



**RESEARCH ON INTERNAL CONTROLS OF REAL ESTATE COMPANIES -
A CASE OF POLY REAL ESTATE GROUP CO., LTD**



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ABSTRACT

Title: Research on internal controls of real estate companies - a case of Poly Real Estate Group Co., Ltd

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Real estate industry is fundamental for China's economy. Its emergence and development matter about the development of numerous industries, so it is fairly necessary to separately study problems with operation and management of the real estate industry. These years, it has been rather troublesome to develop internal controls for managing real estate enterprises. Thus, it is reasonable to explore problems with internal controls of many real estate enterprises. At first, this paper examines features of the whole real estate industry. Secondly, it explores related information according to the features and discusses it in combination with problems with research and development of internal control systems. Thirdly, problems with internal controls of the real estate industry are deeply analyzed with the case of Poly Real Estate Group Co., Ltd, and corresponding solutions are put forward. At last, a relatively comprehensive summary is made. At present, how to really promote development of enterprises and constantly improve internal controls of real estate enterprises is a critical issue of business management.

Keywords: Real Estate, Internal Control, Solutions

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Unconsciously, my two years of postgraduate study is coming to an end.

Now, it has been in the last stage of oral defense. How time flies! Looking back the past two years of postgraduate study, I am grateful to all those who have helped, guided and encouraged me. First of all, I would like to express my gratitude to my adviser Li, Chiao-Ming, who has cared and inculcated me a lot during my postgraduate study. As a teacher, he has instructed us so meticulously that we have been greatly influenced as though we were bathing in the spring wind. As an elder man, he has cared us a lot that we are quite grateful to him. Hereby, I would like to express my sincerest respect and gratitude to Mr. Li. Furthermore, I would like to deliver my gratitude to Siam University where I have studied for two years. It has provided me a broad learning platform, so that I have been able to continuously acquire new knowledge and enrich myself. Particularly, I have to say thanks to my parents. I can't repay them for their love and care from my childhood. They have been always my great support over my past years of study. They help me ease my worries and handle my difficulties every time when I feel confused in my life. Their selfless love and care have been motivating me to move forward.

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CHAPTER 1

Introduction

1.1. Research Backgrounds

Internal controls are important steps of risk management procedures. An enterprise's internal control framework determines whether the enterprise can perform normal operations or management or realize its business goals. Hence, it is clear that enterprises can significantly reduce their uncertainties and corresponding risks after they improve their internal control procedures, thus accomplishing their business goals. According to the data released by the Internal Control Institute of China, probability of enterprises' internal controls has increased drastically in listed and non-listed companies. Generally, the coverage of internal controls has been up to 98% among 15,000 listed companies. In other words, a majority of listed companies have implemented internal controls. Nevertheless, non-listed companies face more serious problems in internal controls, which have been only implemented by 38.25% listed companies which are registered with the registration office for industry and commerce, whereas most of these enterprises don't meet requirements for internal controls. Each year, the probability of serious errors in operations of enterprises without strict internal controls reaches 70%, and the probability of losses thereby incurred is as high as 65.3%. For companies with internal controls, the probability of serious errors in their operations is just 44.3%, where the errors mostly appear in their forecasts of their future development trends, and the probability of losses is merely 33.27%. Therefore, remarkable differences exist between enterprises with and without internal controls. Thus, we have to positively look at the roles of internal controls in business management.

Internal control is an aggregate of a range of methods, means and measures (including self-regulation, discipline, planning, evaluation and control) adopted by an organization for achieving its business goals, protecting its asset safety/integrity, guaranteeing correctness/reliability of accounting information, ensuring

implementation of business policies and making sure that its business operations are economical, efficient and effective. It is the most widespread system in the field of accounting. Real estate enterprises are in a capital intensive industry, where they have to invest a huge amount of money in the early stages of projects and during subsequent development. Besides, a majority of real estate enterprises are heavily indebted because the life cycle of the real estate industry is relatively long. From the real presentation of their balance sheets, most real estate companies are insolvent, so a range of chain reactions will be shown in the balance sheets of real estate companies in the event of their business failures. As a result, these companies face critically severe crises in the course of their operations. Thus, internal control is especially important for real estate enterprises. Among 18,000 real estate developers of China, including those in the supply chain of the real estate sector, only 33.2% of them exercise rigorous internal controls, most of which are China Securities Regulatory Commission's strict requirements for listed companies. As a whole, very few enterprises have really implemented internal controls and strictly executed all procedures of the controls, which is particularly true for real estate companies. Therefore, the internal controls are regarded as research focuses of this paper.

1.2. Research Objectives

How about internal controls of companies? Do companies have corresponding restraint mechanisms? Do they attain their goals of internal controls by auditing posts across departments, and how do generally acknowledged internal controls develop? In these respects, internal employees of companies surely have the final word. Companies will bear much fewer risks when their internal controls and management systems are relatively perfect and well developed. Then, how to evaluate internal controls of a company? How to identify problems with internal controls of a company? How to improve internal control procedures? How to find out the underlying causes of these problems? In view of these questions, we intend to design a corresponding questionnaire to investigate internal controls of real estate functions based on the case of Poly Real Estate Group Co., Ltd (hereunder referred to as Poly Real Estate Group), in order to find out pertinent solutions. By studying practical data and feedbacks, we will be able to sum up corresponding laws on the basis of

conclusions about data and guide our practices according to these laws.

1.3. Research Significance

Internal control, which is indispensable during development of enterprises, is fairly important for all of them. Provided that an enterprise has a complete internal control framework, its overall operations won't be impacted by individual wills. In this case, the enterprise can be protected to a greater extent in the process of its development and run its businesses through institutional constraints. From current development of Chinese enterprises, it may be known that it has been common that internal control systems are imperfect in the early period of their implementation in family businesses. Therefore, perfect internal controls can bring about tremendous industry changes to enterprises and play important roles in their development. This paper is of relatively great theoretical and practical significance as it ponders upon internal control more profoundly by improving questionnaire surveys and data analysis.

1.4. Research Framework

First of all, this paper introduces its research objects, relevant theoretical grounds and research experiences. In other words, it illustrates its research focus and collects data about related research outcomes home and abroad. Meanwhile, concepts and characteristics of internal control as well as development processes of pertinent theories are elaborated to systematically describe how to completely develop internal control from the most fundamental accounting control into a risk management framework. Subsequently, this paper analyzes present risks of real estate enterprises while studying status quo of their internal control and risk management, thus affirming the necessity and significance for strengthening internal control and risk management of these enterprises. In view of real estate enterprises' risks, it brings forth measures for enterprises to improve their internal control and reinforce risk management. Later, theories are integrated practices to deeply discuss current situation of internal control in Poly Real Estate Group from the perspective of companies, business processes and information technology control. After an analysis of practical cases, internal control and management risks are discovered at the level of

companies, business processes and information technology control. For these risks, this paper suggests improving corporate management systems. Finally, it highlights the realistic significance and importance of pertinent and reasonable management of internal control risks for enhancing operating capacity of real estate enterprises, effectively reducing their taxes, lowering their financial costs, alleviating scarcity of current funds, promoting development of their businesses and increasing core competitiveness for the ultimate goal of facilitating their development. In addition, creative ideas are proposed for innovatively managing future internal control risks of real estate enterprises and risks of the real estate industry under current circumstances (Wu Weiran, 2015).

In Part 1, some hot research topics and difficult points about internal control home and abroad are discussed. By reading numerous materials, the author summarizes related research status and literature.

In Part 2, development status, main meanings and underlying origins of theories about internal control are expounded. Besides, a relatively in-depth analysis is performed on the development status of internal control in development.

In Part 3 focuses on summing up some features of development and operations of today's real estate market, which are deeply analyzed in related aspects to find out problems with the internal control and discuss leading features of the internal control in this market.

In Part 4, actual operations of Poly Real Estate Group are discussed. An attempt is made to discover problems with real estate development and internal control of Poly Real Estate Group, which takes the lead in the real estate industry as real estate developer. At last, corresponding measures are put forward for making improvements.

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CHAPTER 2

Literature Review

2.1. Internal Control Theories

Internal control systems originated from management processes of American enterprises, where managers implemented these systems for the purpose of rationally avoiding corresponding risks. To take accountability for the Board of Directors and its shareholders, these managers established pertinent standards, rules and regulations regarding internal controls. Since its crisis of the capital market in 1970s, the United States has formulated stricter rules and regulations concerning internal controls, in order to restore confidence of investors. In the United States, more rigorous internal control systems are executed to help enterprises avoid risks. Furthermore, business operations have been made more legitimate and standardized. ASB's definition of internal control is relatively classical abroad. In 1972, the Auditing Standards Board (ASB) made the Statement of Auditing Standards, where the research and discussions were organized in line with the Securities Exchange Act, while internal control is defined as follows: Internal controls refer to various restrictive and regulatory systems, plans, procedures and approaches adopted by organizations inside to increase their business efficiency and accomplish their predetermined management objectives by effectively acquiring and utilizing various resources.

2.1.1. Theoretical Origins of Internal Controls

1. Principal-agent theory

As one of the most important developments in contract theories over the past 30 years, principal-agent theory developed in the period from late 1960s to early 1970s when some economists intensively studied internal information asymmetry and incentives of enterprises. According to the principal-agent theory, the foremost task is to explore how principals shall draft optimal contracts to motivate agents in case of interest conflicts and information asymmetry. At present, owners are distinguished from operators in plenty of Chinese enterprises. Effective business management also

relies upon internal control and institutional management in addition to external supervision, which are pretty important and original intentions of internal management systems.

2. Asymmetric information theory

According to asymmetric information theory, individuals' understanding about related information more or less differs. People with adequate understanding of the information are usually in a more advantageous position, whereas those whose information is scarce are generally in a more disadvantageous position. This theory upholds that in markets, sellers better understand varying information about commodities than buyers and the party which masters more information can gain benefits from markets by disseminating reliable information to the other party who lacks information. For a buyer and a seller, the party who possesses less information may try his best to solve problems concerning information asymmetry. In case that ownership is separated from management rights, companies can lay an emphasis upon supervision and highlight institutional constraints for better management. In essence, all these institutional constraints and supervision are inseparable from all-round management by internal control systems, which are implemented to carry out effective and overall management via institutional constraints.

3. Moral hazards

Moral hazards were proposed by a Western economist in 1980s as a concept of economic philosophy. They mean that “economically active persons take actions which are unfavorable for others while trying their best to improving their personal performances.” On the other hand, moral hazards can be defined as selfish actions taken by one party of a contract to maximize his personal performances owing to his reluctance to take full accountability for consequences of risks. In addition, they are also known as moral crises, which are generally caused by information asymmetry. In the course of their actual operations and management, management organizations of companies are quite likely to infringe upon interests of all corporate staff while maximizing their personal interests. Therefore, it is fairly critical to consider how to evade moral hazards. With the emergence of internal control systems, comprehensive and feasible solutions have been available for avoiding moral hazards.

2.1.2. Stages of Historical Development of Internal Control

As inevitable products of economic and social development, internal controls must be constantly enriched and improved for internal reinforcement of management as external competitions are becoming increasingly fiercer. As a whole, theories about internal controls have generally developed through six stages as follows:

1. Internal check
2. Internal control systems

In 1936, the Examination of Financial Statements by Independent Public Accountants was announced in the United States, where it was the first time that internal controls were defined: “internal auditing and control systems refer to various measures and methods adopted for protecting cash and other assets of companies and checking accounting records”. Thereafter, the definition was modified several times by the American Committee of Accounting Procedures. In 1973, the definition of internal control systems was explained as follows in the No.55 Statement of Auditing Procedures in the United States: “There are two categories of internal control systems, including internal accounting control systems and internal management control systems, among which the latter systems include but not limited to plans for organizational structures, management departments’ procedures for decision-making about examination and approval, and related records. The accounting control systems include designs of organizational structures and various measures which have direct ties with property protection and reliability of financial/accounting records.”

3. Stages of accounting control and management control
- Internal accounting control

Internal accounting control aims to control all financial affairs of a company by measuring flow of funds and different problems with cash management by accounting approaches. Accounting control is a relatively elementary management measure for internal control. For the purpose of accounting control, it is essential for a company to set up a relatively fair and independent accounting department, because only in this way can accounting of the whole company be effectively performed and managed to ultimately attain the goals of internal control. Nevertheless, this

management method has a great shortage. In exercising internal accounting control, companies mostly encounter risks in their management in most cases. Accounting risk is only a part but not the sole risk of companies in the course of their practical operations. As a result, it is somewhat impractical to control risks with accounting methods.

- Internal management control

Nonetheless, internal management control places an emphasis upon management and designing an overall structure of internal controls for a company through meticulous business management, so management procedures of many aspects are included in internal management control, which covers internal and external management. Therefore, internal management control can increase efficiency of internal management to certain extent.

- Structure of internal control

- Integrated framework for internal control

In September 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) reported the Internal Control - Integrated Framework. It has been pointed out in this framework that “internal control, impacted by the Board of Directors, management and other personnel of a company, is a process for reasonably guaranteeing efficiency of businesses, reliability of financial reports and compliance with relevant regulations.” At the end of 1996, the Audit Committee of the United States recognized research outcomes of COSO and modified corresponding auditing statements.

- Risk management framework

In 2004, the COSO announced the Enterprise Risk Management-Integrated Framework. According to this framework, “enterprise risk management is a process, which is carried out by the Board of Directors, managers and other personnel. This framework is used for strategy formulation and penetrates into enterprises for the purpose of identifying potential events which might impact subjects and management risks, in order that these events and risks can be controlled within the risk appetites of the subjects, whose attainment of goals can be thereby reasonably guaranteed.” This framework has expanded internal controls, showing more concerns about enterprise risk management, which is a broader field. The risk management framework covers

eight major elements, namely internal environment, goal setting, event identification, risk assessment, risk response, control activities, information & communications as well as monitoring.

2.1.3. Limitations of Internal Controls and Countermeasures

Limitations of Internal Controls

1. Although decent internal controls can reasonably guarantee managers' accomplishment of their goals about internal controls, it is impossible to eliminate their intrinsic limitations no matter how perfect internal controls they have drafted and exercised.

2. Limitations by cost-benefit principles Generally, managers require that the costs for exercising internal controls don't exceed corresponding expected benefits, and additional controls shall not be added at the cost of reducing work efficiency, or else managers might give up these internal controls.

3. Staff's subjective or objective mistakes Staff's carelessness, lack of concentration, poor health, misunderstanding of orders, negligence, incorrect judgments, collusion and collusive frauds might result in failures of internal controls. These human errors are uncontrollable by internal control systems.

4. Managers' abuse of their power or failure to correctly exercise their power Owing to managers' indifference to their uncontrollable internal control systems or incapacity for correctly exercising their power, internal control systems exist just like empty shells.

5. Neglect of unconventional businesses. Most internal controls are specific to conventional businesses that they are only applicable to normal and recurrent businesses, but ignore unconventional businesses. As a result, it is impossible to control exceptional matters, including accidents.

6. Officers' malpractices. In general, managers whose ranks are high enough are usually not supervised by higher-level management in enterprises. Except for auditors, top managers' decision-making is not supervised at all. Hence, officers' malpractices are often not discerned in realities.

7. The bottom-up dissemination of information which may arouse criticism or review is easily interrupted, which is a problem about information communications

at the managerial level. The problem occurs in the bottom-up dissemination of information. In case that such information leads to any criticism or review, the bottom-up dissemination will be easily interrupted. Under this circumstance, it will be impossible for top managers to acquire existing information with potential material impacts.

8. Some employees hold several posts. In enterprises, it is quite common that a minority of employees work in several posts. As a consequence, it is hard to really put internal control systems into practices pertinently.

9. Situation changes. Previous internal controls have become obsolete and ineffective that they can't prevent errors or malpractices any longer. Therefore, actively altering internal control regulations and approaches is an integral part of enterprise transformations.

Countermeasures for overcoming limitations of internal control.

1. Managers have to keep on studying how to improve their main internal control systems, which are expected to be more or less flexible and sensitive.

2. Carefully select employees. Managers are supposed to be familiar with their employees' credit backgrounds and create personnel files in view of their performances, actual abilities and shortcomings during their employment.

3. Enhance internal auditing. Internal auditors are capable of effectively and powerfully guaranteeing integrity of their internal control systems. Through the internal auditing department, elaborate information from grassroots employees can be conveniently disseminated to the management.

4. Accept services from external auditors or independent auditors. After existing internal controls are evaluated, auditors can heavily rely on relevant accurate accounting records and spend more time in evaluating behaviors of senior managers. In particular, requisite audit tests shall be performed in unconventional transactions.

5. Small enterprises need to take advantage of their double-entry bookkeeping system while enhancing supervision over their managers.

6. Establish rigorous rules on investigation of responsibilities and punishments. The rules for investigating responsibilities are fundamental guarantees for enterprises to implement their internal control systems. Punishment rules supplement the above rules as direct approaches against illegal acts, loafing and

frauds. All illegal acts must be investigated and punished fairly, or else it is impossible to keep internal control systems effective and authoritative.

7. Strengthen enterprises' cultural construction. Favorable environment is critical for implementing internal control systems and fundamental for enterprises to achieve successes. The creation of a highly amiable, cohesive and competitive enterprise is inseparable from the support of internal environmental conditions, namely enterprise cultures. Cultural construction is fundamental for institutional construction of enterprises, during which internal control systems are just used as measures. Only if enterprises closely integrate their cultural construction with internal control systems can they become vigorous and energetic.

8. Improve internal control systems. It is essential for effectively exercising internal controls by improving internal control systems. Institutional control is a major form of internal controls. According to controlled objects, internal control systems are divided into systems for controlling monetary funds, physical assets, external investments, engineering projects, procurement and payment, sales and payment collection, costs, expenses, fund-raising and guaranteed businesses. In view of their content, above control systems may be also subdivided into several specific ones, which may further constitute an integral internal accounting control system. For instance, the system for controlling monetary funds covers cash, bank deposits and other monetary funds.

9. Increase accounting staff's consciousness of professional ethics and institutional supervision. Accounting staff, with dual identities in internal controls, play critical roles. On one hand, all internal controls of an organization must be exercised by accounting personnel in their routine work. Besides, accounting personnel are responsible for supervising duties of operators and other personnel involved in business activities for complying with standards for internal controls. Enterprises ought to establish a system for supervising posts and duties of accounting personnel. It is necessary to develop a dynamic monitoring mechanism for economic transactions, and accounting personnel shall closely track all parts of corporate business activities. In order that accounting can be really supervised, the system for managing accounting personnel is expected to be transformed. For example, a system can be implemented for dispatching accountants, in order that accountants can occupy

relatively independent position and give full reign to oversight functions in accounting.

2.2. Internal Controls of Real Estate Enterprises

Internal controls refer to a range of control methods, measures and procedures adopted by enterprises to protect safety/integrity of their assets, ensure correctness/reliability of their economic/accounting information, increase their management efficiency and make sure of obeying related national laws or regulations and their own regulations. Real estate enterprises often progressively reduce various risks in their operations and management by internal control methods. At present, risks in investments and financing are main problems of these enterprises. These risks can be adequately handled through internal controls, which are effective for evading different risks. Thus, all real estate enterprises are supposed to fully consider establishing and improving internal control systems.

For the time being, Chinese real estate enterprises face two basic problems. One is how to adapt to changing external environment, while the other is how to coordinate effective utilization of internal resources. To adapt to external environment, enterprises shall ensure internal coordination, so internal controls are not only the most fundamental work for enterprises, but also effective management tools for survival and development of enterprises. However, frauds are common in some enterprises, where accounting information is heavily distorted. There is a great loss of state-owned assets in some enterprises, which become much less profitable and fall into difficulties. These consequences result from external causes (including incomplete accounting standards, inadequate fiscal or securities supervision and non-standard practices of intermediaries), but also ascribe to some internal factors which can't be neglected such as imperfect corporate governance structures, weaker internal supervision and lack of effective supervision or constraint mechanisms for operators. Internal controls are weak and deficient in Chinese real estate enterprises, which are mainly reflected as follows:

1. Indifference to internal controls and lack of internal control systems

Enterprises mostly have insufficient understanding of internal controls. They merely consider that it is the financial and management departments that shall take

accountability for internal controls, but fails to consider internal controls as strategies for overall business management. Some enterprises don't establish internal control systems, and lack clear grounds for exercising internal controls. Although these systems have been established in some enterprises, they are incomplete or not well executed that their roles are not given into play effectively. It is fairly important to establish internal control systems, but these systems will be just like empty talks if they can't be properly executed and supervised after their formulation no matter how good they are. Over the past years, domestic internal controls of China, as fundamental corporate management systems, have been well-known and employed by a majority of people. Nonetheless, very few companies have really practised internal control systems in their actual operations and give play to their important active roles. Lots of companies still exercise internal controls based on the fact that it will be favorable for listed companies to respond to examination and management of higher authorities if only they establish internal control systems. The ideas and approaches haven't infiltrated into minds of people, which is a common problem under the environment of most Chinese listed companies and deserves reflection.

2. Incomplete corporate governance structures and serious control of insiders or controlling shareholders

Internal controls are closely associated with corporate governance. Corporate governance structures are prerequisites and bases for promoting and guaranteeing effective implementation and functioning of internal controls. They are institutional environment for exercising internal controls, which, in turn, which play roles in monitoring internal management in corporate governance structures as favorable measures for enterprises to realize their management objectives. In Chinese listed companies, it is common that controlling shareholders manipulate their shareholders' committees, acting like "monopolists" in the boards of directors and supervisors. In addition, insider control is rather universal in listed companies of China, where key figures simultaneously enjoy control rights, executive power and supervisory rights. Consequently, the shareholders' committees, boards of directors and supervisors are just empty shells. In this case, controlling shareholders or a minority of key persons can manipulate financial statements of their companies and provide fake accounting information. Although this phenomenon has been improved a

little in listed companies, it is still common in corporate enterprises. At present, it is still extremely widespread that “only a shareholder absolutely controls operations of a company”, which hinders the company from implementing internal control systems. Particularly, under current circumstances that many Chinese enterprises have been just founded and most of them remain to be family-controlled enterprises, where property ownerships are unclear and shareholding structures are decentralized, there is a lack of intrinsic motivations for staff of these enterprises to discipline themselves under corporate constraints, which is a critical reason why internal control systems can't be established and executed in China.

3. Non-standard basic work of accounting

Owing to subjective and objective reasons, some enterprises keep illegal accounts, audit their original certificates unscrupulously, prepare their accounting vouchers against regulations and fail to keep timely accounts. In addition, their cost accounting is inaccurate and financial statements are false, or some enterprises don't liquidate their assets or respond to their gains and losses on time. As a consequence, the accounting gets disorderly in these enterprises. For these companies, on one hand, their accounting staff lack solid grasp of basic professional knowledge about accounting; on the other hand, they can't appropriately solve various problems due to defective institutional constraints and incentive systems of their enterprises. In light of these problems, it is more necessary for the enterprises to consider improving quality of their employees, introducing and educating many high-quality talents to really facilitate their execution of internal controls.

4. Neglecting roles of internal financial auditing and internal auditing

In some enterprises, no post is set up in their finance and accounting departments, or the auditing is not standard in spite of related posts. Some corporate leaders don't attach great importance to internal auditing, which thus encounter considerable obstacles. The roles of internal auditing can't be given into play effectively owing to incomplete internal auditing mechanisms or systems and lack of unified standards for internal controls. As a type of corporate systems for enterprises to evade risks, continuously strengthening and improving corporate governance structures, internal control systems are expected to be highlighted and developed in many aspects. If they can't be kept independent, then how to ensure legitimacy and

compliance of these systems while making them independent enough during their execution? Concerning the establishment of internal auditing systems, auditing and supervision are the foremost purposes of internal control systems. The outcomes of exercising internal controls will be uncontrollable if enterprises ignore critical roles of auditing systems in establishing their internal control systems. In other words, internal controls will yield ineffective outcomes provided that enterprises are incapable of executing their internal control systems to a great extent in accordance with pertinent standards.

5. Loose management of routine financial management

There are always some latent and hidden dangers of accidents, which are always discovered after the occurrence of accidents and bring about irretrievable losses to enterprises. In view of these gloomy circumstances, enterprises must establish complete internal control systems, make innovations and achieve certain development.

Establishment, Implementation, Inspection and Evaluation of Internal Controls

1. Establishment and implementation of internal controls

Internal controls are mostly developed and executed through control over organizational planning, authorization, budget, asset protection, risk, accounting systems, performances, staff quality, internal auditing and electronic information technologies.

Control over organizational planning. Control over organizational planning refers to reasonable and effective control over enterprises' establishment of their organizational structures and job assignments to their staff. It is mainly reflected from two aspects, including separation of incompatible posts and interactions of organizational structures. The key for exercising control over organizational planning is to maintain its independence and keep it supervisory. In the course of real estate enterprises' operations, control over organizational planning means separating capital management performed during corporate construction from their capital utilization in the same process, in order to strengthen security of capital management to the greatest extent.

2. Control over authorization. Control over authorization refers to control

over departments' or employees' authorities to deal with economic transactions inside organizations. Departments or employees of enterprises must handle economic transactions with prior authorization. In general, such authorization is classified into general and specific authorization. For real estate enterprises, general authorization mostly means that grassroots employees enjoy corresponding rights to make free choices in real estate development and management with the authorization of management, while specific authorization mainly reveals that departments with different natures are specially permitted by the management via certain authorization to simultaneously get involved in management and operations of multiple sectors in the course of real estate operations. Specific authorization is more or less exposed to some risks, so particular attention shall be paid to characteristics of businesses in personnel selection.

3. Budget control. Budget control means drafting detailed budgets or plans for all economic transactions of an organization and controlling related departments' execution of the budgets or plans with authorization. During budget control, attention shall be paid to establish budget systems, prepare and examine budgets, announce budgetary indicators, assign related responsible persons or departments to fulfill the indicators, authorize and monitor budget enforcement, analyze and regulate budget variances and audit budgetary performances. Inside real estate enterprises, budget control is mainly reflected from the fact that managers enjoy corresponding authorities in budgeting and management. Budgeting, budget auditing and enforcement are required to be examined and approved accordingly. In this process, budget may be controlled and managed well if efforts are made to fully investigate project risks and results of budget enforcement in this process.

4. Control over asset protection. Control over asset protection refers to organizations' measures for guaranteeing security of their physical assets. Controls over asset protection mainly include access restrictions and periodic checking. Access restrictions mean strict control over irrelevant personnel's accesses to assets. Only personnel who are authorized have accesses to assets, including direct accesses to assets and indirect accesses to use or allocate assets with document approval. Regular checking refers to regular checking of physical assets, in the process of which checking results are compared with accounting records. In case of any inconsistency,

prompt measures shall be taken to make sure that actual quantity of physical assets is in line with records of books. Control over asset protection places extra emphasis upon managing and auditing assets by auditing data acquired by auditing and accounting departments in the course of real estate enterprises' operations and management from the perspective of accounting data management.

5. Risk control. Risk control means preventing and avoiding adverse consequences as far as possible. According to their causes, risks are generally classified into business risks and financial risks. In addition, it is particularly noteworthy that necessary measures must be taken to prevent investment risks. Since real estate enterprises are mainly expanded through external investments, risk control is mostly exercised for risks encountered during investments, whereas financial risks and business risks rarely exist in real estate operations. Real estate enterprises ought to develop risk consciousness and establish effective risk management systems. For instance, they can completely prevent and control their financial risks and business risks by risk warning, risk identification, risk assessment and risk reporting and so on.

6. Control over accounting systems. Control over accounting systems means that organizations establish accounting systems and accounting procedure suitable for themselves, implement post responsibility systems for accounting personnel and develop rigorous accounting control systems in line with accounting laws and unified national accounting systems.

7. Control over performance reports. Performance reports, also known as responsibility reports, are made by managers of organizations at different levels to grasp information and strengthen internal control. Performance reports must be made in combination with internal organizational structures and other control measures to clearly reflect responsibilities of managers and responsible persons at different levels.

8. Control over staff quality. Control over staff quality means that staff quality is controlled by organizations in terms of recruitment employment, training, rewards and punishments. It is necessary to develop measures for training, selecting, managing, evaluating and supervising staff, which shall be progressively institutionalized and standardized. Good management practices shall be adopted to reinforce education of employees in terms of integrity and train their creativity.

Moreover, appropriate incentive measures shall be taken to stimulate employees' initiatives and creativity, so as to fully take advantage of talents' value.

9. Control over internal auditing. As a special form of internal controls, control over internal auditing is an independent evaluation on whether an organization's internal economic activities and management systems are compliant, reasonable and effective. It is a control and re-supervision over accounting. By internal auditing, constructive suggestions may be offered to improve internal controls.

10. Control over management information systems. Control over management information system is associated with two aspects as follows: on one hand, the control over electronic information systems is strengthened; On the other hand, control systems are established with electronic information technologies to reduce and eliminate impacts of internal manual control to ensure effective exercising of internal controls.

In addition to aforementioned ten control measures, other approaches like human resource control can be also adopted.

2. Review and evaluation of internal controls

- Enterprises' establishment and execution of their internal control systems are reviewed and evaluated. Then, suggestions are put forward to improve these systems in light of their deficiencies and problems.

- Institutions organizations and personnel with outstanding performances in internal accounting control shall be rewarded, while suggestions shall be offered concerning how to criticize and punish those violating internal accounting control.

- Organizing review and evaluation of internal controls. Internal accounting controls shall be reviewed and evaluated by internal auditing departments of organizations or financial auditing staff of a higher authority in strict compliance with corresponding rules. Enterprises' self-examinations shall be always integrated with reviews of higher authorities. The internal accounting controls shall be reviewed once a year at least, combined with annual evaluation, rewards and punishments of enterprise operators.

3. Procedures and steps for reviewing and evaluating internal controls

- Establishing standards for internal controls of audited organizations.

Before reviewing and evaluating internal controls of an enterprise, it is necessary to collect relevant national policies, laws and rules as well as the enterprise's own documents related to internal controls, in order to establish corporate standards for internal controls according to its practical situation. During internal auditing, status quo of audited organizations' internal controls is reviewed and evaluated in accordance with these standards.

-Checking and evaluating whether internal controls of audited organizations are perfect or not. Check status quo of internal control systems in audited organizations based on predetermined standards, to ensure whether internal controls have been adopted or not. Compare, record, sort out and summarize deficiencies discovered in internal controls. Introduce potential malpractices of these deficiencies and their impacts upon the whole internal control system. After analyzing these deficiencies, efforts can be made to evaluate whether internal controls are complete or not inside audited organizations.

3. Testing effectiveness of internal controls in audited organizations. Whether internal controls are effective is mostly tested by qualitative statistical sampling inspections. In sampling inspections, internal auditors are supposed to scientifically select representative samples to correctly evaluate quality of audited organizations' internal controls.

4. Writing review and evaluation reports about internal controls. After completing all three steps mentioned above, review and evaluation reports concerning internal controls shall be written to bring forth particular conclusions, opinions, comments and suggestions to top managers of audited organizations. Meanwhile, these reports shall be submitted to managers of audited organizations to improve their internal controls.

2.3. Internal Controls of Chinese Real Estate Industry

2.3.1. Development Status of Chinese Real Estate Industry

Chinese real estate market has become increasingly opener to the outside since the reform and opening-up of China. Having developed from scratch and

becoming stronger, real estate market plays important roles in economic growth of China. According to the data released by the National Bureau of Statistics of China in 2016, Chinese real estate industry generally ranks Top 1 all over the world regardless of quantity of developed real estate or scale of the real estate industry. In the course of its constant development, the real estate industry plays crucial roles in development of national economy in China. What's more, it has driven the continuous development of economy in different industries, particularly in the primary industries such as steel, minerals and furniture. In addition, the development of numerous tertiary industries has been promoted by the real estate industry, which is definitely a basic industry for national economy of China. The real estate industry can positively impel the development of national economy if it develops well. However, national economy will be negatively and significantly impacted if the real estate industry stops developing. Hence, the development of this industry is critical as a factor which impacts development scale and speed of all other industries. Thus, it is clear that this industry plays important roles in driving constant development of national economy.

As shown in charts about area of sold real estate, it may be observed that the area and sales of Chinese houses fluctuate significantly owing to the impacts of prices. However, they still keep rather high. To a great extent, the development of real estate is dependent upon the level of economic development in China.

2.3.2. Features of Operations and Management in the Real Estate Industry

1. Enterprises which plan to develop real estate shall strictly control their expropriated land, constructed houses, infrastructures and other facilities within the scope of national plans. They need to develop real estate and run their businesses according to their construction and sales plans by integrating their planning, land expropriation, design, construction, supporting facilities and management.

2. Commodity Features, Singularity and Immovability of Developed Products

All products of real estate developers are launched in market as commodities, transferred or sold at the prices specified in both parties' contracts or market prices.

3. Complexity of Development and Businesses

The complexity is reflected from two aspects as follows:

1. Complex businesses. In addition to land and house development, real estate enterprises also have to construct corresponding infrastructure and supporting public facilities. Their businesses cover the whole process from land expropriation, demolition, surveying, design, construction and sales to after-sales services.

2. With a high coverage, real estate enterprises have economic ties with many parties. They not only develop economic ties with suppliers of equipment and materials for purchase and sales, but also establish economic relationships with designers and constructors for project outsourcing, tendering and surveying. Furthermore, they have economic ties with their principals and lessees when they are entrusted to construct or develop products, or lease the products they have developed.

3. Long development/construction period and considerable investments

Product development shall start with planning and design through several stages, including feasibility study, land expropriation, demolition, compensation for resettlement, seven supplies (including traffic, electricity, water, drainage, telecommunication, cable TV and coal), site levelling, building installations, supporting projects, greening and environmental sanitation projects. It shall take one year at least and even several years to complete all development. Additionally, much money shall be spent in each stage of the development, and the costs of development are extremely high. Thus, it is necessary to constantly invest much capital in the development.

4. Considerable business risks

Owing to high unit value of developed products, long construction period, operations in heavy debts and numerous uncertainties, lots of developed products will be overstocked once wrong decisions are made and the products are not sold well. Under this circumstance, the real estate enterprises will be in dire financial straits and dreadful plights.

2.3.3. Research Status on Internal Controls of Chinese Real Estate Industry

For real estate enterprises, internal control refers to rigorous supervision and control over their internal businesses with diverse accounting management methods by applying modern information management technologies in combination with

global and local approaches. The objective of real estate enterprises' internal control is to improve their safe utilization of corporate assets, work efficiency, and authenticity of financial information. As keys for internal management of real estate enterprises, internal control and risk management are directly related to their development potential. It is inadvisable for real estate enterprises to ignore changes and impacts resulting from internal control risks. Risk management originates and extends from internal control. Both of them place an emphasis upon involvement of all staff, who can take initiatives to deal with risks with related techniques and reasonably guarantee accomplishment of goals. Nevertheless, management of strategic management is included in risk management, which can directly create benefits and emphasizes natural risk hedging. Internal control is a part of business management, while risk management is categorized as a link of corporate governance (Dong Yuechao, 2009). Whether effective management and control are performed before the occurrence of risk events is a critical prerequisite for enterprises' survival, development and attainment of their anticipated goals. It is of utmost importance for current real estate enterprises (Teng Lin, 2011).

With the further swift development of China's economy in a new century, the real estate industry has developed fast through numerous hardships. Thus, lots of real estate enterprises have emerged, having become bigger and stronger. The development of the real estate industry not only matters about residents' basic needs for their everyday life, but also appertains to sound development of China's national economy. According to statistics, only over 80,000 Chinese enterprises engage in real estate development, which has provided job opportunities for more than two million people. If the impacts of related industries such as property management and housing agency are taken into account, real estate enterprises may be reckoned as pillars of national economy. Hence, whether these enterprises can carry out efficient management and their internal control is helpful for effectively preventing or responding to risks not only impacts their own development, but also overall economic growth of China. Real estate enterprises are characterized by their immovable businesses, capital-intensive business activities and service-oriented businesses, because of which, the development of real estate enterprises is restricted by their natural conditions, economic factors, policy orientations and management

level more easily. As a consequences, these enterprises are exposed to relatively considerable external and internal risks. In particular, global economy hasn't gone out of recession but still keeps depressed since the outbreak of financial crisis in 2008. These years, more and more rigorous national macroeconomic control has been exercised, thereby bringing greater risks to Chinese real estate enterprises in terms of their operations and survival. Under these challenging circumstances, it appears to be extremely urgent and realistic for Chinese real estate enterprises to really reinforce their internal control and enhance their abilities to prevent and deal with risks (Hao Jiyin, 2013).



Chapter 3

Research Methods

3.1. Research Design

This survey was performed qualitatively and quantitatively. Based on theories about internal controls and status quo of Chinese real estate market, literature and materials were collected and sorted out to design a questionnaire. After recovering questionnaires, internal controls of Poly Real Estate Group were analyzed, and suggestions on how to improve internal controls of Chinese real estate industry were put forward.

3.2. Research Tools

In this paper, data were collected by questionnaire survey. The survey covers 3 parts and includes 21 questions, including 5 questions in Part 1 about demographic statistic, 4 questions in Part 2 concerning internal controls of Poly Real Estate Group and its objectives realized, and 12 questions in Part 3 concerning the group's ways for exercising internal controls.

3.3. Data Collection Methods

In this survey, data were mainly acquired by questionnaire survey. A total amount of 300 questionnaires were issued online and offline, while 290 questionnaires were recovered. The questionnaires where information was not complete were considered invalid. In this survey, there were five invalid questionnaires, which were totally excluded from this study. Besides, questionnaires where a majority of questions were the same or it was clear that answers were given carelessly were also deemed to be invalid. In this survey, there were 2 questionnaires of this kind, which were excluded from this study. In fact, 283 valid questionnaires were recovered and the recovery ratio was 94.3%.

3.4. Methods for Data Analysis

The questionnaire was designed based on surveys . The data collected were analyzed by principal component analysis to identify interactions of different components. The analysis was performed by spss17 and the statistical methods adopted are introduced as follows:

(1) Statistical analysis. This analysis was performed for classifying customers.

(2) Correlation analysis. Correlation analysis was performed for investigating whether the phenomena investigated were interdependent. Then, interdependent phenomena were discussed in terms of their correlations and degree of correlations. This is a statistical method for exploring correlations of random variables. In this paper, correlation analysis was performed for verifying whether internal controls and objectives of Poly Real Estate Group were positively correlated to its ways for exercising internal controls.

3.5. Research Process

In this paper, the research process is as follows:

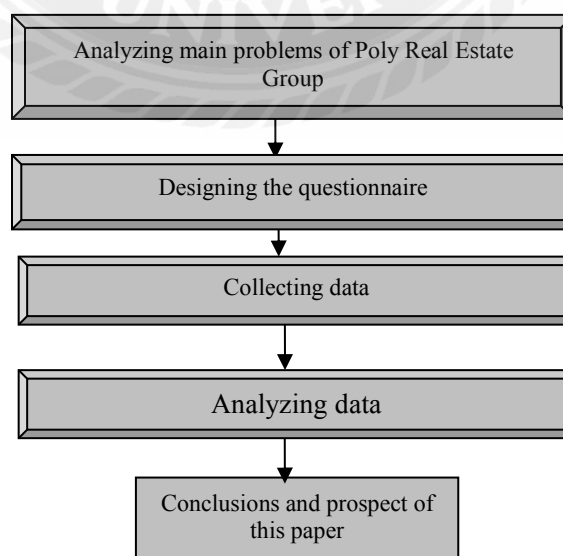


Fig 1. Research Process

CHAPTER 4

Results and Analysis

4.1. Reliability Test

Reliability is for analyzing the extent to which the results of a measurement is consistent. Then, the reliability of the scale and the measurement method is tested by the degree of consistency. According to tools and time of measurement, reliability may be divided into internal consistency reliability, parallel-forms reliability, test-retest reliability and parallel-forms test-retest reliability. The internal consistency reliability is primarily measured by testing degree of consistency among respondents' questions based on Cronbach's Alpha coefficients.

4.2. Validity Test

Validity refers to the extent to which the scale can measure corresponding variables. Validity is generally classified into several categories, including content validity, which reflects whether items included in a scale are comprehensive or neglected, face validity (Experts are invited to evaluate whether the scale has measured pertinent variables), and construct validity, which mainly includes convergent validity and discriminant validity. Convergent validity is the extent of correlations between items measured for a variable and extracted common factor. The stronger the correlations (the correlation variable is expected to be above 0.5), the closer connections between the items and the public factors and the higher the convergence. Discriminant validity reflects the exclusiveness of items for variable measurement. The convergent validity and discriminant validity can be roughly tested through factor analysis. To test the validity by factor analysis, it is firstly necessary to satisfy prerequisite for factor analysis, which means that items shall be highly correlated to each other. These strong correlations are reflected from two indicators, including KMO values and values of Barlett's test of sphericity. KMO values are used for measuring items with relatively simple correlations and partial correlation

coefficients, ranging from 0 to 1. The values will be quite suitable, suitable, not quite suitable and unsuitable for factor analysis when they are above 0.9, ranges from 0.7 to 0.9, 0.6 to 0.7 and below 0.6 respectively. The values of Bartlett's test of sphericity are employed for testing whether correlations among tested items are significant or not. If significant (i.e. Sig.<0.05), the values will be suitable for factor analysis.

Table 4.2.1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.882
Bartlett's Test of Sphericity	Approx. Chi-Square	5382.617
	df	325
	Sig.	.000

The test results of Table 4.2.1. Suggest that the KMO value of surveyed data was 0.782, which was above 0.70 and thus proves that this questionnaire was suitable for factor analysis. According to the results of Bartlett's test, the approximate Chi-square value was 5382.617, which was relatively high, and the significant level was 0.000 ($P < 0.01$), so the null hypothesis for Bartlett's test of sphericity was rejected. Thus, the scale of Poly Real Estate Group was considered to exhibit high construct validity and be suitable for factor analysis.

In the process of factor analysis, principal component analysis was performed and factors were rotated by orthogonal varimax rotation to extract factors with characteristic values above 1. The results suggested that there were six common factors with characteristic values above 1. As shown in the table. The factor loading of all items was above 0.50, so all items should be kept. According to results of Table 4.2.2, the percentage of total variance explained exceeded 70.693%, which was above 60%, so the scale of Poly Real Estate Group was deemed to be highly valid.

Table 4.2.2. Statistics of Factor Analysis

Items	Initial Statistics			Statistics Extracted from Factors			Statistics Extracted from Factors after Varimax Rotation		
	Characteristic Root	Contribution Rate	Accumulated Contribution Rate	Characteristic Root	Contribution Rate	Accumulated Contribution Rate	Characteristic Root	Contribution Rate	Accumulated Contribution Rate
1	9.132	35.123	35.123	9.132	35.123	35.123	4.518	17.375	17.375
2	2.844	10.939	46.062	2.844	10.939	46.062	3.658	14.071	31.446
3	2.055	7.906	53.968	2.055	7.906	53.968	3.035	11.671	43.117
4	1.718	6.606	60.574	1.718	6.606	60.574	2.821	10.851	3.968
5	1.491	5.736	66.310	1.491	5.736	66.310	2.705	10.404	64.372
6	1.140	4.383	70.693	1.140	4.383	70.693	1.644	6.321	70.693

Extraction Method: Principal Component Analysis.

Table 2.2.3 shows the matrix of rotated factors. In this table, 26 questions were categorized into six types of factors, which were named based on professional knowledge:

Type 1: Items x6- x7 were named “Factors for Labor Division and Authorization”;

Type 2: Items X8-X9 were named “Factors for Budget Examination and Approval”;

Type 3: Items X10-X11 were named “Factors for Property and Accounting”;

Type 4: Items X12-X13 were named “Factors for Internal Economy”

Type 5: Items X14-X15 were named “Factors for Information Evaluation”;

Type 6: Items X16-X17 were named “Factors for Internal Control”.

Table4.2.3. Factor Loading Matrix after Orthogonal Rotation

Items	Type1	Type2	Type3	Type4	Type5	Type6
X6	0.708	0.244	0.109	0.359	0.154	0.132
X7	0.65	0.192	0.173	0.146	0.23	0.123
X8	0.14	0.601	0.31	0.004	-0.12	0.461
X9	0.163	0.588	0.214	-0.085	-0.032	0.571
X10	-0.139	0.025	0.67	0.251	0.255	0.172
X11	0.084	0.132	0.861	0.129	-0.044	0.011
X12	0.117	0.093	0.299	0.653	0.203	0.235
X13	0.137	0.028	0.187	0.838	0.164	0.119
X14	0.044	0.564	0.02	0.138	0.576	0.265
X15	0.373	0.343	-0.125	-0.141	0.617	0.285
X16	0.318	-0.106	0.459	0.271	0.137	0.661
X17	-0.11	0.137	0.323	0.447	0.212	0.582

4.3. Analysis on Internal Controls of Poly Real Estate Group

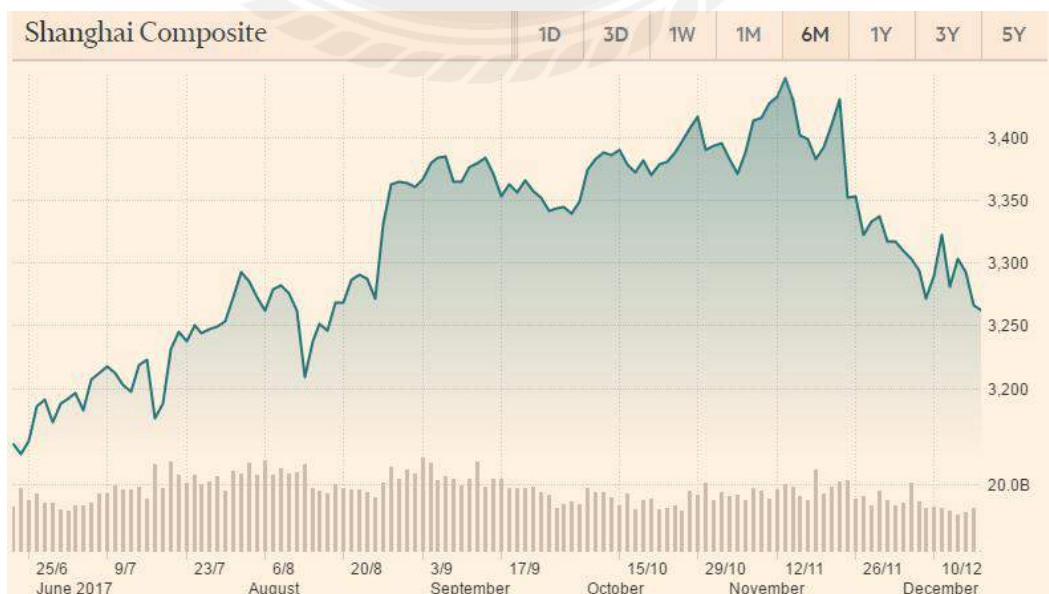
4.3.1. Development Status of Poly Real Estate Group

About the company: Poly Real Estate Group Co., Ltd, formerly known as Guangzhou Poly Real Estate Development Company, was registered and incorporated by Poly Southern Group Co., Ltd (a wholly-owned subsidiary of China Poly Group Corporation) in Guangzhou on 14th September 1992 as an enterprise owned by all people. At the time of its incorporation, the registered capital amounted to RMB10,000,000. In September 1997, Poly Southern Group Co., Ltd made extra investments in this company, including RMB49,597,200 invested in cash and RMB402,800 converted from surplus reserves. After that capital increase, the registered capital amounted to RMB60,000,000.

Business scope: At present, the company's services have strategically covered 40 cities of China, particularly Guangzhou, Beijing and Shanghai. With 119 subsidiaries where it owns some shares, Poly Real Estate Group has expanded its businesses to top-grade real estate development, lease of commercial houses developed by itself, engineering designs of houses, demolition of old houses, road construction, earthwork construction, interior decoration, air conditioning projects, installation management, property management, hotel management, wholesales and retail (except for commodities exclusively traded and controlled by countries).

Business performances: The company's annual business revenues amount to RMB47.036 billion. By the end of 2011, its total assets were as high as RMB200 billion including RMB73.2 billion from sales and revenues and RMB6.531 billion allocated to owners of the parent, which increased by 31.04% and 32.74% respectively on a year-on-year basis. With steady increase in its sales, Poly Real Estate Group annually achieves RMB73.242 billion contracted sales, which has a year-on-year growth of 10.69%. The area of houses sold under sales contracts is up to 6,502,900m² and the annual sales ratio is above 68%. In 2011, it was the first time that the sales of Poly Real Estate Group exceeded RMB10 Billion. In the same year, its sales were above RMB5 billion in five cities, including Chengdu, Foshan, Beijing, Shanghai and Tianjin.

An Overview of Current Stock Market



4.3.2. Meaning of Internal Control Environment

1. Corporate Governance Structure

1.1 Equity structure: By the end of 2016, the company had owned 129,832 shareholders. The shareholding situation of Top 10 shareholders is shown as follows:

From the annual report, Poly Southern Group Co., Ltd is the largest shareholder of Poly Real Estate Group, where it holds 38.05% shares. However, the shareholding ratio of all other shareholders is below 5%. Thus, it is clear that the shareholding is relatively centralized in this company. (Poly Real Estate)

1.2 Shareholders' committee: The shareholders' committee is the highest authority and decision-making authority of the company. Within the reporting period, the company has convened one annual shareholders' general meeting and 2 extraordinary shareholder' meetings. Its procedures for calling and convening shareholders' general meetings are totally in conformity with the Articles of Association and Rules of Order for Shareholders' Meeting. They are effective for protecting legitimate rights and interests of all shareholders, particularly small and medium-sized shareholders. On the premise of making sure that a shareholders' general meeting is legitimate and effective, the company determines time, place and voting method of the meeting from the standpoint of shareholders, in order to satisfy shareholders' needs for attending the meeting. In shareholders' general meetings, connected transactions shall be deliberated in strict compliance with related regulations. Associated shareholders shall abstain from voting to ensure corporate connected transactions are equal, fair, open and reasonable. Meanwhile, information shall be promptly disclosed.

1.3 Directors and the Board of Directors: The company's Board of Directors has 9 members, including the Chairman of Board Song Guangju (who was born in 1960, granted the EMBA by the Sun Yat-sen University), three independent outside directors (including Zhang Hengshan, Zhang Liqing and Tan Jinsong) and other directors (including Zhang Zhengao, Wang Xiaochao and Wang Ling). Within the reporting period, the company has convened 14 board meetings, 7 Audit Committee meetings, 1 Nomination Committee's meeting, 3 Remuneration and Appraisal

Committee's meetings, and 1 Strategy Committee's meeting. Under the Board of Directors, four professional committees are set up, including the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. Meanwhile, detailed work rules have been formulated for these committees. Except for the Strategy Committee, all other professional committees' meetings are called by independent directors. Major professional matters will be submitted to the Board of Directors for deliberation after they are discussed by the professional committees, in order that independent directors can better play their roles.

1.4 Supervisors and the Board of Supervisors: The Board of Supervisors takes accountability for the shareholders' general meetings. It is made up of 3 supervisors, including Chen Kai who acts as Chairman of the Board of Supervisors, Liu Juncai and Yu Bo. Within the reporting period, the company has convened 6 meetings of the Board of Supervisors to discuss its important subject matters such as periodic reports and incentive plans for stock options. The Chairman of the Board of Supervisors has been always present in the company's board meetings, General Manager's Office meetings and monthly offices to promptly and comprehensively understand operations of the company. In addition, he supervises the Board of Directors and management personnel on a real-time basis. The company has also established a special internal auditing system for the Board of Supervisors, to make sure of performing an internal audit of first-tier subsidiaries every three years and bring the supervisory roles of the Board of Supervisors into play in the whole group.

1.5 Situation of special activities for cracking down upon and preventing insider trading: Within the reporting period, the company has comprehensively and independently carried out activities for cracking down upon and preventing inside trading according to the Notice of the Guangdong Supervisory Bureau of the China Securities Regulatory Commission on Carrying down upon and Preventing Insider Trading in Combination with Special Inspections (No.170 Document issued by the Guangdong Supervisory Bureau of the China Securities Regulatory Commission in 2011). After its independent examination, the company discovered that it was effective for improving its Management System for Insider Information and Insiders. It manages its insider information and insiders in strict compliance with laws, rules and

regulations. It takes complete and appropriate security measures. Moreover, its relevant registration and reporting work are standard and orderly. None of its insider information has been discovered to be disclosed, and no insiders have been found to illegally sell or purchase stocks of the company with corporate insider information. Besides, the company takes initiatives to carry out special activities for preventing insider trading in the whole group. These special activities go through three stages, namely publicity, implementation and improvement. According to the principles for “strengthening publicity, improving mechanisms and promoting standardization”, the company has further popularized basic knowledge about preventing insider trading, increased all of its employees’ consciousness of preventing such trading and urged all department to establish and improve their mechanisms for preventing insider trading. It has also enhanced management of insider information and insiders. Furthermore, it has constructed its own long-term mechanism for standardized operations and legitimate operations, so as to promote its sustainable, steady and sound development.

2. Organizational Structure of the Company

In establishing its organizational structure, the Company has full considered its size on the basis of making the structure scientific, simple, efficient and transparent, in order that functions of departments won’t be overlaid or missing or rights won’t be over centralized. In this way, all departments will perform their respective duties, collaborate with and restrict each other at work. In the meantime, the company has created relatively complete quality documents such as quality handbook, quality records, procedural documents and work documents according to ISO. It practises rights, responsibilities and related operating instructions in specific departments and posts, thus making requisite standards and standard guidebooks available for exercising authorities, performing duties and communicating with others within the organization.

At present, Poly Real Estate Group adopts a two-tier organizational structure, which is made up of the HQ and the subsidiaries. The Board of Directors is the highest decision-making authority of the enterprise. In this company, General Manager is not only an executor of the decisions made by the Board of Directors, but also enjoys the highest authorities in corporate routine operations and management. Deputy general manager, technical director, chief financial officer, assistant general

manager and secretary of the board are capable assistants of the General Manager. This enterprise has set up functional departments such as project management center, cost management center, technology research & development center, brand management center, financial management center, investment management center and human resource center to serve its subsidiaries in different areas, which directly manage development projects in areas where they are and directly report to senior managers of the group. At present, the organizational structure of the company is as follows:

3. Internal Controls

Unlike other real estate companies, Poly Real Estate Group Co., Ltd implements its internal audit system under the lead of the Board of Supervisors. It has set up an audit management center and established “internal audit system”. It has also employed full-time internal auditors to regularly perform internal audits on different aspects such as whether its internal audit system is complete or effective, its financial revenues and expenditures, asset management, business decisions, compliance of its operations with laws or regulations, business performances and accounting information. Besides, related departments of cost management and advance settlement collaborate with internal auditors to in annual internal audits of subsidiaries. Attaching great importance to auditing results, managers of the company will ask related departments to make prompt corrections and improvements when they discover any problems in auditing. If serious, they will investigate responsibilities of personnel concerned, appoint and dismiss these personnel according to the auditing results. Besides, the auditing management center regularly organizes departments to independently check financial affairs and internal control management to promptly take corrective actions for problems discovered, in order to effectively increase consciousness of self-discipline of managers at all levels while improving corporate internal management and control.

4. Human Resource Policies

Adhering to the concept of “only employing talents and giving priority to ethics”, the company shows much concern about the importance of human resources for development of an enterprise. It has established a range of human resource management systems, including Recruitment System, Employee Promotion

Management System, Training System and Performance Appraisal Management System, so as to clarify requirements for holding different posts, employees' competencies, evaluation standards and training measures. With effective performance appraisal and incentive mechanisms, it has been improving employees' quality. Thus, its employees can work efficiently and achieve sustainable development.

5. Enterprise Cultures

The company devotes to developing into a highly internationalized TOP500 large transnational group with leading position in the main industries it engages in, strong management abilities, excellent corporate governance skills, strong sense of social responsibilities and capacity for sustainable development. Since its emergence, Poly Real Estate Group has been insisting on creating benefits with products and services on the basis of good faith and integrity. It not only provides buildings and space for its customers, but also elements and realm of life. Advocating "practicality, innovation, standards and excellence" as its management philosophy, the company has been carrying forward and remain committed to its development concepts and development characteristics, which are "harmony, nature and comfort". Besides, it has put "harmony" into its strategic agenda for its brand building as core value and foremost design idea of its products, which are incorporated into products from all perspectives, in all respects and parts. As overall style and the most important product characteristic of this company, "nature" is the core concept of products. "Comfort", with a view to maximize benefits of target customers, reflects "customer-oriented" thoughts. Upholding the people-oriented spirits of making modern buildings natural and comfortable for living, Poly Real Estate Group pursues harmony between buildings and the nature, between people and buildings, and among people, which is the ultimate goal of "harmonious, natural and comfortable life". Guided by its management philosophy mentioned above, it carries forward "making great efforts to move forward, being united, behaving dedicatedly, acting on good faith and having strict disciplines", among which good faith is deemed to be essential for the company to survive. It is just because of its low-profile, practicality, good faith, professionalism and high efficiency that Poly Real Estate Group has been widely recognized in the market and trusted by its customers.

6. Social responsibilities

Achieving fast growth and contributing a lot to economic development: in 2016, the company's contracted sales almost amounted to RMB107.41 billion, which increased by 39.45% on a year-on-year basis. In that year, its business revenues were as high as RMB87.141 billion and net revenues reached RMB13.859 billion, which increased by 37.45% and 9.89% on a year-on-year basis respectively. At the end of the same year, its total and net assets amounted to RMB438.129 billion and 35.3 billion, with a year-on-year growth of 28.0% and 18.7% respectively.

Paying taxes according to laws and striving to repay the society: With the rapid improvement of its business performances, Poly Real Estate Group has been strictly performing its obligations as taxpayer and making contributions to fiscal income of China as possible as it can. From 2006 to 2016, the company cumulatively paid RMB36.5 billion for taxes, which increased by 71.2% at a compound annual growth rate. In 2016, Poly Real Estate Group paid a total amount of RMB18.768 billion for taxes, which increased by 68.7% on a year-on-year basis.

Promoting employment and laying a solid foundation for building a harmonious society: The company has owned more and more talents, of which the number has drastically increased by 5.9 times from 2,500 at the time of listing to 14,880. According to primary statistics, the area of the company's development projects under construction exceeded 48,000,000m² in 2016 when it created employment opportunities for more than 80,000 people and significantly promoted employment of related upstream and downstream industries. Meanwhile, the company has been sticking to safe production, civilized construction and timely payments of wages to really protect legitimate rights and interests of its employees.

Giving priority to bonus and sharing profits with its investors for their support: While developing fast, Poly Real Estate Group attaches great importance to repayments for its investors. Since its listing in 2006, the company has cumulatively shared about RMB4.5 billion bonus, including RMB2.75 billion in cash, which accounted for 13.7% of the net profits. This ratio has been increasing and was even as high as 20% in 2010. Thus, investors of the company have gained considerable cash returns while increasing the value of their capitals. In 2011, the earnings per share amounted to RMB1.1 the company and increased by 33% on a year-on-year basis.

The company plans to implement allocate its bonus at RMB2.15 every 10 shares.

Giving top priority to customers and striving to produce high-quality products: Having incorporated its customer relationship management into its brand management system, Poly Real Estate Group regularly evaluates its customer relationship management in all areas. Besides, it comprehensively evaluates regularity of its customer management, organization of customer activities, measures for maintaining relationships with customers and dissemination of its brand concepts. By analyzing and exploring critical parts for building customer relationships, the company objectively evaluates regional execution of customer work and makes reports based on its evaluation reports, making prompt corrections and improvements. In addition, it actively takes advanced measures to promote customer relationship management.

Quality is controlled according to customer requirements: Poly Real Estate Group controls its product quality according to customer requirements and strictly controls its product quality to really guarantee superior quality of its products. In 2011, it drafted the Technical Handbook for Product Lines of six product series, including “Garden Series”, “Lily Series”, “Wish Series”, “Champagne Series”, “Mansion Series” and “Forest Series”. It has also improved its Poly’s Unified Construction Techniques for Residential Projects” in southern China. In addition, it has confirmed construction techniques for projects in the east and north of China. Concerning its construction and technologies in Guangdong Province, the company has built sample display zones for construction techniques, display zones for engineering cases, and warehouses for equipment, materials and parts. It has built a platform for technical communications among departments of design, engineering management, construction and supervision and so on, in order to really solve quality problems with residential construction.

He Fund, a platform for charity and public welfare: In 2011, He Fund was formally put into operation. That year, it raised RMB1,966,400 from donations for public welfare. It carried out the “Hele China” activity for teenagers’ artistic growth”, built the “growth base” for improving university students’ quality, made endowment plan for the aged and cared about life in all stages. Moreover, its “Cultural Greatwall” program inherits and carries forward precious humanistic spirits for protecting

historical signs of symbiosis between cities and humanities from the perspective of time and space. Besides, He Fund has cooperated with charity groups such as China Youth Development Foundation, China Environmental Protection Foundation, Jiangxi Foundation of Volunteer Services for Caring Migrant Workers and Chengdu Giant Panda Breeding Research Foundation to carry out charity activities for protecting environment and caring vulnerable groups, thus winning recognition and good praises from the general public.

Developing green buildings and promoting environmental protection: In 2016, Poly Real Estate Group further improved its research on its green strategies, drafted its green development plan for the following five years, established and enacted its management rules for green buildings to really ensure effective accomplishment of its goals in its green strategies. In the same period, the company drafted the Design Guideline for Energy-saving and Lower-emission Buildings (Pilot Edition) under the lead of its HQ's technology research & development center and with the professional technical support of Guangdong Architectural Scientific Research Institute. Based on the national standard GB/T50378-2006 for evaluating green buildings, Poly Real Estate Group further developed the most operable and realistic concepts and technologies for green buildings under existing conditions. It established Top-rated Technical Standards for Green Buildings, Two and Three-star Technical Standards for Reconstructing Green Buildings. Furthermore, it constructed its own supporting system for green buildings, which was made up of its HQ, regional subsidiaries and external technical consultants about green energy-saving buildings, in order to jointly promote the application of corporate green technologies.

4.3.3. Factor Analysis on Internal Controls of Poly Real Estate Group

Table 4.3.3.1. Analysis on Internal Controls of Poly Real Estate Group

Factors	Sample Size(N)	Minimum	Maximum	Mean (Mean)	Standard Deviation
Labor Division and Authorization	83	1.75	6.00	4.94	0.92

Budget examination and approval	83	1.75	6.00	4.32	1.03
Property and accounting	83	2.50	6.00	4.52	0.91
Internal accounting	83	2.40	6.00	4.82	0.84
Information evaluation	83	2.60	6.00	4.87	0.92
Internal control	83	1.75	6.00	4.48	1.03

According to descriptive analysis of factors in the scale on internal controls of Poly Real Estate Group (above table), the mean and standard deviation was 4.94 ± 0.92 , 4.32 ± 1.03 , 4.52 ± 0.91 , 4.82 ± 0.84 , 4.87 ± 0.92 and 4.48 ± 1.03 for labor division and authorization, budget examination and approval, property and accounting, internal economy, information evaluation and internal control respectively. Since this survey was performed by Likert five-point scale and the median was 3, the research results suggested that the scores exceeded the median level in all dimensions. The scores were the highest for Labor Division and Authorization, but the lowest for Budget Examination and Approval. The scores were the highest for Labor Division and Authorization, followed by Information Evaluation, Internal Economy, Property and Accounting, Internal Control, Budget Examination and Approval respectively.

4.3.4. Analysis on Internal Controls and Job Satisfaction of Poly Real Estate

Group

1) Gender

Table 4.3.4.1. A Comparison of Internal Controls and Job Satisfaction of Poly Real Estate Group Based on Different Factors and from the Perspective of Gender

	Gender	Sample Size (N)	Mean	Standard Deviation	T Value	P Value
Labor Division and Authorization	Male	143	4.66	0.66	0.333	0.740
	Female	140	4.69	0.77		
Budget examination and approval	Male	143	4.81	0.95	2.325	0.021*
	Female	140	5.06	0.86		
Property and accounting	Male	143	4.32	1.00	0.041	0.967
	Female	140	4.33	1.07		
Internal accounting	Male	143	4.42	0.94	1.786	0.075
	Female	140	4.62	0.88		
Information evaluation	Male	143	4.90	0.80	1.577	0.116
	Female	140	4.74	0.88		
Internal control	Male	143	5.00	0.70	2.332	0.021*
	Female	140	4.75	1.08		
	Female	140	4.61	1.04		

* suggests that P value was below 0.05 and ** shows that P value was lower

than 0.01.

As shown in Table 4.3.4.1. T value was 2.352, 2.332 and 2.092 for Labor Division and Authorization, Budget Examination and Approval, Property and Accounting respectively among people of different sex, while corresponding P value was 0.021, 0.021 and 0.037, all of which were below 0.05. Thus, it was concluded that significant differences existed in these dimensions among respondents of different sex. In addition, males gained higher remuneration than females, whereas female respondents got higher scores in Budget Examination and Approval, Property and Accounting. Hence, it could be concluded that men attached more importance to internal controls at work than women. Nevertheless, women gave higher priority to easy and comfortable life as well as interpersonal relationships. No remarkable gender differences were detected among other factors about internal controls of Poly Real Estate Group (corresponding P value was above 0.05).

Among respondents of different sex, the T value was 2.283 in comparing factors about the superior and corresponding P value was 0.023, which was below 0.05. Thus, it suggested that there were significant differences in scores of the factors about the superior among respondents of different sex. To be specific, men got higher scores than women, which proved that men paid more attention to the superior than women. No remarkable gender differences were detected among other factors about job satisfaction (corresponding P value was above 0.05).

Table 4.3.4.2. Comparison of Satisfaction with Internal Controls and Jobs of Poly Real Estate Group among Respondents with Different Educational Attainment

	Educational attainment	Sample Size (N)	Mean (Mean)	Standard Deviation	T Value	P Value
B						
Labor Division and Authorization	Bachelor's Degree and Lower	173	4.54	0.71	3.872	0.000**
	Master's Degree and Higher	110	4.87	0.69		
Budget examination and approval	Bachelor's Degree and Lower	173	4.9	0.87	0.918	0.359
	Master's Degree and Higher	110	5	0.99		
Property and accounting	Bachelor's Degree and Lower	173	4.1	0.99	4.812	0.000**
	Master's Degree and Higher	110	4.68	1.01		
Internal accounting	Bachelor's Degree and Lower	173	4.41	0.98	2.633	0.009**
	Master's Degree and Higher	110	4.69	0.77		

	Higher					
	Bachelor's					
	Degree and					
	Lower	173	4.66	0.87		
	Master's					
Information	Degree and					
evaluation	Higher	110	5.07	0.75	4.083	0.000**
	Bachelor's					
	Degree and					
	Lower	173	4.71	1.06		
	Master's					
Internal	Degree and					
control	Higher	110	5.13	0.54	4.439	0.000**

* suggests that P value was below 0.05 and ** shows that P value was lower than 0.01.

2) Educational Attainment

As shown in Table 4.3.4.2, in comparing different factors of Poly Real Estate Group such as internal controls, labor division and authorization, budget examination and approval, internal economy and information evaluation among respondents with varying educational attainment, the P value corresponding to T value was below 0.05 in all cases, which suggested that significant differences existed in educational attainment among these dimensions. The scores of respondents with Master's Degree and higher were significantly higher than those with Bachelor's Degree and lower, which indicated that people with Bachelor's Degree and higher paid more attention to these dimensions. No remarkable differences in educational attainment were detected among other factors (corresponding P value was above 0.05).

Table 4.3.4.3. Analysis of Correlations between Internal Controls of Poly Real Estate Group and Different Dimensions of Job Satisfaction

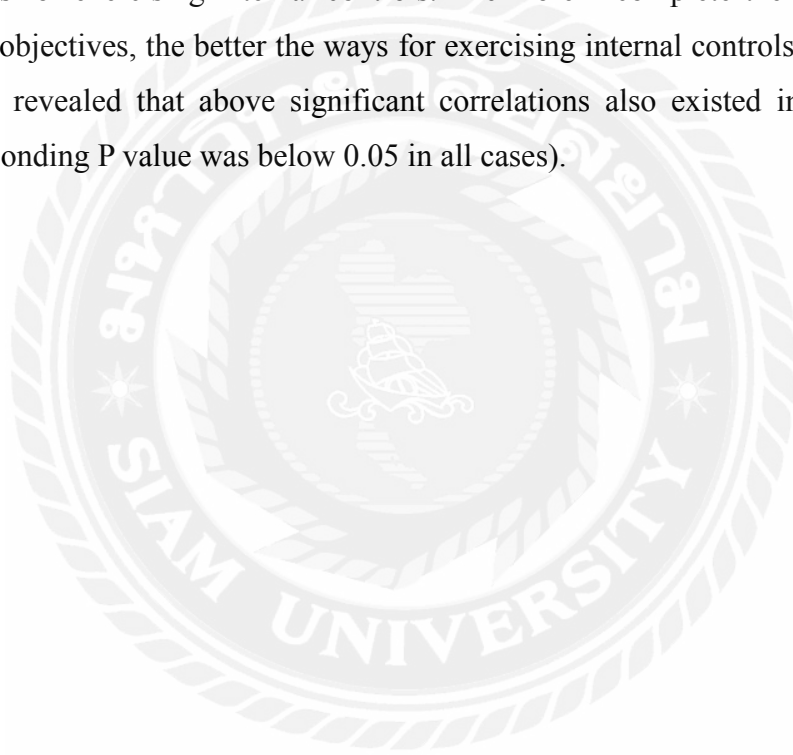
		Job Sati sfact ion	The Jobs Superi or	Wages and Benefits	Relat ionsh ips with Colle ague s	Personal Develop ment	Managem ent Systems	Work Condi tions	
Labor Division and Authoriz ation	Pearson Correlatio n	748* *	673* *	528**	.586**	371**	.661**	596**	533**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000
	N	283	83	283	283	83	283	83	83
Budget examinat ion and approval	Pearson Correlatio n	488* *	498* *	356**	.338**	262**	.439**	383**	301**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000
	N	283	83	83	83	83	283	83	83
Property and accounti ng	Pearson Correlatio n	753* *	661* *	546**	.580**	386**	.670**	585**	545**

	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000
	N	283	83	83	283	83	283	83
	Pearson Correlation	.239*	.237*	.118*	.263**	.028	.223**	.123*
	n							
Internal economy	Sig. (2-tailed)	.000	.000	.047	.000	.643	.000	.039
	N	283	83	83	283	83	283	83
	Pearson Correlation	.461*	.416*	.310**	.348**	.238**	.411**	.389**
	n							
Informat ion evaluatio n	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000
	N	283	83	283	283	83	283	283
	Pearson Correlation	.909*	.798*	.720**	.650**	.519**	.756**	.718**
	n							
Internal control	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000
	N	283	83	283	283	83	283	83

* suggests that P value was below 0.05 and ** shows that P value was lower

than 0.01.

The above table shows how internal controls and realized objectives of Poly Real Estate Group are correlated to the ways for exercising internal controls. According to results of the correlation analysis, the correlation coefficient was 0.748 and corresponding P value was below 0.01 among aforementioned three dimensions. Thus, the correlations were statistically significant. To be exact, internal controls and objectives of Poly Real Estate Group were significantly and positively correlated to the ways for exercising internal controls. The more complete the internal controls and the objectives, the better the ways for exercising internal controls. The correlation analysis revealed that above significant correlations also existed in all dimensions (corresponding P value was below 0.05 in all cases).



CHAPTER 5

Conclusions and Suggestions

5.1. Conclusions

In this paper, field and questionnaire surveys have been performed on status quo of internal controls in Poly Real Estate Group. After data selection and extraction of this group, its employees' views about its internal controls in different areas of China are obtained. First of all, descriptive statistical analysis was performed on basic information of collected data. Subsequently, the significance of the data from questionnaires for results of analysis was explained by testing validity and reliability of the data. After testing the data with SPSS22.0, the data were discovered to be reliable and valid. They completely passed validity and reliability tests, so they were used for further analysis.

During factor analysis, all items of the questionnaire were categorized into six types after dimensions were reduced for the main part of the questionnaire, in order to further simplify steps for analysis. At last, only labor division and authorization, budget examination and approval, internal economy, information evaluation and internal controls were summarized as dimensions of the questionnaire. By comparing the differences of these dimensions in terms of gender and educational attainment, it was discovered that male employees had higher requirements for internal controls and paid more attention to these controls. Hence, in the course of exercising internal controls, companies are supposed to actively pay attention to male employee' views about work. As to educational attainment, employees with higher degrees are more desirous of improving internal controls, on the grounds that they give higher priority to consider whether their job opportunities are safe or not at work.

After the factor analysis, internal controls, related objectives and ways for exercising internal controls, which were included in the factor analysis, were analyzed. At last, it was found in studying employees' satisfaction with internal controls that

internal controls and related objectives were usually much more important for the satisfaction with corporate internal controls than ways for exercising internal controls. Therefore, in order to really improve internal controls in practices, more attention is expected to be paid to improve objectives of internal controls and constantly improve internal controls of Poly Real Estate Group Co., Ltd for the ultimate goal of exercising comprehensive internal controls within the company.

5.2. Limitations

5.2.1. Sample Limitations

Samples are fundamental for data surveys. However, the data collected for this paper are not quite sufficient owing to time limit for data collection, lack of funds and some other reasons, which might somewhat impact the measurements.

5.2.2. Limitations in Questionnaire

In this paper, there are very limited related scales for reference. Identical research has been seldom performed home and abroad. Thus, it is impossible to take all factors into account, which might exert some limitations upon the questionnaire.

5.2.3. Limited Applicability of Conclusions

Poly Real Estate Group, which is a top real estate enterprise of China, is the research object of this paper. Whether the conclusions of this paper apply to small and medium-sized real estate enterprises remains to be verified.

5.3. Suggestions

Suggestions for Poly Real Estate Group to improve its internal controls

1. In terms of governance structure: Poly Real Estate Group may draw lessons from the independent director system and introduce independent supervisors from other listed companies to improve overall quality of its board of supervisors. Independent supervisors may be dispatched by accounting firms which are not associated with the listed companies in terms of transactions or property. By

appointing these professionals as independent supervisors, it is helpful for improving structure of the board of supervisors, effectively bringing roles of the board of directors and management departments in supervision and balancing rights into play. Insiders shall be trained about the established Management System for Insider Information and Insiders at routine work, in order that they could understand severe consequences of illegal acts. Meanwhile, all matters specified in the system shall be rigorously handled.

2. Concerning organizational structure, Poly Real Estate Group shall set up a special risk management committee and appoint risk managers. Meanwhile, it has to improve roles of other related functional departments in internal controls and risk management. The severity of risks may be evaluated to identify main risks related to work objectives, so as to take effective control measures for guaranteeing realization of the objectives. Besides, the evaluation results shall be reported to all departments to enhance their responses to changing environment.

3. As regards human resource policies, efforts shall be made to improve staff's all-round qualities in internal controls, including professional knowledge about internal controls and strong ideological consciousness. Employees and related professionals shall be regularly trained concerning professional knowledge related to internal controls and internal control systems. Furthermore, some activities about internal controls and management can be carried out to increase employees' ideological consciousness, in order that employees can take initiatives to acquire advanced professional knowledge and experiences home and abroad. In this way, employees who embark on internal controls can further improve their professionalism and all-round qualities.

4. Poly Real Estate Group shall enhance its supervision and auditing, not only in quality, but also the implementation of different systems, so as to really protect interests of customers. Moreover, it shall regularly collect customer feedbacks about its products and brand value from market to increase customer satisfaction.

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Annex

Questionnaire on Satisfaction with Internal Controls of Poly Real Estate Group

To make it easier to understand status quo of internal controls and management in Poly Real Estate Group, we have specially designed this questionnaire to investigate employees' satisfaction with internal controls of Poly Real Estate Group. Then, suggestions are put forward for guiding the company to improve their internal controls and management based on the information acquired from employees' answers and feedbacks.

Basic information:

1. Your gender ()
A. male B. female
2. Your age ()
A. 18-30 B. 31-40 C. 41-50 D. 51 and older
3. Your post ()
A. administration B. sales management C. real estate development D. engineering construction
E. logistics security F. technology research & development G. public relations H. financial accounting
4. Your workplace ()
A. East China B. West China C. East China D. South China E. Central China
5. Your educational attainment ()
A. high school and college diplomas B. Bachelor's Degree C. Master's Degree D. Ph.D Degree

Part 1. Survey on Internal Controls and Realized Objectives

- 1、 Do you think your company's internal control systems play roles in realizing corporate strategic goals?()
A. very important roles B. yes C. moderate D. no E. not at all

2. Do you think your company's internal control systems play roles in improving corporate business performances?()

A. very important roles B. yes C. moderate D. no E. not at all

3. Do you think internal control systems of your company make corporate financial reports and management information more transparent?

A. very important roles B. yes C. moderate D. no E. not at all

4. Do you think your company's internal control systems play roles in improving corporate laws, regulations and supervisory requirements?

A. very important roles B. yes C. moderate D. no E. not at all

Part 2. Ways for Exercising Internal Controls

1. Have your company controlled job assignment and labor division under its internal control system ()

A. largely
B. yes
C. moderately
D. no
E. not at all

2. Have your company controlled authorization under its internal control system ()

A. completely
B. yes
C. moderately
D. no
E. not at all

3. Have your company controlled examination and approval under its internal control system ()

A. completely
B. yes
C. moderately
D. no
E. not at all

4. Have your company controlled budget under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

5. Have your company controlled property protection under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

6. Have your company controlled accounting system under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

7. Have your company controlled internal reports under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

8. Have your company controlled analysis of economic activities under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

9. Have your company controlled performance appraisal under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

10. Have your company controlled information technologies under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

11. Have your company exercised internal controls related to financial reports under its internal control system ()

A. completely

B. yes

C. moderately

D. no

E. not at all

12. Are you satisfied with internal controls of your company ()

A. very satisfied

B. satisfied

C. just so so

D. unsatisfied

E. very unsatisfied

Thanks very much for your support in our questionnaire survey. If you have any questions about internal controls of your company, please don't hesitate to write them down in the questionnaire.