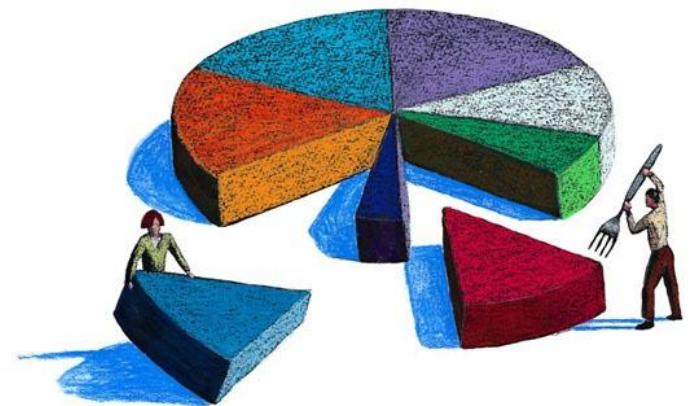


BASIC FINANCIAL RATIO ANALYSIS AND IMPLICATION

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Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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COMPONENTS OF ANNUAL REPORT

企業年報元素

- Chairman's Statement 主席報告
- Management Discussion and Analysis 管理層討論及分析
- Independent Auditor's Report 獨立核數師報告
- Consolidated Financial statements 綜合財務報告
- Notes to the Consolidated Financial statements 綜合財務報告附註

Chairman's Statement



CHAIRMAN'S STATEMENT 主席報告

- Also referred as “letter to the shareholders” (給股東的信)
- Allows the chief executive (行政總裁) to identify the company's strategy
- Usual contents include:
 - Overall trading conditions
 - Performance in various key activities
 - Special items of interest
 - Company strategies and plans

Management Discussion and Analysis

OVERVIEW

International Housewares Retail Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) achieved another annual record high in revenue for the year ended 30 April 2015 (the “**Year**”), a strong indication of the Group’s capability to overcome short-term fluctuations and challenges in the markets. The revenue reached HK\$1,951,279,000 (2013/14: HK\$1,746,838,000), representing a significant growth of 11.7% over the last year. As at 30 April 2015, the Group had a total of 371 stores worldwide in Hong Kong, Singapore, Malaysia, Mainland China, Macau, Cambodia, Indonesia, Saudi Arabia and New Zealand, with a net addition of 38 stores during the Year.

FINANCIAL PERFORMANCE

For the Year, the Group’s revenue increased by 11.7% to HK\$1,951,279,000 (2013/14: HK\$1,746,838,000). This was mainly due to the opening of new stores and growth in comparable store sales. Revenue was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase the variety of our merchandise to capture additional market opportunities and expand our customer base.

The Group’s gross profit margin remained stable, and our gross profit increased by 11.1% to HK\$902,790,000 (2013/14: HK\$812,529,000).

Operating expenses increased slightly from 40.5% to 42.1% as a percentage of revenue against the last year. This was primarily due to continuing increase of rental expenses and staff cost. Moreover, a number of new stores were opened during the Year and are still in their investment periods. In addition, there was certain expenses to tighten the Company’s compliance with relevant regulatory requirements and related costs of internal control measures. In spite of these adverse factors, thanks to our strong brand recognition and popular product offering, the Group has managed to deliver record-high sales to maintain costs as a stable percentage of revenue during the Year.

Excluding net gain of HK\$30,117,000 arising from one-off items⁽¹⁾ from the last year, the profit attributable to equity holders of the Company for the Year decreased by 22.6% to HK\$88,390,000 (2013/14: HK\$114,248,000⁽¹⁾), representing 4.5% of revenue (2013/14: 6.5%⁽¹⁾).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2015, the Group had cash and cash equivalents amounting to HK\$447,376,000 (30 April 2014: HK\$466,432,000). Most of the Group’s cash and bank deposits were denominated in Hong Kong dollars and Renminbi, and were deposited with major banks in Hong Kong with maturity dates falling within three months.

It is the Group’s treasury management policy not to engage in any highly leveraged or speculative derivative products and it will continue to place the majority of our surplus cash in Hong Kong dollars or Renminbi bank deposits with appropriate maturity periods to meet the funding requirements in the future. The current ratio for the Group was 2.7 (30 April 2014: 3.0). Bank borrowings amounted to HK\$75,130,000 as at 30 April 2015 (30 April 2014: HK\$64,094,000). The Group was in net

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

- One of the **most important components** of the annual report
- Discuss the organization's (組織) past performance
- Makes explicit (詳盡) **how successful leadership** has been at achieving the corporate strategy
- Points to the company's **future strategic focus**

Independent Auditor's Report

TO THE SHAREHOLDERS OF INTERNATIONAL HOUSEWARES RETAIL COMPANY LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of International Housewares Retail Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 46 to 107, which comprise the consolidated and Company balance sheets as at 30 April 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

- New Companies Ordinance (新公司條例) Section 406
- Confirmation of Management Responsibility
- Declaration (聲明) of Process and Procedures
- Announcement of Audit Opinions (核數評價)
 - Clean Report (無保留意見)
 - Qualified Report (保留意見)

Consolidated Income Statement

For the Year Ended 30 April 2015

	Note	Year ended 30 April	
		2015 HK\$'000	2014 HK\$'000
Revenue	5	1,951,279	1,746,838
Cost of sales	8	(1,048,489)	(934,309)
Gross profit		902,790	812,529
Other income – net	6	16,675	17,749
Other (losses)/gains – net	7	(1,566)	41,926
Distribution and advertising expenses	8	(53,328)	(46,763)
Administrative and other operating expenses	8	(768,996)	(661,023)
Operating profit		95,575	164,418
Finance income	10	6,184	4,628
Finance expenses	10	(1,691)	(1,449)
Finance income – net	10	4,493	3,179
Profit before income tax		100,068	167,597
Income tax expense	11	(20,829)	(24,498)
Profit for the year		79,239	143,099
Profit/(loss) attributable to:			
Owners of the Company		88,390	144,365
Non-controlling interests		(9,151)	(1,266)
		79,239	143,099

CONSOLIDATED INCOME STATEMENT

綜合損益表

Function of Expense method (按開支功能歸類)

- Classifies expenses according to their function as cost of sales, selling and distribution costs, or administrative expenses
- This method can provide more relevant information to users, but allocating costs to functions may require arbitrary allocations and involve considerable judgment

Sample Income Statement

損益表範例

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Revenue 銷貨	450,000	300,000
Cost of sales 銷貨成本	<u>(380,000)</u>	<u>(250,000)</u>
Gross profit 毛利	70,000	50,000
Depreciation 折舊	(1,000)	(1,000)
Amortization 攤銷	(1,000)	(1,000)
Selling & Distribution costs 分銷費用	(5,000)	(4,000)
Administration expenses 行政開支	<u>(30,000)</u>	<u>(20,000)</u>
Operating profit 營運盈利	33,000	24,000

Sample Income Statement

損益表範例 (cont' 續)

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
<i>Operating profit</i> 營運盈利	33,000	24,000
Finance costs 財務成本	<u>(1,500)</u>	<u>(1,500)</u>
<i>Profit before taxation</i> 稅前盈利	31,500	22,500
Taxation 稅金	<u>(5,000)</u>	<u>(3,000)</u>
<i>Profit for the year</i> 全年盈利	26,500	19,500

Find another Sample Income Statement 損益表範例

- Exercise Q1!

閱讀時間



Consolidated Balance Sheet

As at 30 April 2015

	Note	As at 30 April	
		2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	117,161	72,552
Intangible assets	16	30,103	29,716
Deferred income tax assets	23	5,357	4,919
Non-current prepayment and deposits	18	73,493	62,830
		226,114	170,017
Current assets			
Inventories	19	294,952	308,735
Trade and other receivables	18	58,577	47,938
Amount due from shareholders	32(d)	465	–
Pledged bank deposits	20	6,533	6,517
Bank deposits with initial terms of over three months	20	567	51
Cash and cash equivalents	20	447,376	466,432
		808,470	829,673
Total assets		1,034,584	999,690
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital and share premium	21	591,274	589,400
Reserves:	22 & 31		
– Proposed final dividend		40,567	32,551
– Others		88,074	74,151
		719,915	696,102
Non-controlling interests		12,332	22,578

CONSOLIDATED BALANCE SHEET

綜合資產負債表

資源

來源

Assets
資產

Equity 股本

Liabilities 負債

Resources used
in the business
營商資源

Resources supplied by
creditors and owners
股東及債權人提供

CONSOLIDATED BALANCE SHEET

綜合資產負債表

Terms	Definition	Examples
Assets 資產	Economic resources owned by the reporting entity (會計主體)	Property, plant & equipment 房產, 廠房及機器 Inventories 存貨 Trade receivables 應收貨款 Cash 現金
Equity 權益	Claims by shareholders	Share capital 股本資本 Reserves 儲備
Liabilities 負債	Claims by persons other than its shareholders	Borrowings 借款 Trade payables 應付貨款

Assets 資產

Non-Current Assets 非流動資產

- Long useful lives
- Currently used in operations (營運)
- **Depreciation (折舊)** - allocating the cost of assets to its useful years
- **Accumulated depreciation (累積折舊)** - total amount of depreciation expensed thus far in the asset's life

Assets 資產

Current Assets 流動資產

- Assets that a company expects to **convert (轉換) to cash or use up within one year** or the operating cycle, whichever is longer
- **Operating cycle (營運週期)** is the average time it takes from the purchase of inventories to the collection of cash from customers

Equity 權益 and Liabilities 負債

Equity 權益

- Share Capital and Retained Earnings (保留盈利)
- Non-Controlling Interest (非控股權益) - equity in a subsidiary not attributable, directly or indirectly, to the parent (母公司)

Non-Current Liabilities 非流動負債

- Obligations a company expects to pay after one year.

Equity 權益 and Liabilities 負債

Current Liabilities 流動負債

- **Obligations (負債)** a company is to pay within the coming year or its operating cycle, whichever is longer
- **Liquidity (流動性)** - ability to pay obligations expected to be due within the next year

Sample Balance Sheet 資產負債表範例

Non-Current Assets 非流動資產	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Property, plant and equipment 房產, 廠房及機器	51,000	38,400
Accumulated depreciation 累積折舊	<u>(12,000)</u>	<u>(10,000)</u>
	39,000	28,400
Current Assets 流動資產		
Inventories 存貨	50,000	30,000
Trade receivables 應收貨款	100,000	85,000
Cash and cash equivalents 現金	<u>1,000</u>	<u>1,100</u>
	151,000	116,100

Sample Balance Sheet 資產負債表範例 (cont'續)

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
<i>Equity</i> 股本		
Share capital 股本資本	22,000	22,000
Other reserves 其他儲備	6,000	4,500
Retained earnings 保留利潤	<u>40,000</u>	<u>15,000</u>
	68,000	41,500

Sample Balance Sheet 資產負債表範例 (cont'續)

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
<i>Non-Current Liabilities</i> 非流動負債		
Borrowings 借款	12,000	18,000
<i>Current Liabilities</i> 流動負債		
Trade payables 應付貨款	80,000	70,000
Non trade payables 其他應付款項	<u>30,000</u>	<u>15,000</u>
	110,000	85,000

Find another Sample Balance Sheet 資產負債表範例

- Exercise Q2!

閱讀時間



Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

International Housewares Retail Company Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in retail sales and trading of housewares products, licencing of franchise rights and provision of management services.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is controlled by Hiluleka Limited (incorporated in the British Virgin Islands). The ultimate controlling parties of the Group are Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 July 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

- (i) The following standards, amendments to standards and interpretations to standards are mandatory for the Group’s financial year beginning on 1 May 2014. The adoption of these standards, amendments and interpretations has not had any significant impact to the results and financial position of the Group.

HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognitions and Measurement – Novation of derivatives
HKFRS 10, 12 and HKAS 27 (Amendments)	Consolidation for Investment Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報告附註

- Specified by the ***New Companies Ordinance*** (新公司條例)
- Supplemented by the ***Hong Kong Financial Reporting Standards*** (香港財務報告準則) and the ***Listing Rules*** (上市條例)
- Significant Accounting Policies
- Schedule of breakdown of items on accounts
- Explanation and elaboration of details (詳細闡述)

PROFITABILITY RATIOS 盈利能力比率

- How management is doing at controlling costs (成本控制), so that a large proportion of the goods sold dollar is converted into profit
 - Mark up 加成
 - Gross profit ratio 毛利率
 - Net profit ratio 淨利率
 - Return on capital employed (ROCE)
運用資金報酬率

Mark Up 加成

= Gross profit / Cost of goods sold
毛利 / 銷貨成本

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Gross profit 毛利	70,000	50,000
Cost of goods sold 銷貨成本	380,000	250,000
Mark Up 加成 ↓	18.42%	20.00%

- Profit earned for each one dollar of cost of goods sold

Gross Profit Ratio 毛利率

= Gross profit / Sales
毛利 / 銷貨

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Gross profit 毛利	70,000	50,000
Sales 銷貨	450,000	300,000
Gross Profit Margin 毛利率 ↓	15.56%	16.67%

- Profit earned for each one dollar of goods sold before operating expenses

Net Profit Ratio 淨利率

= Net profit before tax / Sales
稅前淨利 / 銷貨

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Profit for the year 全年盈利	31,500	22,500
Sales 銷貨	450,000	300,000
Net Profit Margin 淨利率 ↓	7.00%	7.50%

- Profit earned for each one dollar of goods sold after all operating expenses

Return on Capital Employed (ROCE)

運用資金報酬率

= Profit before interest and tax / Capital employed
利息及稅前淨利 / 運用資金

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Operating profit 營運盈利	33,000	24,000
Equity 股本	68,000	41,500
Borrowings 借款	<u>12,000</u>	<u>18,000</u>
Capital employed 運用資金	80,000	59,500
ROCE 運用資金報酬率 ↑	41.25%	40.34%

- Rate of return based on the book value of long term capital investment made in the business

Profitability Ratios

盈利能力比率

- Exercise A1!

練習時間



ASSET UTILIZATION RATIOS 資產使用比率

- How effective is a firm using its total asset base to produce goods sold
 - Inventory turnover ratio 存貨周轉率
 - Inventory turnover period 存貨周轉期限
 - Trade receivables ratio 應收貨款周轉率
 - Trade receivables collection period 賒銷期限
 - Trade payables ratio 應付貨款周轉率
 - Trade payables repayment period 賒購期限
 - Cash conversion cycle 現金轉換週期
 - Total assets turnover 總資產周轉率

Inventory Turnover Ratio 存貨周轉率

= Cost of goods sold / Inventory

銷貨成本 / 存貨

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Inventories 存貨	50,000	30,000
Cost of goods sold 銷貨成本	380,000	250,000
<i>Inventory Turnover Ratio 存貨周轉率</i> ↓	7.60	8.33

- Measures the number of times, on average, the inventory is sold during the period

Inventory Turnover Period 存貨周轉期限

= Inventory / Cost of goods sold x 365

存貨 / 銷貨成本 x 365

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Inventories 存貨	50,000	30,000
Cost of goods sold 銷貨成本	380,000	250,000
Inventory Turnover Period 存貨周轉期限 ↑	48 days	44 days

- Measures the number of days' worth of inventories that a company has on hand at any given time

Trade Receivables Ratio 應收貨款周轉率

= Credit sales / Trade receivables

賒銷 / 應收貨款

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Trade receivables 應收貨款	100,000	85,000
Sales 銷貨	450,000	300,000
Trade Receivables Ratio 應收貨款周轉率 ↑	4.50	3.53

- Measures the number of times, on average, the company collects receivables during the period

Trade Receivables Collection Period 賒銷期限

= Trade receivables / Credit sales x 365

應收貨款 / 賒銷 x 365

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Trade receivables 應收貨款	100,000	85,000
Sales 銷貨	450,000	300,000
Trade Receivable Collection Period 賒銷期限 ↓	81 days	103 days

- Indicates average length of time in days that a company must wait to collect a credit sale (賒銷)

Trade Payables Ratio 應付貨款周轉率

= Credit purchases / Trade payables

賒購 / 應付貨款

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Trade payables 應付貨款	80,000	70,000
Purchases 購貨	380,000	250,000
Trade Payables Ratio 應付貨款周轉率 ↑	4.75	3.57

- Measures the number of times, on average, the company settles payables during the period

Trade Payables Repayment Period 賒購期限

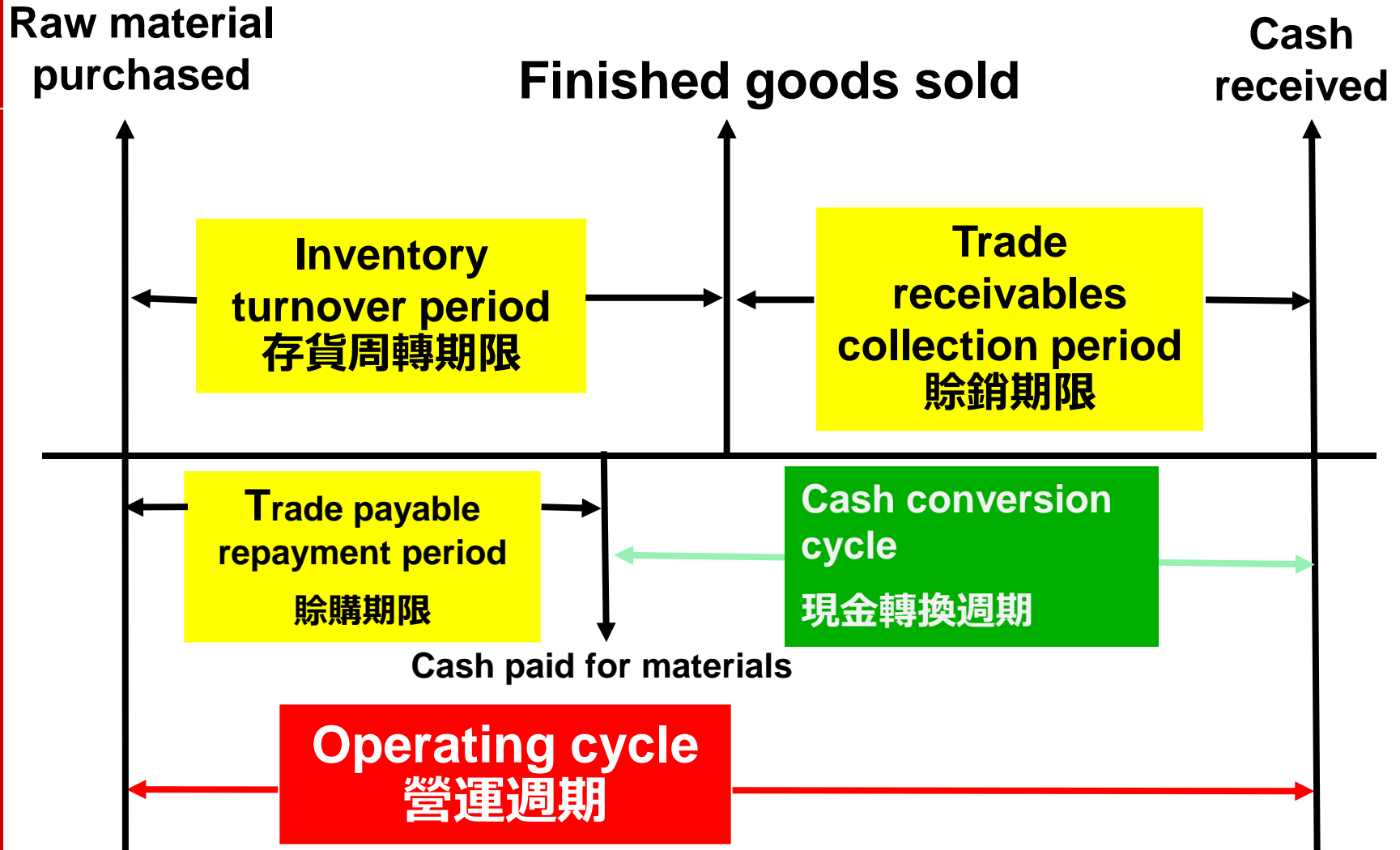
= Trade payables / Credit purchases x 365

應付貨款 / 賒購 x 365

	2015 (\$)	2014 (\$)
Trade payables 應付貨款	80,000	70,000
Purchases 購貨	380,000	250,000
Trade Payables Repayment Period 賒購期限 ↓	77 days	102 days

- Indicates average length of time in days within which a company must pay for its credit purchases (賒購)

OPERATING CYCLE 營運週期 / CASH CONVERSION CYCLE 現金轉換週期



Cash conversion cycle 現金轉換週期

= Inventory turnover period + Trade receivables collection period - Trade payables repayment period

存貨周轉期限 + 賒銷期限 - 賒購期限

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Inventory turnover period 存貨周轉期限	48	44
Trade receivables collection period 賒銷期限	81	103
Trade payables repayment period 賒購期限	(77)	(102)
Cash conversion cycle 現金轉換週期 ↑	52	45

Total Assets Turnover 總資產周轉率

= Sales / Total assets

銷貨 / 總資產

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Sales 銷貨	450,000	300,000
Non-current assets 非流動資產	39,000	28,400
Current assets 流動資產	<u>151,000</u>	<u>116,100</u>
Total assets 總資產	190,000	144,500
Total Assets Turnover 總資產周轉率↑	2.37	2.08

Asset Utilization Ratios 資產使用比率

- Whether these days are good or bad depends on the company goals
- A company may have long trade receivables period by granting customers long credit period in order to gain market share

Asset Utilization Ratios 資產運用比率

- Exercise A2!

練習時間



LIQUIDITY RATIOS 流動資金比率

- Ability to meet future short-term financial obligations (短期債務)

Current Ratio = Current Assets / Current Liabilities
流動比率 流動資產 / 流動負債

Quick Ratio = (Current Assets – Inventories) /
速動比率 Current Liabilities
(流動資產 - 存貨) / 流動負債

Current Ratio 流動比率

= Current Assets / Current Liabilities

流動資產 / 流動負債

- Current ratio vary widely according to the type of business
- While a high current ratio indicates good liquidity, it may be a symptom of poor working capital (營運資金)

Current Ratio 流動比率

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Current assets 流動資產	151,000	116,100
Current liabilities 流動負債	110,000	85,000
Current Ratio 流動比率 —	1.37	1.37

Quick Ratio 速動比率

$$= (\text{Current Assets} - \text{Inventories}) / \text{Current Liabilities}$$

(流動資產 - 存貨) / 流動負債

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Trade receivables 應收貨款	100,000	85,000
Cash and cash equivalents 現金	<u>1,000</u>	<u>1,100</u>
	101,000	86,100
Current liabilities 流動負債	110,000	85,000
Quick Ratio 速動比率 ↓	0.92	1.01

Liquidity Ratios

流動資金比率

- Exercise A3!

練習時間



SOLVENCY RATIOS 償債能力比率

- Gearing ratio 槓桿比率

$$= (\text{Non current liabilities} + \text{Preference share capital}) / (\text{Non current liabilities} + \text{Equity})$$

$$(\text{非流動負債} + \text{優先股本}) / (\text{非流動負債} + \text{股東資本})$$

- Debt is generally cheaper than equity, because it is less risky and lenders require a lower rate of return
- But too much debts creates financial risk

Gearing 槓桿比率

	<u>2015 (\$)</u>	<u>2014 (\$)</u>
Borrowings 借款	12,000	18,000
Equity 股本	<u>68,000</u>	<u>41,500</u>
	80,000	59,500
Gearing 槓桿比率 ↓	15%	30.25%

Solvency Ratios

償債能力比率

- Exercise A4!

練習時間



Importance of Relative Financial Ratios

- In order to make sense of a ratio, we must compare it with some appropriate benchmarks (合適基準)
- Examine a firm's performance relative to:
 - Aggregate economy (經濟情況)
 - Its industry (行業)
 - Its major competitors (競爭對手) within the industry
 - Its own past performance (過往表現)

Importance of Relative Financial Ratios

- More importantly the focus is not on individual ratio, but rather to allow for trade off of one ratio against another:
 - A fall in sales (銷貨) may be compensated by a higher profitability ratio (盈利能力比率)
 - A high gearing (槓桿比率) may not be a great concern in light of good profitability (良好盈利能力)
 - Poor profitability (疲弱盈利能力) could be remedied (補救) by improved cash flows (提高現金流)



THANK YOU
for listening!

