MIXED MERGERS AND ACQUISITION RESEARCH ON THE INFLUENCE OF THE WEALTH OF SHAREHOLDER OF LISTED COMPANIES： IN CHINATEX INVESTMENT ACQUIRED ESSENCE SECURITIES CASE

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Thematic Certificate

To

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This independent study has been approved as a partial Fulfillment of the Requirement of International Master of Business Administration in International Business Management

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ABSTRACT

Title:	Mixed Mergers and Acquisition research on the influence of the wealth of shareholders of listed companies: In Chinatex investment acquired Essence securities case
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Mergers and acquisitions from the end of the 19th century has been developed more than 110 years of history. There have been six times in the history of wave of mergers and acquisitions, it is in the wave of mergers and acquisitions in the , world famous companies such as American iron and Steel group、General motors. Mixed Mergers and Acquisition effect has been a hot issue in the field of corporate finance, is also a lot of differences in academia. Capital market in China has developed rapidly in recent years, especially the stock market through continuous expansion and related financial products innovation has become an important force in the world financial market. Along with our country's capital market development and improvement of mixed Mergers and

Acquisition events will be more and more frequent. However, our country has only 30 years of reform and opening-up, the economy is still in transition. The mixed mergers and acquisitions of listed companies in the development of time is relatively short, serious lack of practical experience and theoretical support. We analysis from domestic typical mixed mergers and acquisition cases of mixed mergers and acquisition impact on the wealth of shareholders of listed companies, has the strong theory meaning and realistic meaning. Results of this study also help of listed companies to set up a clear purpose, choose the appropriate targets, the reasonable arrangement of mergers and acquisition integration work, as far as possible, reduce errors in the process of mergers and acquisition decision-making and implementation, ultimately to achieve the optimal allocation of resources.

In 2014, A stock market China Texile investment acquired Essence securities mergers and acquisition events for this case. This is our country capital market typical case mixed mergers and acquisition. After the completion of mergers and acquisitions Essence securities become a wholly owned subsidiary of China Texile investment so as to realize the dock with the capital market. China Texile investment have been added to the main business of securities services to become a double main business company. The income scale and profitability of listed companies will be improved. We mixed mergers and acquisition events in case the impact of in-depth analysis. It helps to accurately define success criteria of mixed mergers and acquisition.

Domestic and foreign scholars on this subject mainly uses financial information research method or use stock event study. Intermittent lag effect and will affect the study of financial data. And many factors affect the stock price movements, is more difficult to eliminate the influence of factors other than mergers and acquisitions in the study. In this paper, the integrated use of financial information study method and stock event study, from the Angle of short, medium and long-term multiple, China Texile investment acquired Essence securities mergers and acquisition events were analyzed. Besides,

through changes in the intrinsic value and market value of the two combined analysis, to mix different research period of mergers and acquisition events listed companies combined analysis of the influence of changes in shareholder wealth, to evaluate the mixing of the wealth of shareholders of listed companies mergers and acquisitions events affect provides a new perspective.

First, the study found that no matter from the perspective of financial or from the perspective of shares, China Texile investment company mixed shareholder wealth level improved significantly after the merger. We concluded that mixed mergers and acquisition can improve the financial situation, enhance profitability of listed companies, the conclusion of shareholder wealth growth. Next, the study found that mixed mergers and acquisition can influence market value of listed companies, a significant excess returns for shareholders in the short term, the shareholders in the medium to long term buy and continue to hold larger earnings volatility but positive. At the same time, the study found that the listed company after the merger integration is the key to the success of mixed mergers and acquisition, the equity structure and the shareholder structure of listed companies are the important factors influencing the mixed mergers and acquisitions. Finally, this article provides recommendations for the short-term investors of listed companies, long-term investors, and strategic investors provide investment strategy after mixed mergers and acquisition events, also for the mergers and acquisition market investors efficient identify potential mergers and acquisitions company provides significant guidance.

Keywords: Mixed Mergers and Acquisition; Shareholder Wealth; China Texile Investment; Essence Securities

摘 要

题目： 混合并购对上市公司股东财富的影响研究

——以中纺投资并购安信证券为例

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并购从19世纪末开始发展至今已经有超过110年的历史，历史上已经出现了六次并购浪潮，正是在这些并购浪潮中出现了美国钢铁集团、通用汽车等世界知名企业。混合并购对上市公司股东财富的影响一直是公司金融领域的热点问题，也是在学术界分歧很大的问题。近年来我国资本市场发展迅速，特别是股票市场经过不断的扩容和相关金融产品不断创新已经成为影响世界金融市场格局的重要力量。随着我国的资本市场不断发展和完善，混合并购事件将会越来越频繁的发生。然而，我国改革开放至今仅有30多年，目前经济仍处于转型期，上市公司的混合并购发展的时间还比较短，严重缺乏实践经验和理论支撑。我们从国内的典型混合并购案例中分析混合并购对上市公司股东财富的影响，有较强的理论意义和现实意义。本文的研究成果对引导上市公司在并购中设立清晰的目的、选择合适的并购标的、合理安排并购整合工作、减少决策和实施过程中的失误并最终实现资源的最佳配置有独特的作用。

本文以2014年A股市场上中纺投资并购安信证券的事件为案例。中纺投资与安信证券经营业务差异较大，是我国资本市场上混合并购典型的案例。并购交易完

成之后，安信证券成为中纺投资公司的全资子公司从而实现了与资本市场对接，中纺投资公司的主营业务新增了证券服务业从而成为双主业公司，上市公司的收入规模及盈利能力将得到大幅提升。本文准确界定了上市公司混合并购的成功标准，并对案例中混合并购事件产生的影响进行深入分析。

国内外学者对这一课题的研究主要是单独运用财务资料研究法或股票事件研究法。财务数据的滞后性和间断性会影响研究的效果，而影响股票价格变动的因素众多，研究中剔除并购以外的因素的影响比较困难。本文综合运用财务资料研究法和股票事件研究法，从短、中、长期多个角度对中纺投资公司并购安信证券的案例进行分析。本文将内在价值和市场价值二者的变动结合起来分析，将不同研究期限内混合并购事件对上市公司股东财富变动的影响结合起来分析，为评价混合并购事件对上市公司股东财富的影响提供了一个新的视角。

首先，通过本文的研究我们发现无论从财务的角度还是从股价的角度来看，中纺投资公司混合并购后股东的财富水平都得到了显著的提升。我们得出混合并购能够改善上市公司财务状况，提升上市公司盈利能力，实现股东财富增长的结论。其次，研究发现混合并购能深刻的影响上市公司市值，在短期内为股东带来显著的超额收益，在中长期内的股东的购买并持续持有收益波动幅度较大但是持续为正值。再次，研究发现并购后上市公司的整合是混合并购成功的关键因素，上市公司的股本结构和股东结构是对混合并购至关重要。最后，本文分别为上市公司的短期投资者、中长期投资者、战略投资者提供了在混合并购事件后的投资策略，也为并购市场投资者高效识别潜在并购公司提供了有意义的指导。

关键词：混合并购；股东财富；中纺投资；安信证券

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Content

FIGURE

CHAPTER 1 INTRODUCTION

1.1 Topics selected background

1.1.1 The wave of global mergers and acquisitions

This paper highlights motives for mergers and acquisitions within the listed company industry in order to deter-mine whether it increases the overall wealth of shareholders and whether a company's overall efficiency is improved. Empirical research analysis has been provided to indicate whether the effect of the Financial Crises of 2007 has positively caused merger activity to increase shareholder wealth and company efficiency.

Mergers are the combining of two business entities under a common ownership. The term for mergers and acquisitions is used interchangeably but acquisitions can be described as the coming together of roughly equal sized firms on roughly equal terms in which shareholders remain as joint owners. A takeover on the other hand is, the process whereby an acquiring firm makes a bid for a target company. These terms will be used interchangeably throughout and will be referred to as mergers (Li, 2016).

Global markets have continuously experienced increased mergers and acquisitions over the last decade. Various reasons have driven firms to undertake Mergers and Acquisitions. Growing business confidence, consumer demand and improving economic conditions in the region have whetted business executives‟ appetite for firms in the technology, mining and financial services sectors. Mergers and Acquisitions are continuously being adopted for progressive company competitiveness by expanding market share. Mergers and acquisitions are used to diversify the company’s portfolio as a risk management strategy. Additionally, to enable companies penetrate to new geographical markets to support growth by capitalizing on economies of scale and increase on customer base among other reasons (Kemal, 2011). The logic behind any corporate merger is the synergy effect; two is better than one. Companies believe that by either merging or acquiring another company, the performance would be better than a single entity. This is attributed by the fact that shareholder value would effectively be maximized (Sharma, 2009). The reasons behind mergers and acquisitions are; increased market share and revenues, economies of scale, synergy, taxation, widen geographical areas and among other rationale.

Accompanied by the popularity of global corporate mergers and acquisition activities, mergers and acquisition has gradually become a research hotspot in corporate finance. However, contrary to the year-on-year increase in the size and number of mergers and acquisitions, the academic community has not reached a unanimous conclusion on whether the mergers and acquisitions have increased the wealth of shareholders. In addition, the criteria for evaluating the results of mergers and acquisition activities have not been unified, and the synergies generated by mergers and acquisitions activities are difficult to quantify. These difficult issues are confusing researchers and practitioners of corporate mergers and acquisition events (Yao, 2008).

In fact, the decision about capital structure by the managers of the regulated firm affects the outcome of control contests through its effect on the distribution of cash flows between voting equity and nonvoting debt. In particular, higher debt levels result in a lower profitability for the acquirer and, therefore, in a lower probability of acquisition. Thus, the strategic choice of the optimal debt level is based on trading off a decrease in the probability of acquisition (marginal cost of debt) against an increase in the share of the expected synergy gain for the targets shareholders (marginal benefit of debt), due to a better ability of a rival management to run the firm (if we admit that debt is issued in competitive markets at the present value of its expected payoff, yielding zero net present value to debtholders) (Israel, 1991). Thus, those financial (strategic) decisions try to influence not only the price that a potential bidder must pay to obtain the control (as well as the probability of the acquisition), but also the regulatory policies about allowed prices or allowed rates of return (trying to mitigate an opportunistic behavior of the regulator in the regulatory game) (Spiegel & Spulber, 1997).

1.1.2 Status Quo of Mergers and Acquisitions of Listed Companies in China

China began to develop mergers and acquisitions in the 1980s. In 1997, the Chinese government began a strategic reorganization of state-owned enterprises. Mergers and reorganizations among enterprises have become social and economic hot spots. Mergers and acquisition activities have become an important means for the diversified development of listed companies. Since 2001, China's listed companies have carried out a large number of mixed mergers and acquisitions activities with main business changes as the main features. The frequent occurrence of mixed mergers and acquisitions shows that the listed companies tend to diversify their business operations. Many listed companies have rapidly expanded their own production and operation areas by means of mixed mergers and acquisitions, and realized multi-industry and multi-primary operations, thereby reducing the possibility of the entire listed company's survival and development due to a certain industry downturn. The industrial transformation of listed companies is also made easier through the merger and acquisition activities. From 1999 to 2005, the types of mergers and acquisitions on the market of control of listed companies in China were already based on mixed mergers and acquisitions. The number of mixed mergers and acquisitions accounted for 59.06% of the total number of mergers and acquisitions during this period. Mixed mergers and acquisitions accounted for most of the share of all mergers and reorganizations. During this period, although the number and amount of the three kinds of mergers and acquisitions in horizontal mergers and acquisitions, vertical mergers, and mixed mergers and acquisitions of listed companies are continuously expanding, the growth trend of mixed mergers and acquisitions is even more obvious, and the proportion of mixed mergers and acquisitions has continuously increased, from 56.82 in 2008. The proportion of % rose to 72.49% in the first three quarters of 2014. From January to September 2014, there were more than 130 cross-border mergers and acquisitions involving China's cultural media industry. However, in terms of the size of China's mergers and acquisition market, the size of mergers and acquisitions by Chinese companies is only equivalent to that of the United States in the late 1980s. From this perspective, China's mergers and acquisitions still have a lot of room for development. The upsurge of mergers and acquisitions may not have really arrived yet. At present, most of the listed companies in China are still relatively small in size, and their competitiveness and risk resistance in the international market are relatively low. Mixed mergers and acquisitions are precisely the key to allowing listed companies to quickly improve these capabilities. It can be expected that the mixed mergers and acquisitions of Chinese listed companies will occur more and more frequently in the future.

1.1.3 Problems in the Mergers and Acquisitions of Listed Companies in China

Although the merger and acquisition of listed companies can facilitate the transformation of the company and open up new development space for listed companies. However, after the merger and acquisition integration of many companies, the company's performance has not been improved, and the company's share price has not been truly promoted because of mergers and acquisitions, and even the shareholder's wealth has been lost. These companies did not achieve good mergers and acquisition results in the following areas:

1. The main business is not outstanding. Listed companies have chosen diversified operations and blindly followed suit for mergers and acquisitions when their core businesses were not firmly established. After the merger and acquisition, the original main industry's competitive advantage was lost, and the new business was difficult to become a new profit growth point.

2. Pursue short-term profits. The purpose of mergers and acquisition by many listed companies is to borrow mergers and acquisition topics to conduct secondary market speculation and seek short-term profits. These listed companies make up profits by buying or selling assets or transferring debts with related parties, without actually carrying out asset integration and corporate culture integration after mergers and acquisitions, which will definitely affect the effect of mergers and acquisitions in the long run.

3.Lack of management skills. Post-merger integration has high requirements on the management, organization, and coordination of listed companies. If the listed companies lack sufficient industry operation and control capabilities, it will be difficult to achieve economies of scale and complementary benefits through mergers and acquisitions after mergers and acquisitions, and management will also be improved. The cost may even cause management to lose control.

As China's capital market continues to evolve and improve, mixed mergers and acquisitions will occur more and more frequently. How to effectively improve the operating status of listed companies and protect the shareholders' wealth of listed companies through the merger of capital operations of mergers and acquisitions is a topic of real significance. We need to find the key factors to enhance the wealth level of shareholders from the typical domestic mixed mergers and acquisitions cases. Avoid ways that listed companies can harm shareholders' wealth by blindly carrying out mixed mergers and acquisitions.

1.2 Research Purpose and Significance

Mergers and Acquisitions are important as they lead to combining corporate resources, but only if it results in a competitive advantage. Some of the benefits are rapid access to technology and products, an extended customer base, an enhanced market position and a stronger financial position. Another importance of mergers and acquisitions is access to an expanded installed base of customers. This not only provides an opportunity for sales of existing products to a larger group of customers, but also provides a greater base for future product sales. In addition, consolidated companies can own a greater share of market, which gives them a substantial competitive advantage. Mergers and acquisitions also benefit companies wanting to reposition themselves in the market. By adding capabilities to their product offerings, companies can rapidly expand their market coverage and modify their market position (Stephen, 2013).

On the one hand, we can find the changes in operating performance and shareholder returns of listed companies before and after the mergers and acquisition by selecting appropriate corporate financial indicators and combining financial statement data for a period of time before and after the mergers and acquisition. the reason. On the other hand, an evaluation of the stock market reaction of China Textile Investment Corporation's mixed mergers and acquisition was conducted to verify whether the mergers and acquisition could improve the performance of the listed company's stock market. By exploring the relationship between the mergers and acquisition event and the shareholder wealth of listed companies from these two perspectives, we can help us evaluate the mergers and acquisition behavior of listed companies more objectively, find the law of changes in shareholder wealth after mergers and acquisitions, and reveal the process of mergers and acquisitions. Possible problems. Standing in the perspective of shareholders to explore the effect of mergers and acquisitions can help listed companies view mergers and acquisitions from a more rational perspective, rather than just taking mergers and acquisitions as a simple act to expand the scale of their operations.

The integration, as a new organizational form, is almost always a matter of degree and can be complete, partial or minimal. Complete integration is the case when the acquired organization adopts all characteristics of the acquiring company including business style, infrastructure, identity, as well as brands, and the organizational units and operations of both organizations are merged. Partial integration happens when the acquired company adopts some, but not all systems, practices, rules and procedures of the acquiring firm. The acquiring company can, for instance, provide accounting and finance operations while the acquired organization independently performs its product development and marketing processes. If the acquired company still operates as an independent portfolio firm, then minimal integration is in question, and the acquiring organization influences the acquired only in few minor details.

1.3 Research Ideas, Contents and Methods

1.3.1 Research Ideas

The first and second chapters of this paper are the theoretical basis of the dissertation. The third chapter is the introduction of the case. The fourth chapters are the main parts of the analysis of changes in shareholders' wealth. The fifth chapter is the conclusions of the study and the implications for the mixed mergers and acquisitions of listed companies. The specific research ideas are shown in Figure 1.

Figure 1: Research Ideas

1.3.2 Research Content

The paper consists of five major components:

The first part is the theoretical part. Including introduction and related concepts and theory introduction. The content of the introduction includes the background, purpose, practical significance, and the specific ideas and contents of the research. The introduction of related concepts and theories is a profound interpretation of the concepts related to mergers and acquisitions and shareholder wealth, and a comprehensive review of the various merger and acquisition theories that may be involved in the study of this article and lays a solid theoretical foundation for the specific case studies of this article.

The second part is the case presentation. It mainly introduces the case background, acquisition process, and subsequent development of Chinatex Investment mergers and acquisition Co., Ltd., and systematically sorts out this mixed mergers and acquisition event, laying the foundation for subsequent analysis.

The third part is the main part of the shareholder wealth analysis. Including financial data analysis and stock event analysis in two parts. The financial data analysis section analyzes whether there is a substantial increase or decrease in the profitability and operating status of China Textile Investment Corporation before and after the merger and acquisition event by selecting certain financial indicators to reveal the changes in the intrinsic value and shareholder wealth of the listed company. In the analysis of stock events, based on the market price volatility model of stocks, cumulative excess return indicators of different periods are used to analyze changes in shareholder wealth before and after mergers and acquisitions. Specific use of the CAR method to measure the impact of mergers and acquisitions on the short-term market value of listed companies before and after mergers and acquisitions, and use the BHAR method to examine changes in the long-term market value of listed companies, through the analysis of changes in the market value of listed companies in different periods of time, China Textile Investment mergers and acquisition Co., Ltd. Changes in the wealth of listed company shareholders after securities.

The fourth part is summary and suggestion. First, the previous studies to be a summary of the inductive effect of spinning the mixed investment company mergers and acquisitions, to identify changes and changes in the market value of the intrinsic value of the investment company spun mixed mergers and acquisition events. Then, identify the links and differences between intrinsic value and market value, and analyze the impact of this merger and acquisition on the wealth of listed company shareholders. Finally, point out shortcomings and direction of future efforts of the results of this research to develop acquisition strategy as potential participants in the mixed mergers and acquisition activity in our country to provide advice, but also to develop investment strategies provide reasonable observations listed company investors.

1.3.3 Research Methods

This article mainly uses the following research methods in the research process:

1.Financial information research method. The financial data research method is to select certain financial indicators and collect relevant financial data according to the needs of the research. By analyzing the changes of these indicators before and after the event to evaluate the impact of the occurrence of the event on the financial status of the company, this method can be chosen from the perspective of research. More diverse. In the research, several indicators such as main business income, main business profit rate, return on net assets, and earnings per share are generally used to reflect changes in the profitability of listed companies after mergers and acquisitions. When multiple financial indicators are selected for consideration, different weights can be assigned to different indicators, and the weighted average method can be used to obtain a comprehensive financial rating of the listed company. By comparing the financial indicators or the comprehensive financial scores of listed companies within a few years before and after the merger and acquisition, it is judged whether the listed company's operating conditions have substantially improved, and whether the shareholder wealth level has increased or decreased.

2. Stock event research method. The stock event research method needs to establish a volatility model of stock price. Generally, it is divided into short-term performance research method (CAR model) and long-term performance research method (BHAR model) based on the length of the analysis cycle. After the data of the listed company's stock price before and after the merger and acquisition event is processed by the model, we can see the excess return rate of the company's shareholders and analyze the changes in the shareholder's wealth. This method needs to select a certain index as a reference. The indicator is generally assumed to be the normal earnings E(R) of shareholders who have no influence from the mergers and acquisition announcement. A certain period of time (event window) before and after the merger announcement shareholders of listed companies and real return to normal earnings R E(R) to compare, we can draw excess return, and then to determine the extent of the impact of mergers and acquisition events in shareholder wealth.

1.4 Key Points, Innovations, and Insufficiency of Research

1.4.1 Key points

1.Establish appropriate assessment criteria. Since the acquired company is different from the acquirer and the acquire company before the merger, the process of conducting the research needs to understand what the shareholder value of the two parties will be if the merger does not happen. Since the two companies usually do not continue to exist as two separate entities after the merger, the study must make assumptions about the possible performance of the two companies to answer this question that is contrary to the facts. For example, the two companies will maintain the pre-merger competitive strategy and provide shareholders with the same return. Once mergers and acquisitions are concluded, companies before mergers and acquisitions no longer exist. We have no way of knowing how these companies continue to exist. This means that it is difficult for us to carry out such assumptions that are inconsistent with the facts and that we can solve this problem. It is based on the acquirer or other company within the acquired party's industry. Since companies in the same industry often have the same products, market characteristics and growth opportunities, it is appropriate to use other companies in the same industry as benchmarks. Companies in the same industry that sell similar products have the same technical conditions and market requirements, and they are subject to similar competitive pressures from competitors, suppliers, and customers. If a company gains a competitive advantage through mergers and acquisitions, other companies that do not conduct mergers and acquisitions within the same industry can serve as a benchmark for measuring this merger strategy. The average performance or median business value of companies that have not conducted mergers and acquisitions in the same industry can be used as a benchmark.

2.Set an appropriate time scale. The time scale for evaluating the increase in wealth is a key issue in the study. The long-term analysis of shareholder returns depends on different people's different views on the efficiency of the capital market. If the capital market is effective and can reflect a variety of information, then it can predict all future acquisitions and the full cost of mergers and acquisitions, and these factors will be reflected in the company's stock price when the merger occurs. The time period in which the value utility of mergers and acquisitions is fully exhausted will be relatively short. Therefore, the analysis of changes in values outside the event window is redundant, and these changes are often caused by other events or random events that are not related to mergers and acquisitions. However, the study found that the stock market responded to similar financial information disclosures, stock initial issues, and issuances, and will continue to respond to the incident after the event is announced. The stickiness of the stock market price indicates that the market needs time to fully digest the information brought by the incident, or to wait for more information to evaluate the degree of income and the possibility of its realization. Therefore, the event window should have a certain extension, but taking into account the changes in the strategic window of the acquisition company's strategic, operational and financial policies will be difficult to accurately assess the acquisition income, the incident window cannot be too long.

1.4.2 Innovation

1. Research content innovation. There are numerous cases of mergers and acquisitions of listed companies at home and abroad, and the incidents are relatively

complex. The evaluation of mixed mergers and acquisitions and the effect of mixed mergers and acquisitions on the wealth of listed company shareholders are still missing a recognized standard. In this paper, the listed company's shareholders' wealth is divided into two parts, which are divided into two parts: the intrinsic value and the market value of the listed company. The shareholders' wealth is also affected by these two parts. Changes in the profitability of a listed company after an mergers and acquisition event will affect its intrinsic value, which in turn will affect shareholders' wealth by changing shareholder's future expected stock dividend income. The occurrence of mergers and acquisitions will also have a continuous impact on the market value of the listed company through a change in the stock price over a certain period of time. This will change the stock spread income of existing shareholders and affect the wealth of listed company shareholders. At the same time, it is the most important innovation point of this paper to analyze the changes in the wealth of shareholders of listed companies using valuation and stock prices as entry points.

2. Case selection innovation. The acquisition of China Textile Investment and Essence Securities is a merger and acquisition case for the textile industry and the securities industry. The two companies have large differences in their business operations. This is a typical case of mixed mergers and acquisitions in the Chinese capital market. China Textile Investment Co., Ltd. through the merger and acquisition activities to achieve the transformation of the main business and changes in business strategy to improve the company's continued sluggish operating conditions. After the issuance of shares to purchase assets, the quality of the company's assets has been greatly improved, and the profitability of listed companies after the effective integration is expected to continue to increase. At the same time, Anxin Securities Co., Ltd. injected into the listed company can also use this merger and acquisition to achieve docking with the A-share capital market. The company's competitiveness in the securities industry will be greatly improved, and it is expected to gain a higher position in the industry. The liquidity of China's A-share market is abundant, and the listing of Anxin Securities can broaden the financing channels and the valuation level will also be greatly increased. At the same time, the brand's influence can also be quickly increased through the stock market. The key point is that such mergers and acquisitions can effectively help shareholders of China Textile Investment Corporation achieve wealth improvement.

3. Research ideas innovation. The research on the influence of mixed mergers

and acquisitions on the wealth of shareholders of listed companies in domestic and foreign literatures mainly uses financial data research method or stock event research method alone and evaluates the changes in the wealth of shareholders of listed companies from the perspective of shareholders' stock dividend return or stock price difference return. The lag and discontinuity of financial data will affect the effect of research, and there are many factors that affect the changes in stock prices. It is more difficult to exclude factors other than mergers and acquisitions in the study, which may interfere with the conclusion of the study. This paper combines financial data research method and stock event research method. First of all, mainly from the point of view of profitability, the financial index system was selected to evaluate the actual business performance of the company, and the impact of the merger and acquisition event on the intrinsic value of China Textile Investment Corporation was obtained. Then, by establishing a stock price volatility model, we analyze the short-term and long-term excess return levels of listed company stocks before and after the event period, and then obtain the impact of listed company mergers and acquisitions on the market value of listed company stocks. Finally, by combining the changes of both intrinsic value and market value, we analyze the impact of mixed mergers and acquisition events on the wealth changes of listed company shareholders during different research periods to provide an assessment of the impact of mixed mergers and acquisition events on the shareholder wealth of listed companies. A new perspective.

1.4.3 Inadequacy and Future Research Direction

1. The applicability of the conclusions needs to be improved. The motives of listed companies for hybrid mergers and acquisition and the differences in mergers and acquisition methods and the nature of listed companies may lead to different economic effects. The motive of mergers and acquisition in this case is to broaden the profit channels of listed companies, enhance the profitability and anti-risk ability of listed companies, achieve the listing of high-quality assets of Anxin Securities, and take high-efficiency companies to take over inefficient enterprises. Therefore, the applicability of the conclusions of this paper is worth considering in the case of mixed mergers and acquisitions cases that diversify risks, reduce transaction costs, and construct large companies or managers to maximize their own goals as the motivation for mergers and acquisitions. The case of this article is based on non-public issuance of shares for mergers and acquisitions. Compared with the case of acquisition by cash purchase, the conclusion of this article may not be applicable to the case of cash

purchase because of the difference in the original shareholders' equity before and after the merger. The case chosen in this paper belongs to the case of mixed mergers and acquisitions among state-owned enterprises, and the conclusions reached may be less persuasive for private enterprises.

2. The comparability of data needs to be improved. On the one hand, the major businesses of listed companies before and after mergers and acquisitions have undergone major changes, and many of the properties of listed companies have undergone major changes, and financial data need to have comparative value under the same standard. Although there are accurate financial data of listed companies and the industries involved, there is no more in-depth interpretation of the background and possible interference factors of these data and data error correction, which may affect the comparability of data. On the other hand, since this article mainly focuses on comparative analysis, choosing simple industry financial data and industry indices to measure the changes of financial indicators and reference indices of stock price changes may lead to larger errors in the research.

3. Data needs to be enriched. On the one hand, since China Textile Investment Corporation's mergers and acquisitions to date have only been less than two years, the financial data of listed companies after the mergers and acquisitions incident is still relatively small, and in addition, the financial data reflects the company's operating conditions have a certain lag, may It will affect the accuracy of the research findings. On the other hand, the trading data of the listed company's stocks after the merger and acquisition event is relatively small, and the long-term fluctuation trend of the excess returns of listed company stocks is not easy to judge, which is not conducive to the mid-to-long term mergers and acquisitions research.

4. The performance model needs to be optimized. The listed company's equity structure, historical performance, the geographic location of the listed company, and the industrial life cycle are also factors that affect the company's stock price performance after the merger and acquisition. Due to the limitations of various conditions, we cannot take all the above factors into consideration in the model. In this case, in order to simplify the analysis process, the market adjustment was chosen instead of the more accurate average adjustment method and market model method when setting the performance model. law. The reliability and applicability of the analysis of this case may be constrained by these factors.

CHAPTER 2 LITERATURE REVIEW

2.1 Basic Concepts and Definitions

2.1.1 Concept and Classification of Mergers and Acquisitions

Often mergers and acquisitions deals are justified with the assumptions that they will create synergy and payback the values involved in the transaction. In this paper, the authors disclose two types of synergies: operating and financial. The mergers and acquisition data examined was from the CEE region and the aim was to identify if the value attributed to synergies and control is related to prospective earnings per share or market capitalization after 1 year of the transaction is completed. Across the case study included, the authors test the value sensitivity of the potential synergy when applying different assumptions (Bhide, 1989). To summarize how much synergy value is in fact created in the case-study transaction, the authors conduct an examination to verify if the acquisition is correctly valued.

2.1.2 Mergers and Acquisitions and Shareholder Wealth

Mixed mergers and acquisition refers to mergers and acquisitions between companies in different industries that do not have upstream or downstream relationships. Judging from the past wave of mergers and acquisitions, the mergers and acquisitions between companies have occupied an important position since the second wave of mergers and acquisitions, and mergers and acquisitions have become the main form of mergers and acquisition in the third wave of mergers and acquisitions. Since the 1980s, the degree of importance of corporate mergers and acquisition has been declining. However, mergers and acquisition is still the most important mergers and acquisition form to date.

Mixed mergers and acquisitions are an important means for the diversified development of listed companies' operating directions. With the rapid development of society today, many listed companies in traditional industries are facing increasingly fierce competition. Under such circumstances, listed companies in all walks of life in China think diversified to varying degrees, and mixed mergers and acquisitions provide powerful force for listed companies to enter other industries. convenient, low-risk approach. Although mixed mergers and acquisitions cannot produce operational synergies and increase the company's market share and market power, when the two companies merge completely unrelated income, if a less volatile combined income stream is formed, a common insurance is created. As a result, the company's cash flow will be more stable after the merger. For listed companies whose existing industries have entered a mature stage, the merger and acquisition can achieve diversification of the company's operations. Entering other industries can obtain a better profit opportunity for the industry and open the room for growth of the company's performance.

Capital structure plays an important role in rate regulation due to the interaction between the investment and financial decisions of a regulated firm and the pricing choices of regulators (Spiegel & Spulber, 1994). The regulatory process is a dynamic one, which can be modeled as a game in which the players are a firm, a regulator, and outside investors. Regulatory commissions set rates that depend on the firm's level of investment and capital structure, thus reflecting not only ratepayer interests, but also those of investors. The capital market, in turn, values the equity and debt of the regulated firm on the basis of its investment and capital structure, as well as on present and future regulatory policies (taking into account a regulatory risk). The regulated firm makes its investment and financial decisions in anticipation of regulatory policies and the capital markets reactions. However, those financial decisions can also have a significant effect in the market for corporate control, if we admit that the regulator (and/or the government) permits mergers and acquisition (or financial participations) in that kind of firms (in particular utilities).

Shareholder wealth refers to the amount of money, goods, and financial assets owned by shareholders. The investor of a listed company is a shareholder, and the ultimate goal pursued by shareholders as the owner of a listed company is to expand their wealth. Since the rights and obligations of the shareholders of the preferred company to the listed company are fundamentally different from those of the ordinary shareholders, the study of this article does not consider the factors of the preferred shareholders. Therefore, the wealth of the shareholders of the article refers to the wealth of the ordinary shareholders. We believe that the development of listed companies should pursue the maximization of shareholder wealth, and the maximization of shareholder wealth is the ultimate business goal of listed companies. This assumption has become a basic assumption in many corporate finance theories. We believe that the shareholder wealth of listed companies is determined by both intrinsic value and stock market value. Intrinsic value and stock market value affect the listed company's shareholder wealth through equity dividend income and equity return, respectively. Although they have different paths affecting shareholders' wealth, they are There is a strong internal consistency.

Intrinsic value is a key indicator for measuring the wealth of listed company shareholders. An important benefit of listed company shareholders is equity dividend income. The size of equity dividend income is closely related to the intrinsic value of the company. The company's operating performance will directly determine the distribution of dividends. Investors in the securities market can become shareholders of a listed company by purchasing stocks. The shareholders have ultimate control over the listed company and can determine the company’s business strategy and make important decisions. At the same time, shareholders of the listed company have the right to obtain the operating rights of the listed company. Generated profits. Equity dividend is the profit that the listed company directly distributes to shareholders after its profit. The shareholders of the listed company need to obtain the equity dividend after the company distributes profits. Equity dividends are generally allocated once or twice a year, in the form of cash dividends and stock dividends. The size of equity dividends is closely related to the changes in the intrinsic value of listed companies. The continued increase in the operating performance of listed companies can increase the annual dividends of listed companies.

If we admit that debt is issued in competitive markets at the present value of its expected payoff, yielding zero net present value to debtholders (fairy price), then the debt level that maximizes ex ante firm value also maximizes ex ante equity value. Thus, the incumbent management acting on behalf of its shareholders.

During a process of merger or acquisition, a new organization is designed. This is the main reason why a common vision as well as a strategic orientation towards achieving objectives of the new organization have to be established. In order to achieve this vision, one needs to create a frame of favorable social, cultural, technical, and economic conditions for organizational design (Mitleton, 2004). Under organizational design we understand the process of arranging and adjusting the organizational architecture of a new organization (structure, processes, culture, human resources and strategy) which is in accordance to Galbraith’s star model.

The fundamental purpose of mixed mergers and acquisitions of listed companies is to increase the level of wealth of shareholders. From a theoretical point of view, there are many purposes for a listed company to carry out mixed mergers and acquisitions. Some companies mix their mergers and acquisitions to diversify risks, others to improve the quality of company assets, and others to seek a range of economies, but the most fundamental purpose should be to enhance shareholders' Wealth level. The effects of mixed mergers and acquisitions on the wealth of listed company shareholders are mainly reflected in two aspects. On the one hand, from a long-term point of view, according to the dividend discount model, the improvement of company performance after successful merger and acquisition can increase the company's future cash flow from income, and the company will pay more dividends, which in turn will increase shareholders' income. On the other hand, from the perspective of short-term and medium-term, after the successful merger and acquisition, because the market is optimistic about the company's development prospects, the company's stock price will be pulled up to enhance the company's market value. Existing shareholders can obtain more capital by selling company stocks. Gain income, and then increase the level of wealth of shareholders. Both of these aspects can reflect the effect of the company's mergers and acquisitions. Therefore, we can evaluate the impact of the merger and acquisition on the wealth of shareholders by examining the company's intrinsic value changes and changes in the stock market value.

2.2 Literature review and theoretical basis

2.2.1 The criteria for successful mergers and acquisitions

In a mergers and acquisition, synergy is the additional value that companies expect to create when combining all the opportunities to add value that otherwise could not happen independently (Bradley, 1988). There are two main groups of synergies that are possible to create: financial and operational. The financial synergies are seldom related to the use of cash surplus, diversification, tax benefits, and higher debt capacity (Healy, 1992).

There are two main schools of thought regarding the worthiness of valuating synergies. One school argues that it is useless to value it because there is little existing evidence that it is possible to attach a value to it taking in consideration so many different assumptions and variables. If this former school of thought is correct, companies should not pay such large sums of premiums for synergy if they cannot value it. The latter school of thought is the one that the authors support and which assumes that it is possible to make synergy estimation despite the fact that assumptions are made with an unknown future. Even though the valuation process of synergy accounts with the assumptions related to growth and cash-flows with questionable certainty, it is possible to measure the expected effect of the synergy (David & Karel, 2017).

Mergers and acquisition is a high-risk gambling activity. A large number of statistical studies show that most mergers and acquisitions cannot help the master and the company to achieve the original merger and acquisition goals. Mergers and acquisitions tend to damage rather than increase the wealth of the master company. The possibility of mergers and acquisitions being able to actively create wealth for the company's shareholders is not Halfway.

There are essentially two ways viable to assess the value of synergy and control in a mergers and acquisition. The first is looking at the market announcements of an acquisition and measure its market capitalization (Bhide, 1989). The authors considered in this paper that to acknowledge the existence of value creation from synergy and control after a mergers and acquisition, the market value of two companies' combined has to be greater than the sum of those companies measured individually before the announcement of the mergers and acquisition (DeAngelo, 1983).

2.2.2 Research on types of mergers and acquisitions and payment methods

Foreign scholars have studied the subject of the influence of different types of mergers and acquisitions on the wealth of listed company shareholders early on (Wang, 2008). The scholars used the 203 mergers and acquisitions events that occurred in the 1980s as research samples to conduct a study on the cumulative excess return rate. They set the [-40, 40] event period. The results of the study found that the cumulative excess returns of sample companies performing mixed mergers and acquisition activities were generally higher than those of sample companies with horizontal mergers or vertical mergers, indicating that non-related mergers and acquisitions could generate better returns for shareholders of the company (Du, 2013). The scholars selected the inspection period to be relatively long. The investigation period was five years after the merger and acquisition. They also separated the companies that had mixed mergers and acquisitions from the companies that had non-mixed acquisitions. The study found that the three merger and acquisition activities in the long run could not bring benefits to the company's shareholders, but the company's long-term share price level of the merger and acquisition activities was higher than those of companies that had horizontal mergers or vertical mergers and acquisitions. In addition, these researchers found that companies that conducted horizontal mergers or vertical mergers were significantly negative in returns after five years, approximately -25.5%, and companies that had mixed mergers and acquisitions completed five years after mergers and acquisitions were completed. The post-return rate is only -8.6%, indicating that the major company's earnings for non-relevant mergers and acquisitions in the years after merger and acquisition are higher than non-relevant mergers and acquisitions. However, many scholars have obtained the opposite conclusion in the study. Researchers represented by (Luo, 2011). conducted a study on the relationship between mergers and acquisition types and the wealth of the main company's shareholders. The study found that the main companies that participated in mixed mergers and acquisition and the main companies that participated in related mergers and acquisition were significantly outperformed. To be lower. They conducted research from the perspective of the industry correlation of mergers and acquisition parties and found that industry-related mergers and acquisitions have greater synergies than mixed mergers and acquisitions. The former generally significantly increases the interests of all parties, while the latter reduces the value of acquiring companies.

Domestic scholars have also done a lot of research on the issue of the impact of different merger types on the wealth of listed company shareholders. The scholars (Zhang, 2007) is an earlier domestic scholar on the types of mergers and acquisitions. He divided the acquisition cases in China's A-share stock market from 1994 to 1998 into horizontal mergers, vertical mergers, and mixed mergers. Observations on financial indicators conducted relevant research on the effect of mergers and acquisitions resulting from different mergers and acquisitions. His research focuses on the differences in the operating performance of the main merger companies after different mergers and acquisitions. His research conclusion is that the mixed mergers and acquisitions model has a significant effect on improving the company's operating conditions. However, vertical mergers and acquisitions have little impact on the operating conditions of the main company. Horizontal mergers and acquisitions will worsen the operating performance of the main company. Scholars (Zhang, 2006) and others conducted a case study of the mergers and acquisition cases on the Shanghai stock market in 1999 and 2000. They used the CAR method to measure the short-term performance of listed companies in the stock market to study the stock market. The kind of mergers and acquisition response. In addition, they also introduced the famous Tobin Q indicator to analyze the size of Tobin Q to analyze the changes in the excess returns of listed companies using different merger and acquisition methods over a certain time span. From the perspective of the difference in the CAR value, it can be found that the listed companies with vertical mergers and acquisitions have the highest average CAR value, while the listed companies with horizontal mergers and acquisitions or mixed mergers and acquisitions have huge differences in CAR values, and there is no obvious high CAR value. The Tobin Q indicator that measures excess returns over a longer period of time shows that the excess returns of listed companies for hybrid mergers and acquisition are greater than those of vertical mergers and acquisitions, and the excess return of vertical mergers and acquisition is greater than that of horizontal mergers and acquisition. Scholars (Liu, 2008) further studied the impact of different types of mergers and acquisitions on the performance of listed companies in China. They optimized Tobin's Q indicator, improved Tobin's Q value test model, empirical analysis, or test. The accuracy is higher and more accurate conclusions can be obtained. Zhou Xiang's research conclusions show that although the study of the samples found that the difference in the operating performance between the three companies is not very significant, the listed companies with horizontal mergers and acquisition and vertical mergers and acquisition have poor performance. Relatively speaking, mixed mergers and acquisitions can improve the performance of the company. (Hu, 2003) The scholars and others also conducted related research on mergers and acquisition types. They concluded that horizontal mergers and acquisition had no significant positive or negative impact on the long-term performance of the main company, but vertical mergers and acquisition and mergers and acquisition activities took place. The main and corporate shareholders are prone to wealth loss within one to three years after the merger and acquisition, which is approximately 7.2% of the original shareholders' wealth. They believe that vertical and hybrid mergers and acquisitions of the main and corporate shareholders are more difficult to obtain wealth than the horizontal mergers and acquisitions that occur among the same companies. The scholars conducted a study on the effectiveness of China's securities market. They determined that China's securities market is a semi-strong and effective market. They think that the company's degree of relevancy has a great influence on the company's operating performance after the merger and acquisition. The market has a relatively positive attitude towards mergers and acquisitions and industry-related mergers and acquisitions. Market investors expect that the company's performance after mergers and acquisitions will be significantly improved. Both horizontal and vertical mergers and acquisitions are related to mergers and acquisitions of the two industries, which will significantly improve the company's operating performance. Mixed mergers and acquisitions can hardly improve the company's operating performance. The scholar has studied short-term performance and long-term performance. They believe that whether it is mixed mergers, vertical mergers, or horizontal mergers and acquisitions, the company's performance in the short term after the merger and acquisition incident has not been improved, but relatively speaking, horizontal mergers and acquisitions Vertical mergers and acquisitions are better than mixed mergers and acquisitions. At the same time, they compared the company's stock price performance on the stock market after the occurrence of different types of mergers and acquisitions. They found that the long-term performance of the company after horizontal mergers and acquisitions was better than that of vertical mergers and mixed mergers and acquisitions. The performance of mixed mergers and acquisitions was the worst, and even declined. Scholars (Zhang, 2010), who has conducted in-depth research on the life cycle theory, studied the performance of different types of mergers and acquisitions from the perspective of the life cycle. The sample they selected was the 154 listed company mergers and acquisitions that occurred in China in 2009. The company is divided into three parts: growth companies, mature companies, and recession companies. Using the method of difference testing, the company explores the performance of three types of companies in different life cycles. The research of Wang Hong et al. found that, under normal circumstances, listed companies in growth stage have the best performance in horizontal mergers and acquisitions; in the mature stage of listed companies, vertical mergers and acquisitions and mergers and acquisitions can achieve better performance than horizontal mergers and acquisitions; The listed companies in the stage are the best performers after the mergers and acquisition. This conclusion shows that the enterprise life cycle theory is effective in interpreting the type of mergers and acquisition.

The payment method of mergers and acquisition will also have an impact on the wealth of shareholders. The payment method is an important feature in the mergers and acquisition transaction process. According to the company’s financial theory, mergers and acquisition payment methods include cash financing and securities financing. Differences in payment methods for mergers and acquisitions in mergers and acquisition activities will affect the earnings of the shareholders of both parties. The foreign scholar (Liu, 2009) explained this phenomenon from the point of view of tax synergy. He believes that the use of issuing stocks to purchase assets can enable the target company's shareholders to enjoy the benefits of delayed tax payment or tax substitution. The target company's shareholders can thus obtain Li; Cash acquisitions cannot increase the wealth of the target company's shareholders through taxation, but the main and the company can realize the increase in assets due to cash purchases, and the depreciation generated at the same time can reduce the tax paid, which is the main and the company is willing to pay high prices. The important reason for acquiring the target company. The famous scholars (Fang, 2009) studied the excess returns from the perspective of the target company. Their research confirmed that cash mergers and acquisitions can generate more extraordinary returns than stock mergers and acquisitions. Investors in the market generally believe that the practice of trading through share swaps indicates that the management of the main company and the company believes that the market overestimates the stock price of its own company.

2.2.3 Related research on merger and acquisition motives

Foreign scholars have put forward many theories and hypotheses about the causes of mixed mergers and acquisitions. The West has had more than one hundred and ten years of mergers and acquisition history. Scholars have explored the company's mixed mergers and acquisition activities from different perspectives. The mainstream theories at this stage include diversification management theory, industry cycle theory, synergy theory, transaction cost theory, and corporate competition strategy theory, among which the diversification management theory is most famous.

1. Diversification management theory. Diversification management theory was proposed and developed in the United States in the 1960s when mixed wave of mergers and acquisitions took place. The theory of diversified management believes that the market capacity of an industry in a certain period of time is limited. If more and more products are available in this market, the market will become saturated, causing the company's operating income and profits to continue to decline, and the long-term single-operation Companies must expand this business risk through outreach. In order to maintain organizational capital and reputational capital and maintain the company's financial and tax advantages, the company's management will choose to diversify its operations and find the right direction for transformation. We know that diversification can be accomplished not only through the merger and acquisition but also through internal development. However, the time cost and labor cost required for internal development are far higher than those of mergers and acquisitions. Under limited conditions, companies generally use mergers and acquisitions to achieve diversified operations. Diversifying a company's operations through mixed mergers and acquisition activities is a wise choice if the company lacks the necessary resources or the company lacks internal development opportunities.

2. In fact, firms contemplating leverage increases also consider the likely reactions of their competitors. A firm will be less willing to increase its leverage if it believes that rivals will respond to its new financial structure by aggressively cutting their prices (in a Bertrand game) to steal its market share (Chevalier, 1995). However, if competitors were expected to react to the leverage increase by increasing their prices (strategic complements), there would be an added impetus to increasing leverage (Valente, 2001).

3. Synergy effects theory. The so-called synergy effect is actually the effect of 1+1 greater than 2. The synergy between two companies generally has three aspects: business synergy, management synergy, and financial synergy. Companies that have acquired mergers and acquisitions have business synergy if they can obtain more revenue and profits than the two independent companies. Management collaboration is more reflected in efficiency. Because the management efficiency of mergers and acquisition parties is different, the management level of high-efficiency companies after mergers and acquisition will be transferred to companies with lower management efficiency, thus improving the overall management efficiency of mergers and acquisition companies. Another common synergy effect is financial synergy. A company in urgent need of financing and a company with a large amount of surplus cash flow can greatly reduce the cost of the company's internal funds if it is merged. In addition, avoiding taxes and reducing income fluctuations are also important manifestations of financial synergies.

There are some special reasons for the merger and acquisition of listed companies in China. These motivations are mainly due to the special national conditions of our country and the special ownership structure of listed companies.

1. Pursue short-term reorganization profits. Seeking short-term profits is the reason why many listed companies in China actively participate in mixed mergers and acquisition activities. Since the mergers and acquisitions of listed companies in China are basically completed through the transfer of non-tradable shares, the response of the secondary market to mergers and acquisitions is very significant and even overreacting. Insiders and related stakeholders may rely on insider information from the secondary level. The market gains huge spread stock spread profit.

2. Obtain the status of a listed company. (Zhang, 2012) scholars believe that at

present China's securities issuance market has not yet fully marketized. Many high-quality non-listed companies participate in mixed mergers and acquisitions mainly by focusing on the shell resources of listed companies. Their participation in mergers and acquisitions is to obtain the status of listed companies, and mergers and acquisitions. The reorganization can bring such backdoor listing opportunities. After the completion of mergers and acquisitions, the main business scope and income channels of listed companies have been expanded. Such mixed mergers and acquisitions have played a significant role in adjusting the macroeconomic structure and expanding and strengthening state-owned enterprises.

3. Driven by the interests of local governments. The driving force of local governments is also the reason why China's state-owned enterprises actively participate in mergers and acquisitions. The long-term existence of state-owned enterprises in China due to problems such as efficiency and system, the phenomenon of long-term sustained operation of loss-making enterprises is widespread. The current bankruptcy system is still incomplete. Many state-owned enterprises that meet the bankruptcy conditions cannot file for bankruptcy due to various reasons. The government has intentionally made mergers and acquisitions of these loss-making enterprises out of the burden of integrating assets, and allocated them to some companies, paid or unpaid. Good company. In addition, some local governments in order to improve their performance, build local large-scale enterprises, will drive the merger of similar local companies to become bigger and stronger.

2.2.4 Related research on evaluation methods of merger and acquisition effect

Chinese scholars tend to use the financial analysis method to evaluate the effectiveness of mergers and acquisitions. Chinese scholars (He, 2014) conducted an empirical study of listed companies that took place in mergers and acquisition and restructuring events from 1997 to 1999. They used the commonly used domestic financial data analysis methods to analyze and analyze the financial data of sample companies. By comparing the sample company's key financial indicators before and after the merger, such as earnings per share, return on net assets, and main business yield, the changes in operating performance were analyzed. Their research resulted in the unanimous conclusion that mergers and acquisition activity can significantly improve the performance of listed companies. It also found that the improvement in the operating performance of listed companies participating in cross-industry mergers and acquisitions was even more pronounced. However, there are many studies that have come to the opposite conclusion. The research of scholars found that the performance improvement of listed companies in China after mergers and acquisitions is not very obvious. They found that the operating results of new companies after mergers and acquisitions are generally only in the year of merger and acquisition, there will be positive changes in the year and the second year. If the study period is extended, the new company's operating performance will show a declining trend, indicating that mixed mergers and acquisitions are not a key factor in the increase of shareholders' wealth of listed companies.

Scholars in China study the effect of mergers and acquisitions less frequently using event research methods. When using the event research method to study the impact of mixed mergers and acquisitions on the wealth of listed company shareholders, Chinese scholars are more likely to study the level of excess returns of shareholders of listed companies before and after mergers and acquisitions by establishing short-term models. Scholars generally use the short-term performance test model represented by the CAR model to test the response of stock prices in the short-term before and after the announcement of the merger and acquisition event. The general study period is within 60 trading days. The scholars used the listed companies listed on the A-share listed companies in 1997 and 1998 as samples to conduct research. They found that mergers and acquisitions were interpreted by the market as good news before the official announcement, but once the official announcement was released, the market will quickly digest the impact of this incident. However, some scholars have reached the opposite conclusion. The scholars (Du, 2015) used short-term performance studies on listed companies that had mixed mergers and acquisitions in the A-share stock market in 1999 and 2000 using event research methods that are more commonly used abroad. The short-term performance test results show that after a mixed merger and acquisition by a listed company, the shareholder wealth of the main company can be improved, but it is difficult for the target company's shareholders to obtain more wealth because of this merger and acquisition.

Chinese scholars have relatively little research on the analysis of the effect of mergers and acquisitions of listed companies from the perspective of long-term performance. The scholars (Li & Zhu, 2006) used the long-term event research method earlier in the study. They used more than 1,000 mergers and acquisitions on the A-share market in China as samples and used the long-term performance test model represented by the BHAR model for sample companies. Shareholders analyze the excess return within three years after the merger and acquisition event. The results of the study indicate that listed company shareholders who have had mixed mergers and acquisitions and horizontal mergers and acquisitions generally suffer significant losses of wealth within three years after the merger. In addition, the scholars also found that the shareholder structure of the main company has an impact on the long-term performance of the listed company within one year after the merger. The size of the state-owned shares can profoundly affect the stock price performance of the listed company, but the ratio of senior management personnel of the listed company How much influence on the long-term performance of listed companies is less obvious. Scholars such as (Xie, 2002) also studied the long-term performance of listed companies after mergers and acquisitions. They found that the control of listed companies in mergers and acquisitions was a key factor. There is no transfer of control right of the listed company before and after the merger and acquisition, the price paid by the listed company to the target company will generally be higher, so it is more difficult for the shareholders of the listed company to obtain excess returns; and the control right of the listed company has transferred before and after the merger and acquisition. Under the circumstances, shareholders of listed companies can generally obtain excess returns within a certain period of time.

2.2.5 Research on the Influence of Mixed Mergers and Acquisitions on the Wealth of Listed Companies' Shareholders

Foreign scholars have long started the theoretical study of the relationship between mixed mergers and acquisitions and shareholders' wealth. (Ma, 2012), the representative of managerialism, recognized the effects of mixed mergers and acquisitions. They believe that the positive effects of mixed mergers and acquisitions by listed companies can be positive. Such positive effects include the expansion of the size of listed companies, the expansion of the operating range of listed companies, the continuous enrichment of listed company products or product portfolios, and the continuous enrichment of listed company's asset portfolio, but the ultimate performance is still reflected in the level of wealth of shareholders. Growth. The theory of efficiency has the opposite view. (Wei & Pei, 2015), the representative of efficiency theory, believes that the motivation for the merger and acquisition of listed companies is more to pursue the interests of the management itself, not necessarily the interests of the shareholders of the listed company. On the one hand, the two parties involved in the mergers and acquisition need to have certain similarities in the business to give the company and the company more chances of generating synergies.

On the other hand, the main company's management team can be more professional in managing companies with similar businesses, and it can maintain high management efficiency. Jensen believes that mixed mergers and acquisitions can actually reduce the risk of managers themselves, but they cannot improve company efficiency. For mixed mergers and acquisitions, because the main and company's management team is not familiar with the business of the target company's industry, listed companies may waste a lot of company's manpower, material resources, and financial resources on inefficient mergers and acquisition activities. These factors will seriously affect the merger and acquisition process. The company's operations. The success rate of mixed mergers and acquisition activities is generally low. In the long run, it is difficult to increase the operating efficiency of the company. Therefore, the purpose of the mergers and acquisition of listed companies is probably not to seek the maximization of shareholder wealth.

There are also a large number of empirical studies on the relationship between mixed mergers and acquisitions and shareholder wealth in foreign countries. Scholars (Meng, 2015) analyzed the financial data of 63 listed companies before and after mergers and acquisitions that took place on the basis of the International Standard Industrial Classification Code. They used multiple sets of financial data to measure the company's profitability and growth. Their research found that listed companies participated in mixed mergers and acquisitions and diversified operations improved the company's operating performance. The defensive diversification strategy of listed companies was successful. After the merger and acquisition event, the asset quality of the listed company can be greatly improved, and the company's profitability can be significantly improved to the overall economic level of the society. In addition, many foreign scholars have discovered that mixed mergers and acquisitions have a positive impact on the performance indicators of total stock returns and accounting earnings as a proxy. However, there are many studies that draw the opposite conclusion. Rex Thompson et al. also conducted a study on the relationship between mixed mergers and acquisitions and the wealth of shareholders of listed companies. They found that listed companies did not perform well for several years after the mergers and acquisition event. The market's expectation of growing operating results could not be realized, which could explain the effect of the market's investors on the performance of mixed mergers and acquisitions of listed companies. The estimate is overly optimistic. The scholars also conducted similar studies. They compared the performance of the stock prices of the 13 large companies that had mixed mergers and acquisitions in the US market in the 1960s with the average returns of the entire market. The stock returns of these companies were lower than the average returns of the stock market. Their research found that, even if the removal of dividends and other factors, the diversification of listed companies still hurt the interests of listed company shareholders. The scholars analyzed the large number of mergers and acquisition cases in the US market from 1986 to 1991. Through research on the stock price of listed companies, they found that mixed mergers and acquisitions did not bring benefits to shareholders of listed companies. Most of the listed companies experienced a decline in market value, with an average decline of 14%.

Chinese scholars also conducted some empirical studies on the relationship between mixed mergers and acquisitions and shareholder wealth. The scholars (Yuan, 2006) used event research method and financial analysis method to classify 1,216 acquisitions and reorganization events in China’s A-share market during the decade from 1993 to 2002, and whether the listed company’s participation in mergers and acquisitions could be created for target company shareholders. The topic of value has been studied in various ways. Empirical research shows that in the A-share market, the target company's shareholders can obtain approximately 29% of the profits immediately after the mergers and acquisition, while the international average of the target company's shareholders after mergers and acquisition is less than 20%. At the same time, they also found that the target company's financial indicators have continued to improve after the merger. They believe that mixed mergers and acquisitions create value for target company shareholders. The research of scholars (Li, 2015) found that in most cases, mixed mergers and acquisitions have a negative impact on the operating capabilities and financial indicators of the listed companies, and the main company’s profitability, debt repayment ability, operating capacity, and growth A sustained decline. In recent years, scholars (Yuan & Li, 2012) took 251 listed companies in mergers and acquisition between 2004 and 2009 as samples, classified them according to three different mergers and acquisition types, and then analyzed their performance after mergers and acquisition. The results of the study demonstrate that both the short-term and long-term performance of major listed companies that have conducted mixed cross-industry and cross-regional mergers and acquisitions have declined. In addition, they found that in the short term, the performance of listed companies could not be observed to reduce their operating risks. In the long run, the operating risks of some listed companies will decline.

The occurrence of underinvestment can help us to understand why regulators permit firms to take on debt, despite the possibility of costly bankruptcy. By permitting debt, the regulator makes an implicit commitment to the regulated firm, thereby restricting future opportunism (in terms of allowed prices or rates of return). That is, the regulator makes it more difficult for himself to lower the regulated price after the firm invests in, for example, cost reduction. This suggests that the regulator will permit firms to take on debt only if debt increases the firm's (ex-ante) investment level such that the benefits from additional investment (for example, higher expected profits) are sufficiently high to outweigh the expected costs of bankruptcy. Debt can therefore serve as an imperfect substitute for regulatory commitment to rates.

2.2.6 Relevant Research Review

Various empirical studies on corporate mergers and acquisitions focused on the effect of merger and acquisition on firm performance (Yeh & Hoshino, 2002). This is because Mergers and Acquisitions have been the commonest method of corporate strategy to improve firm performance. Evaluated the effects of mergers and acquisitions on firms' operating performance on the basis of its effect on efficiency, profitability, and growth. The study proxy total productivity as an indicator of the firm’s efficiency, return on assets and return on equity as measures of profitability, and sales and growth in employment to index for firm’s growth rate.

Employed a meta-analysis technique to assess the impact of mergers and acquisition on firms using the findings of published research on post-acquisition performance. Their study revealed that merger and acquisition does not result to superior financial performance. It further showed that mergers and acquisition has a moderate unfavorable effect on the long term financial performance of the acquiring firms and no evidence to support and explain variations in performance as a result of mergers and acquisitions using the factors that were supported by the literature. Examined the impact mergers and acquisitions had on the operational aspects of the publicly traded firms in China. They used changes in revenue, profit margin, return on assets and the total asset turnover ratio before and after the mergers and acquisitions as proxies for firm performance and conducted tests to determine whether mergers and acquisitions resulted in significant changes. Their study showed that there were significant improvements in total revenue, profit margin, and return on assets following mergers and acquisitions but there was no evidence of any significant impact on asset turnover ratio. They also found evidence of significant market anticipation and over reaction to the mergers and acquisitions announcements.

CHAPTER 3 CHINA TEXTILE MERGERS AND ACQUISITIONS CASE

3.1 Mergers and Acquisitions Background

The purchaser of the merger and acquisition is the National Development and Investment Corporation, referred to as SDIC. The controlling shareholder of SDIC is the State-owned Assets Management Committee of the State Council, referred to as the SASAC for short. SDIC is controlled by SASAC 100%. The main responsibility of SDIC is to invest in policy construction projects. The company has a wide range of operations. The business operations of the company include raw materials, agriculture, forestry, energy, transportation, light textile, and mechanical and electrical industries. Since the establishment of the company, through the continuous optimization of the asset structure, it has built a business framework consisting of the three major businesses of domestic industry, financial services, and international business. The company has played a unique role in the development of the national economy and the adjustment of the state-owned economy.

In July 2014, the State-owned Assets Management Committee of the State Council announced that four pilot reforms will be initiated in central enterprises, and large-scale state-owned enterprises will be deployed to actively promote pilot projects of state-owned capital investment companies and pilot projects of mixed-ownership economies. The SASAC also issued the “Notice on Promoting State-Owned Capital Adjustment and Guidance on the Restructuring of State-Owned Enterprises”. These are the key measures for the reform of state-owned enterprises in China. The pace of reform of state-owned enterprises is constantly increasing. Accelerate. As a typical large state-owned comprehensive enterprise, SDIC needs to actively accelerate the pace of enterprise reform. In order to implement the document, "Strengthen the reform and listing, improve the quality of listed companies, actively support the assets of enterprises with good assets or main business assets to achieve overall listing, and encourage state-owned holding companies that have already been listed to increase capital, expand stocks, acquire assets, etc. All relevant assets of the main business assets were injected into the listed company, and actively promoted China Textile Investment Corporation to carry out mergers and acquisitions activities to revitalize the company's assets.

SDIC injects its equity holdings in Essence Securities into China Textile

Investment. This mixed merger and acquisition activity is an important measure for it to carry out the pilot work of state-owned capital investment companies. China Textile's investment in the acquisition of Essence Securities is in line with the policy orientation of state-owned asset management, and it is also conducive to the activation of SDIC's high-quality securities business assets, which will enable the Group's financial business sector to grow and will further promote SDIC's business. Diversity, enhance its sustainable development capabilities. After the merger and acquisition of Essence Securities has become a wholly-owned subsidiary of the listed company, SDIC's control of its strength can be further strengthened, but also help SDIC to better integrate the internal resources of the group.

Figure 1: Stocks of the acquirer before the acquisition

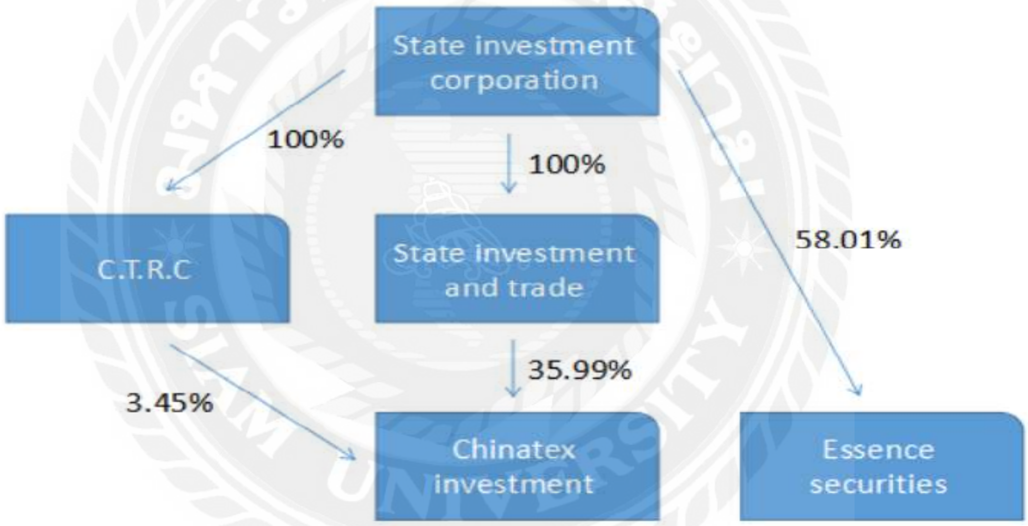
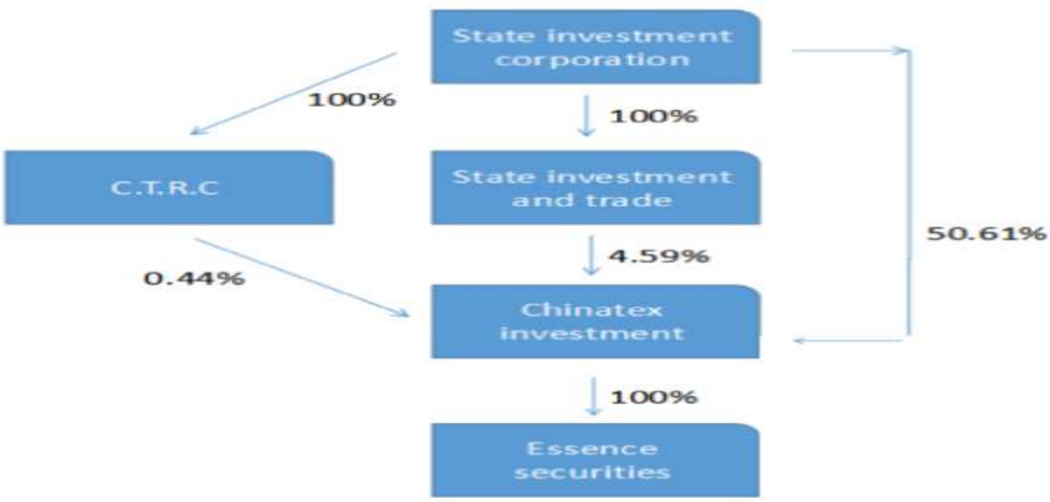


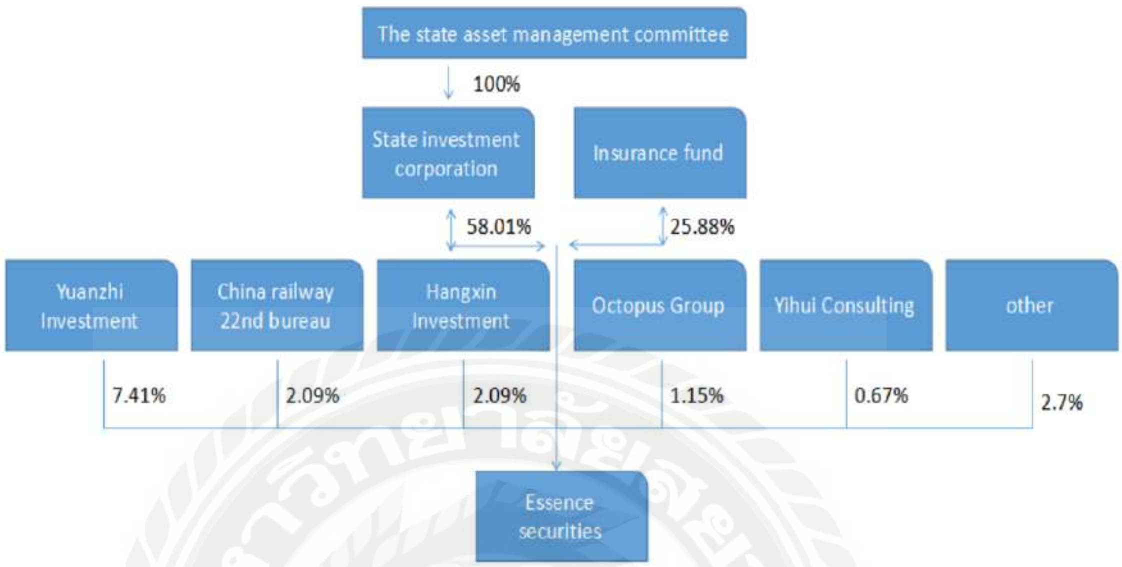
Figure 2: Stocks held by the acquirer after the merger



Prior to this acquisition, China Textile Investment was a listed company with industry-based textile industry as the main industry, and SDIC, the controlling shareholder of the listed company, was indirectly holding shares in China Textile Investment Corporation. Among them, SDIC, a wholly-owned subsidiary of SDIC, holds 15,442.36 million shares of China Textile Investment Corporation, which is 35.99% of its total share capital; in addition, SDIC has controlled its wholly-owned subsidiary CTRC AUSTRALIA PTY. LTD. Indirect holding of 14.81 million shares of China Textile Investment, the shares held in the company accounted for 3.45% of the total capital of China Textile; in summary, SDIC indirectly holds 39.44% of China Textile Investment shares. After the acquisition, SDIC will directly hold 170,403,540 shares of China Textile Investment, accounting for 50.61% of China Textile Investment's total share capital; SDIC Trade holds 144,426,600 shares of China Textile Investment, accounting for the total share capital of China Textile. 4.59%; CTRC AUSTRALIA PTY. LTD holds 1,481.33 million shares in China Textile Investment, accounting for 0.44% of the total share capital of China Textile; SDIC directly and indirectly holds 55.64% of China Textile Investment.

The investors of Essence Securities are the insured funds and Shenzhen Investment Holdings Co., Ltd. Essence Securities was established on August 18, 2006 with the approval of the China Securities Regulatory Commission. As a comprehensive securities company, Essence Securities's business scope includes securities brokerage business, securities investment consulting business, securities investment consulting business, securities underwriting and sponsoring business, securities proprietary business, securities asset management business, agency sales financial product business and financial financing. Coupons and other innovative businesses. As of the date of signing of the acquisition plan of Chinatex Investment Corporation's merger and acquisition of Essence Securities, the subsidiaries of Essence Securities are as follows: In respect of subsidiaries, Essence Securities Co., Ltd. directly owns 3 wholly-owned subsidiaries and 1 holding subsidiary, including 1 of them. The wholly-owned subsidiary is an overseas subsidiary. In addition, Essence Securities also owns 9 branches, of which one is under construction. There are altogether 176 securities sales offices across the country, 8 of which are still under construction. The SDIC, the purchaser of this case, directly held 58.01% of the equity of Essence Securities before the merger and acquisition.

Figure 3: Shareholding structure of Essence Securities



The integration, as a new organizational form, is almost always a matter of degree and can be complete, partial or minimal. Complete integration is the case when the acquired organization adopts all characteristics of the acquiring company including business style, infrastructure, identity, as well as brands, and the organizational units and operations of both organizations are merged. Partial integration happens when the acquired company adopts some, but not all systems, practices, rules and procedures of the acquiring firm. The acquiring company can, for instance, provide accounting and finance operations while the acquired organization independently performs its product development and marketing processes. If the acquired company still operates as an independent portfolio firm, then minimal integration is in question, and the acquiring organization influences the acquired only in few minor details.

3.2 The method of merger and acquisition

The method of merger and acquisition is China Textile Investment Corporation's non-public issuance of shares. China Textile Investment and SDIC, the controlling shareholder of Essence Securities, purchased the non-publicly issued shares of China Textile Investment for 58.01% shares of Essence Securities held by SDIC in order to inject the assets of Essence Securities. China Textile Investment Corporation. Due to the issue of the equity structure before the acquisition of Essence Securities, the objects for the issuance of shares to purchase assets include 13 companies including China Insurance Fund, Yuanzhi Investment, and China Railway 22nd Bureau, which together subscribed for 41.99% of shares of Essence Securities. Spinning invests in non-public offerings of shares. In addition, in order to facilitate the smooth progress of the merger and acquisition activities, the acquisition also developed a matching financing program. The supporting financing part includes the following: After the non-public issuance of shares is completed, China Textile Investment Corporation will use the inquiry method to raise matching funds for non-public issuance of shares to no more than 10 specific investors. The amount of this matching financing will not exceed this time. Restructuring of 25% of the total amount. After the completion of all mergers and acquisition transactions, the main business of China Textile Investment Corporation will increase the securities service industry.

3.3 Merger Results and Subsequent Development

Assessment of intangible resources and possibilities of knowledge transfer in mergers and acquisitions recently given its place in the strategic management literatures (Yildiz & Fey, 2010). In practice, an assessment of the human capital is often conducted just after the contract has already been signed or when the first integration problems appear. Integration is not finished signing the contract. It includes the activities of harmonizing the organizational structure, business processes as well as objectives of the merging firms. Failure to integrate due to incompatible organizational cultures is the most common reason for failed mergers and acquisitions (Schuler & Jackson, 2001).

In August 2014, the related matters concerning the transfer of equity of Anxin Securities by Anxin Securities were approved by SDIC, and the transfer of the 19.71% equity of Anxin Fund held by Anxin Securities was approached and listed. China United Assets Appraisal Co., Ltd., as an asset assessment agency of the Transaction, issued an asset assessment report for the equity of Anxin Fund. The assets assessment was conducted on June 30, 2014 as the base date. The assessment of Zhonglian's comprehensive evaluation through various methods has drawn the assessment value of the net assets of the Shunxin Fund to RMB 337,303,200. In November 2014, 19.71% of the equity of the Shunxin Securities to be transferred by Essence Securities was listed on the Beijing Equity Exchange. In December 2014, Shunde District, Foshan City, the new Bi Trade Co., Ltd. through the Beijing Property Rights Exchange delisting procedures to become the only intention to transfer the 19.71% stake in the

Trust Fund. After the completion of this equity transfer, the proportion of shares held by Anxin Securities in the shares of Anxin Fund will be reduced to 33%. Since the shareholding ratio is lower than that of Minmetals Capital Holdings Limited, the shareholding ratio is 38.72%, and Shunxin Securities no longer owns the control of Anxin Fund. right.

In July 2015, Anxin Securities, a wholly-owned subsidiary of China Textile Investment, purchased 100% of its SDIC Zhonggu Futures from China Investment Bank and Heshan Investment. At the same time as Essence Securities' acquisition of 100% equity interest in SDIC Zhonggu Futures, the SDIC Zhonggu Futures absorbed and merged Anxin Futures, two futures companies merged into one, and SDIC Zhonggu Futures was the surviving company. In November 2015, the China Securities Regulatory Commission approved the acquisition of SDIC Futures to merge with Anxin Futures. After the merger of the two futures companies, the surviving company was renamed SDIC Shunxin Securities.

In addition, in order to realize the transformation of the company, in July 2015, China Textile Investment sold all assets and liabilities (including contingent liabilities) of all shares (equities) held by Essence Securities and Yisheng Investment to the country's investment capital. The investment book will pay the listed company a consideration in cash. After the transaction, the listed company sold the textile trade business and related assets. The main business was changed to the securities service industry. The business structure was further optimized, and the industrial transformation and upgrading were realized, which will contribute to the sustainable development in the future. After the transaction, the short name of the listed company’s securities was also changed from China Textile Investment to SDIC Security. The English name of the listed company was also changed from “Sinotex Investment & Development Co., Ltd.” to “SDIC Essence.

CHAPTER 4 ANALYSIS OF INTRINSIC VALUE

For the study of mixed mergers and acquisitions and the wealth of the listed company shareholders, domestic and foreign scholars generally use the stock financial data research method or the stock event research method. Both research methods have their own advantages and disadvantages, and the basis for the data is also completely different. In different perspectives, the two cannot replace each other.

The financial information research method has unique value for the Chinese securities market, which is not mature enough to develop and whose market efficiency is significantly different from that of developed countries. Although financial indicators such as net profit and return on net assets may be artificially manipulated, such events are often exposed on the market. However, with the gradual improvement of the market supervision mechanism, the financial data of listed companies will be subject to more extensive supervision, and the disclosure of financial data will be more and more detailed. Even if a listed company manipulates financial data for personal gain, this practice cannot be continued for a long time. If the financial data is abnormal for a long time, it will inevitably be discovered by regulators and investors in the market. From a medium to long-term perspective, changes in the performance of listed companies must ultimately be reflected in their financial statements. Therefore, we analyze the changes in the intrinsic value of listed companies before and after the merger and acquisition, and then judge the impact of mixed mergers and acquisitions on the wealth of listed company shareholders has unique value and significance.

4.1 Research hypothesis

The financial data we obtain from the Internet is objective. The information disclosed by listed companies is true and reliable. The financial data of the company has not been manipulated; mixed mergers and acquisitions will result in changes in the operating performance of the company, resulting in positive or negative impacts. Can be timely reflected in the company's financial indicators; the selected net return rate and net profit margin and other financial indicators have a direct relationship with the wealth of listed company shareholders, by analyzing the changes in these indicators can better reflect the profitability of listed companies and Changes in shareholder wealth; China Textile Investment Corporation changed its name within the period of the event. In order to study the unified name before and after the study, we unified the name of China Textile Investment.

Often mergers and acquisitions deals are justified with the assumptions that they will create synergy and payback the values involved in the transaction. In this paper, the authors disclose two types of synergies: operating and financial. The mergers and acquisition data examined was from the CEE region and the aim was to identify if the value attributed to synergies and control is related to prospective earnings per share or market capitalization after 1 year of the transaction is completed. Across the case study included, the authors test the value sensitivity of the potential synergy when applying different assumptions (Bhide, 1989). To summarize how much synergy value is in fact created in the case-study transaction, the authors conduct an examination to verify if the acquisition is correctly valued.

In a mergers and acquisition, synergy is the additional value that companies expect to create when combining all the opportunities to add value that otherwise could not happen independently (Bradley, 1988). There are two main groups of synergies that are possible to create: financial and operational. The financial synergies are seldom related to the use of cash surplus, diversification, tax benefits, and higher debt capacity (Healy, 1992).

There are two main schools of thought regarding the worthiness of valuating synergies. One school argues that it is useless to value it because there is little existing evidence that it is possible to attach a value to it taking in consideration so many different assumptions and variables. If this former school of thought is correct, companies should not pay such large sums of premiums for synergy if they cannot value it. The latter school of thought is the one that the authors support and which assumes that it is possible to make synergy estimation despite the fact that assumptions are made with an unknown future. Even though the valuation process of synergy accounts with the assumptions related to growth and cash-flows with questionable certainty, it is possible to measure the expected effect of the synergy (David & Karel, 2017).

4.2 Data Selection and Basis

The starting point of a listed company's mergers and acquisition activity is to seek maximum returns. Profitability is the most important reason for the company's development and growth. It is also the most fundamental purpose of shareholders' investment in the company. This article mainly stands at the perspective of shareholders to look at the impact of mixed mergers and acquisitions on listed companies. The index that has the most direct impact on shareholders’ wealth is the profitability index. Therefore, this paper mainly uses profitability indicators to analyze the performance of mixed mergers and acquisitions of listed companies. There are many measurement indicators that can be used to measure profitability. In view of the changes in the stockholder’s equity income and profitability of the main business of the merged and acquired company, this paper selects the ROE and net profit rate as the inspection indicators.

First, we must choose the performance-related index that is most relevant to the shareholders' interest, that is, return on equity to measure the level of change in the company’s shareholders’ earnings during the study period. Return on equity (ROE) is also referred to as return on equity. The return on equity is equal to net profit divided by average equity. The return on net assets is generally calculated by dividing the company's after-tax profit by the net assets and then converting it into a percentage rate. It can be used to reflect the level of return on shareholders' equity. The ROE reflects the ability of the company’s own capital to obtain net income and the efficiency of using its own capital. This indicator can objectively reflect the efficiency of the company’s management team in the use and allocation of resources owned by the company. Conducting long-term trend analysis will help investors fully grasp the company's profitability changes, so use it to measure the performance of listed companies and the development prospects of listed companies can achieve better results, a direct reflection of the long-term wealth of shareholders Trend.

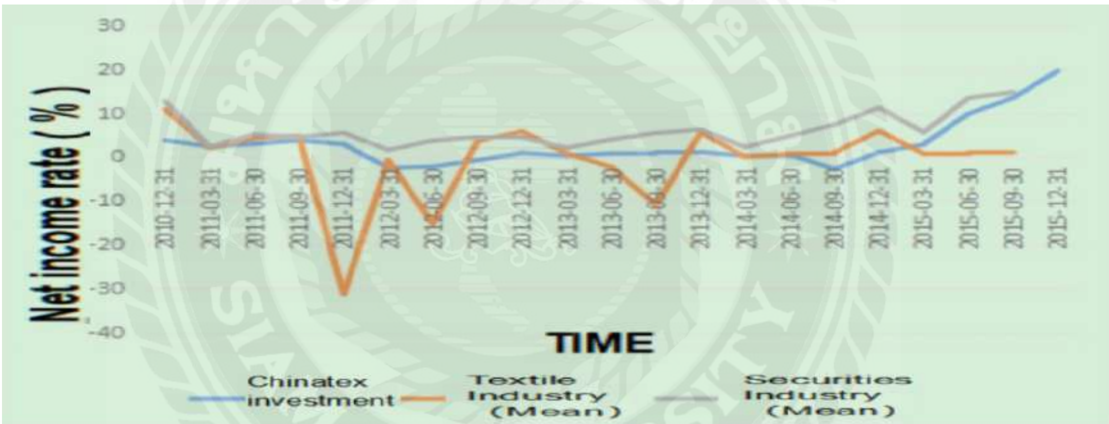
Secondly, we also need to use net profit margins to examine the changes in the returns of its main businesses after the listed companies are merged and acquired, so as to clarify whether the listed company’s shareholders’ wealth can continue to grow. The net profit rate mentioned in this paper refers to the percentage of net profit and main business income. In the case of China Textile Investment Corporation, after mergers and acquisitions were merged into companies in non-related industries, the main business and the industry of the listed company would undergo changes, so the coverage of main business income will also change. The net profit rate is relatively stable in reflecting the company's operating performance, and it examines the profitability of the main business. This indicator eliminates the impact of non-core business operations. It also effectively eliminates the decline in accounting quality caused by the use of non-core business earnings management and improves the quality of performance measurement. The company’s sustained profitability depends mainly on the main business. Only when the company’s main business is outstanding, ie, the main business has a high profit margin, can it take a dominant position in the competition. Due to changes in the company's main business after the merger and acquisition event, the company's business is more biased toward the securities industry, but in the first three quarters of 2015, China Textile Investment calculated the net profit of the original textile industry's main business. All of the negative values do not reflect the company's true profitability. Therefore, we replaced the data in the first three quarters of 2015 with the operating net profit rate. The net operating profit ratio equals the ratio of net profit to operating income (Source: Oriental Wealth Network).

In summary, when evaluating the effect of mergers and acquisitions, we chose the return on net assets (diluted) and the net profit rate as a measure. In order to better reflect the trend of changes in financial indicators, our study is based on quarters. China Textile Investment Corporation is listed on the A-share main board. The financial data is transparent. We can obtain relevant quarterly financial data from the Wind Consulting, Sina Finance and Oriental Wealth Choice databases. We have selected the quarterly, interim, annual, and interim reports of China Textile Investment Corporation that are publicly disclosed to collect and analyze the measurable data. In order to conduct a comparative analysis, we also selected the average data of the corresponding indicators of the listed companies in the textile and securities industries for consolidation and analysis, and also graphically reflected the changes in the financial indicators of the listed companies in a more concise manner. The average financial data of the textile industry we selected was obtained by averaging the financial data of 52 listed companies in the textile industry, namely Sina China Textile Industry Group (Sz002042) and Sanmao Maoshen (sz000779). Similarly, we categorized Sina Securities as CITIC Securities. The financial data of 24 securities and futures listed companies such as (sh600030) and Changjiang Securities (sz000783) were arithmetically averaged to obtain the average financial data of the securities industry.

In order to fully reflect the changes in the financial indicators of China Textile Investment Corporation before and after the merger and acquisition event, we selected the five-year data for each indicator from December 31, 2010 to December 31, 2015. There were 21 issues of China Textile Investment Corporation and 20 related financial data of textile industry and securities industry. Since some of the relevant listed companies' annual reports for 2015 were not disclosed at the time of writing, we did not receive data on the average financial indicators for the textile and securities industries in the fourth quarter of 2015. Through comparative analysis and empirical analysis of the two indicators, we studied the effect of mixed mergers and acquisitions on the profitability of listed companies, and then judged the impact of mixed mergers and acquisitions on the wealth of listed company shareholders.

4.3 Change analysis of roe.

Figure 1: Comparison of ROE



From the above figure, we can see from the perspective of the comparison between the textile industry and the securities industry, the average time period for the average return on net assets of the textile industry is lower than the average return on equity of the securities industry. In December 2011 and December 2012, more On March 31, 2012, June 30, 2013, and September 30, 2013, the average return on net assets of the textile industry was even negative, while the average return on equity of the securities industry was During the study period, it remained positive. In addition, during the period of study, the volatility of the average net assets return rate of the textile industry is greater than that of the securities industry, and the shareholder's returns of the textile industry stocks face relatively large uncertainties.

The reasons for these differences in the average ROE between the textile industry and the securities industry may be as follows: 1. The textile industry is a traditional manufacturing industry. The profitability of assets is relatively weak, and the multiple of financial leverage is not used for securities. The industry is high, so the return on net assets is generally lower than that of high-leverage and high-risk companies in the securities industry. Second, as a traditional industry, fixed-cost expenditures in the textile industry are relatively large, and the competition among enterprises in the industry is fierce, which increases the uncertainty of its performance and reduces the profitable space that can be obtained. The securities industry has developed rapidly in China. There are many innovative businesses and innovative services that can open up continued profitability for listed companies. Third, the overcapacity problem that prevails in the textile industry is a major factor constraining the textile industry's increase in profitability. Once a project's cash flow problems occur, it may continue to affect the company's performance.

From the perspective of the comparison between China Textile Investment and the textile industry, China Textile Investment Corporation's volatility in net asset yields is not as large as that of the average value of the textile industry. However, before the merger and acquisition, China Textile Investment Corporation's ROE is long-term. Low levels, sometimes even negative periods, do not guarantee the benefits of shareholders. After the mergers and acquisitions, the return on net assets of China Textile Investment Corporation increased significantly from -2.81% on September 30, 2014 to 19.6% on December 31, 2015. The performance of ROE far exceeded that of the textile industry. Average.

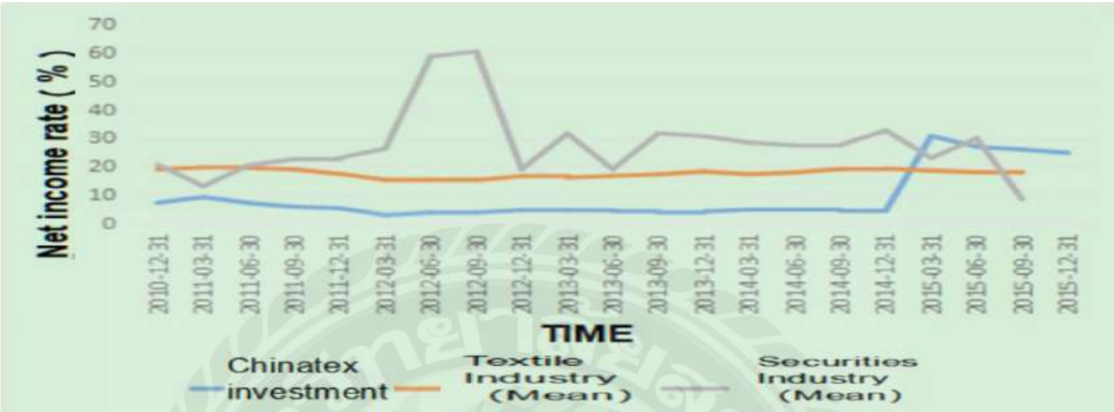
The reasons for the above differences in the average net asset yield of China Textile Investment Corporation and the textile industry may be the following: First, China Textile Investment Corporation's business performance has been deteriorating due to the deterioration of asset quality before the merger and acquisition. Bad, in the textile industry is a company with poor profitability. Before the merger and acquisition of China Textile Investment Corporation, the return on net assets continued to be negative over a longer period of time. The shareholders' wealth was not guaranteed, and the company's reform was urgently needed. This was also the reason why the listed companies actively promoted mixed acquisitions. 2. After the mixed mergers and acquisitions incident, SDIC injects the high-quality assets of the well-known brokerage firm Essence Securities into China Textile Investment Corporation. The company has found new performance growth points. After a period of consolidation, the profitability of listed companies is Significantly improved, the return on net assets continued to grow. Third, after the mixed mergers and acquisitions incident, China Textile Investment Corporation has absorbed the actions of improving the company's asset quality and improving the scale effect, such as the merger of SDIC's Zhonggu Futures Corporation and the dismantling of its infringing assets, and further increased the ROE of listed companies.

From the perspective of the contrast between China Textile Investment and the securities industry, before the occurrence of mixed mergers and acquisitions, the return on net assets of China Textile Investment Corporation is expected to be lower than the average value of the securities industry for a long time, and there is no clear correlation between the two. However, after the merger and acquisition event occurred, the return on net assets of China Textile Investment Corporation has gradually increased. The data of the first three quarters of 2015 have been close to the average data of the securities industry, and there is a strong correlation between the two. As the subsidiary company, Essence Securities, absorbed the merger of Mid Valley Futures with excellent profitability and sold off assets with lower profitability through sales of assets, the effect of the company's resource integration after mergers and acquisitions became more apparent. In the fourth quarter of 2015, the company’s net assets income the rate rose by 6.17% from the third quarter, and it is even expected to exceed the average value of the securities industry. The wealth level of listed company shareholders has also been correspondingly improved.

The reasons for the above discrepancy between the average return on equity of China Textile Investment Corporation and the securities industry may be as follows: 1. China Textile Investment Corporation belongs to the textile industry-based company before the merger and acquisition and is related to the securities industry. Less sexual. Since the textile industry is a traditional industry, there are not many innovative businesses in the industry that can be exploited, and profitability space is difficult to open. 2. After the merger and acquisition of the company, the assets of Essence Securities accounted for most of the listed company's assets. The nature of China Textile Investment Corporation has changed, and China Textile Investment Corporation has a closer connection with the securities industry. Third, the further integration of Anxin Securities's subsidiary, Anxin Futures, and SDIC Zhonggu Futures, and the exit of some traditional textile assets have enhanced the competitiveness of the company's securities business. The company's business focus has been further defined, and the listed company's ROE has been improved. It has also been further improved.

4.4 Analysis of net profit margin changes.

Figure 2: Comparison of Net Profit Rate



From the above figure, we can see from the perspective of the comparison between the textile industry and the securities industry, the volatility of the average net profit margin of the textile industry is relatively small, which has remained between 15% and 20% for the entire period of the study, and the net profit margin of the securities industry. The volatility is relatively large. When the net profit is low, it is only 8.399%. When it is high, it can reach 60.36%. The maximum difference is more than 50%. In addition, the average net profit margin of the securities industry is higher than the average net profit margin of the textile industry during most of the research period.

The reasons for the above differences in the average net profit margin between the textile industry and the securities industry are as follows: 1. The textile industry is a traditional industry with a fixed business scope and stable social demand. Therefore, the net profit margin is not volatile; securities industry securities Businesses such as brokerage business and investment consulting business, which account for a large proportion of main business income, are greatly affected by the stock market and the economic situation at home and abroad. Net profit has greater uncertainty. Second, the textile industry is a traditional industry. Because of the large number of competitors in the market and the small market space that can be exploited, the textile company's business has a low net profit rate; while the company's securities business has a relatively high barrier to entry, it needs to go through strict the approval and relevant qualifications, many businesses have a large market space, net profit margins are relatively high.

From the perspective of the comparison between China Textile Investment Corporation and the textile industry, the net profit margins of the two companies are relatively small, but the net profit margin of China Textile Investment Corporation has been lower than the average net profit margin of the textile industry before the merger and acquisition event. Before the merger, China Textile Investment Corporation's net profit margin was only single digits. However, after the merger and acquisition incident occurred, the net profit rate of China Textile Investment Corporation has been significantly improved, and it has maintained a net profit level of more than 20% for the end of the study period, which is significantly higher than the average net of the textile industry in the same period. profit.

The reasons for the above differences between the net profit margin of China Textile Investment Corporation and the average value of the textile industry are as follows: 1. The company's operating conditions were not good before the merger and acquisition, and it was a company with poor profitability in the textile industry. The dividend income of shareholders was not guaranteed for a long time. Second, after the mergers and acquisitions, China Textile Investment Company achieved a successful transformation. The high profit margin of the securities business has greatly increased the net profit rate of China Textile Investment Corporation.

From the perspective of the comparison between China Textile Investment Corporation and the securities industry, before the merger and acquisition event occurred, the average net profit rate of the securities industry was significantly higher than that of China Textile Investment Corporation, and the volatility was also stronger. However, after the merger and acquisition event occurred, the net profit rate of China Textile Investment Corporation soon reached or even surpassed the average level of the securities industry, and when the average net profit margin of the securities industry dropped sharply on September 30, 2015, China Textile The investment company's net profit rate did not show a sharp decline. Although there is no data on the average net profit of the securities industry in the fourth quarter of 2015, based on the current operating conditions, the net profit rate of China Textile Investment Corporation is likely to exceed the average value of the securities industry.

The reasons for the difference between the net profit margin of China Textile Investment Corporation and the average value of the securities industry are as follows:

1. Prior to the merger and acquisition, the performance of China Textile Investment Corporation was not significantly related to the securities industry, and there would be no net profit margin due to fluctuations in the securities market. Volatility, due to the fact that listed companies are mainly engaged in traditional textile businesses, there is a certain gap between profitability and companies in the securities industry. Second, after the mergers and acquisitions, China Textile Investment Corporation increasingly pays attention to the development of securities business, and actively integrates the internal resources of Essence Securities and SDIC, and injects the best quality assets into listed companies, becoming a very influential in the securities industry. In a listed company, profitability continued to increase.

CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Research conclusion

5.1.1 Mergers and acquisitions can improve the profitability of listed companies

As the textile industry is a traditional manufacturing industry, the market has limited development space and many competitors. This industry has become a highly competitive Red Sea. During the period of research we have selected, the financial performance of the textile industry is lower than the average level of the securities industry in terms of both the average ROE and the net profit margin. From the analysis of the case, we can know that before China Textile invested in the acquisition of Anxin Securities, the financial performance of listed companies performed poorly, and even for a long time the net profit rate was lower than the average level of the textile industry. However, after the merger and acquisition, because China Textile Investment Corporation injected quality assets of Essence Securities, the return on net assets and net profit rate have gradually increased, and are closer to the average value of the securities industry, and may even surpass the fourth quarter of 2015. Average value of the securities industry. The merger and acquisition activities have played a continuous and positive role in improving the financial data of China Textile Investment Corporation and improving its profitability. After the merger and acquisition, the listed company's effective integration of the other resources within Essence Securities and SDIC is also an important factor in the continuous improvement of the company’s financial data. It can be expected that the dividend distribution of listed companies will increase significantly in the future, and the shareholder’s wealth will be effectively realized. Protection.

5.1.2 Shareholders of listed companies can obtain excess returns in the short term after mergers and acquisitions

We use the short-term performance empirical test (CAR) to measure the average excess return and cumulative excess return over a certain period of time before and after the date of occurrence of the merger and acquisition event of the China Textile Investment Corporation. Then we find that: First, we use the textile industry index or the securities industry index as the benchmark. In the 20 days prior to the occurrence of the M&A event, there were no apparent average excess returns or accumulated excess returns for China Textile Investment Corporation's shares. The news of China Textile Investment Corporation's mergers and acquisitions has no obvious signs of leakage before the official announcement, and the rights and interests of ordinary shareholders can be protected. Second, in the fifteen days after the merger and acquisition incident, news of mergers and acquisitions continued to ferment in the market, making the average excess return rate and accumulated excess return rate of China Textile Investment Corporation's stock continue to increase, and the level of shareholders' wealth continued to increase. Although the average excess return rate has declined during the subsequent event study period, the cumulative excess return rate has remained at a relatively high level. Shareholders can enjoy the high returns caused by the rapid rise in the stock market value. In general, shareholders of listed companies can enjoy excess returns in the short term after the merger and acquisition.

5.1.3 Long-term positive value of excess returns of listed company shareholders after mergers and acquisitions

We used the long-term performance empirical test model (BHAR) to measure the purchase of the China Textile Investment Corporation's merger and acquisition event within 18 months after the month of purchase and continuously held stocks' excess returns. After discovering: First, due to the ups the suspension of trading for a period of time, as well as the impact of the daily limit system, mergers and acquisitions announced the purchase of four months after the month and the continuous holding of excess returns of stocks is negative. Second, from the fourth month to the end of the study period, China Textile Investment Company's purchase and holding income have maintained a positive value. The fourth to eleventh month is the period in which the yield rate continues to increase substantially, although there is a subsequent rate of return. Large fluctuations in the volatility, shareholders can continue to hold stocks can still obtain greater returns. Third, the nature of the industry of China Textile Investment Corporation after mergers and acquisitions and integration is closer to that of the securities industry, whether it is during the period of purchase or continuous holding of excess returns on stocks rising or falling, with Securities III (Shenwan) Industry Index. As a reference, the excess return of the continuously held stocks is much more stable than the excess return of the continuously held stocks based on the textile manufacturing (Shenwan) industry index.

5.1.4 The volatility of the listed company's stock price increases significantly after the merger and acquisition

After the merger and acquisition event of China Textile Investment Corporation, whether from a short-term perspective or from a long-term point of view, after the mergers and acquisition event occurs, the investor's expectations for the China Textile Investment Corporation have changed substantially. The differences between China Textile Investment Corporation's valuation and earnings forecasts have increased. The increase in this expected difference has attracted a large number of investors to participate in the trading activities of China Textile Investment. After the merger and acquisition, the volatility of China Textile Investment Company's stock far exceeds the average value of the textile industry and the securities industry. China Textile Investment Corporation can maintain a relatively high stock trading volume for a relatively long period of time. This helps raise the awareness of China Textile Investment Corporation in the securities market and helps maintain the company's stock price at the same time. Relatively high level.

5.1.5 Controlling shareholders play a key role in the integration of listed companies after mergers and acquisitions

Regardless of the financial point of view or the share price, China Textile Investment Corporation's shareholder wealth after joint mergers and acquisitions has significantly improved. In this acquisition, SDIC, the controlling shareholder of the listed company, played a key role in the strategic transformation and resource integration of China Textile Investment Corporation. First, it injected the high-quality assets of its securities company into the listed company, and subsequently avoided the competition with the industry. Some shares of the Shung Shin Fund were listed and transferred. At the same time, SDIC Mid Valley Futures and An Shin Securities's subsidiary Anshin Futures were merged. In addition, the disposal of the inferior assets in the original China Textile Investment Company was also performed. Under the positive influence of these measures, the efficiency of asset allocation of China Textile Investment Corporation has been continuously improved, and the integration effect after mergers and acquisition has been recognized by the market and most of the investors within the company. At the same time, 100% of the shares of Anxin Securities after the merger are invested by China Textile. The company holds and SDIC's control over Essence Securities has been further strengthened.

Whether a listed company's controlling shareholders change before or after the merger has a significant effect on the effectiveness of the merger. In general, the controlling shareholders are more familiar with the business of the listed company. The integration of the resources after the acquisition of the controlling shareholder of the original listed company can achieve higher integration efficiency. On the other hand, the stability of the control right of the listed company can also make the listed company in the acquisition. During the operation more stable. SDIC, the controlling shareholder of China Textile Investment, is a large-scale state-owned investment company with various types of industrial investment as its main business. Various resources owned by SDIC can be used by China Textile Investment Corporation after the merger and acquisition. SDIC has maintained its position as the largest shareholder before and after the merger and acquisition of China Textile Investment Corporation, which determines that the direction of the listed company's operations and changes in the management team can be steadily excessive, and investors in the market are also liable to the China Textile Investment Corporation. The transformation has a clearer understanding.

5.2 Study Difference Analysis

In this paper, the authors investigated whether there was an alternative framework to earnings per share which could be used to assess the value creation of mergers and acquisition. The findings strongly support the hypothesis that synergy and control do create value in mergers and acquisition. However, the most frequently used metric to evaluate its performance, the EPS, shall not be used without a more comprehensive due diligence analysis. A fundamental reason to incur in mergers and acquisition transaction is the prospective gain of synergy and control that may be achieved. In this sense the authors concluded that by combining the two entities, the value created can be measured more accurately by an extensive due diligence rather than solely by the EPS accretive or EPS dilutive extensively used metrics (Andrade, 2001).

Previous studies by many scholars have drawn the conclusion that mixed mergers and acquisitions will damage the wealth of shareholders. However, there are some inconsistencies between the conclusions of this case study and those of many domestic scholars. These inconsistencies are largely due to non-merger and acquisition factors. The timing of mergers and acquisition events, selection of sample companies, duration of empirical research, and research methods will all affect the conclusions reached by the Institute. The main reasons for the research differences are the following factors: First, the regulatory status of the securities market is different. In recent years, with the continuous development of China’s social economy, the country’s regulation of the securities market has become more and more standardized.

The frequent problems of insider manipulation and stock speculation have been gradually reduced, and listed companies have also paid more attention to the improvement of their core competitiveness. The purpose of the mergers and acquisition merger is to base more on the long-term development of the company and to protect the wealth of most shareholders. Second, the subject’s life cycle is different. The purpose of mergers and acquisitions of listed companies in different industrial life cycles is not the same. Some companies take the initiative to conduct mergers and acquisitions, and some companies' mergers and acquisitions are led by the government or because the company is in a predicament and passively does not segment the company's status. It is difficult to reach a unanimous conclusion. Third, different research deadlines are selected. Different scholars have different time limits for research on mixed mergers and acquisition events. Some study the changes in shareholder wealth in dozens of days before and after mergers and acquisitions, and some study deadlines extend to three years after mergers and acquisitions. Cannot be directly compared, a single study deadline can only get very limited conclusions. Fourth, different research methods are selected. The theoretical basis for different research methods is not the same. Due to too many influencing factors in the stock price of listed companies in China, the financial data has a certain lag, and the financial level and stock price changes are inconsistent in many cases and are derived from a single method. The reliability of the conclusion is worth considering.

5.3 Related Suggestions

5.3.1 Listed companies should choose mergers and acquisitions according to their own development strategy

First, listed companies should make full use of the resources held by the controlling shareholders in mergers and acquisitions. The controlling shareholder of a listed company has high-quality resources for certain aspects of the business. It will be easier for a listed company to make a transition in this direction. Making full use of the resources of the controlling shareholders can shorten the time for mergers and acquisitions after mergers and acquisitions, help the listed companies to stabilize their operations during the integration period. Second, the target of mergers and acquisitions of listed companies needs to have a larger market space. Choosing a target company with a new type of business or its industry in a fast-growing period facilitates the business expansion and the mining of new profit points after the integration of the two companies. If you choose to acquire a company that is in the "Red Sea", there will be considerable resistance to the business expansion of listed companies, and you will even encounter the embarrassing situation that neither business direction can create value. Finally, listed companies should formulate detailed development strategies and focus on their own management capabilities before mergers and acquisitions. The success of mixed mergers and acquisitions is very important to the development strategies and management capabilities of listed companies. Because the two companies involved in mixed mergers and acquisitions are not directly related to their business, it is difficult to create synergies in their operations. This is a management ability for listed companies. The resource integration capability has put forward higher requirements.

5.3.2 Shareholders of listed companies should formulate different strategies according to investment deadlines

First, long-term strategic investors of listed companies should pay more attention to the improvement of the financial indicators of the company. These indicators can best reflect the company's operating performance. If after the merger and acquisition, the company's operating conditions can emerge from the predicament and achieve sustained growth in profitability, it can be expected that the company's stock dividends in the future will be greatly improved, bringing continuous cash flow to shareholders each year.

Second, short-term investors in the stock market need to seize the opportunity of mergers and acquisitions from a short-term perspective and obtain price differential income from the secondary market through large fluctuations in short-term stock prices. From the study in this article, we can know that from the day of the merger and acquisition event to around the 15th trading day, the price of the stock will have a sharp and continuous rise process. Before or at the time of the merger and acquisition event, the stock is bought or related. The funds, which are sold after 15 trading days, can receive short-term spread income.

In addition, medium and long-term investors in the stock market need to rationally assess the level of the listed company's stock price, recognize the trend of changes in the stock price or yield after the merger and acquisition, and follow the trend to buy or sell. In the eleven months after the mergers and acquisition, the major stocks were traded from a bullish angle of view, and they followed the trend of falling and rebounding to increase their own yields.

5.3.3 Mergers and Acquisitions market investors need to identify potential investment targets in advance

The acquisition of inside information is extremely difficult for ordinary investors. The disclosure of inside information is also strictly prohibited by the state. Therefore, only the listed companies that can potentially identify potential mergers and acquisitions in advance are the effective channels for obtaining wealth growth.

The shareholder structure of listed companies is an important factor affecting mergers and acquisition. If the controlling shareholder owns other high-quality assets, once the merger and acquisition of these high-quality assets will be given priority to be injected into the listed company, the purchase price paid by the listed company to the target company will not be too high, which greatly protects the interests of the original shareholders of listed companies. At the same time, the controlling shareholders have strong control over the target company, and also reduce the possibility of hostile takeovers, which is more conducive to the smooth progress of mixed mergers and acquisition activities.

Target companies in mixed mergers and acquisitions are generally companies with good performance and good profitability. Under normal circumstances, the capital market will the recognition will soon be reflected in the company's share price after the merger. On the contrary, the main listed companies most likely to have mixed acquisitions are generally slow to develop or have encountered financial difficulties. Some companies even have the risk of delisting and will actively seek to improve their own assets and financial status through mergers and acquisitions.

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