

The case study presented is a company based in Hong Kong which produces internationally successful brands of fashion clothes with global reputation for good quality, affordable and fashionable clothes.

Financial statements of the company for 2013 and 2012 were provided.

The following main topics were covered in **Workshop 2**:

- **Working Capital Management**

Average cash cycle and other ratios were calculated to assess the quality of working capital management including inventory management, receivables management and accounts payable management. The company's cash flows were analysed based on the financial statements and additional information provided.

- **Dividend Policy**

The impact of a change in the company's dividend policy e.g. payout ratio was examined.

- **Exchange risk management**

The possible reasons for exchange rate losses, measures to manage exchange risk and their appropriateness were discussed.

- **Due diligence**

The purpose of a due diligence exercise and the matters to be investigated in a due diligence exercise were examined. Due diligence helps to reassure shareholders that the board of directors is taking a well-considered decision when making the acquisition. There should also be investigation into the nature of any regulatory approval from the government authorities that would be required before a takeover can occur.

- **Valuation of business**

The different methods of valuation for non-listed companies were looked at for the purpose of making a takeover offer. Different valuations using different basis of valuation were discussed.

- **Financing acquisition**

Alternative methods of financing an acquisition were looked at. Financing options using retained profits, new equity issue, bond issue or bank loans were examined.