


FINANCIAL PERFORMANCE: CASES FROM HONG KONG-LISTED COMPANY

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 01 October 2023</p> <p>Accepted 28 December 2023</p>	<p>Purpose: The purpose of this study is to preliminarily explore the financial performance of Hong Kong listed companies in recent years, so that the public can have a preliminary understanding of the operating conditions of Hong Kong companies in recent years.</p>
<p>Keywords:</p> <p>Hong Kong-Listed Companies; Financial Performance; Financial Ratios; The Covid-19 Pandemic.</p> <div data-bbox="172 913 480 1160" style="text-align: center;">  </div>	<p>Theoretical Framework: Financial performance is whether a business strategy and its implementation and execution are contributing to the ultimate business performance. Financial performance can fully express the effect of cost control, the effect of asset utilization and management, the effect of capital allocation, and the composition of the return on shareholders' equity. Financial performance is mainly reflected in four aspects: profitability, operating ability, solvency and growth ability.</p> <p>Design/Methodology/Approach: We randomly obtained the annual financial reports of 17 listed companies from 2016 to 2021 from the official website of the Hong Kong Stock Exchange. And based on the financial data disclosed in the financial reports of each company, it makes a detailed calculation, analysis and comparison of the profitability, solvency, operating capability and growth capability of each company.</p> <p>Findings: In recent years, the profitability and operational capabilities of listed companies in Hong Kong have been stable without major fluctuations, but there is still a slight downward trend. The solvency performance is good, and the source of capital flow is relatively reliable. At the same time, the financial performance of listed companies in Hong Kong has also been significantly negatively affected by the spread of the covid-19 pandemic.</p> <p>Research, Practical & Social Implications: We suggest that in the future, listed companies in Hong Kong should improve their business strategies in a targeted manner to resist the impact of the new crown pandemic and the outside world on business operations.</p> <p>Originality/Value: The profitability and operating capacity of Hong Kong-listed companies remained stable without much fluctuation, but there was still a slight downward trend. The financial performance of Hong Kong-listed companies has also been significantly negatively affected by the spread of the Covid-19 pandemic.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v9i1.4231</p>

DESEMPENHO FINANCEIRO: CASOS DE EMPRESAS LISTADAS EM HONG KONG

RESUMO

Objetivo: O objetivo deste estudo é explorar preliminarmente o desempenho financeiro das empresas listadas em Hong Kong nos últimos anos, para que o público possa ter um entendimento preliminar das condições operacionais das empresas de Hong Kong nos últimos anos.

Estrutura Teórica: O desempenho financeiro é se uma estratégia de negócios e sua implementação e execução estão contribuindo para o desempenho final dos negócios. O desempenho financeiro pode expressar plenamente o efeito do controle de custos, o efeito da utilização e gestão de ativos, o efeito da alocação de capital e a composição

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do retorno sobre o patrimônio líquido. O desempenho financeiro se reflete principalmente em quatro aspectos: rentabilidade, capacidade operacional, solvência e capacidade de crescimento.

Desenho/Metodologia/Abordagem: Obtivemos aleatoriamente os relatórios financeiros anuais de 17 empresas listadas de 2016 a 2021 no site oficial da Bolsa de Valores de Hong Kong. E com base nos dados financeiros divulgados nos relatórios financeiros de cada empresa, faz um cálculo detalhado, análise e comparação da rentabilidade, solvência, capacidade operacional e capacidade de crescimento de cada empresa.

Constatações: Nos últimos anos, a lucratividade e as capacidades operacionais das empresas listadas em Hong Kong permaneceram estáveis sem grandes flutuações, mas ainda há uma ligeira tendência de queda. O desempenho de solvência é bom e a fonte de fluxo de capital é relativamente confiável. Ao mesmo tempo, o desempenho financeiro das empresas cotadas em Hong Kong também foi significativamente afetado negativamente pela propagação da pandemia de covid-19.

Pesquisa, Implicações Práticas e Sociais: Sugerimos que, no futuro, as empresas listadas em Hong Kong melhorem suas estratégias de negócios de maneira direcionada para resistir ao impacto da nova pandemia da coroa e do mundo exterior nas operações comerciais.

Originalidade/Valor: A rentabilidade e a capacidade operacional das empresas listadas em Hong Kong permaneceram estáveis sem muita oscilação, mas ainda houve uma ligeira tendência de queda. O desempenho financeiro das empresas cotadas em Hong Kong também foi significativamente afetado negativamente pela propagação da pandemia de covid-19.

Palavras-chave: Empresas Listadas em Hong Kong, Desempenho Financeiro, Índices Financeiros, A Pandemia de Covid-19.

DESEMPEÑO FINANCIERO: CASOS DE UNA EMPRESA QUE COTIZA EN HONG KONG

RESUMEN

Propósito: El propósito de este estudio es explorar preliminarmente el desempeño financiero de las empresas que cotizan en bolsa en Hong Kong en los últimos años, para que el público pueda tener una comprensión preliminar de las condiciones operativas de las empresas de Hong Kong en los últimos años.

Marco Teórico: El desempeño financiero es si una estrategia comercial y su implementación y ejecución están contribuyendo al desempeño comercial final. El desempeño financiero puede expresar completamente el efecto del control de costos, el efecto de la utilización y administración de activos, el efecto de la asignación de capital y la composición del rendimiento del capital de los accionistas. El desempeño financiero se refleja principalmente en cuatro aspectos: rentabilidad, capacidad operativa, solvencia y capacidad de crecimiento.

Diseño/Metodología/Enfoque: Obtuvimos aleatoriamente los informes financieros anuales de 17 empresas que cotizan en bolsa de 2016 a 2021 del sitio web oficial de la Bolsa de Valores de Hong Kong. Y en base a los datos financieros divulgados en los informes financieros de cada empresa, realiza un cálculo, análisis y comparación detallados de la rentabilidad, solvencia, capacidad operativa y capacidad de crecimiento de cada empresa.

Hallazgos: En los últimos años, la rentabilidad y las capacidades operativas de las empresas que cotizan en Hong Kong se han mantenido estables sin grandes fluctuaciones, pero todavía hay una ligera tendencia a la baja. El desempeño de solvencia es bueno y la fuente de flujo de capital es relativamente confiable. Al mismo tiempo, el desempeño financiero de las empresas que cotizan en bolsa en Hong Kong también se ha visto significativamente afectado negativamente por la propagación de la pandemia de Covid-19.

Implicaciones de Investigación, Prácticas y Sociales: sugerimos que, en el futuro, las empresas que cotizan en Hong Kong mejoren sus estrategias comerciales de manera específica para resistir el impacto de la pandemia de la nueva corona y el mundo exterior en las operaciones comerciales.

Originalidad/Valor: la rentabilidad y la capacidad operativa de las empresas que cotizan en Hong Kong se mantuvieron estables sin mucha fluctuación, pero aún hubo una ligera tendencia a la baja. El desempeño financiero de las empresas que cotizan en Hong Kong también se ha visto significativamente afectado negativamente por la propagación de la pandemia de covid-19.

Palabras clave: Empresas Cotizadas en Hong Kong, Rendimiento Financiero, Coeficientes Financieros, La Pandemia del Covid-19.

INTRODUCTION

Hong Kong is a special administrative region of the People's Republic of China. It is located on the long, narrow and warm coastline at the southern end of China. It is adjacent to Guangdong Province, China's richest province. It is only separated from Shenzhen, a first-tier metropolis in China, by a river in the north and Shenzhen in the west. Across the sea from Macau, the jurisdiction includes Hong Kong Island, Kowloon, the New Territories and 262 surrounding islands, and has the world's busiest airport. It has a huge social group of more than seven million people on an area of 1106.66 square kilometers. As of the end of 2020, Hong Kong had a population of 7.4742 million, making it one of the most densely populated areas in the world. (Samuel YS Wong, Kin On Kwok and Francis KL Chan, 2020)

In recent years, various events in Hong Kong have emerged one after another, many of which can affect Hong Kong society. In addition, Hong Kong is very close to mainland China. The new coronavirus (COVID-19), which was discovered in the first outbreak in Wuhan in early 2020, has spread all over the world. It has threatened the lives of people all over the world. By the end of June 2021, it has caused more than 4 million deaths worldwide, the economies of all countries in the world have suffered unprecedented impacts to varying degrees. (Worldometers, 2021) In Europe and the United States, the impact of COVID-19 on the self-employed due to the impact of the new crown pandemic has been huge, and its impact has already exceeded the impact on personal employment. (Kritikos et al. 2020)

The impact on Europe and the United States is still so serious. As a place where Eastern and Western cultures blend, Hong Kong gathers capital from the entire Asia and even the world, and international cooperation is very frequent. In addition, Hong Kong is relatively close to the mainland of China, and business cooperation and exchanges with the mainland are increasingly deepened. The number of floating population in Hong Kong is huge every day. The world economy has already begun to decline under the impact of the new crown virus. As one of the world's financial centers, Hong Kong is also one of the most important financial centers in China. It is inevitable that cities in Europe and the United States will be affected by the new crown virus epidemic. (Huayu ShenORCID Icon, Mengyao Fu et al., 2020) It is foreseeable that now and for a long time in the future, COVID-19 will have a long-term impact on the Hong Kong region and even the whole world. Under the raging virus, the future earnings and development prospects of enterprises will be severely challenged. At the same time, it will also face high operational risks and great uncertainty.

LITERATURE REVIEW

Harahap (2011) explained that financial statements are often one of the most objective and reliable data obtained during the research process. We obtain a value by comparing a more important value in a financial statement with another important and highly correlated value, which is a financial ratio. Financial ratios are a type of indicator that is often used in our analysis of corporate financial performance. It helps us to analyze and evaluate the financial performance of an enterprise, and it is one of the most effective ways to measure the operating condition of an enterprise.

Devi, Sunitha & Warasniasih, Sindy & Masdiantini, Putu. (2020) explained in their published paper that the financial performance of a company is the final operating performance of a company in a business cycle for the company's business strategy and the company is implementing and executing good or bad contribution. The financial performance of a business is also a form of a company's financial success in relation to revenue and overall operating costs, debt structure, assets and return on investment. The analysis of financial performance should not be limited to the discussion and analysis of the data of a certain period, but should have a trend and range of discussions on the data of several years. Because enterprise managers are also very concerned about the changing trends of various financial conditions of the enterprise, which is an important basis for them to make management decisions.

Following the outbreak of the worldwide COVID-19 pandemic in 2020, the world economy has plunged into a slump not seen since World War II. The stock market has been hit hard by COVID-19, and many companies have seen their cash flow drop significantly. The entire market and the companies that exist in it have created great uncertainty, and with it comes higher operational risks. Isidro and Dias (2017) wrote in their published article that when the investment faces great risks and there is a high degree of investment uncertainty, corporate investment decision makers will try to avoid risks. As a result, investors at this time will become much less likely to use documents other than financial statements. Therefore, the analysis of corporate financial performance will become very important, and the preparation of financial statements is the basis for calculating financial performance. Financial performance analysis is one of the most intuitive reflections of business results.

PROJECT DESIGN

Data Selection

Now I am studying the relevant data about the financial management of the company, so we should look for relevant data from the financial statements of the company. So, I found the financial statement information of Hong Kong listed companies in the data provided by the official website of the Hong Kong stock exchange. I mainly collected corporate financial statement data from 2015 to 2021, and focused on analyzing the data related to corporate financial performance. The main data to be analyzed are: operating profit, financial expenses, investment income, sales revenue, inventory balance, accounts receivable, net fixed assets, total assets, total liabilities, current assets, current liabilities, etc.

Data Analysis and Significance

What we need to analyze now is the financial performance of public companies.

Financial performance is whether a business strategy and its implementation and execution are contributing to the ultimate business performance. Financial performance can fully express the effect of cost control, the effect of asset utilization and management, the effect of capital allocation, and the composition of the return on shareholders' equity.

The financial performance of a company is mainly reflected in the following aspects:

Profitability

The main evaluation indicators of profitability are gross profit margin, return on equity (ROE)(Rayan K, 2008; Narware, 2010), and return on total assets (ROA) (Padachi, K. 2006). These indicators are used to analyze net capital gains and capital appreciation. This is the development trend of corporate financial performance(Alarussi, A.S. and Alhaderi, S.M. 2018).

Calculation basis and formula:

$$\text{Gross profit margin} = \text{gross profit of sales} / \text{net sales} \times 100\% \quad (1)$$

$$\text{ROE} = \text{Net Profit} / \text{Owner's Equity} = \text{Sales Net Profit Rate} \times \text{Asset Turnover Rate} \times \text{Equity Multiplier}$$

$$\text{ROA} = (\text{total profit} + \text{interest expense}) / \text{average total assets} \times 100\%$$

[Note: Average total assets = (total assets at the beginning of the period + total assets at the end of the period)/2]

Operational capability

Operational capability refers to the operational capability of an enterprise, that is, the ability of an enterprise to use various assets to earn profits. It can promote enterprises to

strengthen asset management, improve asset utilization efficiency and profitability. The main indicators to measure operating capacity are inventory turnover ratio, accounts receivable turnover ratio, and fixed asset turnover ratio (Wook Kim, S. 2006). In this study, we selected the accounts receivable turnover rate and the fixed asset turnover rate as the research basis (Singh J. P., Pandey S., 2008).

Calculation basis:

$$\text{Accounts Receivable Turnover} = \frac{\text{Net sales revenue for the period}}{\text{Average balance of accounts receivable for the period}} \quad (2)$$

$$\text{Fixed Assets Turnover} = \frac{\text{business income}}{\text{Average value of fixed assets}} \quad (3)$$

[Note: Average value of fixed assets = (net value at the beginning of the period + net value at the end of the period)/2]

Solvency ability

Solvency refers to the ability of a company to use its assets to repay long-term and short-term debt. Whether an enterprise has the ability to pay cash and repay debts is the key to the healthy survival and development of the enterprise. Its main measurement indicators include: asset-liability ratio (Burja, C. 2011), current ratio, and quick ratio (Singh and Pandey, 2008).

Calculation basis:

$$\text{Asset-liability ratio} = \frac{\text{total liabilities}}{\text{total assets}} \times 100\% \quad (4)$$

$$\text{Current ratio} = \frac{\text{current assets}}{\text{Current liabilities}} \times 100\% \quad (5)$$

$$\text{Quick ratio} = \frac{\text{Liquid assets}}{\text{Current liabilities}} \times 100\% \quad (6)$$

[Note: Liquid assets = current assets - inventories]

Analysis of growth ability

The growth ability of an enterprise indicates the future development trend and operation status of the enterprise, and fully demonstrates the development potential of an enterprise. Therefore, the analysis of the growth ability of the enterprise is also a very important indicator

to measure the financial performance of the enterprise. This time we use the year-on-year growth rate of net profit and the year-on-year growth rate of operating income(Zhang Xinmin, Qian Aimin.2006).

We will use the financial data from 2016 to 2021 to calculate and analyze the above-mentioned financial indicators, and judge the trend of changes in major financial performance-related indicators before and after the arrival of the new crown pandemic, as well as the correlation and influence of certain indicators. , and make horizontal and vertical comparisons (Amalia, S., Fadjriah, N. E., & Nugraha, N. M. 2020).From this, we can draw the reality of the financial performance of Hong Kong enterprises in recent years, and draw relevant conclusions. Afterwards, we will also conduct realistic discussions around the conclusions obtained from data analysis, and hope to gain some practical experience and methods to make positive and effective suggestions for the financial work of enterprises.

FINANCIAL RATIO ANALYSIS

Now, let's analyze the financial ratio data about our businesses. We selected the annual report data of 17 companies from all walks of life of Hong Kong-listed companies, and based on this, we extracted various relevant financial indicators for calculation (Nugraha, N. M., Puspitasari, D. M., & Amalia, S. 2020). This resulted in detailed financial performance data for these companies. Now let's introduce these one by one and get the relevant analysis results.

Analysis of Solvency

For the solvency analysis, we selected the three most important and representative data, which are the current ratio, the asset-liability ratio, and the quick ratio. Both the current ratio and the quick ratio can reflect the level of a company's short-term solvency. If the current ratio and the quick ratio are too high or too low, it means that the short-term solvency of the company may have problems (Billah et al. 2015; Durrah et al. 2016). The gearing ratio can reflect the solvency of a company in all aspects, and in some cases it is closely related to corporate leverage.

Table 1. Current Ratio Indicator 2016-2021

		Current ratio					
Date Name		2016	2017	2018	2019	2020	2021
①		0.62	0.93	0.85	0.71	0.93	0.90
	Industry average	0.63	0.64	0.70	0.70	0.75	0.76
②		1.08	0.76	0.79	0.77	0.68	0.63
	Industry average	0.63	0.64	0.70	0.70	0.75	0.76
③		1.09	1.95	5.81	1.55	1.34	1.92
	Industry average	1.46	1.36	1.33	1.31	1.31	1.31
④		1.08	1.09	1.08	1.08	1.07	1.08
	Industry average	1.26	1.25	1.27	1.18	1.28	1.18
⑤		23.43	3.74	1.34	1.16	0.82	1.40
	Industry average	0.63	0.64	0.70	0.70	0.75	0.76
⑥		2.70	2.43	2.12	2.18	2.28	2.20
	Industry average	1.46	1.36	1.33	1.31	1.31	1.31
⑦		3.41	3.86	3.40	3.68	2.91	3.32
	Industry average	1.46	1.36	1.33	1.31	1.31	1.31
⑧		0.25	0.40	0.44	0.59	0.25	0.36
	Industry average	1.25	1.22	1.20	1.17	1.16	1.18
⑨		1.20	0.74	0.77	0.94	0.86	1.59
	Industry average	1.25	1.22	1.20	1.17	1.16	1.18
⑩		1.41	1.21	2.24	2.23	2.30	2.39
	Industry average	1.27	1.23	1.20	1.21	1.20	1.30
⑪		2.32	2.44	2.52	2.58	2.94	2.98
	Industry average	1.32	1.28	1.16	1.28	1.39	1.46
⑫		2.61	2.06	2.02	1.75	1.81	1.83
	Industry average	1.25	1.22	1.20	1.17	1.16	1.18
⑬		0.54	0.50	0.61	4.51	5.29	4.29
	Industry average	1.16	1.20	1.19	1.16	1.23	1.22
⑭		0.80	1.07	1.11	1.17	0.96	0.65
	Industry average	1.25	1.22	1.20	1.17	1.16	1.18
⑮		0.99	1.04	1.13	1.18	1.07	1.06
	Industry average	1.27	1.23	1.20	1.21	1.20	1.30
⑯		1.67	2.80	2.89	2.96	3.59	2.01
	Industry average	1.32	1.28	1.16	1.28	1.39	1.46
⑰		0.79	0.74	0.69	1.06	1.24	1.22
	Industry average	1.54	1.54	1.50	1.54	1.69	1.83

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

Table 2. Quick Ratio Indicator 2016 to 2021

		Quick ratio					
Date Name		2016	2017	2018	2019	2020	2021
①		0.55	0.84	0.78	0.65	0.85	0.82
	Industry average	0.51	0.55	0.62	0.62	0.69	0.65
②		0.98	0.68	0.69	0.68	0.59	0.55
	Industry average	0.51	0.55	0.62	0.62	0.69	0.65
③		1.08	1.95	5.81	1.55	1.34	1.92
	Industry average	0.72	0.67	0.63	0.59	0.57	0.59
④		1.08	1.09	1.08	1.08	1.07	1.08
	Industry average	1.09	1.17	1.19	1.05	1.16	1.28
⑤		23.43	3.74	1.34	1.16	0.82	1.40
	Industry average	0.51	0.55	0.62	0.62	0.69	0.65
⑥		0.93	0.96	0.57	0.48	0.44	0.47
	Industry average	0.72	0.67	0.63	0.59	0.57	0.59
⑦		3.40	3.85	3.39	3.67	2.91	3.31
	Industry average	0.72	0.67	0.63	0.59	0.57	0.59
⑧		0.25	0.40	0.43	0.59	0.25	0.36
	Industry average	1.00	0.97	0.94	0.90	0.90	0.90
⑨		1.19	0.74	0.76	0.94	0.85	1.57
	Industry average	1.00	0.97	0.94	0.90	0.90	0.90
⑩		1.25	1.05	1.95	1.96	2.02	1.98
	Industry average	1.03	0.99	0.97	0.98	0.99	1.08
⑪		2.32	2.43	2.52	2.58	2.94	2.98
	Industry average	1.12	1.08	1.00	1.14	1.22	1.22
⑫		2.41	1.86	1.77	1.53	1.58	1.63
	Industry average	1.00	0.97	0.94	0.90	0.90	0.90
⑬		0.34	0.33	0.48	3.81	4.56	3.58
	Industry average	0.84	0.87	0.86	0.86	0.95	0.93
⑭		0.78	1.04	1.09	1.14	0.94	0.63
	Industry average	1.00	0.97	0.94	0.90	0.90	0.90
⑮		0.71	0.71	0.73	0.79	0.68	0.61
	Industry average	1.03	0.99	0.97	0.98	0.99	1.08
⑯		1.39	2.53	2.38	2.66	2.98	1.16
	Industry average	1.12	1.08	1.00	1.14	1.22	1.22
⑰		0.58	0.55	0.54	0.84	1.01	1.02
	Industry average	1.26	1.26	1.22	1.24	1.34	1.55

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

Table 3. Asset-liability ratio indicator 2016-2021

		Asset-liability ratio					
Date Name		2016	2017	2018	2019	2020	2021
①		0.49	0.47	0.46	0.46	0.46	0.47
	industry average	0.61	0.62	0.62	0.61	0.59	0.61
②		0.46	0.46	0.47	0.46	0.47	0.51
	industry average	0.61	0.62	0.62	0.61	0.59	0.61
③		0.27	0.35	0.24	0.40	0.36	0.34
	industry average	0.63	0.66	0.68	0.69	0.69	0.67
④		0.92	0.92	0.92	0.93	0.93	0.93
	industry average	0.92	0.92	0.91	0.91	0.91	0.91
⑤		0.09	0.11	0.09	0.09	0.09	0.08
	industry average	0.61	0.62	0.62	0.61	0.59	0.61
⑥		0.24	0.27	0.28	0.29	0.28	0.36
	industry average	0.63	0.66	0.68	0.69	0.69	0.67
⑦		0.23	0.21	0.23	0.23	0.26	0.25
	industry average	0.63	0.66	0.68	0.69	0.69	0.67
⑧		0.21	0.20	0.16	0.11	0.10	0.16
	industry average	0.52	0.52	0.53	0.56	0.58	0.57
⑨		0.29	0.33	0.28	0.23	0.27	0.19
	industry average	0.52	0.52	0.53	0.56	0.58	0.57
⑩		0.38	0.37	0.36	0.36	0.36	0.36
	industry average	0.61	0.60	0.61	0.60	0.58	0.56
⑪		0.27	0.26	0.24	0.24	0.23	0.23
	industry average	0.60	0.58	0.60	0.51	0.49	0.49
⑫		0.20	0.33	0.39	0.44	0.43	0.44
	industry average	0.52	0.52	0.53	0.56	0.58	0.57
⑬		0.30	0.32	0.29	0.08	0.08	0.09
	industry average	0.51	0.51	0.52	0.52	0.50	0.50
⑭		0.51	0.49	0.49	0.53	0.55	0.55
	industry average	0.52	0.52	0.53	0.56	0.58	0.57
⑮		0.63	0.59	0.55	0.53	0.54	0.57
	industry average	0.61	0.60	0.61	0.60	0.58	0.56
⑯		0.57	0.34	0.29	0.21	0.23	0.42
	industry average	0.60	0.58	0.60	0.51	0.49	0.49
⑰		0.72	0.69	0.45	0.38	0.33	0.36
	industry average	0.50	0.50	0.52	0.54	0.51	0.45

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

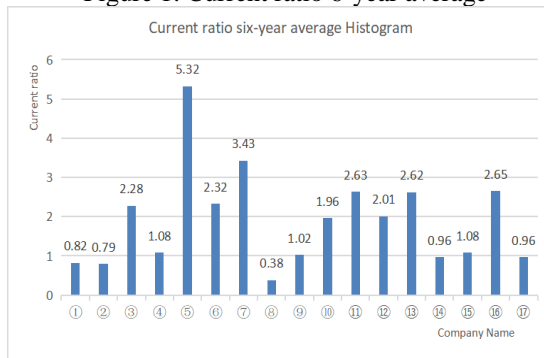
As shown in the table above, we can clearly see the current ratio level of these 17 Hong Kong-listed companies and the industry average level of the industries in which these companies operate. We found that among these 17 companies, there are 7 companies with an average current ratio of more than 2.00 from 2016 to 2021, and 10 companies with an average current ratio of less than 2.00, accounting for 41.18% and 58.82% respectively (Table 1, Figure 1, Figure 2). The current

ratio is generally considered to be more than 2.00 when the company's solvency is good. From this point of view, the current ratio of most companies is not so ideal. If we compare the industry average current ratio, the ratio of the current ratio higher than the industry average of the company is 64.71%, which means that most companies are higher than the industry average. From this point of view, the short-term solvency of Hong Kong stock companies is relatively optimistic. In terms of quick ratio, the five-year average quick ratio of most enterprises exceeds the standard value of 1.00, which is relatively satisfactory in terms of short-term debt repayment ability (Table 3).

In terms of asset-liability ratio, it can be clearly found from the data in the table that the asset-liability ratio of most companies is outside the range of 40%--60%, and only a small number of companies have a relatively standard asset-liability ratio. in the interval. During the five-year data collection, the asset-liability ratios of most companies tended to be stable and would not fluctuate too much. This also means that the source of capital flow of Hong Kong stocks is very stable and reliable, and the ability to repay debts is relatively strong (Table 2).

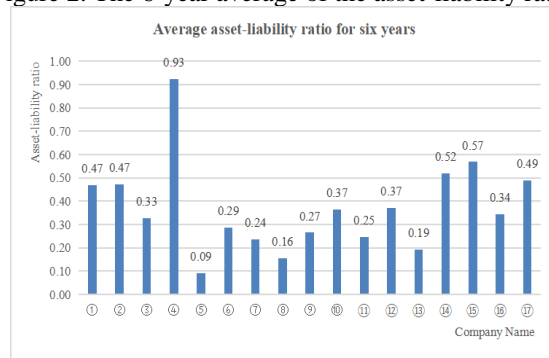
When the epidemic hit in 2020, the current ratio and quick ratio of more than half of the companies showed a significant decline, but the asset-liability ratio was very stable, with little fluctuation.

Figure 1. Current ratio 6-year average



Source: the authors.

Figure 2. The 6-year average of the asset-liability ratio



Source: the authors.

Profitability Analysis

Profitability refers to the ability of an enterprise to obtain profits within a certain period of time. For corporate managers and managers, the company can intuitively reflect the business performance of the company through the analysis of the profitability of the company, which is helpful for managers to discover the business loopholes and other defects of the company in a timely manner, and to make timely adjustments to the company's strategy and strategy. Make the right changes to your business strategy (Menicucci E, Paolucci G, 2016; Nuhui, Artor, Arbër Hoti, and Mejdi Bektashi, 2017).

This part is related to the analysis of the profitability of the enterprise. Based on the annual report data disclosed by the company on the Hong Kong Stock Exchange, after a series of data selection and calculation, we selected the gross profit margin of sales, return on equity and return on total assets to comprehensively analyze the profitability of the company.

Table 4. Gross Margin Indicators 2016-2021

		Gross profit margin					
Date Name		2016	2017	2018	2019	2020	2021
①		21.59%	20.31%	19.87%	16.37%	18.49%	14.54%
	industry average	32.41%	30.54%	29.64%	29.58%	28.72%	26.32%
②		25.11%	23.50%	21.46%	19.75%	20.52%	16.47%
	industry average	32.41%	30.54%	29.64%	29.58%	28.72%	26.32%
③		46.07%	55.16%	53.97%	61.19%	64.86%	50.56%
	industry average	20.04%	22.92%	25.05%	23.77%	21.06%	18.16%
④		37.40%	45.30%	42.08%	40.37%	45.41%	45.86%
	industry average	40.30%	57.05%	53.96%	51.92%	46.44%	56.19%
⑤		36.72%	62.96%	79.94%	87.39%	87.87%	88.79%
	industry average	32.41%	30.54%	29.64%	29.58%	28.72%	26.32%
⑥		42.50%	47.96%	54.57%	52.95%	61.16%	51.35%
	industry average	20.04%	22.92%	25.05%	23.77%	21.06%	18.16%
⑦		38.10%	45.74%	48.91%	52.57%	50.98%	52.51%
	industry average	20.04%	22.92%	25.05%	23.77%	21.06%	18.16%
⑧		81.43%	70.20%	59.33%	64.74%	44.68%	45.28%
	industry average	26.28%	25.10%	24.78%	25.47%	25.35%	25.18%
⑨		98.34%	97.98%	97.83%	97.91%	90.90%	92.44%
	industry average	26.28%	25.10%	24.78%	25.47%	25.35%	25.18%
⑩		25.63%	27.97%	24.29%	26.31%	27.04%	22.65%
	industry average	17.58%	18.78%	17.64%	17.69%	17.78%	20.10%
⑪		56.48%	56.51%	56.83%	56.27%	56.50%	57.41%
	industry average	21.18%	21.41%	20.54%	26.48%	25.65%	25.66%
⑫		12.49%	9.95%	9.23%	9.18%	9.52%	13.23%
	industry average	26.28%	25.10%	24.78%	25.47%	25.35%	25.18%
⑬		10.98%	12.14%	0.29%	9.61%	9.99%	12.21%
	industry average	24.94%	25.40%	25.67%	30.19%	30.93%	30.43%
⑭		57.22%	56.38%	55.79%	54.40%	35.05%	43.88%
	industry average	26.28%	25.10%	24.78%	25.47%	25.35%	25.18%
⑮		15.23%	15.90%	14.38%	10.44%	12.28%	11.36%
	industry average	17.58%	18.78%	17.64%	17.69%	17.78%	20.10%
⑯		8.22%	8.01%	7.71%	9.66%	11.30%	9.87%
	industry average	21.18%	21.41%	20.54%	26.48%	25.65%	25.66%
⑰		46.87%	51.97%	53.06%	61.32%	63.52%	61.03%
	industry average	20.71%	22.17%	23.59%	23.92%	23.64%	24.27%

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

Table 5. ROE 2016-2021

Return on equity (ROE)							
Date Name		2016	2017	2018	2019	2020	2021
①		13.05%	12.63%	11.71%	4.82%	9.93%	7.48%
	industry average	7.93%	8.36%	7.37%	6.77%	6.96%	5.50%
②		13.15%	13.31%	14.86%	10.76%	9.11%	7.61%
	industry average	7.93%	8.36%	7.37%	6.77%	6.96%	5.50%
③		6.66%	15.54%	3.90%	2.37%	2.93%	3.81%
	industry average	7.04%	10.58%	9.92%	7.82%	6.24%	5.54%
④		1.89%	6.00%	7.73%	4.52%	2.98%	7.11%
	industry average	10.89%	11.57%	10.09%	10.30%	8.92%	9.41%
⑤		1.09%	1.49%	1.86%	1.58%	1.50%	1.47%
	industry average	7.93%	8.36%	7.37%	6.77%	6.96%	5.50%
⑥		8.34%	10.32%	9.92%	5.24%	3.10%	3.79%
	industry average	7.04%	10.58%	9.92%	7.82%	6.24%	5.54%
⑦		7.04%	8.37%	9.29%	7.99%	4.12%	4.58%
	industry average	7.04%	10.58%	9.92%	7.82%	6.24%	5.54%
⑧		8.45%	0.16%	0.06%	0.19%	13.85%	9.30%
	industry average	8.34%	8.92%	7.95%	5.98%	-2.57%	1.86%
⑨		13.38%	18.77%	21.60%	17.70%	5.75%	2.07%
	industry average	8.34%	8.92%	7.95%	5.98%	-2.57%	1.86%
⑩		15.09%	7.24%	5.67%	4.67%	3.68%	3.72%
	industry average	4.91%	7.94%	6.53%	7.41%	7.97%	12.13%
⑪		11.40%	11.99%	14.23%	11.61%	11.62%	10.12%
	industry average	9.53%	13.16%	-0.48%	14.65%	16.68%	7.16%
⑫		27.05%	92.48%	32.67%	16.82%	2.16%	0.21%
	industry average	8.34%	8.92%	7.95%	5.98%	-2.57%	1.86%
⑬		3.75%	2.70%	13.76%	28.89%	3.98%	0.60%
	industry average	3.76%	7.21%	5.27%	9.92%	12.55%	11.51%
⑭		0.97%	2.05%	2.75%	2.61%	8.09%	5.76%
	industry average	8.34%	8.92%	7.95%	5.98%	-2.57%	1.86%
⑮		14.80%	16.37%	13.74%	5.10%	7.18%	6.65%
	industry average	4.91%	7.94%	6.53%	7.41%	7.97%	12.13%
⑯		13.83%	8.28%	7.05%	3.37%	4.44%	9.08%
	industry average	9.53%	13.16%	-0.48%	14.65%	16.68%	7.16%
⑰		13.63%	19.75%	9.91%	13.22%	15.70%	17.89%
	industry average	8.03%	11.18%	7.08%	4.22%	-1.89%	1.67%

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

Table 6. ROA 2016-2021

Return on total assets (ROA)							
Date Name		2016	2017	2018	2019	2020	2021
①		7.75%	7.62%	7.28%	3.53%	6.26%	4.73%
	industry average	6.53%	6.38%	6.04%	6.01%	5.98%	4.32%
②		8.12%	8.09%	8.75%	6.65%	5.64%	4.54%
	industry average	6.53%	6.38%	6.04%	6.01%	5.98%	4.32%
③		5.32%	10.92%	3.57%	2.16%	2.42%	2.86%
	industry average	5.25%	6.68%	6.41%	5.47%	4.52%	3.86%
④		0.68%	0.98%	1.33%	1.21%	0.68%	0.82%
	industry average	-0.24%	-0.15%	-0.24%	-0.23%	-0.44%	-0.43%
⑤		1.20%	1.58%	1.98%	1.57%	1.45%	1.52%
	industry average	6.53%	6.38%	6.04%	6.01%	5.98%	4.32%
⑥		6.78%	7.87%	7.62%	4.30%	2.69%	2.77%
	industry average	5.25%	6.68%	6.41%	5.47%	4.52%	3.86%
⑦		5.85%	7.01%	7.45%	6.53%	3.46%	3.82%
	industry average	5.25%	6.68%	6.41%	5.47%	4.52%	3.86%
⑧		6.85%	0.23%	0.16%	0.28%	12.65%	8.00%
	industry average	6.38%	6.76%	6.11%	5.05%	0.73%	2.46%
⑨		9.53%	12.69%	15.69%	13.84%	4.30%	1.78%
	industry average	6.38%	6.76%	6.11%	5.05%	0.73%	2.46%
⑩		9.83%	4.97%	4.10%	3.49%	2.80%	2.85%
	industry average	4.26%	5.40%	5.12%	5.16%	5.37%	7.60%
⑪		13.94%	16.90%	16.49%	17.00%	13.80%	14.32%
	industry average	5.48%	7.44%	1.48%	6.85%	8.46%	4.70%
⑫		21.82%	62.83%	20.57%	10.04%	2.02%	0.66%
	industry average	6.38%	6.76%	6.11%	5.05%	0.73%	2.46%
⑬		3.16%	2.41%	10.43%	27.03%	3.80%	0.60%
	industry average	5.14%	6.60%	5.81%	8.53%	8.42%	8.60%
⑭		0.83%	1.52%	2.06%	1.98%	3.64%	2.57%
	industry average	6.38%	6.76%	6.11%	5.05%	0.73%	2.46%
⑮		6.72%	7.75%	7.11%	3.35%	4.15%	3.59%
	industry average	4.26%	5.40%	5.12%	5.16%	5.37%	7.60%
⑯		6.55%	7.41%	5.78%	3.70%	3.58%	5.36%
	industry average	5.48%	7.44%	1.48%	6.85%	8.46%	4.70%
⑰		6.06%	7.88%	5.61%	9.08%	11.17%	11.86%
	industry average	7.42%	8.78%	6.68%	5.05%	1.71%	3.00%

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

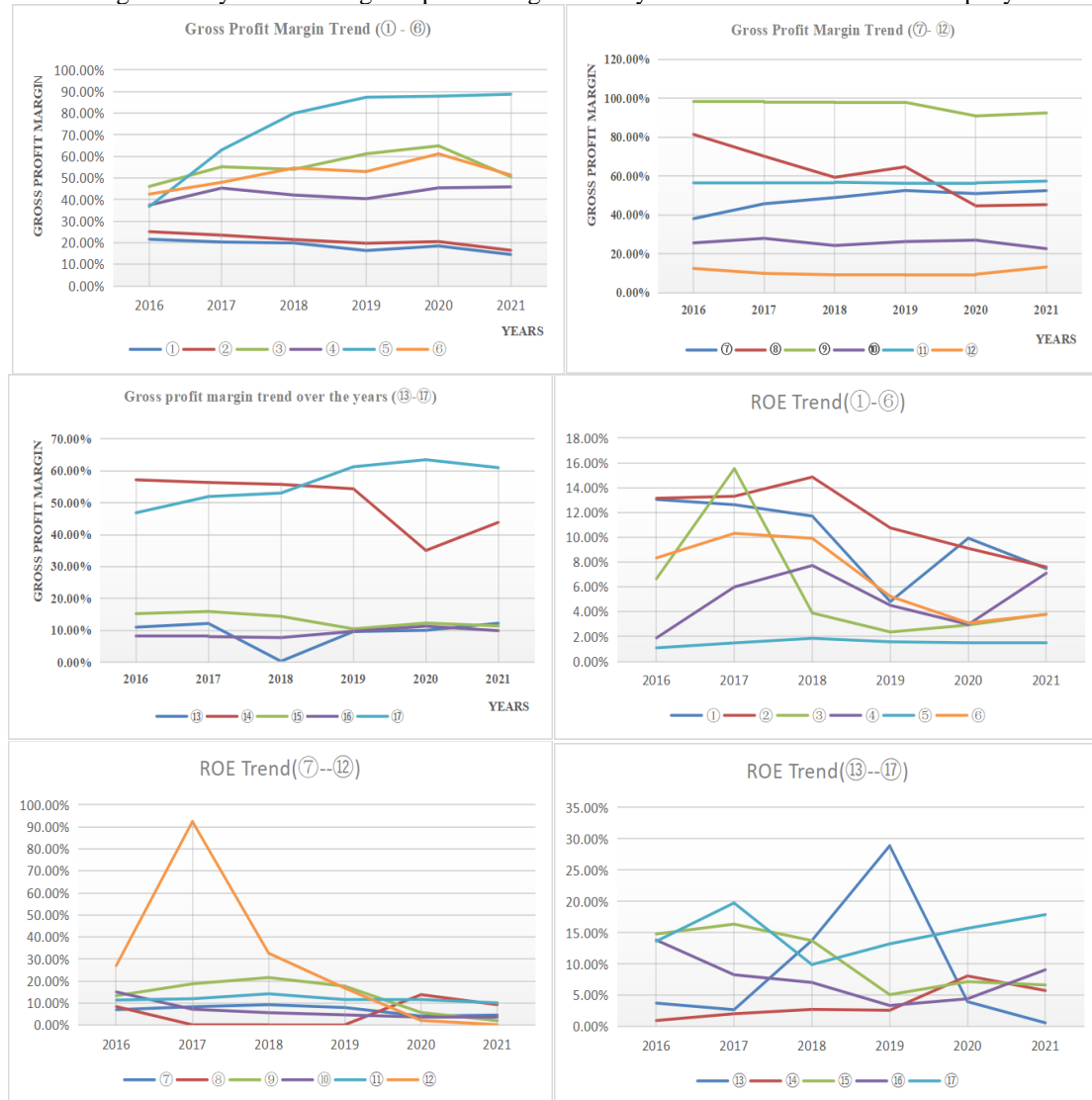
As can be seen from the table, on the whole, from 2016 to 2021, the gross profit margin of most companies showed an upward trend, and only a small number of companies showed a downward trend (Table 4). In the past six years, the return on equity of far more than half of the companies has shown a downward trend. At the same time, there are also a large number of enterprises' total return on assets showing a significant downward trend in the past 6 years

(Table 5, Table 6). From a local perspective, according to the annual data in 2020, it can be seen that the gross profit margin of most companies has increased compared with the previous year, the return on equity of half of the companies has dropped significantly this year, and the total asset return of most companies in this year. rate decreased. Compared with the special year in 2020, when the epidemic began, more than half of the companies in 2021 saw a significant increase in the return on total assets, and nearly half of the companies also experienced a small increase in the gross profit margin (Figure 3).

In response to the above phenomenon, the epidemic is undoubtedly a huge influencing factor. Whether the company's gross profit margin level is compared with the previous year in 2020 or the overall change trend in 6 years, the gross profit margin level is showing a clear upward trend. The gross profit margin is the ratio of the gross profit of the commodity to the operating income, and its essence is the degree of value-added of the commodity after the production conversion of the internal system. This shows that in recent years, the company's operating conditions are good and its profitability is strong.

But surprisingly, the return on equity and return on total assets of the company almost all fell. During the epidemic, in order to effectively prevent the spread of the new crown virus, companies often add many measures that were not there before to prevent the epidemic. In addition, the epidemic prevention policies of various countries during the epidemic have been adjusted and different, which undoubtedly adds difficulty to business activities. This will inevitably lead to an increase in operating costs and a significant increase in various expenses. Therefore, the gross profit margin of management companies has increased, and the return on equity and return on total assets are still showing a downward trend. In 2021, the epidemic situation in Hong Kong has obviously improved very well, and the business environment of enterprises has become normal. Compared with the previous year in 2020, the return on total assets of more than half of the enterprises showed an upward trend. Although the increase was not obvious, it was enough to show that the impact of the epidemic on the business performance of enterprises cannot be ignored.

Figure 3. 6-year trend of gross profit margin and 6-year trend of ROE of each company



Source: The authors.

Operational Capability Analysis

Whether an enterprise is well managed or not, whether it can make a profit or not, is largely due to the internal management level of the enterprise, and the management level reflected in the financial statements is the operational capability of the enterprise. The operating capacity of an enterprise is the ability of the enterprise to maintain normal operation and operation in the business activities of the enterprise. At the same time, it can also represent an enterprise's ability to use its own resources to carry out production and trade for profit. It is no exaggeration to say that the operating ability of an enterprise largely determines its profitability (Martin S. Fridson, Fernando Alvarez, 2011). At the same time, it will also affect the financial performance of the company. Therefore, the following is an analysis of the operational capabilities of enterprises, which we describe based on the annual report data of these enterprises.

Table 7. Accounts Receivable Turnover 2016-2021

Accounts receivable turnover (Times)						
Date Name	2016	2017	2018	2019	2020	2021
①	5.75	6.37	5.83	5.93	6.13	5.94
②	4.32	4.69	5.17	5.20	4.94	6.05
③	11.30	9.14	6.09	9.10	10.13	11.06
④	1.12	0.97	0.53	0.57	0.43	0.43
⑤	4.64	8.66	7.53	7.00	3.28	2.58
⑥	2.69	1.62	1.35	1.61	1.63	1.44
⑦	3.99	3.65	4.49	3.95	4.15	4.82
⑧	14.12	8.42	8.72	13.83	11.86	11.52
⑨	28.05	35.24	28.89	25.92	6.63	11.48
⑩	4.06	3.41	2.72	2.57	2.88	3.39
⑪	6.68	5.92	6.63	5.89	5.41	5.89
⑫	1.77	1.66	1.51	2.17	1.12	1.29
⑬	8.35	8.63	7.74	7.26	9.27	13.09
⑭	6.63	6.97	8.47	8.64	3.95	5.74
⑮	2.96	2.81	2.79	2.56	2.46	2.67
⑯	7.34	5.15	3.64	3.94	3.92	4.83
⑰	3.13	3.41	3.85	3.98	3.54	3.77

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

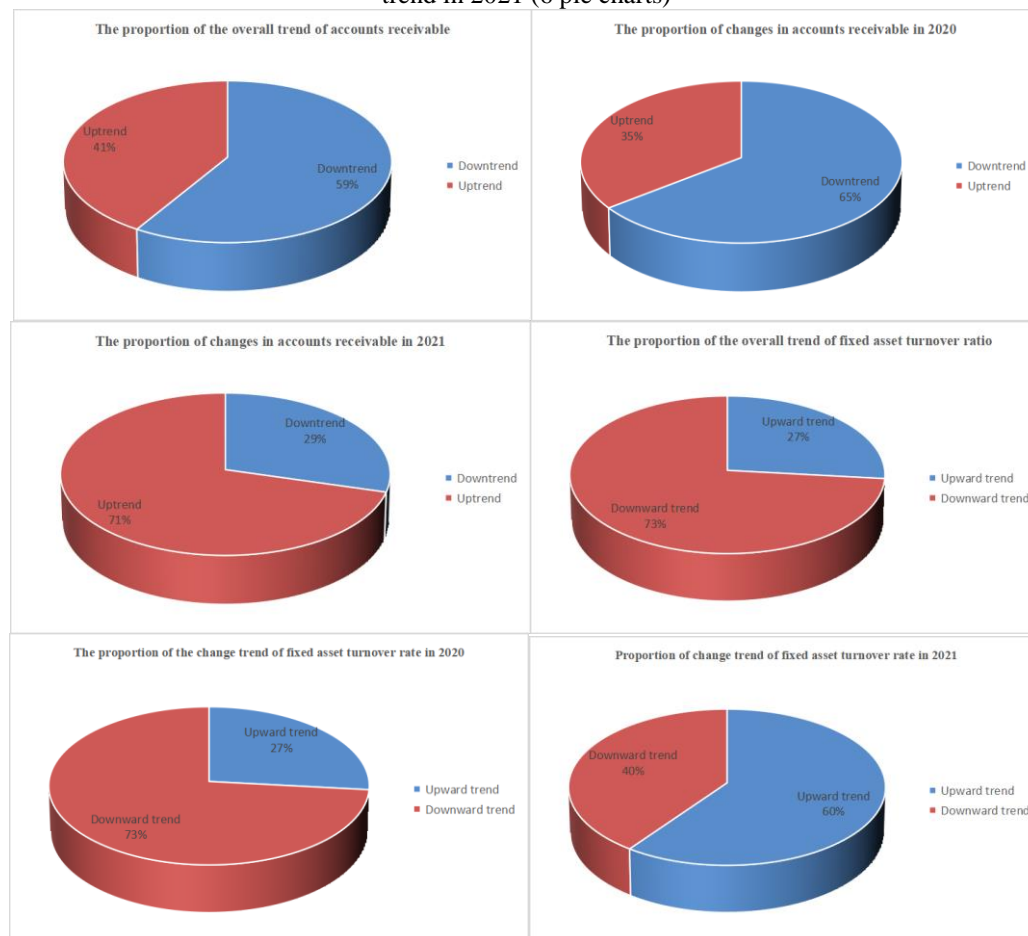
Table 8. Fixed Assets Turnover 2016-2021

Fixed asset turnover (Times)						
Date Name	2016	2017	2018	2019	2020	2021
①	0.62	0.69	0.66	0.60	0.55	0.56
②	0.59	0.62	0.69	0.68	0.63	0.76
③	2.14	2.55	1.57	1.26	1.60	1.71
④	-	-	-	-	-	-
⑤	107.33	66.05	111.07	81.70	70.56	68.97
⑥	0.35	0.16	0.13	0.13	0.14	0.10
⑦	6.19	2.98	2.78	2.42	2.16	2.04
⑧	0.27	0.17	0.13	0.13	0.08	0.06
⑨	1.53	1.91	1.75	1.62	0.37	0.51
⑩	3.51	3.56	3.30	3.14	2.94	3.23
⑪	40.49	51.77	79.61	87.54	99.14	165.99
⑫	4.06	4.15	3.59	5.10	3.00	4.26
⑬	2.40	2.41	2.41	3.85	6.10	4.51
⑭	0.33	0.36	0.43	0.46	0.20	0.26
⑮	3.26	3.07	2.81	2.77	2.71	2.66
⑯	-	-	-	-	-	-
⑰	1.43	1.72	2.07	2.27	2.13	2.67

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

It is not difficult to see that, on the whole, in the six years from 2016 to 2021, the accounts receivable turnover ratio of most enterprises showed a downward trend on the whole. Except for the inconvenient calculation of the fixed asset turnover rate of the two companies, most companies are showing a downward trend (Table 8). From this point of view, the performance of Hong Kong-listed companies in recent years is indeed not particularly satisfactory. From a local perspective, in 2020, at the beginning of the outbreak of the new coronavirus, the accounts receivable turnover rate of most companies has declined significantly, and the fixed asset turnover rate of most companies has decreased significantly and the decrease is not small (Table 7). It can be seen that in 2020, Hong Kong enterprises will be greatly affected by the epidemic. In 2021, compared with 2020, the accounts receivable turnover ratio of most companies will have increased significantly, and the fixed asset turnover ratio of most companies will have increased significantly compared with last year, although not all companies have improved. It is enough to show that the epidemic control policy of the Hong Kong Special Administrative Region has played a positive role (Figure 4).

Figure 4. Accounts receivable turnover ratio and fixed asset turnover ratio, the proportion of the overall change trend of each enterprise in 6 years, the proportion of the change trend in 2020 and the distribution of the change trend in 2021 (6 pie charts)



Source: The authors.

Analysis of Growth Ability

Regarding the analysis of the financial performance of the enterprise, in addition to the profitability, operating ability and solvency, the analysis of the growth ability of the enterprise is also a very important indicator to measure the financial performance of the enterprise (Kaplan and Norton 1992, 1993, 1996). The growth ability of an enterprise indicates the future development trend and operation status of the enterprise, and fully demonstrates the development potential of an enterprise (Brush, T.H., Bromiley, P. and Hendrickx, M. 2000). In order to analyze the growth capability of the enterprise, the indicators selected this time are the year-on-year growth rate of net profit and the year-on-year growth rate of main business income.

Table 9. Net profit growth rate from 2017 to 2021

Net profit growth rate					
Date Name	2017	2018	2019	2020	2021
①	11.15%	-4.69%	-60.66%	117.38%	-24.26%
②	13.02%	11.61%	-22.22%	-11.11%	-13.68%
③	4.33%	-70.31%	-48.29%	37.87%	32.50%
④	244.72%	26.48%	-42.04%	-29.96%	140.91%
⑤	29.64%	-8.21%	-6.61%	-14.01%	0.13%
⑥	38.92%	1.79%	-45.66%	-39.69%	29.92%
⑦	27.19%	19.96%	-9.70%	-47.15%	12.88%
⑧	-98.11%	-60.71%	318.56%	6308.87%	-38.55%
⑨	67.68%	29.05%	-3.26%	-70.19%	-63.40%
⑩	-44.58%	-21.99%	-15.83%	-13.54%	6.51%
⑪	7.92%	25.21%	-17.84%	7.19%	-11.55%
⑫	77.29%	-72.58%	-53.52%	-87.11%	-89.46%
⑬	-33.13%	538.06%	183.71%	-87.22%	-84.46%
⑭	132.21%	27.56%	-7.63%	200.84%	-32.54%
⑮	29.91%	9.49%	-61.08%	48.34%	-1.69%
⑯	-40.88%	-1.17%	-51.31%	29.27%	120.02%
⑰	80.34%	51.61%	52.83%	58.26%	35.02%

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

Table 10. Revenue Growth Rate 2017-2021

Operating income growth rate					
Date Name	2017	2018	2019	2020	2021
①	15.91%	-0.70%	-6.27%	-7.12%	5.49%
②	13.72%	20.31%	3.98%	0.74%	30.88%
③	-7.19%	-51.34%	-19.86%	24.43%	6.58%
④	0.30%	-6.18%	18.70%	-11.19%	1.37%
⑤	10.25%	9.51%	-13.31%	-5.79%	0.47%
⑥	-4.36%	-10.11%	10.02%	3.46%	-5.97%
⑦	-14.23%	9.51%	-0.40%	-3.11%	3.16%
⑧	-36.75%	-26.77%	16.14%	-39.69%	-43.75%
⑨	18.22%	-11.59%	-5.99%	-75.19%	52.96%
⑩	18.57%	0.81%	-6.50%	3.74%	32.55%
⑪	-1.85%	10.84%	-1.97%	-7.11%	3.61%
⑫	9.50%	-14.52%	34.12%	-45.72%	28.30%
⑬	-8.48%	-7.99%	-0.52%	-7.32%	-6.37%
⑭	6.54%	14.98%	-3.44%	-57.49%	20.09%
⑮	2.37%	2.21%	2.09%	1.23%	10.97%
⑯	-25.66%	-42.43%	5.77%	5.65%	52.83%
⑰	29.08%	24.89%	10.61%	-3.61%	35.34%

Data source: https://www.hkex.com.hk/?sc_lang=zh-HK

In the past five years, the net profit growth rate and operating income growth rate of companies in 2017 and 2018 were relatively normal, and the proportion of companies showing positive growth was very close to those showing negative growth. However, in 2019, the growth rate of net profit of most companies showed a negative value, and the operating profit of the company has dropped significantly compared with last year. In 2020, during the start of the pandemic in the new museum, the year-on-year growth rate of operating income of most companies showed a negative growth rate, and the growth rate of operating income of the vast majority of companies dropped significantly compared with last year. bigger challenge. In 2021, the growth rate of net profit of enterprises will gradually return to normal, and the growth rate of operating income of most enterprises has also increased significantly compared with last year (Table 9).

CONCLUSION

Through the analysis of corporate solvency, profitability, operational capacity and growth capacity, it can be found that the solvency of Hong Kong companies is good and the source of capital flow is relatively reliable. In terms of profitability, although the profitability of listed companies in Hong Kong has been relatively stable and has not fluctuated much, it

still shows a downward trend on the whole. The overall performance of Hong Kong's corporate operating capabilities is stable, but in terms of accounts receivable turnover, the overall trend of companies is still declining, and the management and governance of Hong Kong-listed companies still needs to be paid attention to.

The Covid-19 pandemic, which began in late 2019 and early 2020, has severely affected economic activity around the world, and the survival of businesses has been challenged since the beginning of the year. In 2020, the financial performance of Hong Kong enterprises has been seriously affected. The solvency, profitability, operating ability and growth ability of enterprises in this year have been significantly affected. All indicators are in this The year made enterprises feel obvious pressure. It appears that it is still very important for businesses and the governments in their regions to overcome the difficulties caused by the new crown pandemic.

As the world's three major financial centers and Asia's financial center, Hong Kong's economic influence in Asia and the world cannot be ignored. This simple analysis of the financial performance of some companies in Hong Kong, although there are not many data samples, can also reflect the current operating conditions of Hong Kong listed companies to a certain extent. Although the financial performance indicators of Hong Kong enterprises in recent years are quite satisfactory, they have not reached the level that makes people eye-catching. I hope that in the future, I can see that the operation and management of Hong Kong enterprises can be more orderly and achieve more brilliant business performance.

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