六福珠寶
LUKFOOK JEWELLERY

六福集團有限公司

Luk Fook Holdings (International) Limited' s Business Proposal

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1. Executive Summary

1.1. Background of LukFook Group

- Luk Fook Holdings (International) Limited, which is found by Mr. Wong Wai Sheung and established in 1991 which has 23 years of history. It engages in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of jewelry as well as ornaments and gem-set jewelry. There are a total of over 1,300 shops worldwide. The Group was listed on Main Board of the Stock Exchange of Hong Kong Limited in May 1997, with stock code "00590.HK".

1.2. Mission and Vision

- Corporate vision: "Brand of Hong Kong, Sparkling the World"
- LukFook Company would like to enhance the connection between LukFook and be the jewelry brand that belongs to Hong Kong. The company targets at providing customers with valuable and qualified products which outweighs its price as well as our sincerely hospitable services. Furthermore, the company would like to be an outstanding jewelry brand worldwide and promote Hong Kong to the world through our product by expanding our business brings out the traditions and cultures of Hong Kong globally.

1.3. Business Objectives of LukFook Holdings

- Maintain a steady growth in business and profit by 15% per financial year.
- Ensure the quality of products by enhancing the quality control process.
- Renew the image of the enterprise and clear the perception of "old-fashioned".
- Increase the market share to 70% and protrude our characteristics out.

2. Market Analysis

2.1. Defining the Industry

LukFook Holdings (International) Limited belongs to jewelry retail industry. It is both secondary and tertiary production which not only turns raw materials like gold and diamond into jewelries but also involves in merchandising raw materials and provides retailing services and customized services. In addition, Chow Sang Sang Jewelry, Chow Tai Fook, 3D-Gold Jewelry are the examples of the dominant brands in the same industry.

2.2. The External Environment: Porter's 5 forces model

2.2.1. Threats of new entrants

- In terms of the **distinctiveness**, the jewelry industry encompasses a wide range

of medium to high-priced products. The most popular product category is gem-set jewelry, particularly diamonds set in 14K or 18K and yellow/white gold. But the above products are very common in jewelry companies. Although the jewelry used in the design is limited, the company can create new designs. For example, QinQin[1], created by Qeelin, uses diamond in their design, which is commonly uses in jewelry design, however, they uses magnet to represent the gravity of true love, tiny hidden magnets affixed to the lips of each QinQin cause them to be drawn into a kiss when they meet their perfect match, so it looks like the two goldfish are kissing which add some uniqueness to the design. Consequently, Qeelin can differentiate them from other companies which can increase a number of customers.

- The advance the **technology** can reduce the difficulties of entering a new market. The Hong Kong Jewelry Industry Technology Centre provides technology strategies advice and information regarding to new technological trend. By doing so, this can increase the competiveness, manufacturing capability of the company and the potential of inventing new product. Besides, the new three-dimensional technology can increase the efficiency of the production stage and reduce the production cost involved by replacing the manpower required. Moreover, the diamond laser cutting technology can enhance the attractiveness of the product and come up with new designs since the technology can cope with different design of jewelry. The above new technology can lower the barrier of a new company entering the market.

2.2.2. Threat of substitute products or services

- Imitation Jewelries (豬義盛)

  In terms of the **relative price performance of imitation jewelries**, the relative price performance of imitation jewelries is better. Imitation jewelries are not made of real precious gold, they are gilded which lowers their cost so they price of imitation jewelries are much cheaper. Moreover, jewelries that are made of real precious gold will charge a manual fee while imitation jewelries do not, so the price of imitation jewelries is lower. Therefore, the relative price performance of imitation jewelries is better since they have a lower price.

[1] Appendix1

- Jewelry lending service

  In terms of **ease of substitution**, the jewelries that LukFook sold are easy to be replaced. Jewelries that made of precious jewelries are not necessities and they are quite expensive, people will buy it only if they have spare wealth or for some special occasions like wedding, however, they can choose to borrow jewelries in order to save money. Most of them will not wear the precious gold jewelries after the occasion and they will sell it out, however, they may suffer a manual fee, the jewelry lending service can help saving the cost. Therefore, the ease of substitution of products from LukFook is high.
- In terms of **buyer propensity to substitute**, they have a propensity to try new products. Since jewelries are fashion items which mean people will buy them according to the recent trend, they focus on the design of the jewelries as well as the trend instead of the brand, so they are less loyalty to the shops, therefore, they have a propensity to substitute.

2.2.3. Bargaining power of customers

The bargaining power of customers affects their consumption decision, so the companies must fully analyze it in order to compose the marketing strategies.

- In terms of concentration in **purchasing volumes**, LukFook provides retailing services of jewelries, the company rarely provide bulk sale services to customers as jewelries are luxuries the price of them are relatively high, people usually buy a few pieces of it instead of buying a lot at once. Therefore, the bargaining power of customer is low.
- There is a **threat of integrating backward**, the customers can buy jewelries which have already been turned into finished goods, for instance, gold bracelet, diamond necklace from raw materials like gold, diamond and pearl. The process of turning raw materials into jewelries requires professional skills. The customers depend heavily on the supply of jewelries from the companies since the self-manufacturing of customers is not possible, therefore, the bargaining power of customers is relatively low.
- The **proportion of expenditure to income** is high because the prices of jewelries including products of precious metal are relatively high and consists a large fraction of their income, the customers are usually more price sensitive, for example, during the gold rush of the first quarter of the fiscal year 2014, the sales

of gold has increased 134%[2] to that of the fiscal year 2013, it is because of the fall of the prices of gold, the customers are sensitive to the changes in price, they respond the change actively. To conclude, the bargaining power of customers is high.

2.2.4. Bargaining power of suppliers

- By adopting the **backward integrated strategy**, the firm can gain control or ownership of suppliers, LukFook can bargain with the suppliers to lower their cost as they are capable of producing raw materials, the suppliers do have relatively low bargaining power. Since LukFook is involved in the production process of its own products but not the sourcing process, which means they did not adopt the backward integration strategy, this will lower their bargaining power to the suppliers of precious metal.
- In terms of the **differentiation of supplier's product**, in the jewelry industry, LukFook has a switching cost in changing suppliers because the technology needed in the gold-mining process is costly, for example mining truck, the wages of labor. LukFook need to invest heavily in specializing raw material acquiring. Therefore the bargaining power of supplier is relatively high.

2.2.5. Intensity of competitive rivalry

The intensity of competitive rivalry depends the competiveness of the industry, it shows whether the competitors are aggressive to increase their own profitability.

- In terms of **number and scope of competitors**, Hong Kong's jewelry retail market is thriving and robust, especially the help of Individual Visiting Scheme (IVS) but it also leads to hundreds of thousands of competitors' presence. According to the HKTDC, there are 381 organizations of jewelry industry which means the number of competitors is high. On the other hand, in terms of scope of business, take the major jewelry retailing organization in Hong Kong, Chow Tai Fook, as an example; she has the gross profit of 21152.3 million in the financial year as at 31 March 2014 while LukFook has only 4214 million during the same period. From the data, Chow Tai Fook has a larger scope of business than LukFook. Therefore, the intensity of competitive rivalry is high.
- In terms of the **industry growth rate**, the intensity of competitive rivalry is low. In Hong Kong, jewellery industry's growth rate is quite high; for example, from 2012

[2] SALES PERFORMANCE OF RETAIL BUSINESS FOR THE FIRST QUARTER OF FINANCIAL YEAR ENDING 31 MARCH 2015

to 2013 the precious jewellery's total export had increased from $53253 million to 56715 million which the growth rate is 7%. As the growth rate is high, companies can not only grow by capturing market share from each other, they can also capture market share from others country, with a large market share, which leads to less competition.

- To conclude, the jewellery industry has many potential risks and fierce competition with a high input price, which are unfavourable for LukFook to operate in the jewelry industry.

3. Internal and Financial Analysis

3.1. Internal Analysis

3.1.1. Resources

- **Tangible Resources**

Assets	**2014 (HK$' 000)**	**2013 (HK$' 000)**
Non-Current Assets		
Property, plant and equipment	566,321	516,172
Rental deposits and prepayments	189,933	100,309
Total Non-Current Assets	1,040,593	875,925
Current Assets		
Inventories	6,225,280	4,955,374
Trade receivables	225,938	316,629
Total Current Assets	*8,545,563*	*6,685,950*
Total assets	***9,586,156***	***7,561,875***

Many of the tangible assets can help boosting the sales of LukFook and increasing the quality of the products as well as the services, some examples are listed in the following:

- LukFook has four **regional training centers** in Beijing, Shanghai, Wuhan and Nansha and Austin. All employees of LukFook (including employees in license shop and self-operated shop) need to go there once or half a year to receive train about daily operation. They will emphasis on the flow of operation and some safety reminders to employees to ensure sustainable staff development in order to maintain the standard of service.
- LukFook uses the **technology of supervisory system** in both license shop and self-operated shop to supervise the performance of employees. This can ensure

employees provide professional services to customers and avoid goof-offs. This help the group maintain a good image to customers. By using this system, LukFook can also save the labor used in supervising or monitoring the staff, the performance of staffs can be monitored in a centralized system and hence reduce the labor needed.

- In terms of **property, plant and equipment**, in 2003, the group set up a large-scale jewelry processing plant in Nansha, Guangzhou, with a total area of over 350000 sq. feet. This not only help LukFook produce more quality assured jewelries to customers but also help the group provide a stable, reliable production line to make the production process more efficient.

- **Intangible Resources**

- The company provides the customers with a **welcoming and warm-hearted image** by improving the setting and layout of the shop and a series of advertising. For example, "Love is beauty", "Pt Bridal", the advertisement emphasise on the relationship between couples, families, friends which create a warm-hearted image for LukFook and attract customers by retaining the customer's loyalty. The layout[3] of the shop can increase the comfort and satisfaction of the customers by creating a wide-open entrance and uses a warm light instead of the traditional dazzling bright-yellow light.
- LukFook has around 82 self-operated stores in mainland, by adopting the **concept of self-operated**, LukFook can reduce their operational expenses such as labour cost, rent. LukFook can reduce their business risk too because LukFook can receive a stable revenue despite of the performance of the self-operated stores. LukFook sells its own brand name to those self-operated stores so the brand name of LukFook can generate stable revenue.

Conclusion

To conclude, an asset, no matter tangible or intangible, can generate revenue of the company or sustain the daily operation and production process. If the asset is used efficiently, it can generate income for the company.

3.1.2. Distinctive Competences

- From the **reliability** of the Lukfook Group, it has received many awards, such as "Silver Award" in the "HKACE Customer Service Excellence Award(2013). So

[3] Appendix2

Lukfook Group is recognized for the excellent management and high-quality products, which has shown that it is a reliable company to the customers. Apart from the awards, Lukfook Group hires an independent agency to provide mystery shopper services. This can enhance the services of the Group and increase the brand loyalty to the customers.

- In terms of **social responsibility**, Luk Fook has a long-term commitment to the community while its competitor Chow Tai Fook doesn't has significant contribution to the society. Luk Fook support a variety of charity and community programs, such as a donation of HKD$1,000,000 in "Tung Wah Charity Show" to help the needy. The group also joined Oxfam Rice Sale. This help LukFook build up goodwill and maintain a good image to customers.
- LukFook has a high standard of **quality control**, its wholly owned subsidiary gems laboratory, China Gems Laboratory Limited, has a direct quality control over all the products of LukFook. As the products are mainly come from the outsource, by maintaining the quality of the products, the company can highlight itself from the other competitors. Also, LukFook is a pioneering company joining the "JID Label Scheme" introduced by the Hong Kong Jewelry Manufacturers' Association (HKJMA), with the technical support of the Hong Kong Productivity Council (HKPC), the customers can check the identity of the jewelry by entering the 2D barcodes on the metal parts of the production online. This can increase the confidence of the customers. They have also inserted the DVR (Digital Video Recorder) monitoring system to control their service quality. The management can monitor the service standard and the setting of the shop through the system. The management can also monitor the sales of each shop through a self-invented system, which can help inventory controlling and compiling inventory standard.

3.1.3. Differentiation

LukFook did not differentiate itself from the other companies which may decrease the recognition of it from the public.

- First, in terms of the **market segment**, LukFook focuses on the couples the most, for instance, it has a wedding collection which includes proposing rings, wedding rings and earrings especially for wedding. The above products target on attracting pre-wedding couples which is similar to the rest of the jewelries shop.

Take Chow Sang Sang as an example, it also have a wedding series and selling similar products like wedding rings and proposing rings, which means she also focuses on the pre-wedding couples. There is an intense competition between LukFook and the other competitors as they concentrates on the same market segment.

- Secondly, in terms of **price elasticity**, the jewelry industry has a low price elasticity, thus, LukFook cannot differentiation itself through competitive pricing. Competitive pricing is the strategy to attract customers through lowering the price. However, LukFook's main products are diamond, precious metal and jadeite which has low price elasticity because the price is synchronized with the market price and the manual fee will not fluctuate a lot since many of the procedures are done by machines. Therefore, it is difficult to differ to LukFook through competitive pricing.
- To conclude, LukFook **does not differentiate itself** from the rest of the companies which mean it fails to persuade customers to choose their products and services over the others. LukFook may need to have high innovative and personalized products and services in order to differentiate itself.

3.2. Financial Ratio Analysis

Ratios	Formula	Year 2014	Year 2013
Profitability			
Mark Up	gross profit / cost of good goods sold x 100%	4,214,154,000 / 15,000,776,000 x 100% = 28.09%	2,830,031,000 / 10,581,660,000 x 100% = 26.74%
Gross Profit Ratio	gross profit / sales x 100%	4,214,154,000 / 18,596,599,000[4] x 100% = 22.66%	2,830,031,000 / 12,961,188,000[5] x 100% = 21.83%
Operating Profit Ratio	operating profit / sales x 100%	2,308,755,000 / 18,596,599,000 x 100% = 12.41%	1,524,188,000 / 12,961,188,000 x 100% = 11.76%
Net Profit Ratio	Net profit before tax / sales x 100%	2,320,819,000 / 18,596,599,000 x	1,529,598,000 / 12,961,188,000 x

[4] Luk Fook Holdings Limited (International) Annual Report 2014 p.123

[5] Luk Fook Holdings Limited (International) Annual Report 2013 p.113

		100% = 12.48%	100% = 11.80%
Return On Capital Employed (ROCE)	Profit after interest and tax / capital employed x 100%	1,867,274,000 / 7,788,465,000 x 100% = 23.97%	1,246,410,000 / 6,557,935,000 x 100% = 19.00
Return On Equity (ROE)	Profits after interest and tax / equity	1,867,274,000 / 7,640,769,000 x 100% = 24.44%	1,246,410,000 / 6,424,748,000 x 100% = 19.40%
Return on Assets (ROA)	Profit after interest and tax / total assets	1,867,274,000 / 9,586,156,000 x 100% = 19.48%	1,269,256,000 / 7,561,875,000 x 100% = 16.78%
Equity Multiplier	Total assets / total equity	9,586,156,000 / 7,699,155,000 = 1.25	7,561,875,000 / 6,477,593,000 = 1.17

LukFook has a slight increase in its **profitability** from 2013 to 2014, as reflected by its higher gross profit ratio (22.66%), operating profit ratio(12.41%) and net profit ratio(12.48). Also, from the higher return on capital employed(ROCE)(23.97%), return on equity(ROE)(24.44%) and return on asset(ROA)(19.48%) in 2014, we know that LukFook in 2014 are more capable of generating profits from its long-term funds ,equity and its total asset. However, LukFook in 2013 was relying less on debt to finance its assets, as reflected by its lower equity multiplier. Moreover, comparing LukFook with Chow Tai Fook[6] (CTF) in 2014, LukFook had a higher net profit ratio but a lower gross profits ratio. That means LukFook had a higher ability to control their expense while making profits. Also, LukFook had a higher ROE (23.97%), ROA(19.48%) and ROCE(23.97%), it means that LukFook more capable of generating profits from its long-term funds ,equity and its total asset than CTF. And LukFook was relying less on debt to finance its assets, as reflected by its lower equity multiplier (1.25)

Asset Utilization Ratios

[6] Appendix3

Inventory Turnover Period	Inventory / Cost of goods sold x 365	(((4,955,374,000+ 6,228,280000) /2)) / 14,807,397,000) x 365 = 138 days	(((4,330,499,000 + 4,955,374,000) / 2) / 10,431,541,000) x 365 = 162days
Trade Receivables Collection Period	Trade Receivables / Credit Sales x 365	225,938,000 / 18,596,599,000 x 365 = 4.43 days	316,629,000 / 12,961,188,000 x 365 = 8.92 days
Trade Payable Repayable	Trade payables / Credit Purchases x 365	337992000/ 14,591,249,000 x365 = 8.45 days	445,530,000 / 10,236,900,000 x365 = 15.84 days
Total Assets Turnover	Sales / Total Assets	18,596,599,000 / 9,586,156,000 =1.94	12,961,188,000 / 7,561,875,000 = 1.71

For the **asset utilization**, comparing financial year 2013 and 2014 of LukFook, both of them have their own strength. As the asset turnover of LukFook in 2014(1.94 times) which is larger than that in 2013 (1.71 times), LukFook in 2014 used the asset more efficiently to generate sales revenue. And for the account receivable and account payable, as the average time of LukFook in 2014 takes less time(4.43 days) than that in 2013(8.92days), the effectiveness of credit control of LukFook in 2014 is better. However, the trade payable repayable period of LukFook in 2014(8.45days) is less than 2013(15.84days) which means that LukFook in 2014 didn't use the liabilities wisely comparing with 2013. Also, as the inventory turnover of LukFook in 2013(162days) is higher than that in 2014(138days), LukFook in 2013 did sold the good more quickly than that in 2014.

Solvency

Gearing	Debt / Equity	568,000,000 / 7,699,155,000 x 100%=7.4%	N/A
Debt to equity ratio	Debt/ (debt + equity)	1,887,001 ,000 / 7,699,155,000 x 100%= 24.51%	1,084,282,000 / 6,477,593,000 x100% = 16.74%
Debt to EBITDA	Debt / EBITDA	1,887,001,000 / 2,224,074,000 =0.85	1,084,282,000 / 2,435,142,000 =0.46
Interest Cover	Operating	2,308,755,000 /	1,524,188,000 / 6,430,000

	Profit / Finance profits	12,323,000 = 187.35 times	= 237.04 times

For the **solvency** of LukFook in 2013 and 2014, as the debt to equity ratio of it in 2014(24.51%) is higher than that in 2013(16.74%), LukFook in 2014 is higher geared than LukFook in 2013.And LukFook in 2014 would be less able to service their debt in an appropriate manner than that in 2013, since its debt to EBITDA ratio in 2014(0.85) is higher than that in 2013(0.46). However, as the interest cover of LukFook in 2014(187.35times) is lower than that in 2013(237.04times), LukFook in 2013 is easier to pay interest on outstanding debt.

Liquidity			
Current Ratios	Current Assets / Current Liabilities	8,545,563,000 / 1,797,691,000 = 4.75 : 1	6,685,950,000 / 1,003,940,000 = 6.66 : 1
Quick Ratios	(Current Assets – Inventories) / Current liabilities	(8,545,563,000-6,228,280) / 1,797,691,000 = 1.29 : 1	(6,685,950,000-4,955,374,000) / 1,003,940,000 =1.72:1

In terms of **liquidity** of LukFook, current ratio of the company has decreased (from 6.66:1 to 4.75:1) by about 0.287% while the quick ratio of the company decreased (from 1.72:1 to 1.29:1) by 0.25%, the quick ratio decreased even more in terms of percentage change. This shows the company's inventory rate has decreased, the company did not overestimate its selling ability and bear lower risk. Also, the current ratio and quick ratio of the company is high and above average, which means the company's short term assets is readily available to pay off its short term liabilities.

Moreover, comparing LukFook with Chow Tai Fook(CTF) in 2014, LukFook had more liquidity as it had higher current ratio(4.75:1) and quick ratio (1.29:1). However, from the differences between Current ratio and quick ratio of two companies, we can see that LukFook had larger differences, which mean LukFook kept more inventories than CTF.

3.3. Trend Analysis[7]

- The ***profitability*** of the company increased significantly over the five years. The operating profit rose significantly by HKD $1673642000. The operating profit in

[7] Appendix 4

2012 to 2013 has a slightly decrease by $90987000. But the operating profit has risen sharply in 2014 by $807413000 after the slightly decrease in 2013.

The major cause is that there was a rapid increase in the sales from $6288798000 in 2010 to $628879800 in 2014, increases about 2 times.

On the other hand, other reasons for the increase in profitability were sharp decrease in Finance cost by $704000, which increase the finance income by $15529000. Also, the other income has also slightly increased by $63660000.

It should be noted that the cost of goods sold rose faster than sales in 2013 to 2014. The company can buy goods from the cheaper source of supply in order to reduce the cost.

- The ***solvency*** of the company increased significantly over the five years.

  The major cause is in the following. The liabilities increase a lot from HKD$913660 in 2010 to HKD$1887001 in 2014, which increase by $973341, it increase about 1 times. There is also a rapid increase in the equity from $1687281 in 2010 to $7699155 in 2014, which increase about 6 times by HKD$6011874. Although the liabilities increase over the five years but the equity also increase rapidly which the percentage increase in equity is larger than the percentage increase in liabilities. So the solvency is higher in 2014 than in 2010.

- The ***liquidity*** of LukFook Group has increased over the 5 years.

  There is an upward trend in most of the figures except in non-current liabilities. From the above information, there was a sharp increase in current assets from $2150541000 in 2010 to $8545563000 in 2014, the number of has been increased by almost 3 times. On the other side, the current liabilities has also increased from 743401000 to 1797691000, the number only increased by 1.5 times which increased by a smaller percentage than the current assets. It indicate the liquidity of company is improving. Moreover, non-current asset kept growing from $450400 in 2010 to $1040593 in 2014, which increased more than a double. it shows a consistent growth in the size of business, as reflected by its total assets.The non-current liabilities of the company decreased from $170259 to $46469 in 2011 but the company increased their non-current liabilities by a small amount since 2012($77909). We can see that the company knew they can borrow more to boost their business in 2012, also the company keep a steady increase since 2013 to ensure the non-current liabilities is under control.

The share capital of the company increase from $49250 to $54250 in 2011 and remains unchanged ($58910) since 2013. This can show the company does not need to issue more shares to run the company.

- For the ***management efficiency***, LukFook is more efficient over the five years. The major cause is that there was rapid increase in the credit sales from $6288798000 in 2010 to $628879800 in 2014, increases about 2 times. Also there is an increase in trade receivable from $73806000 in 2010 to $225938000 in 2014, which increases about 2 times. This two elements increase in the same scope with 2 times. The rapid increase in sales lower down the total receivables collection period, which is more efficient in 2014 comparing to 2010. Also, the rapid increase in sales and total assets increase the total assets turnover ratio which the higher the ratio the more efficient the company is. The total assets increase from $ 2596655000 in 2010 to $9586156000 in 2014. However, the trade payable slightly increases over the five years from $274141000 in 2010 to $337992000 in 2014, which means the liabilities of LukFook did not increase a lot over the five years. But the credit purchase increase rapidly from $3700619000 in 2010 to $14591249000 in 2014, which increases about 3 times. So the trade payable repayable period decreases a lot over the five years due to the rapid increase in credit purchase and slight increase in trade payable. The inventory slightly increases from $1735964000 in 2010 to $6225280000 in 2014, which increase about 2.5 times. But the cost of goods sold increase rapidly from $4092895000 in 2010 to $14817397000 in 2014, which increase about 2.7 times. As the increase in cost of goods sold is larger than the increase in inventory, the inventory turnover period will be lower down. As the inventory turnover period will be lower down, the company is less efficient over the five years.

4. SWOT Analysis

Strengths	Weakness
1. Lukfook has its own training centre for the staff which ensures the quality of services and attract more customers. 2. Being a supplier to the 3D gold company can increase the market share	1. People have a perception over LukFook that its products are not fashionable and modern which decrease the attractiveness of the products. 2. LukFook's products mainly focus on the

3. LukFook has a well-known brand name in both Hong Kong and China which increases its reliability and confidence of the customers. 4. LukFook has a centralized monitoring system which saves the labor cost in monitoring the quality of services. 5. The large number of distributors can help boosting the sales 6. Provide extend services which creates a connection between the customers and Luk Fook since the extend services is a long term relationship.	high-ended customers because of the price setting, therefore, their customers are sole. 3. LukFook does not differentiate itself from the other companies, which means it has less recognition from the customers. 4. LukFook does not have an online shop for Hong Kong customers which decrease the convenience of customers.
Opportunities	Threats
1. The demand for personalized services increases requires professional services from the jewelries shops. 2. Due to the individual visit scheme, the number of tourists increases and helps boosting the sales. 3. The advanced technology can help reducing the operation cost such as labor cost. 4. Due to the individualism and concerns about the self-image, people tend to consume more luxurious products to increase their self-confidence. 5. The customers tend to shop by using the e-commerce such as application and e-shop.	1. The increases number of international branding shops in Hong Kong causes an intense competition in the industry. 2. Due to the anti-corruption campaign in China, the purchasing power of the Chinese tourists decreases and hence decreases the sales of LukFook. 3. There are jewelries lending services which decrease the necessity of buying jewelries. 4. The production cost of jewelries increases due to the increases in labor cost in Mainland and the rental expenses of land also increases. 5. The political instability of Hong Kong such as the Occupying Central, may affect the operation of LukFook as well as the sales.

5. Recommended Strategies

5.1. Business Objective: Market segmentation and Target group

In terms of **geographic segmentation**, LukFook mainly focuses on expanding the market in Mainland China and Hong Kong. LukFook increase the number of shops in the mentioned area sharply. The number of shops in Mainland and Hong Kong increases 18.2% and 21.6% respectively. From the data, we know that LukFook focuses on customers form Mainland and Hong Kong, so the strategies should be focusing on the above customers.

In terms of **demographic segmentation**, LukFook mainly focuses on the customers of high income group. Due to the nature of the industry, the cost of precious metal is synchronized according to the market. Precious metal is luxurious products which are not affordable for all income groups. Therefore, LukFook focuses on the high income group. In order to expand their segmentation, LukFook can focus more on the middle class and lower income group.

5.2. Strategies: 4Ps

Price

- We recommend LukFook to introduce a ***frequent-guests campaign***. For example, the LukFook group can offer a discount to the customers who shop for a certain amount (e.g. HKD$10000) of product in a specific time period (e.g. one months) can get a limited discount (e.g. 10 percent off) for the following time shopping in LukFook. Our campaign is aimed at increasing the spending of the existing customers. Offering this discount may increase sales, as some customers may buy more than they need to get the discount. They may also spread the message which acts as a free promotion to LukFook and through the positive word-of-mouth; LukFook can improve its brand name. This will also increase the loyalty of the existing customers since they can enjoy discount with a higher frequency of shopping. The gross profit ratio of LukFook increases steadily which indicates that LukFook can increase its sales on a slow pace. Therefore, this campaign can help speed up the growth rate of its gross profit ratio because the discount can be used within a specified period which ensures the customers will shop at LukFook at a short period.

Product

- We recommend Luk Fook to ***sponsor the National Brest Cancer Awareness***

Month, it can support the campaign by producing a pink ribbon pin and make a charity bazaar, customers may buy the pink ribbon at the shop and full payment received will be sent to the HK Breast Cancer Foundation to show the firm's support towards the breast cancer patients and raise the social awareness about breast cancer. Moreover, Luk Fook may invite celebrities as well as breast cancer patient to wear the pin during public occasions and produce a promotion video clip which the above units wearing the pink ribbon pins to share their views towards breast cancer patient and promote anti-discrimination against breast cancer patients, the video can be uploaded to the social media, for instance, YouTube and Facebook. By doing so, we can increase the exposure of our products and hence increase the recognition of our brand and differentiate from other companies in order to attract more customers and boost our sales. Besides, when the celebrities wear our product, this serves as a free promotion to our brand and increase the brand reputation. This product will also fulfil our social responsibility to the society.

- We recommend LukFook to ***corporate with some well-known brands*** to develop furnishing with a limited amount supplied. The furnishings can be made in gold, diamond, pearl etc. LukFook can corporate with famous multinational toy and toy game company, such as Hasbro, LukFook can develop the tokens in the popular board game, Monopoly. Monopoly is a family board game with a world-wide recognition, it has a number of collectors that would like to collect a limited edition of the tokens in the game. This will help LukFook in acquiring new customers because the brand name of Monopoly is well-know and the market segmentation of Monopoly is different from LukFook, this may help exploring a new market and attract a different type of customers. Channel is another brand that LukFook can cross-over with. They may jointly propose a new accessory collection including necklace, bracelet, and earing, which are designed by Channel and manufactured by LukFook. They can share expertise, Channel is well-known for its fashionable design and LukFook is an expert in producing precious metal, especially with a number of experienced hand-maker. This will subvert the perception that products of precious metal are not fashionable, by having some new designs added. This can increase the sales of LukFook by attracting the loyal customers of the well-known brands.

- **Place**
- We recommend the luk fook company to provide a ***private area*** for customers when they require having privacy, not just the VIPs customers. Many customer nowadays require privacy, they may like to be private when they are shopping. So, providing a private place for the customers will give the customers a personalized and customized experience. This experience may attract the customers to visit the shop again and pass a good word of mouth to others, which promote the company as well. The company can separate the shop, which is comparatively larger, into different parts and areas. For example, separating the shop by collection of jewelries, such as for wedding, for babies, etc. This can enhance the service as that group of staff will be specialized in serving a specific group of customers. The private area will be set up at 20 shops which are located at the city-centered area such as Tsim Sha Tsui, Causeway Bay, in order to be more effective.
- LukFook can ***develop online store and applications*** (for smart phone) for Hong Kongers. This is because the company have online store in TaoBao for mainlanders but no platform for hong kongers to shop online. It is more convenient for Hong Kongers to buy and choose jewelry online, it can help them to save time too. After hong kongers ordered their jewelry they can choose to collect it in one of the Luk Fook store or collect it though local delivery. This can help the company attract more customers. The company can also develop a DIY system for the customers that can be custom-made. The customer can choose the pendants freely from a variety of products and make different combinations and it is unique. For example, the customer can choose the color of the necklace and a free engraving service can be provided online. The customer can preview the products before payments and make arrangement directly on the website if he or she still has any dissatisfaction of the products. This can allow Lukfook to use some customization/ personalization. Also, it can help Lukfook expand its market segment to different age groups by providing various lines of products with different style. This can increase the sales of LukFook since the help of advanced technology will widen the market segmentation because this can attract the younger generation.
- LukFook are recommended to join the ***Wedding Expo*** and corporate with the

leading companies in wedding industry. In the Wedding Expo, LukFook can attract many potential customers since many of the pre-wedding couples would like to purchase jewelries for the wedding and selling jewelries in the Wedding Expo can facilitate the couples so to attract more customers. Moreover, LukFook can introduce a program with the leading companies in the wedding industry, for example Alexander Hera, Macro Polo Hong Kong Hotel, Mona Lisa Bridal Salon, to provide a discount for the customers who have shopped in both companies, which means the customer can enjoy a discount if he/ she has shopped in those wedding companies. By doing so, this can increase the sales of the wedding collection of LukFook and increase the recognition of LukFook's brand name because it can act as a promotion while holding a booth at the Wedding Expo.

Promotion

- We can hold a ***workshop*** to promote luk fook in a city-centered shopping mall, for example Habour City in Tsum Sha Tsui. The workshop is a designing jewelries class for customers to take part in making their own jewelries; we could also invite famous blogger to help promote the activity beforehand. Recently, many people like to participate in making their own items by their own, so there are many DIY class held. The workshop meets the people needs nowadays and this increases their participation in making jewelries, which catches their attentions, and this will indirectly help promoting LukFook. By inviting famous bloggers or stars, bloggers and stars may promote this activity by their own blog, page or channel, which can attract many teenagers to attend and tell others of the activities, and this can attract many people to participate. And with their present, they can evoke the social awareness and may reported by the press release and with and high media coverage, which can help promoting the brand name of luk fook. In a city-centered shopping mall, there will be lots of tourist and shoppers. Holding the workshop there not only can catch local people's attention but also the tourists. This can attract different kinds of customers.
- Luk Fook can publish a ***mascot*** to promote its brand name; it will spread a lasting corporate culture and brand information. LukFook can cross-over with a local cartoon character, Mcdull since it represents the positive attitude of Hong Kongers which can create a connection between LukFook and the local customers. Luk Fook can cross over with Mcdull to produce comics series and

cartoons about jewelries. The comics and cartoons can include knowledge of gold, diamond and different kind of jewelries, such as how to distinguish between true and fake jewelries, the distinctiveness of different jewelries and how jewelries are made. This not only promotes the company's good image to public, but also fulfills the social responsibility of the company as the comics and cartoons are educational. Moreover, the comics and cartoons can send to different Universities and IVY to educate the students there and also make them have a good impression on Luk Fook, which can attract talented people to join Luk Fook when they are graduated.

- The company can introduce a ***jewelry making show*** to the public. We suggest that the show can held in the flagship store located at ground floor of Haiphong Mansion, Tsim Sha Tsui as that store is big enough to show the process of making jewelries and gold in front of all customers. The show can locate at the center of the shop and a notice board should put outside the shop. The show can perform everyday but at specified period to attract customers. The program can attract more customers to enter the shop to have a look which will increase the opportunities of the customers to purchase in the shop. This may increase the sales indirectly as well as the profitability of LukFook.

6. Budget and Action Plan

6.1. Budget Plan

6.1.1. Sales Volume Budget

LukFook Group's sales forecast date are as follows:

Product	Market demand	Market Share [8]	Price
Gold (jewelries)	8.736 tones[9]	9.15%	$11430/ teal
Diamond	3.543 US million[10]	9.15%	HKD 2268[11]
Platinum	2350000 oz[12]	9.15%	HKD 10400/ teal

[8] Appendix 5

[9] Assuming the percentage change remains unchanged (-9%), the demand for gold decrease 9% from Q4' 2014's gold demand. http://www.gold.org//supply-and-demand/demand/regional-analysis?areas[0]=all&filter=1#gold-data-filter-form

[10] Appendix 6

[11] Assuming the diamond weighs 0.2ct, in a round shape, D color, clarity: IF (immaculate).

[12] http://www.platinum.matthey.com/documents/market-data-tables/platinum/pdf-2004-to-2013.pdf

Sales Volume for the year ended 31 March 2015:

Product	Market demand	Market share	Sales Volume
Gold (jewelries)	8.736 tones	9.15%	0.799 tones
Diamond	3.543 US million	9.15%	0.324 US million
Platinum	2350000 oz	9.15%	215025 oz

6.1.2. Direct Materials and Labour Budget

	Gold and platinum(HK$)	Gem-set(HK$)
Material*, labour, overhead	15,000,776,000x62.7%x(1+20%)	15,000,776,000x37.3%x(1+15%)
Total cost	11,286,583,862.4	6,434,582,865.2

- For the calculation of gold and platinum and gem-set, HK$15,000,776,000 is the cost of sales of the year 2014, 62.7% is the sales by gold and platinum of the year while 37.3% is the sales by gem-set of the year. Total cost of sales times the sales by product will get the cost of product, then times the percentage the product is expected to increase after our suggestions will get the increase of cost of product, the increase of cost of product plus the original cost of product will get the total cost.
- We expect the cost of sales increase because the sales of product will increase, the company will need more materials and labour, the overhead will increase too. For example, develop online store and applications (for smart phone) for Hong Kongers will need more technical labour to develop the online page and application, the company also need to hire more labour for handling online service. Moreover, holding a gold making show will need labour to work in front of the public, the wages of them may need to increase, the company also needs to pay more overhead as they might need to strengthen the security system of the shops. Another example is sponsoring the National Breast Cancer Awareness Month, this will need more materials to producing a pink ribbon pin. Therefore, we expect the sales of gold and platinum will increase by 20% while the gem-set increase by 15%.
- The reason of sales of gold and platinum will increase more than that of gem-set

is because we focus more on gold in some of our suggestions. Such as the gold making show will attract customers to buy more gold. On the other side, workshops, applications and online store and wedding expo will increase the sales of gem-set but also gold. Therefore, the cost of sales of gold and platinum will increase more.

6.1.3. **Budget of Suggestion**

Tasks	Expense/ assets used/ human resources	Budgeted expenses
Wedding Expo	1.Purchases, used to buy extra products to sell	$ 750,000 (including $700,000 of extra products and $50,000 of publication cost)
	2.Publication cost (the set-up for the booth)	
Applications and online store	1.Salaries for application designers	$100,000
	2.Manual expenses for managing online stores	$ 1,152,000 (assuming there is 10 staffs and they work 8 hours a day with $40/ hour)
Mascot	1.Salaries for designers	$200,000
	2. Patent fee to Mcdull Company	$50,000

	3.Production fee of Mcdull product (Mudull's collection)	$ 500,000 (including input price, labor cost and overhead)
Comics and cartoons(Education)	1.designers	$100,000
	2. production cost of cartoons	$200,000
Jewelry making show	1.Salaries of workers	$280,800 (assuming there are 2 workers and they perform 3 hours a day with a hourly salary of $300, and the performance hold 3 times a week)
	2.Cost of improving security system	$400,000 (including $336,000 of extra security crew)
	3.Promotion cost (magazine commercial, online social media)	$400,000
	4.Renovation cost of the shop	$250,000
Discount	1. Promotion fee	$100,000

Workshop	1. Rental fee	$80,000
	2. salaries for extra labor	$ 30,000 (including $20,000 for the tutor and $10,000 for over-time workers)
	3. promotion fee	$50,000
	4. Hiring celebrities	$80,000 ($20,000 per celebrity)
Private area	1. Renovation	$2,000,000 ($100,000 per shop and the private area will be set up at 20shops)
	2. Training programs	$50,000
Sponsoring the National Brest Cancer Awareness Month	1. Designing cost	$ 200,000
	2. Production cost of the pin	$ 300,000
	3. Production cost of promotional video clip	$200,000

cooperating with well-known brands	1. Production Cost of the products	$500,000
		Total Expenses: $7,972,800

6.2. Expected Return and Income Statement

According to the Census and Statistics Department, the business receipts indices fro service industry of the retailing sector has increased 1.6% from the third quartile of 2013 to the same quartile of 2014. We will assume the increase in sales excluding the effect of the recommended strategies to be 1.6%. With the help of the strategies, it is estimated that the increase in the scope of business in terms of sales and purchasesto be 5%. Therefore, the revenue of 2015 and 2016 are $20175676.50 million and $21184460.33 million respectively.

Budgeted Income Statement for the year ended 31 December 2015 and 2016		
	2015	2016
	HK$'000	HK$'000
Revenue	20,175,676.50	21,184,460.33
Cost of Sales (W1)	-17,928,322.95	-19,012,986.49
Gross Profit	2,247,353.55	2,171,473.84
Other Revenue (W2)	105,359.80	103,252.60
Selling and distribution cost (W3)	-1,942,618.85	-1,962,045.04
Administative expenses (W4)	-152,349.41	-15,387.20
Other gains, net (W5)	60,090.66	58,889
Operating profits	317,835.75	356,183.05
Finance income (W6)	15,318.67	15,471.86
Finance cost (W7)	-2,872.44	-2,901.16
Share of results of an associate	-38.85	-5.83
Profit before income tax	330,243.13	368,747.91

All the workings are shown clearly in the appendix 7 while remarks are stated in the appendix 8.

6.3. Action Plan

Tasks	Implementation plan	Method of evaluation	Success criteria	Department
Frequent-guests campaign	Offer a discount to the customers who shop for a certain amount (e.g. HKD$10000) of product in a specific time period (e.g. one months) can get a limited discount (e.g. 10 percent off) for the following time shopping in LukFook.	Observe the sales increase in short term.	The quantity of goods sold increase around 10% after the the campaign.	Marketing department
Sponsor the National Breast Cancer Awareness Month	It can support the campaign by producing a pink ribbon pin and make a charity bazaar, customers may buy the pink ribbon at the shop and full payment received will be sent to the HK Breast Cancer Foundation.	Observe the quantity sold of the pink ribbon pin.	More than 2500 pink ribbon pin sold out in the year.	Marketing department Public Relation department
Corporate with well-known brands	Luk Fook can corporate with famous multinational toy and toy game company, such as Hasbro, Luk Fook can develop the tokens in the popular board game, Monopoly. Monopoly is a family board game with a world-wide recognition.	Observe the quantity sold of Monopoly products.	More than 5000 Monopoly products sold out.	Marketing department Public Relation department

Provide a *private area* for customers	The company can separate the shop, which is comparatively larger, into different parts and areas. For example, separating the shop by collection of jewelries, such as for wedding, for babies, etc	Give questionnaire to the customers to investigate whether they are satisfied with the personalized service.	There are 10% more visitors visit every day.	Selling, Marketing , Operating Human resources department
Develop online store and applications (for smart phone) for Hong Kong residents	- The company can put the information of different jewelries on the application and the online page. The company can also put the information of different jewelries on the online page. - Develop a new online shop which can shop other than the products that can buy in the shops. -The company can also develop a DIY system for the customers that can be custom-made. The customer can choose the pendants freely from a variety of products and make different combinations.	- By checking the number of users of the application. - Check the using rate of the application in online buying shop.	- The number of users is up to 10000 people. - More 5000 customers has used the online shopping service.	Information technology department Marketing departmant
Jewelry design workshop	The workshop is a designing jewelries class for customers to take part in making their own jewelries in a	Observe the number of participants of the workshop.	Attract more than 3000 participants in three days activities.	Public Relations department Human

	city-centered shopping mall; we could also invite famous blogger to help promote the activity beforehand.			resources department
Publish a mascot	- Instead of creating a new one, the company can corporate with local designs and use the design, such as the Mcdull, to be their long term partner and use the image of Mcdull as the company's mascot. The company can produce jelweries related to Mcdull. - Luk Fook can cross over with Mcdull to produce comics series and cartoons about jewelries. The comics and cartoons can include knowledge of gold, diamond and different kind of jewelries. the comics can be introduced online or in the newspaper or in schools.	- Observe the quantity sold of Mcdull products. - By checking the number of views and the click rates of the comics on the internet, newspaper and schools.	- More than 10000 Mcdull products sold out. - The number of views is higher than 1000000 .	Marketing Department Public Relations department
Jewelry making show	We can invite the Artisan to show the process of making jewelries and gold in front of all customers can locate at the center of the shop and a notice board should put outside the shop.	Observe the number of the visitors in that particular shop.	Attract more than 2000 visitors a day.	Public Relations department Human resources department

Joining the Wedding Expo	We can contact the leading companies in the wedding industry such as Mona Lisa Bridal Salon, Maxim Cake, to have a joint discount for the customers. The customers can enjoy 15% off if they have shopped in the jointed companies.	Observe the sales performance of the booth at the Wedding Expo.	Have $500,000 of sales at the booth of the Wedding expo.	Marketing Department Public Relations Accounting department

7. Conclusion

To conclude, we have accomplished the business objectives by utilizing LukFook's strengths and the external opportunities to overcome its weaknesses as well as the external threats in order to improve the company's business prospect and achieving the business objectives and business goal of LukFook and improving its effectiveness as well as efficiency in terms of financial performance and business management.

Appendix 1

QinQin

Appendix 2

LukFook Jewelry at Tuen Mun V City

Appendix 3

Chow Tai Fook‘s Financial Ratios Analysis

Ratios	Formula	Year 2014	Year 2013
Profitability			
Mark Up	gross profit / cost of good goods sold x 100%	2,115,230,000 / 5,625,480,000x 100% =37.60%	1,628,310,000/ 4,115,080,000 x 100% =39.57%
Gross Profit Ratio	gross profit / sales x 100%	2,115,230,000 / 7,740,710,000x 100% = 27.33%	1,628,310,000 / 5,743,390,000 x 100% = 28.35%
Operating Profit Ratio	operating profit / sales x 100%	938,910,000 / 7,740,710,000 x 100% = 12.13%	731,670,000 / 5,743,390,000 x 100% = 12.74
Net Profit Ratio	Net profit before tax / sales x 100%	916,300,000 / 7,740,710,000 x	709,500,000 / 5,743,390,000 x 100%

		100% = 11.84%	= 12.35%
Return On Capital Employed (ROCE)	Profit after interest and tax / capital employed x 100%	744,920,000 / (85,780,000 + 3,845,240,000) x 100% =18.95%	567,840,000 / (94,510,000 + 3,386,070,000) x 100 % =16.31%
Return On Equity (ROE)	Profits after interest and tax / equity	744,920,000 / (85,780,000 +3,717,330,000) x 100% = 19.59%	567,840,000 / (3,292,550,000 + 94,510,000) x 100% =16.76%
Return on Assets (ROA)	Profit after interest and tax / total assets	744,920,000 / (5,755,430,000 + 426,280,000) x 100% = 12.85%	567,840,000 / (344,160,000 + 3,977,700,000) x 100% = 13.14%
Equity Multiplier	Total assets / total equity	(5,755,430,000 + 426,280,000) / (85,780,000 +3,717,330,000) = 1.63	(344,160,000 + 3,977,700,000) / (3,292,550,000 + 94,510,000) = 1.28
Asset Utilization Ratios			
Inventory Turnover Period	Inventory / Cost of goods sold x 365	((4,254,370,000 + 2,731,480,000) / 2) / 5,625,480,000 x 365 =227 days	((2,969,420,000 + 2,731,480,000) / 2) / 4,115,080,000 x 365 =256 days
Trade Receivables Collection	Trade Receivables / Credit Sales x 365	487,270,000 / 7,740,710,000 x 365 = 22.98	397,250,000 / 5,743,390,000 x 365 = 25.25

Period			
Trade Payable Repayable	Trade payables / Credit Purchases x 365	Unknown	Unknown
Total Assets Turnover	Sales / Total Assets	7,740,710,000 / (5,755,430,000 + 426,280,000) = 1.25	5,743,390,000 / (344,160,000 + 3,977,700,000) = 1.33
Solvency			
Gearing	Debt / Equity	630,000,000 / 3,717,330,000 x 100 %= 16.9%	100,000,000 / 3,292,550,000 x 100% = 3.04%
Debt to equity ratio	Debt/ (debt + equity)	(2,250,690,000 + 85,780,000) /3,717,330,000 x 100% = 62.9%	(94,510,000 + 3,136,420,000)/3,292,550,000 = 98.1%
Debt to EBITDA	Debt / EBITDA	(2,250,690,000 + 85,780,000) /37,173,300,000 x100% = 62.9%	(8,412,800,000 +95,100,000)/ 32,925,500,000 x100% = 14.9%
Interest Cover	Operating Profit / Finance profits	Unknown	Unknown
Liquidity			
Current Ratios	Current Assets / Current Liabilities	5,755,430,000 / 2,250,690,000 = 2.56:1	3,977,700,000 / 841,280,000 =4.73:1
Quick Ratios	(Current Assets – Inventories) / Current liabilities	5,755,430,000 - ((4,254,370,000 + 2,731,480,000) / 2) / 2,250,690,000 =1.01:1	3,977,700,000 - ((2,969,420,000 + 2,731,480,000) / 2) / 841,280,000 = 1.34:1

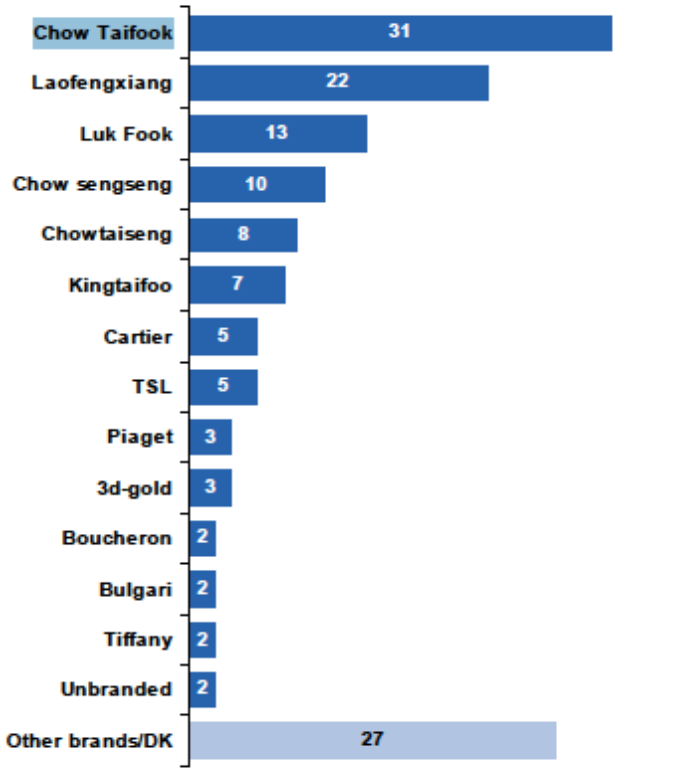
Appendix 4

Consolidated Income Statement of LukFook Group					
	2014 HKD'000	2013 HKD'000	2012 HKD'000	2011 HKD'000	2010 HKD'000
Revenue	19214930	13411691	11907440	8091121	5386432
Cost of sales	15000776	10581660	9148748	6173877	4092895
Gross profit	4214154	2830031	2758691	1917244	1293537
Other income	107510	106507	68521	55977	43850
Selling and distribution costs	1923385	1323592	1076388	812593	610922
Administrative expenses	150841	124760	136079	99169	69413
Other (losses)/gains, net	61317	13156	22416	28916	21939
Operating profit	2308755	1501342	1592329	1032543	635113
Finance income	15167	6741	3332	854	342
Finance costs	2844	311	3208	4661	3548
Finance (cost)/income, net	12323	6430	124	3807	3206
Share of results of an associate	259	1020	2759	487	2343
Profit before income tax	2320819	1506752	1595212	1029223	634250
Income tax expenses	453545	160342	247970	152007	97540
Profit for the year	1867273	1246410	1347242	877216	536710
Consolidated Income Statement of LukFook Group					
	2014 HKD'000	2013 HKD'000	2012 HKD'000	2011 HKD'000	2010 HKD'000
Revenue	356.73	248.99	221.06	150.21	100
Cost of sales	366.51	258.54	223.53	-150.84	100
Gross profit	325.7	218.78	213.21	148.22	100
Other income	245.18	242.89	156.26	127.66	100
Selling and distribution costs	314.83	216.65	176.19	-133.01	100
Administrative expenses	217.31	179.74	196.04	-142.87	100

Other (losses)/gains, net	279.49	59.97	102.17	-131.8	100
Operating profit	363.52	236.39	250.72	162.58	100
Finance income	4434.8	1971.05	974.27	249.71	100
Finance costs	80.16	8.77	90.41	131.37	100
Finance (cost)/income, net	384.37	200.56	3.87	118.75	100
Share of results of an associate	11.05	43.53	117.76	20.79	100
Profit before income tax	365.92	237.56	251.51	162.27	100
Income tax expenses	464.98	164.39	254.22	155.84	100
Balance Sheet of LukFook Group					
	2014	2013	2012	2011	2010
	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000
non-current assets	1040593	875925	609346	530623	450400
current assets	8545563	6685950	6129115	3751076	2150541
share capital	58910	58910	58910	54250	49250
reserve	4683025	3560083	2760315	1953645	1418300
non-current liabilities	89310	80342	77909	46469	170259
current liabilities	1797691	1003940	1016270	776842	743401
	2014	2013	2012	2011	2010
	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000
non-current assets	231.04	194.48	134.52	117.81	100
current assets	397.37	310.9	285	174.42	100
share capital	119.61	119.61	119.61	110.15	100
reserve	330.19	251.01	194.62	137.75	100
non-current liabilities	52.46	47.19	45.76	27.29	100
current liabilities	241082	135.05	136.71	104.5	100

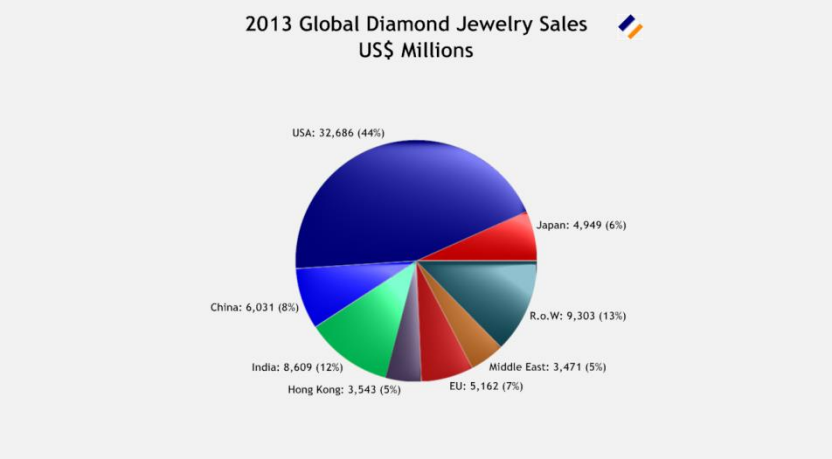
Appendix5

Figure 113: **Jewellery brands that Chinese intend to buy in next 12 months (%)**



Source: Credit Suisse China Consumer Survey 2011

Appendix 6



Source: http://www.diamondshades.com/databank/consumption-charts/

Appendix 7

(W1) Cost of goods sold of 2015: $15,000,776,000x 1.05+$2,000,000 (increase due to the suggested strategies) x 1.01 = $ 17928322950

Cost of goods sold of 2016: $17928322950x 1.05 x 1.01= 19012986490

(W2) Other Revenue of 2015: $107510000x 0.98 = $105359800

Other Revenue of 2016: $105359800x 0.98 = $103252604

(W3) Selling and distribution costs of 2015: $1,923,385,000x 1.01 = $1,942,618,850

Selling and distribution costs of 2016: $1,942,618,850x 1.01 = 1,962,045039

(W4) Administrative expenses of 2015: $150,841,000x 1.01 = $152349410

Administrative expenses of 2016: $152349410 x 1.01 = $15,387,204.1

(W5) Other gains, net of 2015: $61,317,000 x 0.98 = $60,090,660

Other gains, net of 2016: $60,090,660 x 0.98 = $58,888,846.8

(W6) Finance income of 2015: $15,167,000 x 1.01 = $15,318,670

Finance income of 2016: $15,318,670 x 1.01 = $15,471,856.7

(W7) Finance costs of 2015: $2,844,000 x 1.01 = $2,872,440

Finance costs of 2016: $2,872,440 x 1.01 = $ 2,901,164.4

(W8) Share of results of an associate of 2015: $259,000 x 0.15 = $ 38,850

Share of results of an associate of 2016: $38,850 x 0.15 = 5,827.5

Appendix 8

Remarks

1. According to the Census and Statistics Department, the percentage increase of CPI from Dec2014 to Jan 2015 is 0.1%. Therefore, we assume there is a continuous increase (0.1%) in the price level.
2. Other Revenue and other gains are estimated to have a decline of 2% for prudence estimation.
3. Due to the recommended strategies, it is estimated that the finance income as well as the finance cost will increase at a steady rate of 1%.
4. According to the percentage decrease (74.6%) of share of results of an associate from 2013 to 2014, therefore, it is estimated that there is a continuous decrease of 75% of the share in both 2015 and 2016 as prudence estimation.