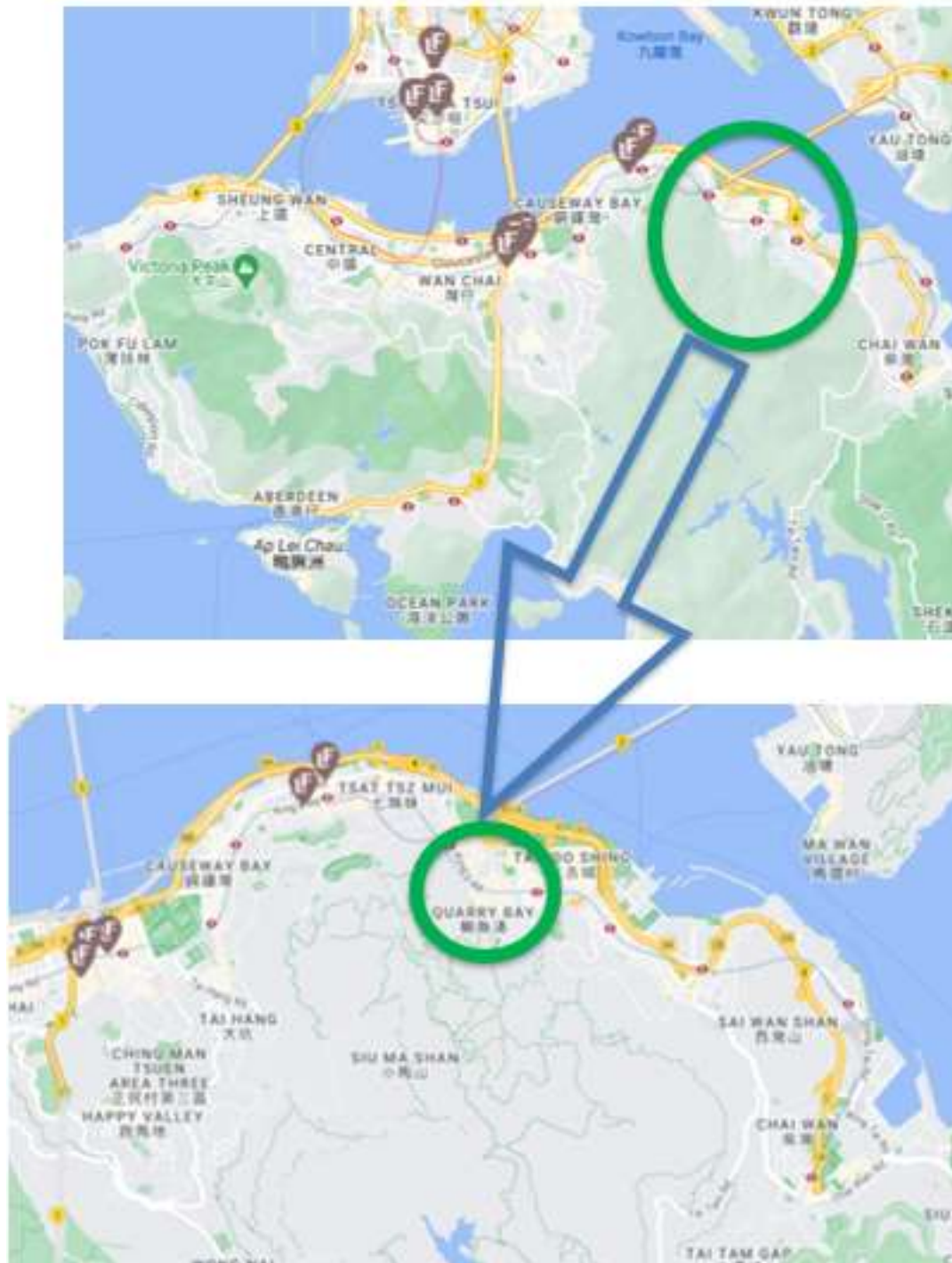
Project Tracker	Tasks	Q3 2023	Q4 2023				Q1 2024			Q2 2024		
		Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Rent the stores located in Quarry Bay	Submit the proposal	Stage 1										
	Rent the store		Stage 2									
Getting the retained Earning from Financial Department	Submit the proposal	Stage 1										
	Getting funding		Stage 2									
Decoation of the stores												
Employee re-arraqgements	Select the ideal staffs and commuiccation		Stage 1									
	Rearranging				Stage 2							
Arrange supply chain and delievery of goods			Stage 1		Stage 2							
Stores opening before Christmas					Stage 1	Stage 2						
Maintain the business Contingency plan and risk management Plan		Throughout the period										

6.1 Recommendation to Lukfook Jewellery

As board approval was required in open the sore in selected location in Quarry Bay showed in figure 3. The plan is to align with the targeting market in middle-class level. There are two types of market would like to attract: one is those who live in those traditional middle-class residents and the executives who work in the blocks of commercial quarters that need to have an ad-hoc jewellery to match their outfit for a better glooming for a sudden meeting. (Sierra, and Hyman, 2011) By increase in the selling channel with its outstanding image, it is believed that there will be attractive in an ad-hoc and personalized experience in Quarry Bay. (Mastercard Economics Institute, 2023) As the nearest place for stores are in North Point where is the traditional sites for tourists and the place concentrated of jewellery shops. Therefore, the first step is to rent a suitable store in late-Oct-2023. In the meanwhile, the fund needed to obtain in retained earnings to be approval from the board of directors. And there may be need

some time to get from the financial department with and the fund may take time to obtain as the process and the procedures in acquisition around 2 months.

Figure3:location map



As there are easy to find a suitable location now as there are many vacant stores, so 2 months are needed to obtain the store in the market. As LKJ have a nominated renovation contractor, it will take less than 1.5 months to finish the decoration and renovation works. Finally, the period would be aligned with the fund obtaining process.

Since the effect of post COVID era and the effects of immigrants' wave is still affecting the local market, it is not easy to hire skilled employees from outside. This location is used for a quick sales and pick-and-go experience shop, and used to have skilled will be more suitable than new fire. So, arranging the current staffs in the other operating stores. As the store select is just around 800 sq ft is not large, so there are only 12 staffs in operations.

The project manager needs to coordinate the various tasks in the project and work with different departments to make the project run smoothly within 3 months to catch up with the 4th quarter sales trend which before the occasion of Christmas. The tasks should complete on time fix to the schedule. In addition, certain risk management should be applied for any delay or any crisis may arise. There should be certain solutions should be by communicating with corresponding.

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Appendix A- Financial Highlights extracted from annual report dated 31 march 2023

FINANCIAL PERFORMANCE | 財務表現

[illegible]

KEY FINANCIAL INDICATORS | 主要財務指標

(Inventory) 存貨 = 存貨賬面淨值 = Cost of the Inventory Sold + Number of Days for the Year (期) 存貨 = 期存貨淨值 + 存貨賬面淨值

(Credit Inventory) = Cost of Inventory Sold + Number of Days for the Year
期信用存貨 = 期信用存貨淨值 + 存貨賬面淨值

(Credit Inventory) = Current Liabilities + Capital and Reserves Attributable to Equity Holders of the Company
期信用存貨 = 流動負債 + 本公司權益持有人應佔資本及儲備

Profit Attributable to Equity Holders of the Company = Capital and Reserves Attributable to Equity Holders of the Company
本公司應佔利潤 = 本公司應佔資本及儲備

Profit Attributable to Equity Holders of the Company = Long Term Assets + Current Assets
本公司應佔利潤 = 長期資產 + 流動資產

march 2023

CONSOLIDATED INCOME STATEMENT

綜合損益表

For the year ended 31 March 2023
截至2023年3月31日止年度

		Note 附註	2023 HK\$'000 千港元	2022 HK\$'000 千港元
Revenue	收入	6	11,977,844	11,737,803
Cost of sales	銷售成本	8	(8,747,447)	(8,503,976)
Gross profit	毛利		3,230,397	3,233,827
Other income	其他收入	7	228,859	279,344
Other losses, net	其他虧損・淨額	9	(17,398)	(43,041)
Selling and distribution costs	銷售及分銷費用		(1,653,445)	(1,626,333)
Administrative expenses	行政費用		(214,070)	(188,778)
Net reversal of/(provision for) impairment loss on financial assets and financial guarantee	金融資產及財務擔保減值 虧損撥回/(撥備)淨額		1,832	(11,795)
Operating profit	經營溢利	8	1,576,175	1,643,224
Finance income	財務收入		33,125	87,344
Finance costs	財務費用		(20,763)	(23,097)
Finance income, net	財務收入・淨額	10	12,362	64,247
Share of results of an associate	應佔一家聯營公司業績	19	(23,146)	(23,838)
Profit before income tax	除所得稅前溢利		1,565,391	1,683,633
Income tax expenses	所得稅開支	11	(280,664)	(291,296)
Profit for the year	年內溢利		1,284,727	1,392,337
Profit attributable to:	應佔溢利：			
Equity holders of the Company	本公司權益持有人		1,284,757	1,392,364
Non-controlling interests	非控股權益		(30)	(27)
			1,284,727	1,392,337
Earnings per share for profit attributable to equity holders of the Company during the year	年內本公司權益持有人 應佔溢利之每股盈利			
Basic and diluted	基本及攤薄	12	HK\$2.19港元	HK\$2.37港元

The above consolidated income statement should be read in conjunction with the accompanying notes. 上述綜合損益表應與隨附附註一併閱讀。

Appendix C- Consolidated statement of Comprehensive Income extracted from annual report dated 31 march 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收入報表

For the year ended 31 March 2023

截至2023年3月31日止年度

	Note 附註	2023 HK\$'000 千港元	2022 HK\$'000 千港元
Profit for the year		1,284,727	1,392,337
Other comprehensive (loss)/income: 其他全面 (虧損) / 收入：			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences:			
– Group		(502,167)	272,924
– An associate	19	–	4,059
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of financial assets at fair value through other comprehensive income	21	423	(808)
Remeasurements of employee benefit obligations	30	5,249	(4,191)
Other comprehensive (loss)/income for the year, net of tax	年內其他全面 (虧損) / 收入，扣除稅項	(496,495)	271,984
Total comprehensive income for the year	年內全面總收入	788,232	1,664,321
Attributable to:	下列人士應佔：		
– Equity holders of the Company	– 本公司權益持有人	788,262	1,664,348
– Non-controlling interests	– 非控股權益	(30)	(27)
Total comprehensive income for the year	年內全面總收入	788,232	1,664,321

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

上述綜合全面收入報表應與隨附附註一併閱讀。

CONSOLIDATED BALANCE SHEET

綜合資產負債表

For the year ended 31 March 2023
截至2023年3月31日止年度

			As at 31 March 於3月31日	
			2023	2022
			HK\$'000	HK\$'000
			千港元	千港元
ASSETS	資產	Note 附註		
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	16	918,560	892,590
Investment properties	投資物業	17	1,127,727	1,007,806
Right-of-use assets	使用權資產	18	670,058	601,635
Interests in an associate	於一家聯營公司之權益	19	-	23,146
Financial assets at fair value through other comprehensive income	按公允值計入其他全面 收入之金融資產	21	788	365
Trading licence	交易執照		1,080	1,080
Gold loan receivables	應收黃金借貸	32	-	41,798
Deposits, prepayments and other receivables	按金、預付賬項及 其他應收賬項	22	90,724	492,020
Deferred income tax assets	遞延所得稅資產	29	146,666	158,023
			2,955,603	3,218,263
Current assets	流動資產			
Inventories	存貨	23	8,852,611	8,769,304
Right of return assets	退回資產的權利		98,878	109,827
Trade receivables	貿易應收賬項	24	213,823	187,711
Deposits, prepayments and other receivables	按金、預付賬項及 其他應收賬項	22	440,212	403,551
Amount due from an associate	應收一家聯營公司賬項	19	4	-
Gold loan receivables	應收黃金借貸	32	-	16,719
Income tax recoverable	可收回所得稅		19,724	23,057
Cash and cash equivalents	現金及現金等備物	25	2,347,651	3,492,037
			11,972,903	13,002,006
Total assets	總資產		14,928,506	16,220,269
EQUITY	權益			
Capital and reserves attributable to the equity holders of the Company	本公司權益持有人 應佔資本及儲備			
Share capital	股本	27(a)	58,710	58,710
Share premium	股份溢價	27(b)	2,494,040	2,494,040
Reserves	儲備	28	9,668,690	9,526,246
			12,221,440	12,078,996
Non-controlling interests	非控股權益		(498)	(468)
Total equity	權益總額		12,220,942	12,078,528

Appendix E- Consolidated balance sheet (continue) extracted from annual report dated
31 march 2023

CONSOLIDATED BALANCE SHEET

綜合資產負債表

For the year ended 31 March 2023
截至2023年3月31日止年度

		As at 31 March 於3月31日	
	Note 附註	2023 HK\$'000 千港元	2022 HK\$'000 千港元
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	29	59,656	74,692
Lease liabilities	18	147,605	153,013
Employee benefit obligations	30	33,872	5,450
		241,133	233,155
Current liabilities			
Trade payables, other payables and accruals	26	1,235,102	1,156,446
Financial guarantee contract	35	36,831	36,831
Contract liabilities		162,962	165,173
Derivative financial instrument	20	-	280
Lease liabilities	18	172,462	204,598
Sales refund liabilities		193,516	201,727
Amount due to an associate	19	-	411
Bank borrowings	31	115,020	1,383,391
Gold loans	32	425,114	571,445
Current income tax liabilities		125,424	188,284
		2,466,431	3,908,586
Total liabilities		2,707,564	4,141,741
Total equity and liabilities		14,928,506	16,220,269

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

上述綜合資產負債表應與隨附附註一併閱覽。

The consolidated financial statements were approved by the Board of Directors on 27 June 2023 and were signed on its behalf by the following directors:

綜合財務報表乃由董事會於2023年6月27日批准並經由下列董事代表簽署：

Wong Wai Sheung
黃偉常
Director
董事

Chan So Kuen
陳素嫻
Director
董事

Appendix F- Consolidated statement of changes in equity extracted from annual report dated 31 march 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31 March 2022

截至2022年3月31日止年度

		Attributable to equity holders of the Company 本公司權益持有人應佔				Non- controlling interests 非控股權益	Total equity 權益總額
		Share capital 股本 HK\$'000 千港元	Share premium 股份溢價 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元 (Note 28) (附註28)	Subtotal 小計 HK\$'000 千港元		
For the year ended 31 March 2022	截至2022年3月31日 止年度						
As at 1 April 2021	於2021年4月1日	58,710	2,494,040	8,771,915	11,324,665	(441)	11,324,224
Comprehensive income/(loss)	全面收入／(虧損)						
Profit/(loss) for the year	年內溢利／(虧損)	-	-	1,392,364	1,392,364	(27)	1,392,337
Other comprehensive income/(loss)	其他全面收入／(虧損)						
Remeasurements of employee benefit obligations (Note 30)	僱員福利責任的 重新計量 (附註30)	-	-	(4,191)	(4,191)	-	(4,191)
Currency translation differences	匯兌差額	-	-	276,983	276,983	-	276,983
Revaluation of financial assets at fair value through other comprehensive income (Note 21)	按公允價值計入其他全面 收入之金融資產 價值變動 (附註21)	-	-	(808)	(808)	-	(808)
Total other comprehensive income	其他全面總收入	-	-	271,984	271,984	-	271,984
Total comprehensive income/ (loss)	全面總收入／(虧損)	-	-	1,664,348	1,664,348	(27)	1,664,321
Transactions with owners	與擁有人之交易						
Dividends paid (Note 13)	已付股息 (附註13)	-	-	(910,017)	(910,017)	-	(910,017)
		-	-	(910,017)	(910,017)	-	(910,017)
At 31 March 2022	於2022年3月31日	58,710	2,494,040	9,526,246	12,078,996	(468)	12,078,528

Appendix G- Consolidated statement of changes in equity (Continue) extracted from annual report dated 31 march 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31 March 2023
截至2023年3月31日止年度

		Attributable to equity holders of the Company 本公司權益持有人應佔				Non-controlling interests 非控股權益	Total equity 權益總額
		Share capital 股本 HK\$'000 千港元	Share premium 股份溢價 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元 (Note 28) (附註28)	Subtotal 小計 HK\$'000 千港元		
For the year ended 31 March 2023 As at 1 April 2022	截至2023年3月31日 止年度 於2022年4月1日	58,710	2,494,040	9,526,246	12,078,996	(468)	12,078,528
Comprehensive income/(loss) Profit/(loss) for the year	全面收入／(虧損) 年內溢利／(虧損)	-	-	1,284,757	1,284,757	(30)	1,284,727
Other comprehensive income/(loss) Remeasurements of employee benefit obligations (Note 30) Currency translation differences Revaluation of financial assets at fair value through other comprehensive income (Note 21)	其他全面收入／(虧損) 僱員福利責任的重新計量(附註30) 匯兌差額 按公允值計入其他全面收入之金融資產之價值變動(附註21)	-	-	5,249 (502,167)	5,249 (502,167)	-	5,249 (502,167)
Total other comprehensive loss	其他全面總虧損	-	-	(496,495)	(496,495)	-	(496,495)
Total comprehensive income/(loss)	全面總收入／(虧損)	-	-	788,262	788,262	(30)	788,232
Transactions with owners Dividends paid (Note 13)	與擁有人之交易 已付股息(附註13)	-	-	(645,818)	(645,818)	-	(645,818)
		-	-	(645,818)	(645,818)	-	(645,818)
At 31 March 2023	於2023年3月31日	58,710	2,494,040	9,668,690	12,221,440	(498)	12,220,942

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. 上述綜合權益變動表應與隨附附註一併閱讀。

Appendix H- Consolidated statement of Cash Flow extracted from annual report dated
31 march 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

For the year ended 31 March 2023
截至2023年3月31日止年度

		Note 附註	2023 HK\$'000 千港元	2022 HK\$'000 千港元
Cash flows from operating activities	營運活動之現金流量			
Net cash generated from operations	營運產生之現金淨額	33	1,685,341	1,133,859
Hong Kong profits tax paid	已付香港利得稅		(7,001)	(7,939)
Mainland and overseas income taxes paid	已付內地及海外所得稅		(336,869)	(386,982)
Net cash generated from operating activities	營運活動產生之現金淨額		1,341,471	738,938
Cash flows from investing activities	投資活動之現金流量			
Purchases of property, plant and equipment	購置物業、廠房及設備		(107,280)	(79,483)
Prepayment for purchase of properties and equipment	購置物業及設備之預付賬項		-	(376,000)
Purchases of investment properties	購置投資物業	17	(99)	(102,729)
Proceeds from other receivables arose from prior disposal of a subsidiary	先前出售一家附屬公司產生之其他應收賬項所得款項		7,627	41,575
Proceeds from amount due from Hong Kong Resources Holding Company Limited ("HKRH")	來自應收香港資源控股有限公司(「香港資源控股」)款項之所得款項		-	27,080
Interest received	已收利息	10	33,125	87,344
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		2,196	2,426
Net cash used in investing activities	投資活動所用之現金淨額		(64,431)	(399,787)
Cash flows from financing activities	融資活動之現金流量			
Proceeds from bank borrowings	銀行貸款所得款項	33	114,000	1,015,000
Repayment of bank borrowings	償還銀行貸款	33	(1,382,371)	(343,117)
Proceeds from gold loans with cash settlement	以現金結算的黃金借貸所得款項	33	3,015,671	2,509,970
Repayment of gold loans with cash settlement	償還以現金結算的黃金借貸	33	(3,102,977)	(2,323,628)
Repayment of lease liabilities (including interest)	償還租賃負債(包括利息)	33	(294,158)	(395,582)
Interest on bank borrowings and gold loans	銀行貸款及黃金借貸利息	10	(12,846)	(12,760)
Dividends paid	已付股息		(645,818)	(910,017)
Net cash used in financing activities	融資活動所用之現金淨額		(2,308,499)	(460,134)
Net decrease in cash and cash equivalents	現金及現金等價物之減少淨額		(1,031,459)	(120,983)
Cash and cash equivalents at 1 April	於4月1日之現金及現金等價物		3,492,037	3,546,349
Exchange differences	匯兌差額		(112,927)	66,871
Cash and cash equivalents at 31 March	於3月31日之現金及現金等價物	25	2,347,651	3,492,037

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. 上述綜合現金流量表應與隨附附註一併閱讀。

Appendix I- Calculation of accounting ratio

《表格六》七匹狼服装公司财务比率公式及代码表

序号	名称	计算公式	名称	计算公式	名称	名称
1	固定资产占长期资金比	$\frac{\text{Fixed Asset to LTL/Equity Ratio}}{\text{长期负债} + \text{所有者权益}}$	FA	FA	代码	名称
2	流动负债对资产净值比	$\frac{\text{Current Liabilities to Net Asset Ratio}}{\text{资产净值}}$	LTL+Equity	CL	AR	应收账款
3	流动负债对存货比	$\frac{\text{Current Liabilities to Stock Ratio}}{\text{存货}}$	NA - (TA - CL - LTL)	CL	CA	流动资产
				Stock	CE	占用资本
					Cash	现金
					CL	流动负债
偿债能力与变现能力						
4	短债	$\frac{\text{Short Term Solvency Measure}}{\text{短期偿债能力}}$	CA		COS	销售成本
5	流动比率	$\frac{\text{Current Ratio}}{\text{流动负债}}$	CL		EAT	税后收益
		$\frac{\text{Quick Ratio (Acid-test Ratio)}}{\text{速动资产}}$	CA - Stock	流动资产 - 存货	EBT	税前收益
					EBIT	息税前收益
6	速动比率	$\frac{\text{Quick Ratio (Acid-test Ratio)}}{\text{流动负债}}$	CL	流动负债	Equity	所有者权益
7	存货信赖	$\frac{\text{Stock Credit Index}}{\text{流动负债} - \text{速动资产}}$	CL - (CA - stock)		FA	固定资产
8	现金比率	$\frac{\text{Cash Ratio}}{\text{现金}}$	Cash		GP	毛利
9	长债	$\frac{\text{Long Term Liquidity Measure}}{\text{总长债比率}}$	TL		I	贷款利息
10	资产负债比率	$\frac{\text{LT Debt / Equity Ratio}}{\text{总资产}}$	TA		IC	投入资本
11	产权比率	$\frac{\text{Long Term Debt Ratio}}{\text{长期负债}}$	LTL		LTL	长期负债
12	杠杆比率	$\frac{\text{Long Term Debt Ratio}}{\text{长期负债} + \text{所有者权益}}$	Equity		NA	资产净值
13	有形资产负债率	$\frac{\text{Total Debt / Fixed Asset Ratio}}{\text{有形资产}}$	FA	固定资产	NP	净利
14	利息保障倍数	$\frac{\text{Time Interest earned ratio}}{\text{息税前收益}}$	EBIT		ROA	资产回报率
			I		ROBA	经营资产息税前回报率
					ROCE	占用资本回报率
					ROE	权益回报率
					ROI	投资回报率
					ROIC	投入资本回报率
					RONA	资产净值回报率
					ROTA	总资产回报率
					STL	短期负债
					Sales	销售
					Stock	存货
					TA	总资产
					TL	总负债
					WC	营运资金
					WCR	营运资金需求
营运能力						
13	净负债周转率	$\frac{\text{Net Asset Turnover}}{\text{净负债}}$	Sales			
14	营运资金周转率	$\frac{\text{Working Capital Turnover}}{\text{营运资金}}$	NA - (TA - CL - LTL)	Sales		
15	存货周转率	$\frac{\text{Inventory Turn}}{\text{销售成本}}$	COG	流动资产 - 流动负债		
16	存货周转日	$\frac{\text{Day's Sales in Inventory}}{\text{存货}}$	365			
17	应收账款周转率	$\frac{\text{Receivables Turnover}}{\text{销售}}$	Sales			
18	应收账款周转日	$\frac{\text{DSO - Days Sales Receivable (outstanding)}}{\text{应收账款}}$	AR			
19	应付账款周转率	$\frac{\text{Payable Turnover}}{\text{销售成本}}$	COG			
20	应付账款周转日	$\frac{\text{Days of Payables Outstanding}}{\text{应付账款}}$	AP			
21	固定资产周转率	$\frac{\text{Fixed Asset Turnover}}{\text{固定资产}}$	F2			
22	流动资产周转率	$\frac{\text{Current Asset Turnover}}{\text{流动资产}}$	CA			
23	总资产周转率	$\frac{\text{Total Asset Turnover}}{\text{总资产}}$	TA			
24	存货对营运资金比	$\frac{\text{Stock to WC Ratio}}{\text{营运资金}}$	WC	CA - CL		

《表格六》 七匹服装公司财务比率公式及代码表（续前）

盈利能力									
25	毛利率	Gross Profit Margin	=	毛利	GP			销售-销售成本	
				销售	Sales			销售	
26	净利率	Net Profit Margin (ROS)	=	净利	NP			销售回报率 (Return on Sales, ROS)	
				销售	Sales				
27	净收益比率	RONA	=	净利	NP			净利	
				资产净值 (NO)	TA - CL - LTL			总资产-流动负债-长期负债	
28	营运资金收益率	ROWC	=	净利	NP			净利	
				营运资金	WC			流动资产-流动负债	
29	总资产收益率 (税后)	ROA	=	净利	NP			资产回报率 (Return on Asset, ROA) = Return on Investment, ROI	
				总资产	TA				
	又称为“杜邦等式 (Dupont Formula)”							销售利润率 x 总资产周转率	
								$\frac{EAT}{SALES} \times \frac{SALES}{TA}$	
30	总资产回报率 (息税前)	ROTA	=	EBIT				Return on Total Assets, ROTA	
				TA					
31	经营资产息税前回报率	ROBA	=	EBIT-利息收入	EBIT - Interest gain/loss			Return on Business Assets, ROBA	
				投入资本-现金	Invested Capital - Cash				
32	投入资本回报率	ROIC	=	EBIT	EBIT			Return on Invested Capital, ROIC	
				投入资本	Invested Capital				
								营业利润率x资本周转率 (Capital Turnover)	
								或资产净值周转率 (Net Asset Turnover)	
								$\frac{EBIT}{SALES} \times \frac{SALES}{IC}$	
								资产净值回报率 (Return on Net Asset, RONA)	
								占用资本回报率 (Return on Capital Employed, ROCE)	
								Return on Equity, ROE (After Tax)	
33	权益回报率 (税后)	ROE (After Tax)	=	EAT	EAT			$\frac{EAT}{SALES} \times \frac{SALES}{TA} \times \frac{TA}{Equity}$	
				所有者权益	Equity				
				【杜邦比率 (Dupont Ratio)】				销售利润率 x 总资产周转率 x 权益	
								$\frac{ROA \times \text{权益乘数}}{SALES} = \frac{ROA \times 1 / (1 - \text{资产负债比率})}{EBIT} \times \frac{EBIT}{Equity} \times \frac{EAT}{EBT}$	
								营业利润率 x 资本周转率 x 信贷成本比率 x 财务杠杆比率 x 税收效率	
								$\frac{ROIC}{SALES} \times \frac{EBT}{IC} \times \frac{EAT}{Equity} \times \frac{EAT}{EBT} = (1 - \text{税率})$	
								税前营业获利能力、方针 (Financial Leverage Multiplier)	
								权益回报率 (税前) ROE (Before Tax)	
增长能力									
34	留存收益率	Retain Earning Ratio	=	留存收益	Retain Earning				
				EAT	EAT				
35	自我维持增长率	Self-Sustainable Growth Rate	=	留存收益	Earning Earning			Self-sustainable Growth Rate, SGR: 衡量公司增长力的指标 (不靠向外借款)	
				所有者权益	Equity				
								$\frac{EAT}{\text{所有者权益}} \times \frac{\text{留存收益}}{EAT} = ROE = \text{留存收益率}$	
								营业利润率 x 资本周转率 x 财务杠杆系数 x 留存收益率 x 税收效率	
								反映公司营业方针 反映公司等资政策 - (1-税率)	
	市值和股份回报	Market Value / Earning Measure							
36	每股收益	EPS	=	净利	NP				
				发行股份数量	Total issued common shares				
37	市价-盈余比率	PE Ratio	=	市价	Share Price				
				每股盈余	EPS				

Appendix K- Calculation for new investment project

Yr	Cashflow in/(out)	PV of cashflow	CUM Cashflow		Profit
0	(4.80)	(4.80)	(4.80)		
1	0.37	0.34	(4.43)		0.32
2	0.41	0.35	(4.02)		0.35
3	0.44	0.34	(3.58)		0.39
4	0.48	0.35	(3.09)		0.42
5	0.52	0.35	(2.57)		0.46
6	0.54	0.33	(2.03)		0.47
7	0.55	0.31	(1.48)		0.48
8	0.56	0.29	(0.92)		0.49
9	0.57	0.27	(0.35)		0.50
10	0.59	0.26	0.24		0.52
11	0.60	0.24	0.84		0.53
12	0.61	0.23	1.46		0.54
13	0.63	0.21	2.09		0.55
14	0.64	0.20	2.73		0.56
15	0.66	0.19	3.39		0.58
16	0.67	0.18	4.06		0.59
17	0.69	0.17	4.75		0.60
18	0.70	0.16	5.46		0.62
19	0.72	0.15	6.18		0.63