

HKICPA BUSINESS CASE COMPETITION 2022



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The Auditorium, Hong Kong Institute of CPAs

26 November 2022 | 9:00 a.m. - 3:30 p.m.



Hong Kong Institute of
Certified Public Accountants
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Adjudication panel



Ms. Loretta Fong

President, Hong Kong Institute of CPAs
ESG Services Leader, Hong Kong and Greater Bay Area, PwC



Mr. Roy Leung

Vice President, Hong Kong Institute of CPAs
Partner, KPMG



Mr. Edward Au

Vice President, Hong Kong Institute of CPAs
Southern Region Managing Partner, Deloitte China



Mr. Paul She

Chairman, Qualification and Examinations Board,
Hong Kong Institute of CPAs
Partner, Audit & Assurance – Hong Kong, Mazars CPA Limited



Ms. Sabrina Khan

Chief Financial Officer and Financial Consultant,
Aptorum Group Limited

HKICPA Business Case Competition 2022

Programme rundown	
Time	Programme
9:00 a.m. – 9:05 a.m.	Opening and introduction
9:05 a.m. – 9:25 a.m.	Sub-degree group 1 st team – presentation and Q&A
9:25 a.m. – 9:45 a.m.	Sub-degree group 2 nd team – presentation and Q&A
9:45 a.m. – 10:05 a.m.	Sub-degree group 3 rd team – presentation and Q&A
10:10 a.m. – 10:30 a.m.	Sub-degree group 4 th team – presentation and Q&A
10:30 a.m. – 10:50 a.m.	Sub-degree group 5 th team – presentation and Q&A
10:50 a.m. – 11:10 a.m.	Sub-degree group 6 th team – presentation and Q&A
11:10 a.m. – 11:25 a.m.	Break
11:25 a.m. – 11:45 a.m.	Undergraduate group 1 st team – presentation and Q&A
11:45 a.m. – 12:05 p.m.	Undergraduate group 2 nd team – presentation and Q&A
12:05 p.m. – 12:25 p.m.	Undergraduate group 3 rd team – presentation and Q&A
12:30 p.m. – 12:50 p.m.	Undergraduate group 4 th team – presentation and Q&A
12:50 p.m. – 1:10 p.m.	Undergraduate group 5 th team – presentation and Q&A
1:10 p.m. – 1:30 p.m.	Undergraduate group 6 th team – presentation and Q&A
1:30 p.m. – 2:30 p.m.	Recess for adjudication panel to review and discuss results
2:30 p.m. – 3:30 p.m.	Results announcement and prize presentation

Sub-degree case question



Undergraduate case question



Sub-degree group - Team S01

Leader



LEE Tin Yan

Members



KWOK Kei Lam



KU Chi Hang



SIU Kun Tin

In this proposal, we have used financial ratios and SWOT analysis to evaluate the performance of Galaxy Health International Limited in 2021 and identify the problems it faces.

According to the financial ratios, the decrease of profit of Galaxy resulted from the impact of the COVID-19 pandemic on sales, in addition to ineffective controls on cost and management.

The SWOT analysis indicates that Galaxy faces reputation risk, profit falls due to the economic environment under COVID-19, increase of competitors after the end of its products' patents, and low chance of new product development.

We have given the corresponding business strategies in the recommendation part to help Galaxy solve these problems.

In the decision of "Negotiating a contract to supply a patented Galaxy product in Luxembourg", we recommend that Galaxy should continue to negotiate the contract to improve its reputation and resolve the negative comments. It should also set up a customer service center to receive customers' complaints.

In the last part of this proposal, we have designed an implementation plan for the strategies and presented the financial projections for the coming two years which indicate that Galaxy performance would gradually improve from \$848 million in 2021 to eventually enjoy profit after taxation of \$1.35 billion in 2022 and \$1.50 billion in 2023.



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YIU Po Chu

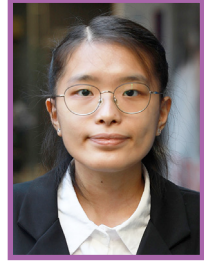
Members



CHIU Ngo Pui



KUN Po Lam



LEUNG Hoi Lam

In this proposal, we have analysed the current situation of Galaxy Health International Ltd (Galaxy). The analysis was performed by problems identification and we have used SWOT analysis as tools to analyse the internal operations and external environment of Galaxy.

In addition, we have conducted financial analysis and found that Galaxy's performance in terms of profitability, liquidity, efficiency and return on investment faces a downward trend. The company's gearing is also found to be high.

Moreover, we have discussed the issue of negotiating a contract to supply patented products to the health authority of Luxembourg. It is suggested that Galaxy should reconsider the requirements from the health authority of Luxembourg which are also the regulatory requirements of ESG reporting and good practice of corporate governance in Hong Kong. Galaxy is also advised to take corrective actions on employee rights, clinical trials and anti-corruption.

Galaxy is also recommended to set up a relief fund for the poor to buy expensive medicines. Furthermore, to better handle customers' complaints, Galaxy may establish a customer services unit.

Regarding financial strategies, Galaxy is recommended to change its dividend policy, improve credit control, hedge the risk of floating interest rates, reduce capital gearing and optimize the policy on handling sale proceeds in foreign currencies. On business strategy, Galaxy is advised to develop the Mainland China market, introduce robotic automation in production lines, develop a healthcare app, digitalize customer relation management and make use of AI technology in drug development.

We have also prepared an implementation plan, a cost and benefit analysis and financial projections which indicate that our recommendations are financially and operationally feasible.

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BALWANI Jash

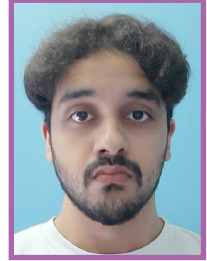
Members



HARRY DONA Ada



JAWAID Hamid



SELARKA
MANISH Vikram

In this proposal, we have used financial ratios and SWOT analysis to evaluate the performance of Galaxy Health International Limited (Galaxy) in 2020 and 2021, and to identify the problems it faces.

The financial ratios unveil that its loss is mainly attributable to the impact of the COVID-19 pandemic on sales and ineffective control of cost of sales, staff costs, and aging accounts.

The SWOT analysis indicates that Galaxy faces the problems of heavy dependency on US and Hong Kong manufacturing suppliers, a downward trend in sales, the absence of a mission statement, increasing raw material and labor costs, insufficient usage of workers' full capacity, new competitors entering the market, and lack of awareness of corporate social responsibility.

We have given the complementary business strategies in the recommendation part to help Galaxy manage these problems. In the recent incident, Galaxy has not been able to uphold its company values, where they have been cutting costs on the safety of their production facilities in Hong Kong. This brings to question the Employee rights and welfare standards and they have also been very slow to implement the new minimum wage rules in Hong Kong. Galaxy has failed to adopt the Anti-corruption code and because of this, two production managers were found guilty of bribery previously. They have broken the Prevention of Bribery Ordinance (Cap. 201) (POBO), enacted in 1971, which is the primary anti-bribery legislation in Hong Kong and is enforced by the Independent Commission Against Corruption (ICAC). It contains provisions prohibiting bribery in both the public and private sectors. In addition, Galaxy needs to immediately suspend these 2 production managers until the announcement of legal decisions.



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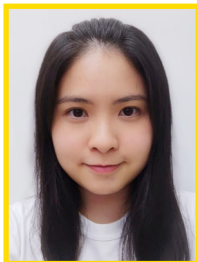
Sub-degree group - Team S10

Leader



WONG Siu Pak

Members



CHEUNG Kwok Ling



DAI Yin Ting



LIANG Zhang Cheng

In this corporate report, SWOT is applied to present and analyse the issues facing Galaxy Health International Limited (Galaxy) in 2022 and to point out development opportunities.

From the SWOT analysis, we can see that the company has steady development, a high R&D rate, and a high market share. However, the lack of an effective customer service department within the company to handle complaints and the lack of an anti-corruption policy has created a crisis. Once again, some of the patent of its drugs are expiring which will hurt the company's profits.

In this regard, this plan provides professional analysis and provides solutions, and suggestions to improve the current problems of Galaxy.

In addition, this business book also details the Luxembourg contract talks and social enterprise incident caused by Vincent, and provides relevant advice and analysis to solve and rebuild the company's image.

Finally, this proposal provides a financial ratio analysis for the enterprise to improve its financial efficiency and will also provide recommendations for specific financial characteristics to improve the current financial situation and prepare for future financial needs. Besides, this proposal also provides a 3-year prediction plan for reference.



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CHEUNG Ka Ting

Members



SUEN Ka Man



YAU Ka Po

Galaxy Health International Limited (Galaxy) is a pharmaceutical company listed on the Hong Kong Stock Exchange. It has been established for more than 20 years, with extensive pharmaceutical experience and a global reputation. The products manufactured and sold by Galaxy are proprietary and generic pharmaceutical products. Galaxy's products are mainly sold in Hong Kong and the world's four major geographic markets for pharmaceutical products. Galaxy's mission is to be a global leader in providing high-quality, cost-effective healthcare solutions. Its goal is to increase the availability of generic and proprietary products in key market segments while maintaining a commitment to scientific excellence and responsible drug development and delivery. In order to increase market competition and pay more attention to the need for sales and marketing, Galaxy has recruited and trained more sales and marketing personnel and has also developed new drugs to treat COVID-19 sequelae. The drug will be released in 2021.

Although Galaxy is ostensibly not losing money, in 2021, the gross profit margin will drop to 71.91%, which is 3.99% lower than the gross profit margin in 2020. Overall, Galaxy recorded performances worse than the profit of HK\$162,694,000 in 2020. The existing policies of the company need to be changed.

Through the strategic assessment and development model, we recommend some constructive corporate strategic options for Galaxy based on the current situation of Galaxy. First, it is recommended that your company establish some ethical standards to regulate the entire company and earnestly fulfil the concept and responsibility of corporate social responsibility. Second, it is proposed that the positions of the current chairman and CEO should be changed to optimize corporate governance. Additionally, leasing services are recommended to reduce unnecessary cost burdens for businesses and increase profitability. Subsequently, a plan to change the dividend policy should be in place to increase the company's working capital. Finally, hedging transactions are recommended to reduce the risk of loss arising between the exchange and the debt. These programmes help enhance the Group's brand value and promote quality, cost-effective, innovative healthcare solutions that transform public life. Furthermore, the group also fulfils corporate social responsibility and enhances creativity.



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Sub-degree group - Team S16

Leader



TSANG Tak Hung

Members



CHAN Hoi Lam



MAK Hoi Kiu



NG Sai Cheong

We have used different methods to analyse The Galaxy Health International Limited 'The Galaxy' and we have divided our analysis into several parts.

First, we have used the financial ratio to get the financial analysis of 'The Galaxy', and we have some comprehension after the calculation of financial ratio of this company.

Secondly, we have analysed the internal strategic analysis and external environment analysis on 'The Galaxy' through the SWOT analysis

Thirdly, we have found a case of Luxembourg negotiation of 'The Galaxy', and we have some comments on this case.

We found that The Galaxy Health International Limited 'The Galaxy' is facing rapid financial loss between the year of 2020 to 2021 through financial ratio.

The loss suffered by Galaxy Health International Limited is due to the late decision of the management. The epidemic of COVID-19 happened in 2019 and it became more severe in 2020. They therefore decided that it would be a prolonged disease and decided to invent a vaccine during that year. Their decision was right. However, there were others vaccines that appeared or were invented already while they were still in the process of inventing their version. This is one of the reasons they had suffered a serious loss in 2021

The other problem of Galaxy Health International Limited is the concern of corporate governance. In Galaxy, Vincent Hui is the Chairmen of the Board and the CEO at the same time.

One of the problems is that the headquarters in Hong Kong has handled all the current assets of the entire company and it has led to the loss when converting the currencies in different countries to Hong Kong dollars.

There was also a problem of employee rights and welfare standards. The Galaxy has cut off the spending on safety checks of production facility in Hong Kong, which will increase the possibility of accidents of employees. Therefore, it will affect productivity.



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TANG Xin

Members



LI Xin Yao



YAN Jia Ying



ZONG Xuan Ke

The bidding proposal targets to provide insights for remedying the deviated practices of Galaxy Health International Limited (Galaxy) and assisting it in deciding whether to proceed with “negotiating a contract to supply a patented Galaxy product in Luxembourg” by advising the factors that should be considered. The Cost-Benefit Analysis lists possible drawbacks and advantages when entering the Luxembourg market. “ABC” strategies are recommended for Galaxy to incorporate into its long-term planning to achieve a smoother operation. The proposal also suggests measures that aim to improve Galaxy’s financial position. The implementation of these plans predicts the duration of each behavior, along with the possible risks and contingencies prepared for future needs.



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FONG Kwai Yi

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CHEN Yudan



LEE Hiu Yee



TSANG Hiu Ching

Galaxy Health International Limited (Galaxy) is a well-established pharmaceutical company. It was listed on the Hong Kong Stock Exchange (HKEX) five years ago. However, due to the COVID pandemic, the financial performance of Galaxy is unsatisfactory along with the increasing costs and diminishing profits.

This report aims to provide practical solutions regarding the treasury management. In addition, we incorporate our suggested measures into a business model in hopes of improving Galaxy's financial and operating performance. We tangibilize the benefits of adopting our business model and strategy into different graphs. Advice regarding contract negotiations are then provided



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PARK Jang Bae

Members



DENG Shuyuan



HASEGAWA Emi



RAMBHATLA
Aiswarya

This report offers professional advice to Galaxy Health International Ltd. (Galaxy) in remedying the company's underlying problems. The SUN framework is devised for Galaxy's constructive long-term strategy, incorporating solutions on product development, corporate social responsibility (CSR), and financial management. Each burning issue faced by Galaxy has also been addressed individually through short-term solutions. Composite financial projections have been made based upon consideration of implementation timeline as well as potential risks. Overall, after thorough evaluation, Galaxy is recommended to pull out of the Luxembourg negotiations.

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ZHOU Yingjun

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ZHANG Hanqi



ZHAO Yue



TAN Jing

In the recovery state of COVID-19, Galaxy attained a decline of revenue and EBIT by 23.21% and 49.54%. The gloomy result is linked to its slow response in digital transformation and prolonged drug development. To unlock future potential, it's high time for Galaxy to streamline its production and initiate more strategic collaborations with partners (e.g. universities, research institute). Galaxy should also take actions to coordinate its financing activities and deal with economic risks proactively by setting up a centralized treasury function. In line with the listing rules, Galaxy should set up a robust governance mechanism to enhance its compliance to deal with the ESG issues and risks (e.g. non-compliance of ESG reporting, ineffective governance and oversights). Building on these initiatives, Galaxy is expected to create more value for its shareholders and achieve a steady growth of operating profit over the next three years, which compensates a proposed dividend cut in 2022 and 2023.

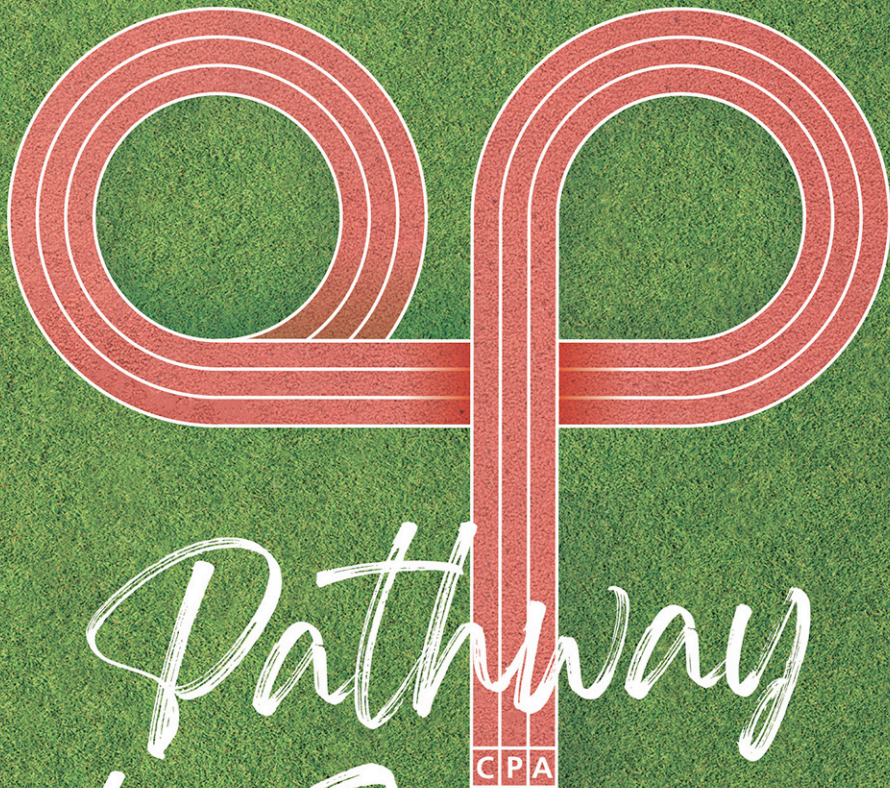
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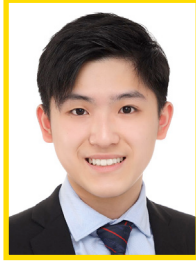
Undergraduate group - Team 053

Leader



KHAN Shahab

Members



FUNG Nok Yin
Darren



MA Sau Yat
Abdul Aziz



NG Cheuk Yin
Victorinus

The proposal aims to provide solutions to address the internal problems of Galaxy Health International Limited (hereinafter referred to as 'Galaxy') and provide insights on **its research and development (R&D) of the Covid-19 drug** and the Luxembourg affair. In this proposal, 4 sets of solutions are given to address each internal problem, and a **'SEE' strategy** is proposed to provide a long-term plan for the company. Financial planning is also provided which aims to improve the financial situation of the company. It is expected that the full implementation of the plans can enhance the competitiveness of the company in the pharmaceutical industry.

Undergraduate group - Team 086

Leader



NG Cho Ki

Members



CHAN Fuk Kuk



CHENG Hoi Yee



LAM Hoi Ching

This report aims to recommend a sustainable strategy assessment and development model to provide remedies to the Galaxy Health International Limited (Galaxy)'s underlying corporate social responsibilities and internal financial risks. The BIRD measures are targeted to tackle the Corporate Social Responsibility requirements and prevent potential loss from collaborating with European markets. "With you" is designed to enhance Galaxy against future uncertainties. The implementation of these plans are expected to relieve the financial burden of the Galaxy and advance its operations.

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