REAL ESTATE ENTERPRISE RISK-RESISTANT ABILITY BASED ON PEST MODEL-A CASE STUDY OF YUNNAN CITY REAL ESTATE COMPANY

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ABSTRACT

Within the evolving landscape of the global economic sphere, the real estate industry faces risks and challenges in several areas. This study took Yunnan City Real Estate Company as a case study, and the objectives of the study were: 1) To study the current situation of risk-resistant ability based on the PEST model of Yunnan City real estate companies; 2) To make suggestions for Yunnan City Real Estate companies based on PEST model.

This study adopted the documentary research method. Based on the PEST model theory of Yunnan urban real estate, the current status of the company's risk resistance was studied and relevant insights and conclusions were drawn from it. Yunnan City Real Estate Company was chosen as the research subject because it is a listed company and its operational data are easy to obtain and verify, thus improving the credibility of the study. In conclusion: 1) The national policy regulation makes the company's project development restricted, the fluctuation of the economic cycle makes the company's financing difficult, the change of social demand makes the company's inventory sales poor, technological innovation increases the cost of inputs, and the combined impact of these factors lead to the company's anti-risk ability to decline. In response to the PEST situation of the real estate industry, Yunnan City Real Estate Company has implemented a series of strategic measures, including reducing land purchases, accelerating inventory liquidation, paying off debts, and strengthening production and operation. These measures have effectively solved the enterprise crisis and played an important role in improving the enterprise's anti-risk ability; 2) Through the study of the current situation of the company's risk-resistant ability, based on the PEST model for Yunnan City Real Estate Company. This paper puts forward the recommendations: the political environment changes to do close attention and timely adjustment of business strategy, the impact of economic factors to develop special measures to optimize the management of funds, the social factors

to be in accordance with the needs of consumers to increase the business model to improve the value of the brand, and the technical factors of the key to the continuous updating of technology in order to enhance the competitiveness of the enterprise's market.

The final conclusion emphasizes the limitations of this study and provides suggestions to further enhance the interpretation of real estate firms' risk resilience from the perspective of managers and future researchers. Through this study, it provides certain theoretical and practical references for real estate enterprises in formulating risk management strategies in a rapidly changing market.

Keywords: PEST model, real estate, financial risk, financial analysis, business decision

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DECLARATION

I ,Liang Yumei, and I hereby declare that the title of this independent research work entitled " A case study of Real Estate Enterprises Risk-Resistant Ability Based on PEST Model- A case study of Yunnan City Real Estate Company" is the result of the original research, and has not been submitted to any other university or institution for a higher degree.

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(Liang Yumei)

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Chapter1 Introduction

1.1 Background of the Study

In 1988, China marked a significant stride towards establishing a modern real estate market with the introduction of the Interim Regulations on Urban Real Estate Management. These regulations eased restrictions on individual home purchases, permitting city dwellers to buy homes, and introduced the notion of commercial property sales. The implementation of China's reform and opening-up policy spurred rapid urbanization, drawing a substantial rural population into cities and fueling a surge in housing demand. Concurrently, urban expansion and infrastructure development further propelled the real estate market. Over the ensuing decades, the real estate sector experienced substantial growth and transformative changes, playing a pivotal role in driving economic growth and employment.

From an external perspective, real estate enterprises have been significantly affected by macro-control policies. Although China's real estate industry started late, it has developed rapidly since the reform and opening up, and has become the cornerstone of the national economy. As a terminal consumer product, the real estate industry has an impact on more than 60 related industries upstream and downstream. These industries include construction, building materials, machinery and decoration. In addition, the industry has close ties with government departments and social organizations, creating a huge and significant industrial correlation in its complex and extensive industrial chain (Cai, 2015).

From the perspective of the industry, the fiscal stability of the real estate sector is intricately tied to its overall vitality. In the absence of efficient financial risk tracking and mitigation, assessing the sector's fiscal status becomes a daunting task. When real estate experiences deflationary cycles, it becomes prone to exposing fiscal weaknesses in the absence of adequate risk management, which may ultimately culminate in industry-wide failures and insolvencies. Hence, a nuanced and meticulous fiscal scrutiny of the real estate sector is indispensable (Cai, 2015). Real estate ventures confront obstacles like substantial capital prerequisites, protracted capital occupation cycles, and uneven capital influxes and outflows. These internal and external impediments impose heightened demands on the stewardship of real estate ventures. To elevate fund utilization proficiency, real estate ventures can synchronize stewardship objectives with expansion strategies, harness scientific fiscal scrutiny methodologies, enforce budgetary control measures, dispense funds prudently, ensure the security of the corporate capital chain, quell fiscal hazards, and attain enduring progress. (Li, 2017).

To foster the sustained growth of real estate firms, a thorough examination of their risk resilience is crucial. This investigation utilizes the PEST analytical framework to appraise the present landscape of the real estate sector, with an emphasis on political, economic, social, and technological dimensions. The study employs a case study approach, scrutinizing the operational performance of Yunnan City Real Estate Investment Company (hereinafter referred to as YMRD Company) spanning the last three years. This assessment gauges the risk-mitigation capabilities of the real estate enterprise based on metrics such as profitability, evaluating the solvency, operational proficiency, and capital sufficiency of real estate enterprises enhances their risk-mitigation capabilities, thereby minimizing the potential vulnerabilities faced by investors and consumers. A comprehensive grasp of environmental possibilities and challenges facilitates the development of more effective strategies and informed decisions.

1.2 Problems of the Study

The development of the real estate industry is closely related to various socio-economic dimensions and faces risks and challenges in various aspects. First, political factors, since 2019, the government has introduced a series of measures, such as land use policies, increasing the down payment ratio for mortgage loans and increasing the conditions for loans to real estate companies to curb the excessive increase in housing prices, which has led to limitations on the development of YMRD's projects. Secondly, economic factors, including the global economic downturn, inflation, and interest rate fluctuations, have made it difficult for the Company to raise funds. Thirdly, social factors, the slowdown in the rate of growth of total population and urbanization, which made the company's commercial property sales poor. Fourthly, technological factors, digital transformation and the application of new technologies have increased the Company's operating costs. Based on the combination of the above political, economic, social and technological factors, the internal and external risks faced by YMRD have had a significant impact on the Company's operations and development, resulting in a decline in the Company's risk resistance. In this case, the company should pay attention to the impact of political, economic, social and technological factors in a timely manner, take effective management measures to strengthen risk control and management, and maintain the normal flow of working capital in order to ensure the company's sound operation and sustainable development.

1.3 Objectives of the Study

1. To study the current situation of risk-resistant ability based on the PEST model of Yunnan City Real Estate Company.

2. To make suggestions for Yunnan City real estate companies based on PEST model.

1.4 Scope of the Study

In this paper, based on the theory of PEST model YMRD Company as a case study, we study the company's financial data for the year 2020-2022, including financial statements, annual reports and shareholders' meeting documents through scientific financial analysis methods. It focuses on analyzing the impact of political, economic, social and technological factors on business operations and development, and studying the company's strategies to enhance its risk resistance.

1.5 Significance of the Study

1.5.1 Theoretical significance

In terms of theory, applying the PEST analysis model aids enterprise managers in comprehending their macro-environment holistically. This enables them to respond more effectively to challenges, seize opportunities, and devise more proactive and adaptable strategic decisions. Additionally, employing a scientific financial analysis approach equips managers with a thorough comprehension of the enterprise's financial standing, thereby facilitating optimal enterprise management.

1.5.2 Practical significance

In a practical sense, the utilization of the PEST analysis framework is crucial for evaluating financial risks and holds a key position in shaping decisions within corporate settings. Specifically within the domain of real estate firms, prioritizing risk diagnosis and implementing effective risk minimization tactics becomes paramount. With a focus on the rationale for inventory distribution and the execution of regular audits aimed at ensuring continuous production and sales cycles. This methodology aids in elevating the organization's overall operational efficiency and risk management abilities. When considering the viewpoints of investors and consumers, the outcomes of the real estate company's risk resilience evaluation become pertinent. A higher degree of enterprise cohesion indicates a more robust internal capacity to withstand risks, ultimately aiding in the mitigation and avoidance of real estate investment risks, thereby increasing the likelihood of achieving substantial returns.

Chapter 2 Literature Review

2.1 Introduction

Under the current background of globalization and market-oriented in-depth development, the real estate industry is facing increasingly complex internal and external environments in its business decisions. As a key factor affecting the operational stability of real estate enterprises, the identification and prevention of financial risk is particularly important. The purpose of this paper is to study the risk control, financial as well as operational decision-making of real estate based on the PEST model of real estate by means of literature review, so as to provide theoretical support and reference for the subsequent research. At the same time, this paper will also explore how to apply these theories and methods to actual cases to provide useful guidance for the practice of real estate enterprises.

2.2 Pest Model

PEST analysis is a tool used to assess the impact of the macro-environment on an organization, sector or undertaking, helping to better understand potential opportunities and threats by looking at four key external environmental factors: political, economic, social and technological. This analysis helps organizations to develop more effective strategies and decisions based on their situation. Specifics are given below:

1. Political factors. Marx and Engels introduced the concept of Marxism in their influential work, the Communist Manifesto, exploring the political system and social class conflict. Political factors refer to the political forces, political systems, institutions, guidelines and policies that have real and potential effects and influences on the business activities of enterprises, as well as the restrictions and requirements of laws and regulations on business activities (Shao, 2002).

2. Economic factors. As emphasized in Adam Smith's Wealth of Nations, underscore the importance of a market economy and free market principles. These factors encompass the economic growth rate, inflation rate, interest rate, exchange rate, and unemployment rate, among others. They reflect the state of a country or region's economic system, structure, material resource situation, development level, the pattern and magnitude of consumer expenditures, as well as future development trends (Shao, 2002).

3. Social factors. As explored within the framework of Max Weber's Theory of Social and Economic Organization, highlight elements like social structure, social class, and social change. These factors encompass the societal nature of a country or region, shared values, cultural traditions, lifestyles, demographics, education levels,

customs, religious beliefs, and more (Shao, 2002).

4. Technological Considerations: Exploring the Impact on Management. Drawing insights from Peter Drucker's renowned work, in "The Practice of Management," we explore the significant impact of technology on the field of management. This impact encompasses various aspects, such as advancements in science and technology, investments in research and development initiatives, and factors concerning the protection of intellectual property rights. These technological factors hold the potential to significantly alter the competitive dynamics within various industries, thereby affecting product design and manufacturing processes. In essence, technological factors comprise a range of scientific and technological components present within the business sphere, alongside a myriad of societal occurrences that are closely linked to them (Shaw, 2002).

The PEST model theory is not created by one scholar alone. It is the result of a number of scholars who have synthesized theories and perspectives from various fields. The significance of the PEST model lies in its amalgamation of contributions from various academic realms, providing a framework to analyze the influence of external environmental factors on organizations or markets.

2.3 Real Estate

2.3.1 Concept of Real Estate

Real estate refers to the landmass of our planet and the diverse array of structures erected upon it, including houses for habitation, edifices for commerce, industrial plants, agricultural fields, wooded areas, and aquatic zones. From an economic standpoint, real estate stands out as a pivotal asset class, serving purposes as diverse as domestic habitation, commercial endeavors, and investment ventures. The sphere of real estate encompasses a wide array of endeavors, namely development, construction, trade, leasing practices, and the stewardship of land resources. Additionally, real estate intersects with financial instruments, including home loans and investment vehicles specifically designed for it. Because of its close connection to our homes, workplaces, and entertainment centers, any changes in the real estate sector have profound impacts on both the economic well-being and social structure of a country (Liu, 2019).

The concept of real estate has not been singularly defined by a specific scholar; rather, it has evolved over time within the legal, economic, and social frameworks of diverse countries and regions. Notably, Prominent figures, such as the American economist Henry George, put forth the notion of land taxation alongside value escalation in his renowned work "Progress and Poverty". Meanwhile, the renowned British economist David Ricardo expounded upon the concept of land rent in his highly regarded to me, "Principles of Political Economy and Taxation". While these esteemed scholars may not be recognized as the trailblazers of the real estate paradigm, their perspectives have indisputably left a lasting impression on the advancement of the real estate industry.

2.3.2 YMRD Company Profile

Established on April 21, 1997, YMRD is headquartered in Kunming, Yunnan Province, with a registered capital of RMB 1.605 billion. This enterprise predominantly engages in three key business divisions, namely real estate advancement, property administration, and commercial management. Possessing a nationwide qualification in real estate development, its product portfolio spans across various provinces, such as Yunnan, Shaanxi, and Sichuan. Through the span of numerous years, YMRD has cultivated an industrial chain framework covering a wide range of businesses such as commercial, property management, landscaping, horticulture, integrated sourcing and decoration. The company is ranked 78th in the prestigious One Belt One Road Top 100 Chinese Enterprises (Yun, 2022).

Up to December 31, 2022, YMRD's publicly disclosed total assets were RMB 13.528 billion. Of this amount, total interest-bearing liabilities amounted to RMB 4.298 billion and the net assets of the listed company amounted to RMB1.473 billion, which are wholly owned by shareholders. However, the organization encountered various challenges arising from broader environmental factors, such as the effects of global health crises and economic downturns, real estate regulations and market competition. As a result, there was a high level of unsold inventory, it consists primarily of office buildings, commercial properties and parking. This has led to an extended capital recovery cycle, hindering the pace of sales. Corporate sales revenues declined, making it difficult to maintain satisfactory operating performance.

Considering the challenges mentioned earlier, YMRD has proactively strengthened its financial standing via a multitude of strategies. Chief among these are the facilitation of project relocations, fostering of collaborations, asset swaps, the unpacking of long-standing issues, the intensification of debt repayment endeavors, and the reduction of interest burdens on capital. Spanning the three-year period from 2020 to 2022, the company undertook substantial asset revamping and replacements, aimed at refining its capital framework, damping financial vulnerabilities, and elevating profitability. Concurrently, YMRD has broadened its horizons and nurtured new ventures in the areas of general management, commercial operations and property maintenance services. Through a suite of offerings encompassing digital platform facilities, collaborative economy ventures, smart property oversight, and services to the community, the company has achieved a pivot towards becoming an urban, light-asset operational integrated service hub. Remarkably, YMRD Corporation successfully resolved the delisting crisis. (Yun, 2022).

2.4 Financial Risk

2.4.1 Financial risk origins and concepts

The origins of the notion of financial risk can be found in the early literature pertaining to finance and risk management principles. The French economist Alexandre Audouard's publication "Risk and Insurance," published in 1921, offered a comprehensive examination of the risk concept, this established a strong basis for future theories pertaining to risk management. The incorporation of the capital asset pricing model within the domain of financial theory in the latter years of the 20th century greatly accelerated both the examination and application of financial risk.

Financial risk within an enterprise pertains to the possibility of incurring economic losses stemming from internal and external uncertainties, this may result in financial returns deviating from expected outcomes. Additionally, it is essential to take liquidity into account. Financial risk can lead to challenges in debt settlement due to inappropriate financing methods or inefficient use of borrowed funds, posing difficulties in maintaining enterprise liquidity. This risk is a pervasive challenge across the financing, investment, and production and operation aspects of economic activities. Consequently, enterprises need to enhance control and prevention in these areas, conduct scientific analysis and prediction of uncertainties, and address financial risks comprehensively. Through the implementation of a multidimensional strategy, enterprises can ensure sustained and healthy development (Li, 2003)

For real estate companies, any failure in financial management, financing, investment and corporate decision-making can have a significant impact. It may lead to the problems of insufficient capital recovery, poor liquidity and unbalanced distribution of income. This situation may lead to capital turnover tensions, reduced solvency, or may lead to irreparable serious economic losses, or even lead to bankruptcy and debt repayment difficulties. Due to the 2008 U.S. subprime crisis and recent domestic effects of national macro-control policies, numerous real estate companies have faced recurrent financial crises while implementing the "debt management strategy", which fully proves the serious harm of financial risk to enterprises. (Jiang & Wang, 2021).

2.4.2 Financial risk assessment indicator system

This study was conducted using YMRD Company as the subject. By evaluating a range of financial metrics spanning from 2020 to 2022, in this study, a comprehensive system of indicators suitable for the company was established to assess the financial risk of the company. This assessment encompasses crucial areas such as solvency, profitability, operational efficiency, and capital structure, which are outlined below:

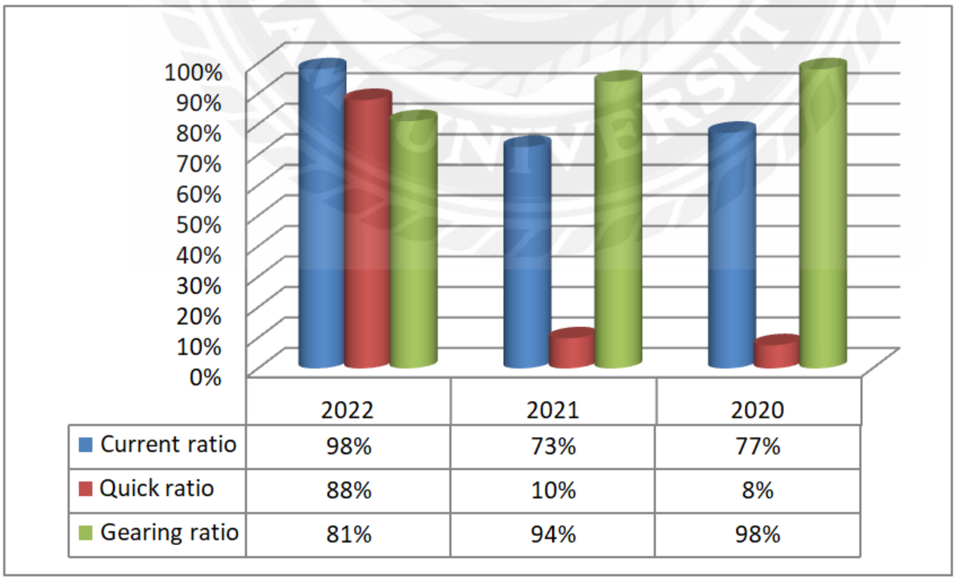
Table 2. 1 Financial risk assessment indicator system table

Categorization	Indicators
Solvency risks	Current ratio
	Quick ratio
	Gearing ratio
Profitability risk	Return on Total Assets
	Profitability of capital stock
	Return on Shareholders' Equity
	Earnings per share
Operational capacity risk	Total Assets Turnover Ratio
	Inventory Turnover
	Accounts Receivable Turnover Ratio
Funding stock risk	Cash Inflow Ratio
	Cash outflow ratio

Source: Sina Finance

2.4.3. Solvency analysis

Table 2. 2 Comparative table of indicators for solvency analysis



	2022	2021	2020
Current ratio	98%	73%	77%
Quick ratio	88%	10%	8%
Gearing ratio	81%	94%	98%

Source: Sina Finance

1. A current ratio of between 1.5 and 3 is generally considered to be a desirable level. However, the current ratio alone does not fully determine the ability of enterprises to repay short-term debt. This is because among current assets, accounts receivable, marketable securities, and although cash have strong liquidity, items such as inventories and amortized expenses also belong to current assets, which have a longer time to be realized, especially inventories that are prone to backlogs and slow-moving sales, which may lead to poor liquidity of the enterprise. Based on the current ratio data of YMRD in 2022, there is a positive trend compared to the last two years, approaching the value of 1. This suggests an enhancement in the company's solvency.

2. The quick ratio evaluates a firm's ability to liquidate its non-inventory current assets in order to fulfill its immediate financial liabilities, particularly during situations in which the conversion of inventory into cash is not feasible in timely manner. A quick ratio exceeding 1 signifies robust short-term financial stability, while a ratio below 1 might hint at potential short-term liquidity challenges. Notably, YMRD's quick ratio for 2022 stands at 0.88, marking a significant enhancement from the previous years' ratios of 0.1 and 0.08. This indicates that the firm has gained proficiency in utilizing its non-inventory current assets to address short-term liabilities, especially in scenarios where inventory liquidation poses challenges, thereby bolstering its short-term financial standing.

3. In the last three years, YMRD has managed to recover 45.452 billion and used 5.1 billion of that amounts to return financial debt. This has resulted in a decrease in the gearing ratio from 98% in 2020 to 81% in 2022. This trend indicates that the debt pressure on the business has eased and the financial risk has decreased significantly. Such a change in the gearing ratio indicates positive results in the company's debt management.

2.4.4. Profitability analysis

Table 2. 3 Comparison Table of Profitability Analysis Indicators

Indicators	2022	2021	2020
Return on Total Assets	1.29%	2.92%	0.51%
Profitability of capital stock	-69.16%	-59.91%	-159.40%
Return on Shareholders' Equity	13.12%	1.37%	23.84%
Earnings per share	-0.78	-0.61	-1.93

Source: Sina Finance

1. The Rate of Return on Total Assets serves as a crucial financial metric for

investors and operators alike, enabling them to discern the profitability of a company's asset base. According to the latest three-year dataset, YMRD Company reported a ROA of 2.92% for 2021, signifying efficient asset utilization during that period. Consequently, the company has reaped tangible benefits and achieved notable success in boosting its revenue while conserving capital expenditure.

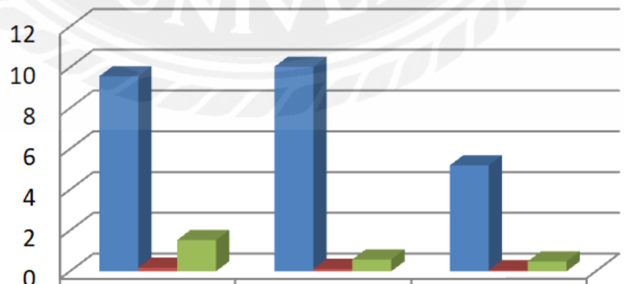
2. Profitability of capitalization: It is one of the financial indicators that investors attach great importance to, which can help to measure the operational efficiency of enterprises and the return on shareholders' investment. Typically, ROE indicates the profitability of a company that can effectively utilize the capital invested by shareholders. Upon examination of the indicator, it is evident that YMRD Company's capitalization profit margin has consistently underperformed, remaining negative for the past three years.

3. Return on Equity: A higher value of this indicator means that the company has generated more profits with relatively less investment in shareholders' equity, enhancing its appeal to shareholders.

4. Profitability per share has been subpar in the preceding three years, with 2020 marking the lowest point. However, in 2021, the utilization of efficient management strategies, encompassing the recovery of overdue debts and the clearance of stock, resulted in a considerable reduction of fiscal deficits. However, in 2022, there was a surge in the cost of funds in contrast to the preceding year, mainly due to the full repayment of banking debts and the corresponding interest dues.

2.4.5. Analysis of operating capacity

Table 2. 4 Comparative table of indicators for analysis of operating capacity



	2022	2021	2020
Total Assets Turnover Ratio	9.56	10.03	5.19
Inventory Turnover	0.18	0.12	0.05
Accounts Receivable Turnover Ratio	1.53	0.58	0.48

Source: Sina Finance

1. Total Asset Turnover Ratio: In the last three years of data, the enterprise had the highest TATR of 10.03% in FY2021 and the lowest of 5.19% in FY2020. It shows that the enterprise carries out effective financial management.

2. Inventory Turnover Ratio: Company has actively implemented strategies to accelerate capital retrieval by selling inventory since 2021. As a result, there has been a steady increase in the inventory turnover ratio, coupled with a reduction in inventory levels. Upon reviewing the balance sheets spanning the past three years, notable fluctuations in inventory figures become apparent. This volatility stems from the enterprise's concerted efforts to expedite the conversion of inventory into cash, thereby freeing up funds for short-term debt repayment. This, in turn, has had a considerable impact on the quick ratio. The pertinent data are presented as follows:

Table 2. 5 Inventory comparison table

Item	2022	2021	2020
Inventory (billions)	0.562	17.301	46.014

Source: Sina Finance

3. The YMRD Company boasts the most impressive accounts receivable turnover ratio, standing at 39.39 times in a particular year, with 2020 following closely behind. However, in 2022, this ratio took a considerable dip, marking the lowest performance in the preceding three-year period. A strong and resilient receivables turnover ratio serves as an indication of a company's efficiency in promptly recovering overdue debts; it makes liquidity faster and improves operational efficiency. Such a ratio further underscores the financial well-being and operational excellence of the company. Nevertheless, the notable decline in YMRD's accounts receivable turnover ratio in 2022 warrants closer examination and analysis to unveil the underlying reasons and potential ramifications.

4. Summary: The level of annual total asset turnover can reflect the efficiency of a company's asset utilization. A higher turnover ratio means that the enterprise is able to quickly convert assets into sales revenue, while a lower turnover ratio may indicate underutilization of assets or poor sales performance. The data from the last three years of the business shows that the business has put a lot of effort into financial management in FY2021.

2.4.6. Funding stock analysis

Table 2. 6 Comparative table of cash flow ratio indicators

Indicators	2022	2021	2020
Cash inflow from operating activities	78.63%	86.68%	23.63%
Cash inflow from investing activities	12.54%	10.39%	11.66%
Cash inflow from financing activities	8.83%	2.93%	64.71%

Source: Sina Finance

1. YMRD has realized notable financial gains in both 2021 and 2022 by implementing proactive inventory reduction strategies and promptly settling transactions, leading to a favorable increase in the ratio of cash inflow generated from its operational endeavors. This outcome reflects the organization's proficiency in accelerating its financial flows through commendable performances in its core business operations. Consequently, the growing trend in cash inflows from operating activities strengthens the liquidity of the Company's working capital and improves the overall efficiency of capital management.

2. Cash inflow from investing activities has remained relatively stable over the past three years.

3. Ratio of cash inflow from financing activities: the highest reached 64.71% in FY2020 in the recent three years, followed by a precipitous decline in the following two years.

Table 2. 7 Comparative table of cash outflow ratio indicators

Indicators	2022	2021	2020
Cash outflow from operating activities	10.02%	10.66%	21.29%
Cash outflow from investing activities	0.19%	0.84%	0.38%
Cash outflow from financing activities	89.79%	88.50%	78.32%

Source: Sina Finance

1. In the fiscal years 2021 and 2022, the companies made notable reductions in

their administrative costs, which consequently led to a substantial decrease in the ratios of cash outflows related to operational activities.

2. The cash outflow ratio from investing activities has remained stable over the past three years.

3. The maximum cash outflow stemming from financing activities amounted to 89.79% in the fiscal year 2022, with the subsequent year, 2021, witnessing the second-highest outflow. Conversely, the fiscal year 2020 exhibited the least cash outflow in this regard.

To recapitulate, YMRD's present and immediate ratios have exhibited a rise in 2022 when juxtaposed with the preceding two years, signifying advancement in the organization's near-term debt-servicing and cash flow capabilities. The leverage ratio, which stood at 98% in 2020, has diminished to 81% in 2022 as a result of debt repayments, denoting a downward trajectory in fiscal peril and debt burden. The aggregate return on assets attained 2.92% in 2021, marking a 2.41% surge from 2020, demonstrates good results in generating revenue and optimizing the management of expenditures. Although 2020 proved challenging for earnings per share, in 2022, as a result of the complete settlement of the bank debt and related interest, the Company has made good progress in terms of solvency, profitability and operational capacity over the past three years, and overall has strengthened its ability to withstand financial risks, despite the increase in interest expense.

2.5 Financial Analysis

2.5.1 Origins and development of financial analysis

The roots of financial analysis can be traced back to the early stages of business and accounting. It also evolved in a systematic and organized manner during the Industrial Revolution, along with advances in financial principles and accounting. This evolution was fueled by the growing demand for financial insights from analysts and investors, financial analysis has evolved into both a method and a skill, accommodating the ever-changing business landscape and developing investment requirements. The key stages in the origin and evolution of financial analysis include:

1. Early bookkeeping methods and business practices dating back to the ancient Greek and Egyptian periods were the prototype for financial analysis. This practice enabled them to gain deeper insights into the Profitability of the enterprise, the status of their resources, and the prospects for expansion. This archaic method of fiscal scrutiny laid the groundwork for business decision-making in that era. Over time,

financial analysis transformed into a pragmatic methodology, experiencing progressively systematic and standardized advancements during its subsequent historical progression.

2. During the early 19th century in Britain, the growing commercial sector prompted a shift towards a more structured approach to accounting among British firms, driven by the increasing demands of their business endeavors. This transformation included the integration of crucial financial records such as financial reports, balance sheets, and income statements. The evolution of financial reporting during this period was significantly influenced by British legislation and commercial customs. The establishment of this accounting framework equipped businesses with more accurate and clear fiscal data, thereby facilitating more effective stewardship and strategic planning. Against this backdrop, financial analysis gradually emerged as a pivotal tool rooted in a systematic accounting methodology. It enables a more comprehensive and precise assessment of the financial situations and accomplishments of businesses.

3. Evolution of accounting and fiscal theories during the late 19th and early 20th centuries had a profound impact on the financial analysis profession. This period witnessed a continuous development marked by the introduction of crucial accounting rules and norms. These encompassed guidelines related to revenue identification, cost doctrines, depreciation, and amortization. The implementation of such standards laid a robust foundation, allowing firms to present their financial information in a more uniform and comparable manner. This, in turn, enhanced the efficiency of financial analysis. The evolution of accounting principles played a crucial role in ensuring the accuracy and transparency of company financial reports. As a result, it bolstered the reliability and usefulness of financial analysis. Simultaneously, the parallel development of accounting and financial theories provided financial analysis with a more rigorous and uniform foundation during this transformative period.

4. The evolving needs of investors and financial analysts have paralleled the advancement of the securities market and the concurrent expansion of the investor community. This has led to a consistent increase in the demand for comprehensive corporate financial information. In response to this surge, financial analysts have found themselves relying extensively on sophisticated financial analysis techniques to assess corporate value and identify investment opportunities. This heightened demand has prompted a continuous refinement and progression of financial analysis methods. In meeting investors' quest for accurate and all-encompassing financial knowledge, these methodologies have become increasingly intricate and tailored, significantly enhancing their effectiveness in aiding investment decisions. This developmental phase has firmly established the critical significance of financial analysis in the

financial realm, rendering it an indispensable tool for both businesses and investors in the decision-making process.

2.5.2 Concepts and methods of financial analysis

Financial analysis involves scrutinizing various corporate data sets by applying specific analytical techniques. Its primary focus is to assess the operational capacity, profitability, and financial stability and expansion opportunities of the business activities. The ultimate goal is to provide unbiased and more comprehensive information to all relevant stakeholders inside and outside the company so that proper decisions can be made. It is through the financial analysis conducted that a company can understand its financial position, identify potential problems and opportunities, and provide support for future strategic planning and operational decisions (Yu, 2022).

Financial analysis involves evaluating the financial condition and business performance of a company or individual. It requires organizing, collecting and analyzing financial information to form reasonable financial opinions and evaluations. In this study, 12 financial indicators such as quick ratio, current ratio and gearing ratio are comprehensively used to examine the solvency, profitability and operating ability of real estate companies.

2.6 Business Decisions

Decision-making involves the economical selection of an alternative from multiple choices, steered by an examination of both internal and external factors to reach a pre-established objective or tackle a particular issue. In contemporary business science, the concept of business decision-making is interpreted differently. Broadly speaking, theories of decision-making perceive it as a progressive series of events that includes identifying issues, defining goals, and formulating and devising plans. In contrast, a more restricted theory of decision-making reduces business decision-making to the ultimate selection of an action plan, where problem definition, goal establishment, and program creation are viewed as separate, autonomous steps preceding the decision-making procedure. (Zhu, 2012).

George Dantzig, a pioneer in operations research, and Herbert Simon, a renowned management scientist, have left indelible marks on the field of decision theory. The realm of business decision-making is vast and diverse, encompassing various methodologies such as data analysis, SWOT analysis, cost-benefit analysis, decision tree analysis, incremental decision-making, as well as goal setting and planning. These techniques often intersect and overlap, reflecting the complexity and importance of decision-making, this necessitates a comprehensive approach to effectively support business managers.

2.7 Research Framework

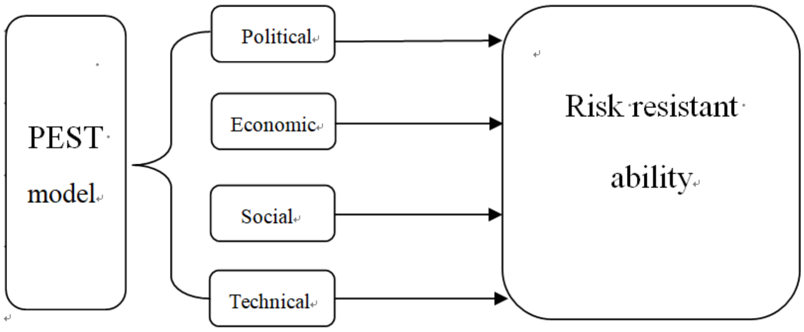


Figure 2. 1 Research Framework Diagram

Chapter 3 Research Methodology

3.1 Introduction

This investigation employs the methodology of literary exploration by amassing a wide array of scholarly materials pertinent to the subject matter, encompassing journal writings, tomes, and investigative reports. The amassed literature undergoes meticulous screening and citation for a profound examination of works intimately tied to the research focus and possessing scholarly merit. The synthesized insights from the literature encompass a juxtaposition of viewpoints, an appraisal of investigative techniques, and a condensation of discoveries.

Using YMRD Company as an exemplary case, the necessary data for this examination was derived from publicly accessible records and additional disclosures made by the entity over the preceding three-year period (2020-2022). By conducting a thorough analysis of YMRD Company's corporate standing and assessing its resilience to risks, the study aims to integrate literary research with empirical scrutiny, providing a solid foundation for a comprehensive understanding of the company's operational activities and enhancing its ability to withstand risks.

3.2 Research Design

1. Research problems

Real estate companies encounter risks arising from political, economic, social and technological factors. Among these risks are constraints imposed by policies and regulations that may hinder the progress of projects, financing challenges, poor commercial real estate sales, and rising costs due to technological upgrades. As a result, these factors lead to poor business conditions and reduced ability of companies to reduce their resistance to risks.

2. Literature review

Utilizing the four dimensions of politics, economy, society, and technology, the theoretical foundation of the PEST framework and its utilization in risk assessment for real estate companies is grasped through an examination of pertinent scholarly literature encompassing journal articles, books, and research reports. Concurrently, by accessing the stock exchange data platform in the Shanghai Stock Exchange, we acquire the operational reports of YMRD Company spanning the three-year period from 2020 to 2022. We employ data gathering techniques, statistical sampling methods, and utilize Excel 2019 to input and systematize the data. Furthermore, we apply internationally recognized calculation formulae to generate fresh analytical datasets and quantify them for utilization within this study.

3. Research framework

By applying the principles of the PEST model, the political aspect primarily covers governmental policies, regulations, and their associated stability. Concurrently, the economic aspect focuses on macroeconomic indicators such as economic cycles, fiscal policies, and similar measures. The social aspect takes into account population demographics and consumer behaviors. Additionally, the technological aspect emphasizes technological progress and emerging trends within the real estate industry. The research framework is built upon these four foundations: politics, economy, society, and technology.

4. Case analysis

Through an examination of the PEST (Political, Economic, Social, and Technological) framework in relation to real estate firms, we explore the consequences of policy and regulatory changes on the corporate environment from a political lens. From an economic angle, we assess a company's operational resilience amidst fluctuating economic cycles. We also examine social dimensions, including demographic shifts and changing consumption trends. Additionally, we evaluate the crucial role of technological progress within the organization from a technological standpoint. By employing empirical analysis, we investigate the impact of these factors on YMRD's corporate circumstances and its ability to manage risks.

5. Conclusion and suggestions

Based on the study findings, a comprehensive overview of the current PEST situation facing urban real estate in Yunnan is presented, along with an examination of how political, economic, social, and technological factors influence the resilience of real estate businesses against risks. Subsequently, tailored suggestions are offered. Primarily, in terms of politics, measures like housing purchase restrictions and land supply regulations hinder the initiation of new real estate ventures. Hence, it is advisable for companies to enhance their engagement with governmental entities and remain vigilant towards any shifts in policies and laws. Secondly, concerning economics, economic cycles and tighter lending practices have protracted the repatriation of funds to the enterprise. In response, optimizing the capital structure emerges as a viable strategy to mitigate potential financial risks. Lastly, with respect to social factors, the diminishing population and the escalating aging challenge pose considerable implications for the real estate sector. Therefore, companies must reevaluate their market positioning and strategic planning to adapt to these societal transformations.

Chapter 4 Findings and Conclusion

4.1 PEST Status of Urban Real Estate in Yunnan

The recent global economic downturn has notably affected the real estate sector, leading to common challenges for companies, such as inventory backlogs, financial difficulties, and prolonged capital recovery cycles. These issues have adversely affected the business environment and risk resilience of real estate companies. The subsequent analysis delves specifically into the present PEST conditions within urban real estate in Yunnan.

4.1.1 Political factor

1. Housing purchase restriction policies. In 2016, the State Council of China issued the Opinions on Improving the Promotion of the Stable and Healthy Development of the Real Estate Market, in which a series of housing purchase restriction policies were proposed to regulate the real estate market and ensure its stable development. These policies mainly include: restricting the number of individual home purchases, requiring proof of social insurance or tax payment, and restricting home purchases by non-local residents.

2. Land supply control. Restricting land supply and controlling the amount of land supply and the number of development projects in order to control market supply.

3. Strengthening financial regulation. By strengthening regulation of the real estate financial market, the government can better grasp market dynamics, prevent potential financial crises, and maintain the stable operation of the entire financial system.

The main objective of the government in enacting policies and regulations related to the real estate sector is to curb speculation and speculation in order to maintain the stability of the real estate market. However, the implementation of these policies has also had an impact on the development of the real estate business.

4.1.2 Economic factor

1. Macroeconomic repercussions: The onset of the COVID-19 pandemic in the initial months of 2020 exerted a profound influence on the worldwide economy, thereby disrupting consumers' employment and earning prospects to diverse extents, ultimately diminishing their capacity to invest in real estate.

2. Elevated initial deposit percentages serve as an impactful policy tool to dissuade speculative interests in the property market. Its primary goal is to decrease

the debt-to-income ratio of house purchasers, subsequently minimizing the risks involved in buying a home. By enforcing lending constraints and tailor-made strategies for varying cities and residence categories, the intention is to steer the property market in a more productive direction, guaranteeing its seamless and robust progress, all the while mitigating any underlying fiscal and economic hazards.

3. Tightening of lending policies. The government has taken measures to restrict the granting of real estate loans, cutting down on the borrowing capacity of home buyers by raising loan interest rates and shortening loan terms.

4. Housing price control. The aim of policy control is to curb the rise in housing prices and to maintain market stability by limiting speculation and excessive demand, which will bring about a fall in housing prices at the same time. When confidence in the market is affected, homebuyers will adopt a wait-and-see attitude rather than rush to purchase a home.

Fluctuations in the economic cycle, higher down-payment ratios, tighter lending policies, and controlled housing prices have combined to reduce the ability of consumers to purchase homes.

4.1.3 Social factor

1. Total population. China's total population had reached 1.4 billion by the end of 2019, and the population growth rate slowed down slightly in 2022 due to the impact of the decrease in the number of births. The proportion of urban population is more than 60%, the number of working-age population is decreasing, and the degree of aging is further deepening.

2. Aging problem. According to data from the National Bureau of Statistics, China's population structure has changed significantly over the past 10 years, and has entered the first rapid stage of population aging. By 2020, the total number of elderly people aged 60 and above in mainland China will reach 264 million, accounting for 18.7% of China's total population.

3. The growth of urbanization level slows down. According to the sample survey system and survey data released by the National Bureau of Statistics (NBS) on national population changes in 2022, it is estimated that China's total population will decline slightly in 2022, and the growth rate of urban population will slow down.

Factors such as the overall populace, the issue of an aging society, and the decreasing rate of urbanization growth are anticipated to induce alterations in the real estate market, particularly in the dynamics of supply and demand, the market composition, and the trajectory of its development.

4.1.4 Technical factor

1. Advances in building technology and materials have had a significant impact on the construction, design and overall quality of real estate businesses. This includes, but is not limited to, technologies such as environmentally friendly building materials, prefabricated components, 3D printing and other modern methods.

2. The utilization of digital design tools, including CAD (Computer Aided Design) and BIM (Building Information Modeling), has been demonstrated to enhance both the effectiveness and precision of architectural design processes.

3. Eco-friendly solutions such as energy-efficient appliances, solar energy harnessing and environmentally responsible construction practices constitute sustainable technologies that can enhance the environmental sustainability of real estate ventures, amidst escalating eco-regulations and consumer preferences.

Considering the sustained progress in China's real estate sector, the incorporation of modern technology enhances the productivity of real estate firms while minimizing environmental consequences. However, as the transition from outdated to cutting-edge technologies takes place, significant financial investments are required by real estate enterprises to facilitate this upgrade, leading to increased operational expenses in the short term.

4.2 Analysis of YMRD's Risk Resilience Status Using the PEST Model

Under the amalgamated effects of political, economic, social, and technological factors, YMRD has witnessed a downturn in its business fortunes and diminished its capacity to withstand risks. Consequently, as per pertinent rules and regulations, the company's shares are slated to receive a "delisting risk warning" upon the revelation of its 2020 annual report. Over the course of three years spanning from 2020 to 2022, YMRD has simplified the organizational setup of its property management, as well as its commercial operation and management divisions. This streamlining effort has been undertaken to trim down the overall expenditure of the enterprise and thereby enhance managerial proficiency, aligning with the strategic shift towards asset-light operation and management. Furthermore, YMRD has been conducting periodic financial assessments to stay apprised of the company's operational status. In light of the prevailing PEST conditions within the real estate sector and taking into account the firm's actual operational state, YMRD has implemented a raft of managerial strategies. These include paring down land acquisitions and accelerating certain initiatives to adapt to the changing market dynamics. Accelerating the disposal of corporate inventories, recuperating funds for debt repayment, boosting production and commercial undertakings, reducing operational expenses, and settling fiscal commitments. Over the past three years, the implementation of these strategies has been instrumental in elevating YMRD's asset return, capitalization margin, and return on shareholders' equity. By December 31, 2022, the company had achieved an impressive year-on-year reduction of 83.51% in its total interest-bearing liabilities, accompanied by a decrease in the average financing cost from 8.31% to 6.14%. Additionally, YMRD reported an operating income of 2.568 billion and a 108.86% year-on-year increase in net assets attributable to shareholders of listed companies, which amounted to 1.473 billion. Moreover, its gearing ratio saw a decline from 93.8% to 81.16%.Within a three-year period, the company recuperated funds amounting to 45.452 billion, repaid financial debt worth 5.1 billion, eased its debt burden, considerably mitigated financial risks, progressively refined its capital structure, and enhanced its risk resistance capabilities. As a result, YMRD successfully averted the potential crisis of delisting at the close of 2022. Subsequently, a detailed examination of YMRD's risk resilience is conducted using the PEST framework.

4.2.1 Political factor

In early 2020, the outbreak of the new crown pneumonia epidemic, the government's planning, supply and use of land policy industry control of the long-term mechanism, the scale of the real estate market is difficult to breakthrough development, coupled with the tightening of financing channels in the real estate industry, financing due to the impact of the policy to promote the limitations of the above situation on the operation of the YMRD Company has had a greater impact on the company's operations.

Strategy for Responding: To align with the company's strategic transformation and enhance overall profitability, we plan to divest ourselves of subsidiaries that do not fit our new direction and have shown subpar returns. Specifically, we intend to relinquish 100% of the equity interests held in three of our subsidiary companies through private agreement transfers. This divestment is expected to recoup a total sum of RMB 8.965 billion, encompassing both equity and debt repayments.

4.2.2. Economic factor

Compared to 2019, the primary source of revenue for the company will experience a reduction of 30.26%. Furthermore, the company has incurred consecutive financial losses in both 2019 and 2020, leading to negative working capital for two years in a row. Additionally, the company's gearing ratio has been on a constant upward trajectory, resulting in the company being confronted with the twofold challenges of dwindling capital and deteriorating performance.

Strategy for Response: Two significant asset reorganizations were conducted, successfully concluding the equity settlement of 10 companies involved. This resulted in the recovery of 4.181 billion in equity and debt payments, efficiently downsizing the asset base and interest-bearing obligations while refining the asset structure. By enhancing production processes, streamlining inventory sales, settling debts, and implementing additional measures, the company repaid 5.1 billion in financial debt, ultimately resolving the debt crisis.

4.2.3 Social factor

YMDR, situated in Kunming, Yunnan Province, primarily caters to urban centers with its main operations. However, because of alterations in the national demographic landscape, shifting housing preferences, and a decelerating urbanization rate, the demand for urban dwellings has steadily declined annually since 2019. Consequently, this societal shift has directly contributed to a decrease in the Company's commercial property sales.

Strategy for Responding: The enterprise has ventured into offering comprehensive urban services, marking a new chapter in its business portfolio. Its property management arm has successfully obtained the ISO9001, ISO14001, and ISO45001 certifications, acknowledging its adherence to robust management systems. Furthermore, it has been recognized as one of the "2022 Top 500 Property Service Enterprises in China based on Overall Strength," solidifying its reputation and fostering a favorable brand image.

4.2.4 Technical factor

Investments in technology are crucial for the advancement of YMRD firms. Consider, for instance, how digital building design enhances the process of designing and planning structures by leveraging technologies like Virtual Reality (VR) and Building Information Modeling (BIM). Smart security systems elevate the convenience and security of both residential and commercial properties. Online real estate platforms revolutionize traditional real estate transactions by offering online searches, virtual tours, trading, and leasing services. Nevertheless, the transition from outdated to cutting-edge technologies incurs substantial investment costs in the near term, ultimately raising the company's operational expenses.

Strategy for Mitigation: Employ diverse collaborative approaches to decrease the expenditure associated with technological updates.

4.3 Recommendations for YMRD Based on PEST Model

4.3.1 Political factor

To enhance the enterprise's risk management proficiency, it is advisable for the firm to put in place a robust system for managing political risks. This should involve carrying out periodic evaluations of political risks and promptly adjusting its strategic approach. By doing so, the company can guarantee a nimble response to fluctuations in the political landscape, thereby mitigating any potential political risks.

4.3.2. Economic factor

The writer proposes expanding the range of financing options by incorporating a variety of methods, namely bank loans, bond issuance, and equity financing. It is essential to foster strong relationships with financial institutions and negotiate better financing terms, thereby enhancing the company's adaptability to capital demands. Additionally, the author advocates for a seamless integration of financing strategies with sales operations to optimize fund utilization. Specifically, aligning financing efforts with sales activities can facilitate the timely acquisition of necessary funds and expedite project execution.

4.3.3 Social factor

The organization ought to place greater significance on societal obligations and enduring progress, while simultaneously exploring innovative business paradigms that cater to evolving market needs, including extended-stay rental accommodations, collaborative living arrangements, and hospitality offerings. When it comes to enhancing the value of its service brand, the company, alongside delivering superior real estate services, may also contemplate elevating the tenant's journey by leveraging digital and intelligent solutions, such as the integration of smart home technologies and the establishment of web-based service hubs, aimed at augmenting the tenants' residential satisfaction and ease.

4.3.4 Technical factor

Make concerted efforts to integrate Internet of Things technology within real estate undertakings, encompassing intelligent domestic setups and advanced building management systems. This integration aims to elevate the degree of household intelligence, alongside optimizing energy usage efficiency and minimizing operational expenditures.

4.4 Conclusion

In sum, by conducting a PEST analysis of the real estate sector, it becomes evident that the urban real estate industry in China confronts a range of interconnected challenges spanning political, economic, social, and technological dimensions. This necessitates prompt strategic adjustments by real estate firms in response to market pressures, thereby bolstering their resilience to risks and fostering sustainable growth.

First, the impact of national policy regulation is significant. The regulatory policies issued by the government have imposed restrictions on the project development of real estate enterprises, including restricted land supply and restrictions on the purchase of housing, which makes enterprises subject to certain constraints on the scale and number of projects. This policy-oriented adjustment has affected the overall development direction of the industry to a certain extent, and has also made it more necessary for enterprises to respond flexibly in market competition.

The fluctuations in the economic cycle, coupled with the tightening of lending policies, have posed significant challenges to the financing landscape for businesses. As economic instability persists and lending rates continue to climb, real estate firms are facing tougher financing conditions, leading to delayed project fund returns and heightened financial burdens. Consequently, enterprises are compelled to exercise greater caution and efficiency in their fundraising and capital management efforts.

Alterations in societal needs and marketplace configurations constitute noteworthy elements that cannot be overlooked. As consumer preferences and market landscapes undergo constant transformation, certain real estate ventures might discover discrepancies between their offerings and what the market truly desires, leading to unsold inventories and subpar sales performances. It is imperative for these enterprises to remain vigilant towards market fluctuations and adapt their product assortments and promotional tactics with agility to align better with the evolving market conditions.

The escalation of operational expenses resulting from technological advancements poses a significant hurdle. As construction and sustainable technologies progressively evolve, real estate companies must consistently revamp and refresh their technical infrastructure, ultimately leading to elevated operational costs. Consequently, it becomes imperative for these firms to meticulously strategize their investments and returns to guarantee that the integration of technology genuinely yields profitable outcomes.

Chapter 5 Recommendations

5.1 Recommendations for Business Managers

1. Strategic planning

Given the profound influence of national macro-control measures on real estate undertakings, the foremost objective centers on conducting a meticulous examination of both the external and internal conditions surrounding the enterprise. This examination serves to pinpoint the organization's core competencies and vulnerabilities, forge its positioning within the industry, and chart a clear path for growth. A pivotal aspect of this endeavor involves scrutinizing the enterprise's financial standing, ensuring that cash flow management goals align seamlessly with the broader strategic vision, and elevating the significance of cash flow management to a strategic imperative. The trisected of strategic planning, process oversight, and retrospective analysis proves instrumental in maintaining a steady inflow and outflow of funds, mitigating operational hazards, and fostering a balanced cash flow.

2. Market research

"Avoid concentrating investments, and distribute your resources across multiple avenues." Undertaking fresh initiatives serves to disperse fiscal hazards through the diversification of investment paths. Achieving swift enhancement in the company's manufacturing and operational proficiency within a condensed time span poses difficulties. Identifying novel undertakings with favorable outlooks and substantial market requirements constitutes a productive approach for corporate growth. Prioritizing the augmentation and fortification of asset stewardship and trade activities aligns with the intensifying aging phenomenon in China. Offering holistic services catered towards the senior citizenry.

5.2 Recommendations for Industry Researchers

1. Focus on multiple risk dimensions

Corporate investors often prioritize the earnings potential of a business, believing that robust profitability equates to greater risk resilience. Nevertheless, it's essential to recognize that business risks encompass a wide range of factors, including market exposure, credit vulnerabilities, and liquidity challenges. To develop a nuanced understanding of a company's risk landscape, scholars are advised to explore various risk dimensions within their investigations. By examining multiple facets of risk, researchers can acquire a more holistic perspective.

2. Research on integrated management strategies

In addition to utilizing the PEST model analysis, the writers suggest incorporating further models to extensively consider various components such as governmental policies, economic conditions, societal demands, technological advancements, and more. By adopting this methodology, it becomes feasible to examine cohesive risk management tactics encompassing risk relocation, risk minimization, risk evasion, and other techniques.

Due to restrictions on time and resources, this study was conducted using a constrained sample and dataset, which could have impacted the results. Future studies could improve understanding by enlarging the sample size to delve deeper into the research queries. Nevertheless, the authors maintain that this investigation still contributes meaningful understanding of risk tolerance among real estate companies through the lens of the PEST framework, and it points to promising avenues for further exploration.

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Appendix

A 2022 Balance Sheet

Balance Sheet

Dec 31, 2022

Prepared by: Yunnan city real estate company

Unit: ten thousand dollars

Sports event	Dec 31, 2022	Dec31, 2021
Current assets.		
Money funds	56,043.17	55,189.45
Accounts receivable	18,672.95	18,063.24
Prepayments	2,304.84	9,368.11
Other receivables	45,014.69	136,421.34
Inventory (of material)	56,178.22	1,730,120.82
Contractual assets	7,174.65	8,449.08
Assets held for sale	358,202.30	20,174.33
Other current assets	2,560.94	23,964.69
Total current assets	546,151.75	2,001,751.06
Non-current assets.		
Long-term receivables	117,855.21	148,422.07
Long-term equity investments	60,499.51	60,500.75
Other non-current financial assets	10,100.00	13,700.00
Investment property	319,932.14	1,426,023.09
Fixed assets	122,490.01	132,533.99
Construction in progress		
Usufructuary assets	143,804.09	139,807.19
Intangible asset	727.31	1,004.24
Reputation of a firm's product		
Long-term amortized expenses	5,709.39	22,153.82
Deferred tax assets	25,487.99	76,408.08
Total non-current assets	806,605.65	2,020,553.23
Total assets	1,352,757.40	4,022,304.29
Current liabilities.		
Hort term loan		25,616.05
Notes payable		2,463.22

Accounts payable	46,136.04	378,701.84
Advance receipts	5,576.55	9,942.24
Contractual liabilities	12,077.24	54,071.52
Employee remuneration payable	10,389.35	9,821.51
Taxes payable	39,662.30	55,073.90
Other accounts payable	287,342.04	1,865,346.15
Of which: Interest payable		645.24
Liabilities held for sale	115,950.52	15,009.70
Non-current liabilities due within the year	37,007.08	335,656.21
Other current liabilities	3,147.43	7,776.80
Total current liabilities	557,288.55	2,759,479.14
Non-current liabilities.		
Long term loan	317,614.00	720,699.50
Bonds payable		
Lease liabilities	121,748.55	130,969.00
Long-term accounts payable	22,509.69	30,663.91
Long-term employee compensation payable	137.63	
Projected liability	27,459.12	4,820.49
Deferred income		693.76
Deferred income tax liabilities	51,148.66	125,786.26
Total non-current liabilities	540,617.64	1,013,632.92
Total liabilities	1,097,906.20	3,773,112.06
Owners' equity (or shareholders' equity).		
Paid-in capital (or share capital)	160,568.69	160,568.69
Capital surplus	464,182.77	298,323.20
Other comprehensive income	3,828.78	11,733.79
Surplus	26,644.91	26,644.91
Unallocated profit	-507,902.51	-426,732.69
Total owners' equity (or shareholders' equity) attributable to the parent company	147,322.64	70,537.90
Minority interests	107,528.56	178,654.33
Total owners' equity (or shareholders' equity)	254,851.20	249,192.24
Total liabilities and owners' equity (or shareholders' equity)	1,352,757.40	4,022,304.29

B 2022 Income Statement

Income Statement

2022

Prepared by: Yunnan city real estate company Unit: ten thousand dollars

sports event	2022	2021
I. Gross operating income	256,838.63	604,732.13
Of which: Operating income	256,838.63	604,732.13
II. Total operating costs	392,782.01	791,302.44
Of which: Operating costs	164,804.13	392,384.06
Taxes and surcharges	25,443.97	46,945.51
Sales expense	20,287.08	27,411.26
Overhead	36,313.92	50,493.32
Financial cost	145,932.91	274,068.28
Of which: Interest expense	145,780.76	271,927.04
Interest income	790.38	2,756.10
Add: Other gains	1,558.59	1,850.06
Investment income (losses are shown as "I")	97,570.96	227,503.71
Of which: Income from investments in associates and joint ventures	-3,109.99	-15,499.49
Gain (loss recognized as "I") on change in fair value	-1,161.63	-72,315.71
Credit impairment losses (losses are indicated by a "_" sign)	-13,484.86	-2,518.73
Impairment losses on assets (losses are indicated by a "_" sign)	-30,012.83	-45,721.93
Gain on disposal of assets (losses are shown as "I")	8,698.43	65.43
III. Operating profit (losses are shown with a "I")	-72,774.72	-77,707.50
Add: Non-operating income	2,484.15	3,296.07
Less: Non-operating expenses	40,761.27	21,792.70
IV. Total profit (total loss is shown with an "I")	-111,051.85	-96,204.13
Less: Income tax expense	14,111.42	2,454.51
V. Net profit (net loss is denoted by "I")	-125,163.26	-98,658.64
(i) Classification by business continuity		
1. Net profit from continuing operations (net loss is denoted by "I")	125,163.26	-98,658.64
(ii) Classification by ownership		
1. Net profit attributable to shareholders of the parent	-81,169.82	-50,679.54

company (net loss is shown with a "-" sign)		
2. Minority shareholders' gain or loss (net loss is represented by a "-" sign)	-43,993.45	-47,979.10
VI. Other comprehensive income, net of tax	-7,898.36	-92.99
(i) Other comprehensive income attributable to owners of the parent, net of tax	-7,905.01	-545.14
(ii) Other comprehensive income attributable to minority shareholders, net of tax	6.65	452.15
VII. Total comprehensive income	-133,061.63	-98,751.64
(i) Total comprehensive income attributable to owners of the parent company	-89,074.83	-51,224.68
(ii) Total comprehensive income attributable to minority shareholders	-43,986.80	-47,526.96
VIII. Earnings per share.		
(i) Basic earnings per share	-0.32	-0.51
(ii) Diluted earnings per share	-0.51	-0.32

C 2022 Cash Flow Statement

Cash Flow Statement

2022

Prepared by: Yunnan city real estate company Unit: ten thousand dollars

sports event	2022	2021
I. Cash flows from operating activities.		
Cash received from sales of goods and services	263,852.33	399,373.28
Tax refunds received	6,010.10	
Other cash received in connection with operating activities	1,542,876.30	2,731,319.81
Subtotal cash inflow from operating activities	1,812,738.74	3,130,693.08
Cash paid for goods and services	123,704.97	231,591.57
Cash paid to and for employees	59,053.21	42,356.34
Taxes paid	27,719.29	51,203.71
Payments of other cash related to operating activities	36,643.15	51,101.60
Subtotal cash outflows from operating activities	230,423.74	392,950.09
Net cash flows from operating activities	1,582,314.99	2,737,742.99
ii. Cash flows from investing activities.		
Cash received from recovery of investments	1,472.38	19,811.62

Cash received from investment income		6,020.03
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets	5.52	89.32
Net cash received from disposal of subsidiaries and other operating units	277,043.73	237,975.21
Other cash received related to investing activities	10,578.36	111,362.73
Subtotal cash inflows from investing activities	289,100.00	375,258.91
Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets	1,799.94	8,493.21
Cash paid for investments		
Net cash paid for acquisition of subsidiaries and other operating units		
Payments of other cash related to investing activities	2,612.37	22,567.49
Subtotal cash outflows from investing activities	4,412.31	31,060.69
Net cash flows from investing activities	284,687.69	344,198.22
iii. Cash flows from financing activities.		
Cash received from absorption of investments		
Of which: Cash received by subsidiaries from minority investments		
Cash received from acquisition of loans	185,640.17	50,844.32
Other cash received related to financing activities	17,933.80	55,145.79
Subtotal cash inflow from financing activities	203,573.98	105,990.10
Cash paid for debt service	648,024.80	1,004,103.62
Cash paid for distribution of dividends, profits or interest payments	53,961.34	143,764.75
Payments of other cash related to financing activities	1,363,364.88	2,115,322.10
Subtotal cash outflows from financing activities	2,065,351.02	3,263,190.48
Net cash flows from financing activities	-1,861,777.04	-3,157,200.37
IV. Impact of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	5,225.64	-75,259.16
Add: Opening balance of cash and cash equivalents	48,733.61	123,992.77
VI. Cash and cash equivalents balance at end of period	53,959.25	48,733.61

D 2021 Balance Sheet

Balance Sheet

Dec 31, 2021

Prepared by: Yunnan city real estate company

Unit: ten thousand dollars

sports event	Dec 31, 2021	Dec 31, 2020
Current assets.		
Money funds	55,189.45	129,611.30
Accounts receivable	18,063.24	12,643.85
Prepayments	9,368.11	23,807.88
Other receivables	136,421.34	246,103.57
Inventory (of material)	1,730,120.82	4,601,424.38
Contractual assets	8,449.08	11,849.73
Assets held for sale	20,174.33	7,209.40
Other current assets	23,964.69	69,863.53
Total current assets	2,001,751.06	5,102,513.66
Non-current assets.		
Long-term receivables	148,422.07	202,087.02
Long-term equity investments	60,500.75	105,216.46
Other non-current financial assets	13,700.00	26,997.30
Investment property	1,426,023.09	2,133,118.71
Fixed assets	132,533.99	251,678.37
Construction in progress		58,646.38
Usufructuary assets	139,807.19	
Intangible asset	1,004.24	40,835.00
Reputation of a firm's product		34.59
Long-term amortized expenses	22,153.82	20,145.19
Deferred tax assets	76,408.08	92,419.52
Total non-current assets	2,020,553.23	2,931,178.56
Total assets	4,022,304.29	8,033,692.22
Current liabilities.		
Short term loan	25,616.05	72,154.81
Notes payable	2,463.22	305.00
Accounts payable	378,701.84	536,573.54
Advance receipts	9,942.24	9,839.97
Contractual liabilities	54,071.52	372,390.39

Employee remuneration payable	9,821.51	18,879.21
Taxes payable	55,073.90	79,980.53
Other accounts payable	1,865,346.15	3,992,830.09
Of which: Interest payable	645.24	
Liabilities held for sale	15,009.70	
Non-current liabilities due within the year	335,656.21	1,493,279.44
Other current liabilities	7,776.80	34,580.13
Total current liabilities	2,759,479.14	6,610,813.13
Non-current liabilities.		
Long term loan	720,699.50	970,972.79
Bonds payable		
Lease liabilities	130,969.00	
Long-term accounts payable	30,663.91	39,845.27
Long-term employee compensation payable		
Projected liability	4,820.49	23,064.67
Deferred income	693.76	722.27
Deferred income tax liabilities	125,786.26	202,039.20
Total non-current liabilities	1,013,632.92	1,236,644.20
Total liabilities	3,773,112.06	7,847,457.32
Owners' equity (or shareholders' equity).		
Paid-in capital (or share capital)	160,568.69	160,568.69
Capital surplus	298,323.20	138,786.26
Other comprehensive income	11,733.79	12,278.93
Surplus	26,644.91	26,644.91
Unallocated profit	-426,732.69	-376,053.14
Total owners' equity (or shareholders' equity) attributable to the parent company	70,537.90	-37,774.36
Minority interests	178,654.33	224,009.25
Total owners' equity (or shareholders' equity)	249,192.24	186,234.90
Total liabilities and owners' equity (or shareholders' equity)	4,022,304.29	8,033,692.22

E 2021 Income Statement

Income Statement

2021

Prepared by: Yunnan city real estate company Unit: ten thousand dollars

sports event	2021	2020
I. Gross operating income	604,732.13	439,325.95
Of which: Operating income	604,732.13	439,325.95
II. Total operating costs	791,302.44	679,066.56
Of which: Operating costs	392,384.06	228,765.46
Taxes and surcharges	46,945.51	59,108.43
Sales expense	27,411.26	30,801.50
Overhead	50,493.32	60,575.91
Financial cost	274,068.28	299,815.26
Of which: Interest expense	271,927.04	299,376.59
Interest income	2,756.10	5,238.70
Add: Other gains	1,850.06	1,418.41
Investment income (losses are shown as "I")	227,503.71	109,281.61
Of which: Income from investments in associates and joint ventures	-15,499.49	-40,523.80
Gain (loss recognized as "I") on change in fair value	-72,315.71	5,105.62
Credit impairment losses (losses are indicated by a "_" sign)	-2,518.73	-880.11
Impairment losses on assets (losses are indicated by a "_" sign)	-45,721.93	-115,979.64
Gain on disposal of assets (losses are shown as "I")	65.43	39.05
III. Operating profit (losses are shown with a "I")	-77,707.50	-240,755.66
Add: Non-operating income	3,296.07	5,150.60
Less: Non-operating expenses	21,792.70	20,348.39
IV. Total profit (total loss is shown with an "I")	-96,204.13	-255,953.44
Less: Income tax expense	2,454.51	53,400.40
V. Net profit (net loss is denoted by "I")	-98,658.64	-309,353.84
(i) Classification by business continuity		
1. Net profit from continuing operations (net loss is denoted by "I")	-98,658.64	-309,353.84
(ii) Classification by ownership		
1. Net profit attributable to shareholders of the parent company (net loss is shown with a "-" sign)	-50,679.54	-258,631.92

2. Minority shareholders' gain or loss (net loss is represented by a "-" sign)	-47,979.10	-50,721.92
VI. Other comprehensive income, net of tax	-92.99	2,075.99
(i) Other comprehensive income attributable to owners of the parent, net of tax	-545.14	1,594.90
(ii) Other comprehensive income attributable to minority shareholders, net of tax	452.15	481.09
VII. Total comprehensive income	-98,751.64	-307,277.85
(i) Total comprehensive income attributable to owners of the parent company	-51,224.68	-257,037.02
(ii) Total comprehensive income attributable to minority shareholders	-47,526.96	-50,240.83
VIII. Earnings per share.		
(i) Basic earnings per share	-0.51	-1.63
(ii) Diluted earnings per share	-0.32	-1.63

F 2021 Cash Flow Statement

Cash Flow Statement

2021

Prepared by: Yunnan city real estate company Unit: ten thousand dollars

sports event	2021	2020
I. Cash flows from operating activities.		
Cash received from sales of goods and services	399,373.28	534,342.63
Tax refunds received		4.18
Other cash received in connection with operating activities	2,731,319.81	175,106.56
Subtotal cash inflow from operating activities	3,130,693.08	709,453.37
Cash paid for goods and services	231,591.57	402,471.51
Cash paid to and for employees	42,356.34	68,776.80
Taxes paid	51,203.71	81,833.24
Payments of other cash related to operating activities	51,101.60	100,580.90
Subtotal cash outflows from operating activities	392,950.09	653,662.45
Net cash flows from operating activities	2,737,742.99	55,790.92
ii. Cash flows from investing activities.		
Cash received from recovery of investments	19,811.62	11,574.49
Cash received from investment income	6,020.03	6,762.95

Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets	89.32	47.08
Net cash received from disposal of subsidiaries and other operating units	237,975.21	39,596.67
Other cash received related to investing activities	111,362.73	292,004.95
Subtotal cash inflows from investing activities	375,258.91	349,986.14
Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets	8,493.21	7,091.48
Cash paid for investments		
Net cash paid for acquisition of subsidiaries and other operating units		
Payments of other cash related to investing activities	22,567.49	4,660.00
Subtotal cash outflows from investing activities	31,060.69	11,751.48
Net cash flows from investing activities	344,198.22	338,234.66
iii. Cash flows from financing activities.		
Cash received from absorption of investments		
Of which: Cash received by subsidiaries from minority investments		
Cash received from acquisition of loans	50,844.32	199,718.00
Other cash received related to financing activities	55,145.79	1,743,155.04
Subtotal cash inflow from financing activities	105,990.10	1,942,873.04
Cash paid for debt service	1,004,103.62	1,816,469.13
Cash paid for distribution of dividends, profits or interest payments	143,764.75	283,615.37
Payments of other cash related to financing activities	2,115,322.10	304,218.95
Subtotal cash outflows from financing activities	3,263,190.48	2,404,303.45
Net cash flows from financing activities	-3,157,200.37	-461,430.41
IV. Impact of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-75,259.16	-67,404.83
Add: Opening balance of cash and cash equivalents	123,992.77	191,397.60
VI. Cash and cash equivalents balance at end of period	48,733.61	123,992.77

G 2020 Balance Sheet

Balance Sheet

Dec31, 2020

Prepared by: Yunnan city real estate company

Unit: ten thousand dollars

sports event	Dec 31, 2020	Dec 31, 2019
Current assets.		
Money funds	129,611.30	201,021.48
Accounts receivable	12,643.85	29,513.96
Prepayments	23,807.88	17,950.97
Other receivables	246,103.57	284,955.51
Inventory (of material)	4,601,424.38	5,193,493.09
Contractual assets	11,849.73	
Assets held for sale	7,209.40	
Other current assets	69,863.53	58,808.38
Total current assets	5,102,513.66	5,785,743.38
Non-current assets.		
Long-term receivables	202,087.02	402,698.54
Long-term equity investments	105,216.46	135,603.64
Other non-current financial assets	26,997.30	65,000.26
Investment property	2,133,118.71	2,055,718.71
Fixed assets	251,678.37	252,983.79
Construction in progress	58,646.38	11,750.49
Usufructuary assets		
Intangible asset	40,835.00	41,630.60
Reputation of a firm's product	34.59	34.59
Long-term amortized expenses	20,145.19	22,541.05
Deferred tax assets	92,419.52	114,363.52
Total non-current assets	2,931,178.56	3,102,325.19
Total assets	8,033,692.22	8,888,068.57
Current liabilities.		
Short term loan	72,154.81	291,372.00
Notes payable	305.00	
Accounts payable	536,573.54	851,683.38
Advance receipts	9,839.97	361,238.48

Contractual liabilities	372,390.39	
Employee remuneration payable	18,879.21	16,814.00
Taxes payable	79,980.53	81,684.84
Other accounts payable	3,992,830.09	2,547,395.27
Non-current liabilities due within the year	1,493,279.44	1,709,157.07
Other current liabilities	34,580.13	2,945.16
Total current liabilities	6,610,813.13	5,862,290.19
Non-current liabilities.		
Long term loan	970,972.79	1,983,397.00
Bonds payable		286,786.50
Lease liabilities		
Long-term accounts payable	39,845.27	
Long-term employee compensation payable		
Projected liability	23,064.67	18,117.70
Deferred income	722.27	750.78
Deferred income tax liabilities	202,039.20	181,124.61
Total non-current liabilities	1,236,644.20	2,470,176.58
Total liabilities	7,847,457.32	8,332,466.77
Owners' equity (or shareholders' equity).		
Paid-in capital (or share capital)	160,568.69	160,568.69
Other equity instruments		50,000.00
Of which: Perpetual bonds		50,000.00
capital surplus	138,786.26	138,786.26
Other comprehensive income	12,278.93	10,684.03
Surplus	26,644.91	26,644.91
Unallocated profit	-376,053.14	-114,708.75
Total owners' equity (or shareholders' equity) attributable to the parent company	-37,774.36	271,975.14
Minority interests	224,009.25	283,626.66
Total owners' equity (or shareholders' equity)	186,234.90	555,601.80
Total liabilities and owners' equity (or shareholders' equity)	8,033,692.22	8,888,068.57

H 2020 Income Statement

Income Statement

2020

Prepared by: Yunnan city real estate company Unit: ten thousand dollars

sports event	2020	2019
I. Gross operating income	439,325.95	624,827.62
Of which: Operating income	439,325.95	624,827.62
II. Total operating costs	679,066.56	822,574.75
Of which: Operating costs	228,765.46	399,200.05
Taxes and surcharges	59,108.43	78,288.40
Sales expense	30,801.50	44,802.02
Overhead	60,575.91	76,220.41
Financial cost	299,815.26	224,063.86
Of which: Interest expense	299,376.59	223,604.66
Interest income	5,238.70	7,194.28
Add: Other gains	1,418.41	878.47
Investment income (losses are shown as "I")	109,281.61	-1,729.50
Of which: Income from investments in associates and joint ventures	-40,523.80	-3,923.73
Gain (loss recognized as "I") on change in fair value	5,105.62	-9,249.83
Credit impairment losses (losses are indicated by a "_" sign)	-880.11	-6,295.30
Impairment losses on assets (losses are indicated by a "_" sign)	-115,979.64	-91,412.61
Gain on disposal of assets (losses are shown as "I")	39.05	45.52
III. Operating profit (losses are shown with a "I")	-240,755.66	-305,510.39
Add: Non-operating income	5,150.60	4,671.08
Less: Non-operating expenses	20,348.39	22,532.98
IV. Total profit (total loss is shown with an "I")	-255,953.44	-323,372.29
Less: Income tax expense	53,400.40	24,832.35
V. Net profit (net loss is denoted by "I")	-309,353.84	-348,204.64
(i) Classification by business continuity		
1. Net profit from continuing operations (net loss is denoted by "I")	-309,353.84	-348,204.64
(ii) Classification by ownership		
1. Net profit attributable to shareholders of the parent company (net loss is shown with a "-" sign)	-258,631.92	-277,816.83
2. Minority shareholders' gain or loss (net loss is represented by	-50,721.92	-70,387.81

a "-" sign)		
VI. Other comprehensive income, net of tax	2,075.99	4,266.81
(i) Other comprehensive income attributable to owners of the parent, net of tax	1,594.90	2,835.62
(ii) Other comprehensive income attributable to minority shareholders, net of tax	481.09	1,431.20
VII. Total comprehensive income	-307,277.85	-343,937.82
(i) Total comprehensive income attributable to owners of the parent company	-257,037.02	-274,981.21
(ii) Total comprehensive income attributable to minority shareholders	-50,240.83	-68,956.61
VIII. Earnings per share.		
(i) Basic earnings per share	-1.63	-1.75
(ii) Diluted earnings per share	-1.63	-1.75

I 2020 Cash Flow Statement

Cash Flow Statement

2020

Prepared by: Yunnan city real estate company Unit: ten thousand dollars

sports event	2020	2019
I. Cash flows from operating activities.		
Cash received from sales of goods and services	534,342.63	730,394.90
Tax refunds received	4.18	
Other cash received in connection with operating activities	175,106.56	136,545.97
Subtotal cash inflow from operating activities	709,453.37	866,940.87
Cash paid for goods and services	402,471.51	803,097.82
Cash paid to and for employees	68,776.80	84,303.11
Taxes paid	81,833.24	106,458.77
Payments of other cash related to operating activities	100,580.90	146,780.32
Subtotal cash outflows from operating activities	653,662.45	1,140,640.02
Net cash flows from operating activities	55,790.92	-273,699.15
ii. Cash flows from investing activities.		
Cash received from recovery of investments	11,574.49	
Cash received from investment income	6,762.95	6,186.12
Net cash recovered from disposal of fixed assets, intangible	47.08	24.34

assets and other long-term assets		
Net cash received from disposal of subsidiaries and other operating units	39,596.67	85,025.22
Other cash received related to investing activities	292,004.95	270,714.88
Subtotal cash inflows from investing activities	349,986.14	361,950.56
Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets	7,091.48	16,729.10
Cash paid for investments		1,500.00
Net cash paid for acquisition of subsidiaries and other operating units		5,676.07
Payments of other cash related to investing activities	4,660.00	127,913.82
Subtotal cash outflows from investing activities	11,751.48	151,819.00
Net cash flows from investing activities	338,234.66	210,131.57
iii. cash flows from financing activities.		
Cash received from absorption of investments		12,270.00
Of which: Cash received by subsidiaries from minority investments		12,270.00
Cash received from acquisition of loans	199,718.00	1,110,640.00
Other cash received related to financing activities	1,743,155.04	631,271.03
Subtotal cash inflow from financing activities	1,942,873.04	1,754,181.03
Cash paid for debt service	1,816,469.13	1,286,976.24
Cash paid for distribution of dividends, profits or interest payments	283,615.37	348,614.39
Payments of other cash related to financing activities	304,218.95	108,523.32
Subtotal cash outflows from financing activities	2,404,303.45	1,744,113.95
Net cash flows from financing activities	-461,430.41	10,067.09
IV. Impact of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-67,404.83	-53,500.50
Add: Opening balance of cash and cash equivalents	191,397.60	244,898.10
VI. Cash and cash equivalents balance at end of period	123,992.77	191,397.60