



**Financial Risk Control in Retail Enterprises: A Case Study of
Yonghui Superstores**



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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
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This Independent Study Has Been Approved as a Partial Fulfillment of the
Requirements for the Degree of Master of Business Administration

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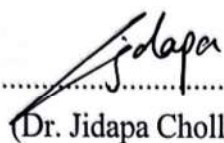
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ABSTRACT

As a representative enterprise in China's fresh food retail industry, Yonghui Superstores has experienced a continuous decline in operating performance and gradually emerging financial risks in recent years, driven by intensifying market competition and business model adjustments. This study took Yonghui Superstores as the research subject, aiming to identify the deficiencies in its financial risk management and to propose targeted optimization recommendations. This study adopted a qualitative single-case study design and employed case study, financial data analysis, and comparative analysis to systematically investigate the enterprise's risk management status from a whole-process financial risk control perspective, drawing on publicly disclosed financial data from 2021 to 2025. The findings reveal that Yonghui Superstores exhibits deficiencies across all five stages of the risk management cycle—risk identification, risk assessment, risk warning, risk control, and post-event review. More critically, the five stages lack effective information transmission channels. Although each stage possesses formal institutional arrangements, they operate in isolation rather than as an integrated system. The disconnection between stages prevents risk signals from being effectively transmitted throughout the system, ultimately resulting in a systemic failure of the financial risk control framework. This discovery exposes a fundamental limitation of current financial risk control research, which tends to manage each stage as an independent domain rather than as an integrated system, demonstrating that "local optimization" cannot substitute for "systemic effectiveness." In response to these issues, this study proposes optimization recommendations including the establishment of dynamic risk identification mechanisms, improvement of risk assessment and early warning systems, strengthening of full-process risk control, and enhancement of post-event review mechanisms. These recommendations aim to elevate the enterprise's financial risk control capability and provide both theoretical and practical references for financial risk governance in the retail industry.

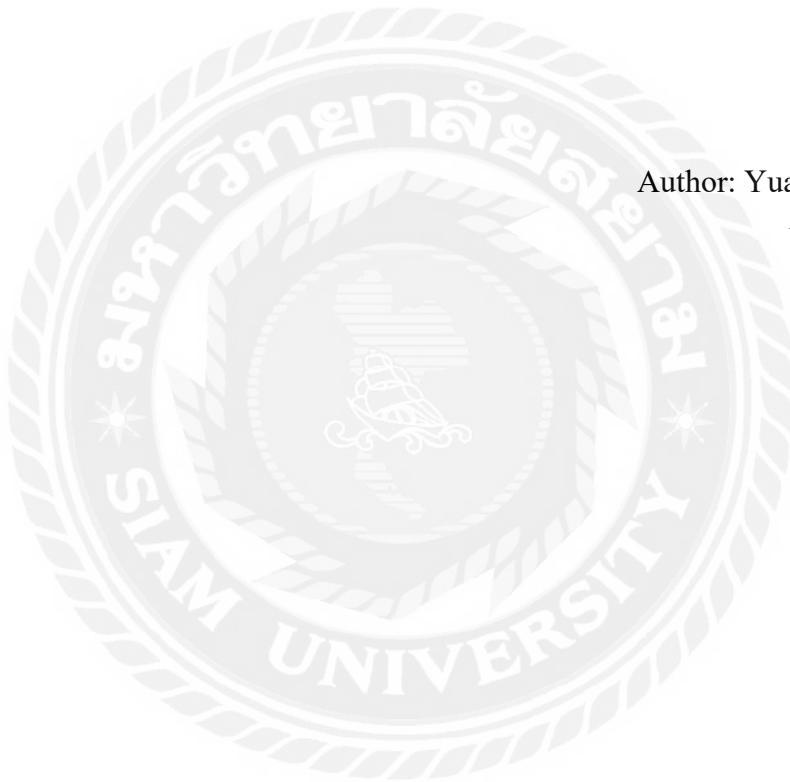
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Author: Yuan Liangying
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Declaration

I, Yuan Liangying, hereby certify that the work embodied in this independent study entitled “Financial Risk Control in Retail Enterprises: A Case Study of Yonghui Superstores” is result of original research and has not been submitted for a higher degree to any other university or institution.



Yuan Liangying

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Chapter 1 Introduction

1.1 Research Background

In recent years, the rapid development of the digital economy and the continuous upgrading of consumer demand have accelerated the transformation of China's retail industry toward a new retail model characterised by digitalisation, intelligence, and the integration of online and offline operations. To satisfy consumers' increasing expectations regarding product quality, delivery efficiency, and shopping experience, fresh food retail enterprises have substantially increased their investment in store expansion, cold-chain logistics, digital platforms, and supply chain systems. While these investments have enhanced operational capabilities and market competitiveness, they have simultaneously imposed considerable capital requirements and operating costs, exposing enterprises to financial risks such as excessive working capital occupation, cash flow volatility, and escalating debt pressure. Concurrently, intensifying market competition, profound shifts in consumer behaviour, and growing uncertainty in the external economic environment have further complicated financial risk management in retail enterprises. Under these circumstances, traditional financial management approaches that predominantly rely on post-event responses have become insufficient for timely risk identification and proactive risk prevention. Consequently, establishing a systematic financial risk control management system has become imperative for retail enterprises pursuing sustainable development.

From a theoretical perspective, extensive scholarly inquiry has been conducted on financial risk identification, risk assessment, early warning mechanisms, and internal control, providing a solid foundation for financial risk management research. However, existing studies have predominantly concentrated on individual aspects of the financial risk control process, while comparatively limited attention has been devoted to the systematic integration of risk identification, risk assessment, risk early warning, risk control, and post-event review. In particular, the information transmission mechanisms and feedback relationships among these stages remain underexplored in the extant literature. As enterprises operate in increasingly complex and uncertain environments, financial risks have become more dynamic, interconnected, and systemic in nature. Consequently, single-stage risk management approaches are no longer adequate for comprehensive financial risk governance. Therefore, examining financial risk control from a whole-process perspective and constructing a closed-loop management framework encompassing the five stages can provide a more integrated theoretical perspective and practical approach for improving enterprise risk governance.

Yonghui Superstores Co., Ltd., as a representative enterprise in China's fresh food retail industry, has experienced mounting operational pressure in recent years, driven by intensifying market competition, evolving consumer demand, and continuous business model transformation. The company has encountered persistent challenges related to profitability, cash flow management, and financial structure, reflecting inherent limitations in both its financial risk control practices and overall risk management effectiveness. These characteristics render Yonghui Superstores an appropriate case for examining financial risk control management within the retail industry. As an enterprise undergoing new retail transformation, the risk management challenges it has faced across different stages of financial risk control offer valuable practical implications for other retail enterprises navigating similar strategic transitions.

From the perspective of the five-stage financial risk control process, the transformation of retail enterprises has created several interrelated challenges for effective financial risk governance. At the risk identification stage, increasing operational complexity has rendered traditional financial analysis methods less effective, with inventory, accounts payable, and short-term borrowings exhibiting significantly accelerated fluctuation frequencies. Enterprises must therefore develop more dynamic identification mechanisms capable of detecting abnormal changes at an early stage. At the risk assessment stage, the coexistence of profitability pressure, liquidity constraints, and financing risks necessitates a comprehensive evaluation approach that integrates multiple financial dimensions, rather than relying solely on traditional indicators that may provide an incomplete picture of the enterprise's actual risk exposure. At the risk early-warning stage, increasing uncertainty in the external environment and continuous internal adjustments have gradually diminished the effectiveness of static monitoring approaches, highlighting the importance of establishing more adaptive warning mechanisms that can respond to evolving operational conditions. At the risk control stage, ongoing investments in store optimisation, supply chain improvement, and business transformation require stronger coordination between operational decisions and financial resource allocation, as inadequate integration may lead to working capital pressure and financing structure imbalances. At the post-event review stage, enterprises need to strengthen root-cause analysis and organisational learning mechanisms so that risk experiences can be systematically transformed into continuous improvements in management practices. These five stages are closely interconnected, and weaknesses in any single stage may compromise the integrity and effectiveness of subsequent stages. Therefore, a whole-process perspective is essential for understanding how financial risks are identified, assessed, monitored, controlled, and improved within retail enterprises.

Based on the above background, this study selected Yonghui Superstores Co., Ltd. as its research subject and adopted the whole-process financial risk control management theory as its analytical framework. Drawing upon the company's financial data and operational information from 2021 to 2025, this study systematically examined the deficiencies in Yonghui's financial risk control management across the five stages, explored the underlying causes, and proposed corresponding optimisation strategies. The findings of this study aimed to provide practical references for improving Yonghui Superstores' financial risk control system while offering both theoretical and practical insights for enhancing financial risk management practices in China's retail industry.

1.2 Research Questions

(1) Based on the five-stage closed-loop financial risk control framework, what are the major deficiencies in each stage of Yonghui Superstores' financial risk control management, including risk identification, risk assessment, risk early warning, risk control, and post-event review?

(2) In response to the identified deficiencies in Yonghui Superstores' financial risk control management, how can its whole-process financial risk control system be improved to strengthen the company's financial risk prevention and control capabilities, and what implications can be drawn for financial risk control management in the retail industry?

1.3 Research Objectives

(1) To examine the current state of financial risk control management at Yonghui Superstores. Focusing on the five stages of risk identification, risk assessment, risk early warning, risk control, and post-event review, this study systematically investigated the existing deficiencies in the company's financial risk control management, identified their underlying causes, and evaluated their impact on the company's financial risk profile.

(2) To propose optimization strategies for improving Yonghui Superstores' financial risk control management. Based on the identified deficiencies, and in light of financial risk control management theory and the operational characteristics of retail enterprises, this study aimed to targeted and practical measures to improve the company's whole-process financial risk control system, strengthen its financial risk prevention and control capabilities, and provide practical guidance for other retail enterprises seeking to enhance their financial risk control management.

1.4 Research Scope

This study took Yonghui Superstores Co., Ltd. as its research subject and adopted a case study approach to examine its financial risk control management. The research focused on the whole-process financial risk control system, covering the five stages of risk identification, risk assessment, risk early warning, risk control, and post-event review. It systematically analyzed the current state of the company's financial risk control management, identified the existing deficiencies and their underlying causes, and proposed corresponding optimization strategies based on the company's actual circumstances.

Regarding the research time frame, this study primarily drew upon the annual reports, financial statements, and related announcements of Yonghui Superstores from 2021 to 2025. The analysis of the company's operating performance and financial risk control management during this five-year period ensured the continuity and representativeness of the research findings.

With respect to research boundaries, the analysis was confined to the company's internal financial risk control management system and its operation across the five stages of risk identification, risk assessment, risk early warning, risk control, and post-event review. Non-financial management issues, such as marketing management, human resource management, and consumer behavior, were outside the scope of this study. External factors, including the macroeconomic environment, industry policies, and market competition, were considered only as contextual background and supporting information, rather than primary research subjects.

1.5 Research Significance

1.5.1 Theoretical Significance

Existing studies on corporate financial risk management have primarily focused on individual stages, such as risk identification, risk assessment, risk early warning, and internal control, while giving relatively limited attention to the integration of the entire financial risk control process and the interconnected relationships among its different stages. By adopting the five-stage closed-loop financial risk control framework, this study systematically examined the processes of risk identification, risk assessment, risk early warning, risk control, and post-event review in Yonghui Superstores, thereby clarifying the operational logic and deficiencies of each stage. The findings contribute to addressing the limitations of fragmented research on financial risk control processes, enrich the empirical evidence on whole-process financial risk control in the fresh food retail industry, and provide theoretical insights for

the application of closed-loop financial risk control management in the retail sector.

1.5.2 Practical Significance

As competition in the retail industry continues to intensify, the financial risks faced by retail enterprises have become increasingly complex and dynamic. Consequently, establishing a scientific and systematic financial risk control system has become essential for maintaining stable business operations and promoting sustainable development. By examining the current state of Yonghui Superstores' financial risk control management, this study systematically identified the deficiencies across the five stages of risk identification, risk assessment, risk early warning, risk control, and post-event review, and proposed targeted optimization strategies. These findings contribute to improving the company's whole-process financial risk control system and strengthening its financial risk prevention and control capabilities. Furthermore, the study provides practical guidance for other retail enterprises seeking to optimize their financial risk control mechanisms and enhance their risk governance capabilities, while also offering useful insights for managers engaged in financial risk management.

1.6 Definition of Key Terms

1.6.1 Financial Risk Control Management

Financial risk control management refers to the systematic process by which an enterprise identifies, assesses, monitors, controls, and reviews financial risks arising from its operational activities. In this study, the concept is operationalised as a five-stage closed-loop analytical framework comprising risk identification, risk assessment, risk early warning, risk control, and post-event review, which together form an integrated whole-process financial risk control system. The effectiveness of this system is measured by the efficiency of information transmission and feedback among the five stages. The theoretical underpinnings were derived from Altman (1968) and Ohlson (1980), with further extension to encompass the entirety of the risk management cycle.

1.6.2 Financial Risk Identification

Financial risk identification is defined as the process of detecting and documenting potential financial risks that may materially affect an enterprise's financial position and operational performance. In this study, identification

effectiveness is evaluated along three dimensions: identification frequency (monthly, quarterly, or annual), identification scope (financial versus operational indicators), and cross-departmental information integration. Specific metrics examined include inventory levels, short-term borrowings, operating cash flow, current ratio, and accounts payable, all derived from Yonghui Superstores' annual reports. Identification is deemed effective when risks are recognised prior to their materialisation into actual losses (Beaver, 1966; Wang et al., 2022).

1.6.3 Financial Risk Assessment

Financial risk assessment is defined as the systematic evaluation of identified risks with respect to their probability of occurrence, potential impact, and interrelationships. In this study, the assessment framework is operationalised through profitability indicators (net profit, gross profit margin), solvency indicators (current ratio, asset-liability ratio), and transmission mechanisms among risk dimensions. A robust assessment should incorporate both leading indicators (operating cash flow, inventory turnover) and lagging indicators (net profit), and integrate stress testing into major investment decisions (Zhang, 2004; Duan, 2024).

1.6.4 Financial Risk Early Warning

Financial risk early warning is defined as the mechanism through which an enterprise continuously monitors financial indicators against predetermined thresholds to generate forward-looking alerts prior to risk escalation. In this study, early warning effectiveness is assessed in terms of monitoring frequency, indicator selection, and threshold configuration. An effective system is characterised by rolling continuous monitoring, prioritisation of leading indicators, and dynamic thresholds calibrated against industry benchmarks (Yang & Wang, 2007; Wei & Wang, 2024).

1.6.5 Financial Risk Control

Financial risk control is defined as the execution of management interventions designed to prevent identified risks from materialising or to mitigate their adverse consequences. In this study, this concept is operationalised through the examination of working capital management (encompassing inventory, supplier settlement, and cash conversion efficiency), investment and financing decisions, and internal control enforcement. Particular attention is given to the prevention of financing

maturity mismatch—a situation in which short-term financing sources are used to fund long-term investment projects—as this has been identified as a significant contributory factor to liquidity pressure in retail enterprises (Mandipa & Sibindi, 2022; Zhang & Dai, 2011; Zhang et al., 2025).

1.6.6 Post-Event Review

Post-event review is defined as the systematic examination of financial risk events subsequent to their occurrence, with the objective of identifying root causes, evaluating the efficacy of control measures, and translating findings into institutional enhancements. In this study, this concept is operationalised through the analysis of corrective actions, the depth of root-cause analysis, and the extent to which review conclusions are incorporated into management policy revisions. An effective review mechanism provides feedback to optimise preceding stages and facilitates organisational learning (Gilson, 1989; Denis & Denis, 1995).

1.6.7 Retail Enterprise

A retail enterprise is defined as a commercial entity that sells goods directly to end consumers, typically operating through physical stores, online platforms, or omnichannel models. In this study, Yonghui Superstores was examined as a representative case within China's fresh food retail sector, characterised by rapid inventory turnover, pronounced seasonal demand fluctuations, complex supply chain coordination, and substantial working capital requirements. The 2021–2025 period coincided with China's retail industry accelerating its transformation toward the "new retail" paradigm—an integrated model combining online and offline operations with digital technologies—which has intensified capital expenditure and competitive dynamics, constituting the critical external context for Yonghui's financial risk aggravation (Wang et al., 2022; Duan, 2024).

Chapter 2 Literatures Review

2.1 Financial Risk Control Management

According to Wang and Wang (2010), financial risk control management constitutes a systematic process through which enterprises identify, assess, monitor, respond to, and review financial risks inherent in their operational activities. Its fundamental objective is to effectuate a paradigm shift in risk management—from post-event remediation to pre-event prevention, and from reactive responses to proactive controls—thereby safeguarding financial security and ensuring operational stability.

From a theoretical evolutionary perspective, financial risk control management, as a critical domain within the broader field of risk management, has undergone a developmental trajectory over the past five decades, progressing from fragmented, multi-disciplinary inquiries toward an integrated enterprise risk management framework. Wang and Wang (2010) systematically traced this evolutionary pathway, demonstrating that risk management theory has evolved from traditional risk management and financial volatility risk management toward enterprise risk management (ERM), while internal audit and control theory has concurrently progressed from internal accounting control and integrated internal control frameworks toward ERM. These two distinct theoretical streams have ultimately converged toward integrated development, establishing enterprise risk management as an indispensable component of modern corporate governance.

As the business environment has grown increasingly complex and dynamic, scholars have progressively recognised that effective financial risk control cannot be confined to isolated management stages but must permeate the entire spectrum of business operations. Notwithstanding this widely acknowledged consensus, existing research remains deficient in the systematic integration of financial risk control management. The preponderance of studies continues to examine risk identification, assessment, early warning, and control as compartmentalised topics, with comparatively insufficient attention devoted to the information transmission mechanisms and inter-stage linkage dynamics that underpin an integrated risk control system. This limitation is particularly salient in the retail industry, where enterprises are characterised by rapid inventory turnover, complex supply chain coordination requirements, and substantial working capital demands—operational conditions under which financial risks tend to accumulate and amplify progressively through transmission effects across multiple stages. Consequently, there exists a compelling necessity to examine financial risk control management from a whole-process perspective.

In response to the aforementioned theoretical gaps, this study conceptualised financial risk control management as a closed-loop management system comprising five sequential and interrelated stages: risk identification, risk assessment, risk early warning, risk control, and post-event review. This system operates in accordance with the logic of "identification → assessment → early warning → control → review → feedback to identification," with dynamic inter-stage linkages effectuated through continuous information transmission and feedback mechanisms. This integrated framework not only encompasses the core functions of traditional financial risk management but also emphasises the overall coordination and continuous improvement capability of the system, thereby providing a comprehensive analytical tool for examining Yonghui Superstores' financial risk control management practices. The subsequent sections systematically review the domestic and international research status pertaining to each of the five constituent stages.

2.2 Financial Risk Identification

As defined by Beaver (1966) and Altman (1968), financial risk identification is the starting point of enterprise financial risk control management. The effectiveness of subsequent stages, including risk assessment, early warning, risk control, and post-event review, hinges critically on the accuracy and timeliness of risk identification. Existing studies have established a solid methodological foundation by examining identification methods, financial indicators, and their applicability across different industries. However, relatively limited attention has been paid to the systematic design of dynamic risk identification mechanisms, particularly regarding the interaction among identification frequency, identification dimensions, and data integration.

International studies have provided the methodological foundation for financial risk identification, with the development of identification methods evolving from single-variable analysis to multivariable models and ultimately to probabilistic prediction. Beaver (1966) was the first to demonstrate the predictive ability of financial ratios in identifying corporate bankruptcy risk through univariate analysis. More importantly, the study highlighted the superior predictive value of cash flow indicators over profitability measures, thereby establishing a cash flow-oriented approach to financial risk identification. This conclusion has been widely supported in the retail industry, where accounting profits may be influenced by accounting policies, whereas deteriorating cash flow often signals financial distress at an earlier stage. However, the limitation of univariate analysis lies in its assumption that individual risk factors are independent, making it unable to capture the combined effects of multiple financial indicators.

Altman (1968) addressed this limitation by developing the Z-score model, which integrates multiple financial indicators, including working capital, retained earnings, and earnings before interest and taxes, into a single evaluation model. By combining multiple sources of financial information, the model significantly improved the accuracy of financial risk identification. Nevertheless, its reliance on assumptions such as normal data distribution and equal covariance matrices restricted its applicability to more complex business environments. Ohlson (1980) further advanced financial risk identification by applying logistic regression, shifting the analytical focus from deterministic classification to probabilistic prediction and providing a more flexible quantitative basis for evaluating the likelihood of financial distress. Collectively, these studies represent the evolution of financial risk identification from single-indicator analysis to comprehensive quantitative prediction. However, they share a common limitation: risk identification is primarily based on annual or quarterly financial statements and therefore remains essentially a static assessment that does not adequately reflect the dynamic evolution of financial risks.

Building upon these classical identification methods, domestic scholars have further explored their applicability to Chinese listed companies. Wu and Lu (2001) not only confirmed the effectiveness of profitability and solvency indicators in identifying financial risks within the Chinese market but also demonstrated that combining multiple financial indicators significantly improves identification accuracy by reducing the risk of misjudgment associated with relying on a single indicator. This finding suggests that the reliability of financial risk identification depends not only on the sensitivity of individual indicators but also on the comprehensiveness of identification dimensions and the cross-validation of multiple information sources. Extending this perspective to the retail industry, Wang et al. (2022) proposed a multidimensional identification framework incorporating working capital, cash flow, and financing structure. Nevertheless, this framework still relies primarily on year-end financial data and therefore lacks the ability to capture the continuous accumulation and transmission of financial risks during business operations.

A synthesis of the above literature suggests three key principles for effective financial risk identification. First, identification frequency is closely associated with the timeliness of risk detection. Conducting risk identification only once a year creates long intervals during which potential risks may accumulate unnoticed, whereas monthly or weekly rolling identification enables enterprises to detect abnormal changes more promptly. Second, broader identification dimensions contribute to more comprehensive risk coverage. Relying solely on financial outcome indicators reflects only realized losses, while incorporating operational indicators—such as inventory turnover

days, changes in supplier payment terms, and fluctuations in inventory shrinkage rates—helps identify emerging risks before they are reflected in financial statements. Third, effective data integration enhances the reliability of identification results. When financial and operational data remain isolated in separate information systems, risk identification is based on incomplete information and may not accurately reflect the enterprise's actual risk profile. In contrast, integrated data enable cross-validation among multiple information sources, thereby improving the credibility of identification results. These three elements reinforce one another: higher identification frequency compensates for the limitations of individual indicators, multidimensional analysis reduces the possibility of misjudgment, and data integration further strengthens the effectiveness of both. Conversely, low identification frequency, limited identification dimensions, and fragmented data systems together create significant monitoring blind spots, allowing risks such as inventory accumulation and cash flow deterioration to remain undetected until they are eventually reflected in financial statements.

The above theoretical discussion provides an appropriate framework for understanding the financial risk identification practices of Yonghui Superstores. At present, the company's risk identification mainly relies on annual financial reports and budget monitoring, with no established mechanism for continuous monthly risk monitoring. The identification process places greater emphasis on lagging financial indicators, such as inventory levels and short-term debt, while paying insufficient attention to leading operational indicators, including changes in supplier payment terms, fluctuations in fresh-product shrinkage rates, and daily operating cash flows at the store level. In addition, information remains fragmented across the finance, procurement, warehousing, and store operation departments, preventing effective data integration and resulting in financial risk identification based on incomplete information.

2.3 Financial Risk Assessment

As discussed by Zhang (2004), financial risk assessment is the process of systematically evaluating the severity, likelihood, and potential financial consequences of identified risks. While financial risk identification focuses on determining whether risks exist, financial risk assessment emphasizes evaluating the significance of those risks and understanding how different risk dimensions interact with one another. Although existing studies have established relatively mature assessment methodologies, further research is still needed on the interaction among different risk dimensions and the allocation of assessment weights within the financial risk assessment systems of retail enterprises.

International studies have established the methodological foundation for quantitative financial risk assessment. Although Beaver (1966) primarily focused on financial risk identification through univariate analysis, his comparison of the predictive power of financial indicators also represented one of the earliest attempts to assess risk severity by examining the extent to which individual financial indicators deviated from normal levels. Building upon this foundation, Altman (1968) developed the Z-score model, which integrates multiple financial indicators—including working capital, retained earnings, earnings before interest and taxes, market value of equity, and total liabilities—into a comprehensive evaluation model. The weighting assigned to each indicator implicitly reflects the relative importance of different financial risk dimensions. For example, the relatively higher weight assigned to working capital indicates the critical importance of short-term solvency, whereas profitability and market value play complementary roles in assessing overall financial risk. Ohlson (1980) further advanced financial risk assessment by introducing logistic regression, allowing assessment results to be expressed as probabilities rather than deterministic classifications, thereby providing a more flexible quantitative basis for evaluating financial distress. Zmijewski (1984) also highlighted that sample selection bias and survivorship bias may significantly influence the accuracy of assessment models. Without appropriate adjustments, financial risk assessment may systematically underestimate the actual level of corporate financial risk. This issue is particularly relevant to the retail industry, where high business turnover means that models developed using surviving firms may produce overly optimistic assessment results.

Building upon these international studies, domestic scholars have further expanded the assessment framework by incorporating multiple financial dimensions. Zhang (2004) proposed a comprehensive assessment system that integrates solvency, operating capability, profitability, and growth capability. More importantly, the study demonstrated the transmission mechanism among these dimensions. Declining profitability weakens solvency because reduced earnings limit debt-servicing capacity. Deteriorating solvency subsequently constrains growth by reducing the financial resources available for future investment, while weakened growth capability further undermines long-term profitability. This four-dimensional transmission mechanism indicates that financial risk assessment should not evaluate individual dimensions independently, as financial risks evolve through interactions among multiple dimensions rather than in isolation. Applying this framework to the retail industry, Duan (2024) employed factor analysis to evaluate the financial risks of Yonghui Superstores. The findings confirmed that operational risk, solvency risk, and profitability risk intensified simultaneously during the company's rapid store expansion, demonstrating strong interaction among different risk dimensions. Inventory accumulation resulting from operational inefficiency further increased solvency pressure, while rising debt burdens subsequently

weakened profitability through higher financing costs, ultimately forming an operational–solvency–profitability risk transmission cycle.

A synthesis of the above studies suggests that the effectiveness of financial risk assessment depends on three key considerations. First, the comprehensiveness of assessment dimensions is fundamental to obtaining reliable assessment results. Evaluating only a single financial dimension cannot accurately reflect the multidimensional nature of financial risk. For retail enterprises, financial risk is jointly influenced by working capital utilization, debt maturity structure, profitability, and cash flow conditions. Omitting any of these dimensions may lead to an incomplete assessment of the enterprise's overall financial risk profile. Second, an appropriate balance between leading and lagging indicators is essential. Traditional indicators such as reported net profit are lagging indicators because they reflect past operating performance. By contrast, operating cash flow and inventory turnover are leading indicators that often deteriorate before profitability declines. Excessive reliance on lagging indicators reduces the predictive value of financial risk assessment and weakens its ability to support managerial decision-making. Third, financial risk assessment should be fully integrated into major business decisions. Investment, financing, and expansion decisions often involve substantial financial commitments, and once implemented, their financial consequences may be difficult to reverse. Without systematic risk assessment and stress testing before these decisions are made, enterprises may undertake significant financial risks without adequately understanding their overall risk exposure, thereby reducing the effectiveness of financial risk management.

The above theoretical discussion provides an appropriate framework for evaluating the financial risk assessment practices of Yonghui Superstores. At present, the company's assessment system mainly evaluates individual indicators, such as the inventory turnover ratio and current ratio, independently, without integrating supplier payment terms, inventory turnover efficiency, and cash collection cycles into a unified analytical framework. The limited assessment dimensions result in an underestimation of the overall financial pressure across the supply chain. Furthermore, the assessment system places excessive emphasis on lagging indicators, particularly reported net profit, while assigning insufficient importance to leading indicators such as operating cash flow. Although operating cash flow has continued to decline and has become insufficient to cover short-term debt obligations, the assessment system failed to identify the escalating financial risk in a timely manner. In addition, major store renovation projects and supply chain investments have largely been evaluated based on projected revenue growth without incorporating solvency stress testing or graded financial risk assessment into the decision-making process. Long-term investment continued despite the company's current ratio remaining below the generally accepted safety threshold for several

consecutive years, leaving the associated financial risk insufficiently assessed before implementation. These deficiencies correspond directly to the sustained losses and rising asset–liability ratio presented in Chapter Four and provide the theoretical basis for the recommendations proposed in Chapter Five regarding the establishment of a comprehensive financial risk assessment system, particularly the introduction of stress testing and graded risk assessment mechanisms.

2.4 Financial Risk Early Warning

As argued by Yang and Wang (2007), financial risk early warning is an essential component of financial risk control management, aiming to shift risk management from passive response to proactive prevention. It operates through a dynamic process that links leading indicators, warning signals, risk alerts, and management responses. The primary objective of an early warning system is not to confirm financial risks after they have occurred, but to identify emerging risk signals at an early stage, thereby providing enterprises with sufficient time to implement preventive measures. Although considerable progress has been made in the development of financial risk early warning models, further research is still needed on the selection of leading indicators, the dynamic adjustment of warning thresholds, and the integration of early warning results into managerial decision-making.

International studies have established the methodological foundation for financial risk early warning. Beaver (1966), although primarily focusing on financial risk identification, demonstrated that cash flow indicators possessed stronger predictive ability than profitability indicators, suggesting that changes in cash flow can serve as earlier warning signals of financial distress. This finding has been widely supported in subsequent studies because cash flow, based on cash-based accounting, is less affected by accounting estimates and earnings management, enabling it to reflect an enterprise's actual financial condition more promptly. Billios et al. (2024) further confirmed this conclusion through a large-scale cross-industry analysis, showing that cash flow indicators consistently outperform profitability measures, such as net income and return on assets, in predicting corporate bankruptcy and liquidity crises.

Research on early warning models has also evolved from traditional statistical approaches to more advanced intelligent prediction methods. Altman's (1968) Z-score model represents one of the earliest statistical early warning models, offering a straightforward calculation process and clearly defined warning thresholds. Ohlson (1980) subsequently introduced logistic regression, transforming early warning results from deterministic classification into probabilistic prediction and providing managers with a more flexible basis

for evaluating financial distress. Yang and Wang (2007) further incorporated BP neural networks into financial risk early warning, enabling nonlinear relationships among financial indicators to be identified automatically without relying on the strict assumptions required by traditional statistical models. More recently, Wei and Wang (2024) proposed a dynamic early warning model incorporating hierarchical cash flow thresholds, which combines warning criteria with firms' actual cash flow characteristics and improves the applicability of early warning systems to different industries. Overall, the development of early warning models indicates that greater model sophistication generally improves the ability to detect potential financial risks at an early stage, although it also increases the requirements for data quality, information integration, and monitoring frequency.

Building upon these international studies, domestic researchers have further explored the construction of financial early warning systems under the Chinese business environment. Zhang and Zhang (2001) developed a financial early warning model for listed companies using principal component analysis and logistic regression. By reducing multicollinearity among financial indicators, their model significantly improved the robustness and reliability of early warning results. More recent studies have shifted attention toward industry-specific early warning systems. Compared with manufacturing enterprises, retail enterprises possess distinctive operational characteristics, including substantial capital investment in store expansion, relatively high inventory shrinkage rates for fresh products, strong seasonal demand fluctuations, and complex supply chain settlement cycles. Consequently, generic financial early warning models often fail to accurately identify financial risks in the retail industry. Standard warning indicators may overlook inventory management risks unique to retail enterprises or generate excessive false alarms during seasonal inventory accumulation. Furthermore, although many existing early warning models are capable of estimating financial risk probabilities, relatively limited attention has been paid to translating these warning signals into practical management actions. As a result, a gap still exists between financial risk early warning and effective managerial response.

A synthesis of the above literature suggests that the effectiveness of financial risk early warning depends on three key design considerations. First, the selection of leading indicators determines the timeliness of risk detection. Indicators that are closer to the source of financial risk provide earlier warning signals and allow enterprises more time to implement corrective actions. Operating cash flow deterioration, increasing inventory turnover days, and longer supplier payment periods are typical leading indicators, whereas declining profitability and rising asset–liability ratios are lagging indicators that usually confirm financial problems after they have already developed.

Therefore, effective early warning systems should place greater emphasis on leading indicators rather than relying primarily on lagging financial results.

Second, monitoring frequency should be consistent with the required intervention window. Monitoring financial indicators only once a year creates significant delays in risk detection and substantially reduces opportunities for timely managerial intervention. In contrast, monthly or weekly rolling monitoring enables enterprises to identify abnormal changes much earlier and respond before financial risks become difficult to control.

Third, warning thresholds should be designed dynamically rather than relying on fixed standards. Fixed thresholds, such as maintaining a current ratio above a predetermined value, cannot adequately reflect the seasonal characteristics of retail enterprises. During holiday inventory accumulation, for example, the current ratio naturally declines before recovering after peak sales periods. Under such circumstances, fixed thresholds may either generate excessive false alarms or fail to identify genuine financial risks. Dynamic warning thresholds, adjusted according to historical performance, seasonal fluctuations, and business cycle characteristics, therefore provide a more appropriate approach to financial risk early warning. Nevertheless, existing studies have devoted relatively limited attention to the practical design and implementation of dynamic warning thresholds.

The above theoretical discussion provides an appropriate framework for evaluating the financial risk early warning practices of Yonghui Superstores. At present, the company's early warning system relies primarily on a limited number of financial indicators, particularly total inventory levels, without integrating changes in supplier payment terms, omni-channel inventory turnover efficiency, and overall supply chain capital utilization into a comprehensive early warning framework. Inventory levels remained above reasonable levels for an extended period, while inventory turnover consistently stayed below the industry average for several consecutive years, yet no effective warning signals were generated. In addition, the company mainly relies on annual cash flow reporting and has not established a mechanism for continuous monthly monitoring. Although operating cash flow declined substantially and persistent net operating cash outflows emerged during several reporting periods, the early warning system failed to provide timely signals for management intervention. Furthermore, the company has not established specialized warning indicators for financing maturity structure or short-term debt concentration. As short-term borrowings continued to increase and current liabilities significantly exceeded current assets, the working capital gap widened continuously, substantially reducing the company's opportunity for early intervention. These deficiencies correspond directly to the financial problems analyzed in Chapter Four and provide the theoretical basis for the

recommendations proposed in Chapter Five regarding the establishment of a dynamic hierarchical financial risk early warning system, particularly the development of adaptive warning thresholds and the implementation of an integrated "early warning–analysis–response–feedback" closed-loop mechanism.

2.5 Financial Risk Control

According to Mandipa and Sibindi (2022) and Zhang and Dai (2011), financial risk control represents the execution stage of financial risk control management, where risk information generated through risk identification, assessment, and early warning is translated into practical management actions and institutional arrangements. While the preceding stages focus on identifying and evaluating financial risks, the objective of financial risk control is to implement effective measures that prevent risk escalation and minimise potential financial losses. Although existing studies have extensively examined internal control systems and supply chain coordination, further research is still required on whole-chain capital coordination and the systematic integration of financial risk control measures in retail enterprises.

International studies have long recognized the importance of supply chain coordination in strengthening financial risk control. Mandipa and Sibindi (2022), using data from South African retail enterprises, demonstrated that information sharing among supply chain participants significantly improves working capital efficiency. Their findings showed that improvements in information sharing shortened the cash conversion cycle and enhanced overall capital utilization. This study suggests that the effectiveness of financial risk control depends not only on the internal management of individual enterprises but also on the coordination of information and capital flows across the entire supply chain. Without timely information on sales performance and inventory conditions, suppliers are unable to adjust production and delivery schedules efficiently, increasing the likelihood of either excessive inventory accumulation or product shortages. Building on this perspective, Zhang et al. (2025) argued that digital supply chain finance can further strengthen financial risk control by optimizing supplier payment arrangements through mechanisms such as dynamic discounting and early payment. However, the successful implementation of these approaches depends on enterprises possessing integrated supply chain information systems and effective capital coordination capabilities.

Domestic studies have primarily examined financial risk control from the perspectives of internal control systems and working capital management. Zhang and Dai (2011) emphasized that internal control should not merely

consist of formal institutional documents but should be integrated into enterprises' daily operational decision-making processes. More recent studies have identified implementation as a major challenge. Wang (2024) found that many retail enterprises continue to prioritize sales growth over financial risk control, resulting in situations where internal control systems exist formally but are not effectively enforced in practice. Consequently, financial risks such as excessive inventory, inefficient capital utilization, and debt imbalance continue to accumulate. From the perspective of supply chain capital management, Wang et al. (2022) further proposed that supplier payment management, inventory allocation, and cash flow scheduling should be coordinated within an integrated working capital management system rather than being managed independently.

A synthesis of the above studies suggests that the effectiveness of financial risk control depends on three key design considerations. First, comprehensive control coverage is essential for identifying and managing financial risks throughout the entire business process. Financial risk control should extend beyond store-level operations to include supplier management, inventory allocation, financing activities, and cash flow management across the supply chain. Limited control coverage inevitably creates management blind spots that weaken overall risk control effectiveness.

Second, effective financial risk control requires strong institutional enforcement. Risk control policies should function as mandatory management requirements rather than optional guidelines. When business expansion objectives are allowed to override financial risk control requirements, enterprises become more vulnerable to excessive investment, debt accumulation, and financing maturity mismatch. Therefore, financial risk considerations should be embedded into major investment and financing decisions through clearly defined approval procedures and mandatory control standards.

Third, the effectiveness of financial risk control ultimately depends on implementation. Even the most comprehensive internal control framework cannot achieve its intended objectives without continuous supervision, performance evaluation, and accountability mechanisms. Control policies that exist only on paper provide little practical value. These three elements reinforce one another. Broader control coverage reduces management blind spots, stronger institutional enforcement ensures compliance with financial risk policies, and effective implementation enables control measures to achieve their intended outcomes. Weakness in any one of these dimensions significantly reduces the overall effectiveness of financial risk control.

The above theoretical discussion provides an appropriate framework for evaluating the financial risk control practices of Yonghui Superstores. At present, the company's financial risk control mainly focuses on inventory management at the individual store level without establishing an integrated working capital management system covering the entire supply chain. Inventory remained at relatively high levels for several consecutive years and declined substantially only after large-scale store closures and inventory clearance, indicating prolonged capital occupation and insufficient inventory control. In addition, although investment budgets are subject to approval procedures, the company has not established mandatory financing principles requiring long-term investments to be supported by long-term financing sources. As a result, substantial short-term borrowings have continued to finance long-term projects such as cold chain logistics and store renovation, resulting in a persistent financing maturity mismatch. Furthermore, the company has not implemented a monthly rolling cash flow forecasting mechanism and mainly responds to liquidity shortages after they emerge rather than preventing them in advance. Although operating cash flow has continued to decline and has gradually become insufficient to cover short-term debt obligations, proactive financial risk control measures have not been implemented in a timely manner. These deficiencies correspond directly to the financial risk problems analysed in Chapter Four and provide the theoretical basis for the recommendations proposed in Chapter Five, particularly those concerning integrated working capital management, debt structure optimization, cash flow budgeting, and cross-departmental coordination mechanisms.

2.6 Post-Event Review of Financial Risks

As discussed by Gilson (1989) and Denis and Denis (1995), post-event review represents the final stage of the financial risk control process and serves as the mechanism through which the financial risk control system continuously improves. Its primary purpose is to systematically examine the causes of financial risk events, evaluate the effectiveness of risk control measures, identify weaknesses in existing management systems, and transform review findings into institutional improvements. While the preceding stages of financial risk control focus on identifying, assessing, monitoring, and controlling financial risks, post-event review emphasizes organizational learning and continuous improvement. Without an effective review mechanism, financial risk control remains a static management process that is unable to adapt to changes in the business environment or evolving patterns of financial risk. Although post-event review is widely recognized as an important component of enterprise risk management, it remains one of the least developed areas in the existing financial risk management literature.

International studies have mainly examined corporate responses following financial distress from the perspectives of corporate governance, crisis management, and management replacement. Gilson (1989) found that financially distressed firms frequently experienced significant changes in senior management after debt default or bankruptcy, suggesting that management restructuring is a common response to severe financial crises. Denis and Denis (1995) further examined governance changes following financial distress and demonstrated that management replacement often serves as an important mechanism for restoring shareholder confidence and improving corporate performance. Similarly, Iqbal and French (2007) reported that managers with lower ownership incentives were more likely to be replaced when firms encountered financial difficulties, highlighting the relationship between governance mechanisms and financial performance. Collectively, these studies provide valuable insights into organizational responses to financial crises. However, they primarily focus on governance adjustments after financial distress rather than on how enterprises systematically analyse financial risk events, identify institutional weaknesses, and transform experience into long-term improvements in financial risk control. Consequently, relatively limited attention has been devoted to post-event review as a continuous organizational learning mechanism within the financial risk control process.

Compared with international research, domestic studies on post-event review remain relatively limited. Existing studies mainly evaluate financial risks by analysing financial performance or identifying operational problems, while relatively little attention has been paid to post-event review as an independent stage within the financial risk control process. For example, Duan (2024) evaluated the financial risks of Yonghui Superstores using factor analysis and identified several operational and financial problems. However, the study did not further examine how the enterprise reviewed these financial risk events or how review findings could be incorporated into future financial risk management. Although post-event review has gradually been adopted in enterprise management practice, systematic theoretical discussion regarding review content, review procedures, and the translation of review findings into institutional improvement remains insufficient. As a result, the final stage of the financial risk control process has not yet received adequate academic attention.

A synthesis of the above literature suggests that an effective post-event review mechanism performs two complementary functions. First, it provides continuous feedback for improving the earlier stages of financial risk control. Review findings enable enterprises to refine risk identification indicators, improve risk assessment methods, adjust early warning thresholds, and strengthen financial risk control measures based on previous management

experience. In this way, post-event review continuously enhances the overall effectiveness of the financial risk control system. Second, post-event review promotes organizational learning by transforming practical experience into institutional knowledge. Information generated throughout the financial risk control process—including identified risks, activated warning signals, implemented control measures, and management outcomes—provides the basis for analysing why financial risks occurred and how similar problems can be prevented in the future. The effectiveness of post-event review therefore depends on three key considerations: comprehensive root-cause analysis, clear responsibility allocation, and continuous corrective actions. Root-cause analysis identifies institutional rather than merely operational deficiencies; responsibility allocation clarifies which departments and management processes require improvement; and continuous corrective actions ensure that review findings are translated into measurable institutional updates. Together, these three elements enable enterprises to establish a dynamic financial risk control system characterised by continuous learning and ongoing improvement.

The above theoretical discussion provides an appropriate framework for evaluating the post-event review practices of Yonghui Superstores. At present, the company's response to financial risks remains largely reactive, with management actions primarily implemented after financial problems have already emerged. Existing review activities mainly summarise operational outcomes, such as inventory accumulation and declining operating performance, without systematically analysing the institutional causes underlying these problems. Consequently, similar financial risks continue to recur over time. In addition, review findings have not been effectively translated into updated financial management policies or revised financial risk control procedures. For example, although financing maturity mismatch, declining operating cash flow, and inventory management problems have persisted for several consecutive years, corresponding institutional improvements remain limited. As a result, the financial risk control system has not achieved continuous improvement through organizational learning. These deficiencies correspond directly to the financial risk problems analysed in Chapter Four and provide the theoretical basis for the recommendations proposed in Chapter Five regarding the establishment of standardized post-event review procedures, institutional learning mechanisms, continuous policy optimization, and ongoing evaluation of financial risk rectification effectiveness.

2.7 Literature Review Summary

The existing literature demonstrates that considerable progress has been made in the field of financial risk control management. Studies have

continuously improved the theoretical and methodological foundations of financial risk management by developing more sophisticated approaches to risk identification, assessment, early warning, control, and post-event review. Financial risk identification has evolved from traditional financial ratio analysis to comprehensive multi-indicator models, while risk assessment has expanded from single financial indicators to multidimensional evaluation systems. Similarly, early warning research has progressed from static statistical models to dynamic prediction techniques, and studies on financial risk control have gradually shifted from internal control mechanisms toward integrated supply chain management. These developments have significantly enhanced the ability of enterprises to identify and manage financial risks and have provided an important theoretical foundation for subsequent research.

Despite these contributions, the existing literature still exhibits certain limitations. Most previous studies examine individual stages of financial risk control separately, with relatively limited attention devoted to the interactions among different stages of the financial risk control process. Risk identification, assessment, early warning, control, and post-event review are often analysed as independent management activities, while the mechanisms through which information is transmitted, shared, and continuously improved throughout the entire process remain insufficiently discussed. Consequently, existing research provides relatively limited guidance on how enterprises can integrate these stages into a unified financial risk control system capable of supporting continuous organizational learning and dynamic risk management.

These limitations are particularly evident in the retail industry. Compared with manufacturing enterprises, retail enterprises generally operate under conditions of rapid inventory turnover, complex supply chain coordination, significant seasonal demand fluctuations, and substantial working capital requirements. Financial risks arising from inventory management, supplier settlement, financing activities, and cash flow management are therefore highly interconnected. Weaknesses in one stage of financial risk control may quickly influence subsequent stages, resulting in the accumulation and transmission of financial risks throughout the entire operating process. Under such circumstances, analysing individual stages independently may not fully explain how financial risks develop or why existing control mechanisms sometimes fail to achieve their intended objectives. A more integrated perspective is therefore required to understand the operational characteristics of financial risk control in retail enterprises.

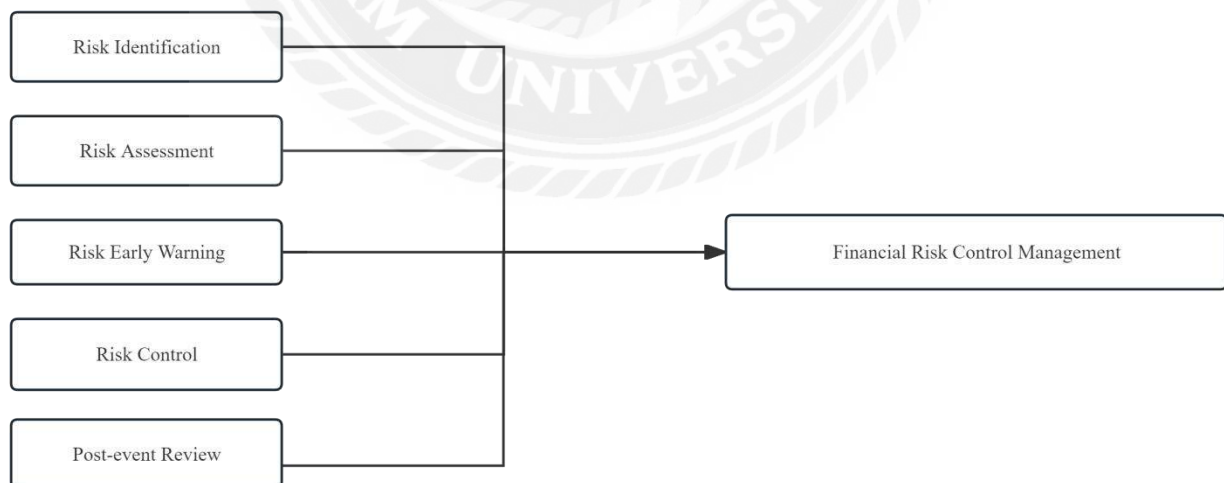
The case of Yonghui Superstores provides an appropriate context for examining these issues. Although the company has established basic financial risk management procedures covering risk identification, assessment, early warning, internal control, and performance review, it has continued to

experience declining profitability, increasing debt pressure, and weakening cash flow in recent years. This suggests that the existence of individual risk management mechanisms alone does not necessarily guarantee effective financial risk control. Rather, the effectiveness of financial risk management also depends on the coordination, communication, and continuous improvement of the entire financial risk control process.

Based on the above literature review, this study adopted the whole-process financial risk control management theory as its analytical framework. Instead of examining each stage independently, the study analysed the relationships among risk identification, risk assessment, risk early warning, risk control, and post-event review as an integrated and interrelated system. Using Yonghui Superstores as a case study, the research investigated how weaknesses in one stage influence the effectiveness of subsequent stages and how a closed-loop financial risk control system can enhance enterprise financial risk prevention and control capabilities. By adopting this integrated perspective, the study sought to complement existing research on individual stages of financial risk control and provide both theoretical and practical insights into financial risk control management in retail enterprises.

2.8 Conceptual Framework

Figure 2.1 Conceptual Framework of Financial Risk Control Management Analysis



Chapter 3 Research Methodology

3.1 Case Study

This study adopted a case study method, selecting Yonghui Superstores Co., Ltd. as the research subject. Through an in-depth examination of its financial risk control management practices, this study explored the typical problems and response strategies in retail enterprise financial risk management. The case study method is appropriate for investigating "how" and "why" types of real-world questions, as it allows for the examination of complex management processes within actual business environments—particularly suitable for analyzing financial risk control systems that involve multiple stages and interrelated factors.

Yonghui Superstores was selected as the research subject based on the following considerations. As one of the representative enterprises in China's fresh food retail industry, Yonghui Superstores underwent a business transformation from scale expansion to strategic contraction between 2021 and 2025, during which it faced multiple financial pressures, including declining profitability, rising leverage, and tightening cash flow. The financial data and management practices from this period relatively comprehensively reflect the various financial risks that retail enterprises may encounter during transformation, demonstrating strong typicality and research value.

The case analysis proceeded along the following lines. First, Yonghui Superstores' business development trajectory, strategic adjustment process, and key operational events from 2021 to 2025 were reviewed to establish the contextual background for analysis. Second, based on the five-stage financial risk control framework, the company's specific management practices were examined across five dimensions: risk identification, risk assessment, risk early warning, risk control, and post-event review. Third, the main problems in each stage were identified, and the interconnections and transmission relationships among these problems were analyzed to reveal how weak links affect the effectiveness of the entire risk control system. Finally, the findings from each stage were synthesized to form an overall assessment of the company's financial risk control status.

3.2 Document Analysis

This study employed document analysis to collect and review publicly available documents related to Yonghui Superstores, thereby obtaining qualitative information beyond financial data as a complementary component

of the case analysis. Document analysis helps researchers understand the business context, strategic intentions, and management logic of an enterprise, while also serving to verify and supplement the conclusions drawn from financial data analysis.

The documents analyzed in this study were primarily derived from the following sources. The first category comprises the company's annual reports, which constitute the primary source of documentation. The annual reports contain not only audited financial statements but also a Management Discussion and Analysis section, in which management explains the operating results, challenges faced, and response measures during the reporting period. These contents help to understand the business logic underlying the financial data. In addition, the annual reports disclose important information such as store changes, major investments, and financing activities. The second category comprises industry-related reports, primarily drawing on industry analysis reports published by the China Chain Store & Franchise Association and research materials on the retail industry from relevant research institutions, to obtain industry background and peer comparison data.

The document analysis proceeded according to a standard qualitative data processing procedure: the collected documents were first arranged chronologically to trace the company's operational development; then, in conjunction with the five-stage risk control framework, management information relevant to each stage was extracted from the documents; finally, the operational decisions reflected in the documents were cross-referenced with the financial data to identify the relationship between decision-making logic and actual financial outcomes, thereby forming a more complete understanding of the enterprise's financial risk management practices.

3.3 Financial Data Analysis

This study adopted a financial data analysis to assess the financial risk status and the actual effectiveness of risk management at Yonghui Superstores through the computation and analysis of financial data from 2021 to 2025. Financial data can objectively reflect a company's operating performance and financial condition, serving as an important basis for identifying and measuring financial risks.

The financial data were primarily obtained from the financial statements in Yonghui Superstores' annual reports, covering five fiscal years from 2021 to 2025. This time frame was selected for the following reasons: a five-year span is sufficient to observe trends in financial indicators and to avoid misinterpreting short-term fluctuations as long-term problems; this period

coincided with a critical phase of the company's strategic adjustment, facilitating the interpretation of financial data changes in light of specific operational contexts; and all annual reports for this period have been audited, ensuring relatively reliable data quality.

This study organized the required data from Yonghui Superstores' three primary financial statements. From the balance sheet, data on inventory, short-term borrowings, accounts payable, current assets, current liabilities, and total assets were collected. From the income statement, data on operating revenue, gross profit, selling expenses, and net profit attributable to parent were collected. From the cash flow statement, net cash flow from operating activities was extracted. On this basis, this study further calculated commonly used financial indicators, including inventory turnover ratio, current ratio, asset-liability ratio, gross profit margin, and selling expense ratio. The selected indicators could intuitively reflect the operational characteristics of retail enterprises, effectively capturing operating efficiency, profitability, solvency, and liquidity, thereby enabling a comprehensive assessment of the company's financial risk profile.

To ensure the accuracy and reliability of the research data, this study verified and organized the collected historical financial data by cross-referencing the main text of the annual reports with the notes to the financial statements on a line-by-line basis, ensuring data accuracy. All data and calculation results were compiled into standardized tables for clarity and ease of year-over-year comparison and trend analysis of the five-year data.

This study conducted financial data analysis from three interrelated perspectives. First, year-on-year changes in each financial indicator over the five-year period were compared to identify trends. Second, the interrelationships among different indicators were examined to explore the interactions among inventory, liabilities, cash flow, and other items. Third, building upon the first two steps, the analysis was further contextualized by reference to the overall retail industry situation and Yonghui Superstores' actual operational status to identify whether financial indicators exhibit anomalies and to detect potential financial risks. These three analytical perspectives formed a progressive sequence—beginning with data observation, moving to internal correlation analysis, and culminating in comprehensive judgment based on contextual understanding.

3.4 Comparative Analysis

This study adopted a comparative analysis to compare Yonghui Superstores' key financial indicators with industry averages, thereby

determining the relative position of its financial risk status within the industry and enabling a more accurate distinction between enterprise-specific problems and industry-wide issues.

The comparative analysis primarily referenced industry average data presented in the Chain Supermarket Operation Reports published by the China Chain Store & Franchise Association, covering core financial indicators such as inventory turnover, current ratio, asset-liability ratio, and gross profit margin. Using the annual industry averages as benchmarks, Yonghui Superstores' corresponding indicator values for the same periods were compared item by item to determine its relative standing within the industry. Simultaneously, the degree of consistency between the trend of Yonghui's indicators and the overall industry trend was examined to help distinguish which issues stem from industry-wide changes in the operating environment and which are more likely to be associated with the company's own management decisions.

In addition, the findings of the comparative analysis were cross-referenced with the results of the financial data analysis and document analysis to examine whether industry deviations in financial indicators have corresponding operational explanations in the relevant documents for instance, whether the company addresses the deviation in the annual report when an indicator falls below the industry average, or whether it is logically linked to operational decisions disclosed in contemporaneous announcements. On this basis, a comprehensive assessment was made regarding Yonghui Superstores' relative position across various financial risk dimensions.

Chapter 4 Findings and Discussion

From Scale Expansion to Strategic Contraction: The Transformation of Yonghui Superstores From 2021 to 2025, Yonghui Superstores underwent a challenging transformation from scale expansion to strategic contraction. Prior to 2021, the company pursued store network expansion under its "Thousand Stores Plan" and expanded into new retail formats through acquisitions of YunChuang and Caishixian, with capital expenditure remaining persistently high. However, the rapid penetration of online retail and the rise of community group buying significantly disrupted the traditional supermarket model. After reaching a cyclical peak in 2021, the company's revenue scale declined year by year. From 2022 onward, Yonghui began adjusting its operational strategy by closing loss-making stores and slowing new store openings. Between 2023 and 2024, it further advanced store-warehouse integration and supply chain digitalization upgrades, though these investments did not generate the anticipated revenue recovery. In 2025, the company launched a large-scale store remodeling initiative, investing RMB 910 million in 315 stores while simultaneously closing 381 stores—marking a substantive strategic shift from "scale-driven" to "efficiency-driven" growth. The financial consequences of this strategic transition are manifested in the interplay of three interconnected threads: inventory adjustment, debt accumulation, and cash flow contraction, which together constitute the core narrative of financial risk evolution throughout the 2021–2025 period.

Against this backdrop, this study took inventory management, debt structure, and cash flow conditions as its three core analytical threads, systematically examining the operational status and deficiencies of each stage of Yonghui Superstores' financial risk control management across the five stages of risk identification, risk assessment, risk early warning, risk control, and post-event review. It should be emphasized that these five stages do not constitute separate and independent problem domains, but rather form an integrated risk transmission chain: delays in identification lead to incomplete assessment bases; assessment biases lead to inappropriate early warning thresholds; early warning failures lead to misdirected control; and the absence of review leads to recurring deficiencies in subsequent cycles. Therefore, while analyzing each stage individually, this study placed particular emphasis on the transmission relationships and breakdown mechanisms among stages, which are essential for understanding the persistent deterioration of Yonghui's financial risk profile.

4.1 Current State and Deficiencies of Financial Risk Identification

Table 4.1 Key Financial Indicators of Yonghui Superstores (2021–2025)

Indicator	2021	2022	2023	2024	2025
Inventory (RMB 100 million)	107.91	104.67	82.69	70.58	33.54
Inventory Turnover (times)	6.83	6.81	6.61	7.01	8.24
Short-term Borrowings (RMB 100 million)	109.48	65.28	51.30	49.38	39.27
Operating Cash Flow (RMB 100 million)	58.27	58.64	45.69	21.91	6.46
Current Ratio (%)	0.84	0.84	0.77	0.76	0.55
Accounts Payable (RMB 100 million)	125.19	121.55	98.16	81.21	67.56

Source: Yonghui Superstores Co., Ltd. Annual Reports (2021–2025)

Note: All ratio indicators are calculated based on data from the annual reports.

Yonghui Superstores has established a finance department-led risk identification mechanism, primarily relying on annual financial reports, budget execution reviews, and year-end inventory counts to conduct risk identification. From a formal institutional perspective, the company has established basic risk identification procedures. However, in terms of overall operational effectiveness, the identification stage exhibits systemic deficiencies characterized as "static, lagging, and fragmented," resulting in the loss of a substantial number of early risk signals before they reach the assessment stage. As Beaver (1966) and Altman (1968) demonstrated, the accuracy and timeliness of financial risk identification fundamentally determine the effectiveness of subsequent risk management stages; therefore, this static approach constitutes the initial and most critical point of failure in the entire risk control transmission chain.

In terms of identification frequency, the company's risk identification relies primarily on annual static analysis, lacking monthly or quarterly rolling tracking mechanisms. Table 4.1 shows that from 2021 to 2024, inventory levels were RMB 10.791 billion, RMB 10.467 billion, RMB 8.269 billion, and RMB 7.058 billion, respectively, remaining persistently high over the period. Corresponding inventory turnover rates were 6.83, 6.81, 6.61, and 7.01 times, respectively. According to data from the China Chain Store & Franchise Association, the average inventory turnover rates for the supermarket industry from 2021 to 2024 were 7.8, 7.5, 7.3, and 7.1 times, respectively. With the exception of 2024, when the company's turnover approached the industry average, Yonghui's inventory turnover consistently lagged behind industry benchmarks in all other years, indicating that inventory accumulation and

inefficient turnover have been persistent issues. However, the company only confirms inventory levels through year-end financial statistics, lacking systematic tracking of quarterly inventory fluctuations, regional inventory imbalances, and other leading indicators. According to the timeliness principle of financial risk monitoring (Beaver, 1966; Wang et al., 2022), abnormal changes in any quarter cannot be captured in a timely manner through annual analysis; by the time year-end statements are issued, inventory accumulation has already become an established fact and the window for proactive operational adjustment has been missed. The sharp decline in inventory to RMB 3.354 billion in 2025, representing a 52.48% decrease from the end of 2024, was attributable to large-scale store closures and inventory clearance (381 stores closed throughout the year)—a passive liquidation following risk exposure rather than a proactive discovery by the identification mechanism, and should not be misinterpreted as evidence of improved inventory management capability. The same time lag is evident in cash flow performance. Net cash flows from operating activities from 2021 to 2025 were RMB 5.827 billion, RMB 5.864 billion, RMB 4.569 billion, RMB 2.191 billion, and RMB 646 million, respectively, exhibiting a continuous downward trend—a cumulative decline of approximately 88.9% from 2021 to 2025, with year-on-year declines of 52.04% and 70.54% in 2024 and 2025, respectively—reflecting the accelerating erosion of the company's capacity to generate cash from core operations. Nevertheless, the company has not established monthly or quarterly cash flow tracking mechanisms, leaving the significant cash flow reductions in 2024 and 2025 undetected by mid-cycle identification processes until they were confirmed as annual risk events upon the release of year-end financial reports, by which time the buffer available for proactive adjustment was severely insufficient. This "year-end confirmation, next-year remediation" identification rhythm degrades the function of risk identification from proactive detection to ex-post confirmation, essentially severing the channel through which risk signals are transmitted to subsequent assessment stages.

In terms of identification dimensions, the company overemphasizes ex-post financial outcome indicators such as total inventory, short-term borrowing balances, and the asset-liability ratio, while lacking systematic tracking of leading operational signals including changes in supplier payment terms, fluctuations in fresh product shrinkage rates, store-level daily sales cash flow trends, and quarterly variations in inventory turnover efficiency. As a result, a significant number of "risks in formation" are excluded from the identification scope, causing identification conclusions to reflect only "losses that have already occurred" while failing to anticipate "pressures that are accumulating." In debt management, for example, short-term borrowings from 2021 to 2025 were RMB 10.948 billion, RMB 6.528 billion, RMB 5.130 billion, RMB 4.938 billion, and RMB 3.927 billion, respectively. Although the overall balance trended downward, short-term borrowings still constituted a relatively high

proportion of the debt structure. Concurrently, the company continued to invest in long-term projects such as store remodeling, cold-chain logistics construction, and supply chain upgrades, creating a reliance on short-term funds to support long-term investments and giving rise to persistent financing maturity mismatch risk. Furthermore, accounts payable remained substantial, amounting to RMB 12.519 billion, RMB 12.155 billion, RMB 9.816 billion, RMB 8.121 billion, and RMB 6.756 billion from 2021 to 2025, respectively. Although the trend was downward, the absolute scale remained considerable, indicating that the company's occupation of upstream supplier funds has been persistently high, with ongoing tension in the upstream and downstream capital chains. However, the identification stage has never incorporated indicators such as "short-term funding dependence of long-term investment projects," "trends in accounts payable aging," or "concentration of short-term debt maturities" into routine monitoring, resulting in financing maturity mismatch and supply chain capital chain risks being overlooked at their nascent stages. The sustained deterioration of the current ratio from 0.84 in 2021 to 0.55 in 2025—a five-year continuous decline—was never flagged as a risk item requiring focused attention. In cash flow management, the company's risk identification remains centered on annual cash flow statement analysis, lacking sensitivity to the continuing contraction trend in operating cash flow. In 2025, operating cash flow of only RMB 646 million was insufficient to cover annual short-term debt servicing obligations, yet the identification process failed to incorporate "cash flow coverage multiples for short-term debt" as a key monitoring indicator, resulting in the systematic underestimation of liquidity risk accumulation during the identification stage. Table 4.1 also reveals a more subtle problem: a clear inverse relationship between inventory and operating cash flow—inventory remains elevated while cash flow continues to contract—indicating that working capital tied up in inventory is not being effectively converted into cash returns through sales activities, and capital utilization efficiency is declining year by year. As Ohlson (1980) and Wu and Lu (2001) noted, relying solely on isolated financial outcome indicators without examining their interrelationships leads to the systematic oversight of combined risk signals such as the "high inventory, low cash" pattern. However, the identification stage only examines total inventory and net cash flow as isolated indicators, never considering their interrelationship as a basis for risk judgment, resulting in the systematic oversight of the "high inventory, low cash" combination signal.

In terms of information integration, data barriers remain in place among the finance, procurement, warehousing, and store operations departments. The various business systems have not yet established an efficient data linkage mechanism, leaving key operational information such as procurement plans, inventory changes, sales data, and cash flows dispersed across different systems without real-time connectivity and sharing. Risk identification

primarily relies on consolidated data from financial statements for judgment, while the substantial volume of operational information at the business level—such as regional store sales fluctuations, weekly variations in fresh product shrinkage rates, and monthly adjustments to supplier settlement terms—cannot be effectively channeled into the identification process. As argued by Wang et al. (2022), fragmented information systems in retail enterprises prevent risk identification from tracing operational root causes, leaving identification conclusions based solely on incomplete financial information. From 2021 to 2023, inventory remained above RMB 8 billion for three consecutive years, with occupancy levels rising again each year after clearance. Yet identification conclusions remained at the level of "inventory is somewhat elevated," never tracing back to underlying operational causes such as misalignment between procurement planning and sales forecasting, insufficient regional allocation efficiency, or ineffective category-level shrinkage control. As a result, subsequent assessment stages were unable to obtain complete risk causation information, and assessment conclusions were necessarily based on incomplete risk profiles.

Synthesizing the above analysis, Yonghui Superstores' financial risk identification stage suffers from systemic issues at three levels: identification frequency remains at annual static analysis; identification content is excessively focused on ex-post financial outcome indicators; and information silos persist between financial and operational data. The cumulative consequence of these three deficiencies is that risk signals transmitted from the identification stage to the assessment stage are severely distorted from the very source. The four-year accelerating decline in operating cash flow was never labeled as a "high-risk trend"; the inventory turnover rate consistently below the industry average was never flagged as a "structural issue"; financing maturity mismatch risk was never identified as a "systemic vulnerability"; and the "high inventory, low cash" combination signal was never brought into the risk assessment perspective. Assessment judgments based on these incomplete and lagging information streams deviated from the enterprise's true risk profile from the very beginning, with approximately 70% of the early warning window already lost at the identification stage—rendering all subsequent work in assessment, early warning, and control fundamentally built upon an incomplete informational foundation.

4.2 Current State and Deficiencies of Financial Risk Assessment

Table 4.2 Yonghui Superstores (2021–2025) Profitability and Solvency Risk Indicators

Indicator	2021	2022	2023	2024	2025
Net Profit Attributable to Parent (RMB 100 million)	-39.44	-27.63	-13.29	-14.65	-25.52
Gross Profit Margin (%)	18.71	19.68	21.24	20.46	19.83
Selling Expense Ratio (%)	18.26	17.59	18.67	19.30	20.72
Asset-Liability Ratio (%)	84.5	87.7	88.6	89.9	94.6

Source: Yonghui Superstores Co., Ltd. Annual Reports (2021–2025)

Note: All ratio indicators are calculated based on data from the annual reports.

The risk assessment stage of Yonghui Superstores exhibits significant deficiencies, primarily manifested across three dimensions: assessment content, assessment methodology, and assessment timing. In terms of assessment content, the system places excessive emphasis on ex-post profitability indicators such as book net profit, while significantly underweighting leading indicators such as operating cash flow, resulting in the systematic underestimation of the severity of sustained cash flow contraction risk. In terms of assessment methodology, key indicators including inventory turnover ratio, current ratio, and accounts payable aging are calculated in isolation, failing to be incorporated into a unified multidimensional linkage analysis framework, leaving the transmission effects and superposition effects among risks ineffectively captured. In terms of assessment timing, solvency stress testing and graded risk assessment have not been established as pre-approval procedures prior to major investment decisions. Long-term renovation investments have continued to be made despite the current ratio remaining below the safety threshold for five consecutive years, with the risk exposure remaining unquantified throughout.

Examining the assessment content, the enterprise's risk assessment system relies excessively on ex-post profitability indicators such as net profit and gross profit margin, while significantly suppressing the weight assigned to leading indicators including operating cash flow. This results in the systematic underestimation of the risk severity associated with sustained cash flow contraction. Table 4.2 shows that from 2021 to 2025, net profit attributable to parent was negative for five consecutive years, with cumulative losses exceeding RMB 12 billion. Gross profit margins were 18.71%, 19.68%, 21.24%, 20.46%, and 19.83%, respectively, showing some recovery from 2021 to 2023 before declining again from 2024 onward under the influence of store

remodeling initiatives. The selling expense ratio increased steadily from 18.26% to 20.72%, creating a dual squeeze from narrowing gross margin space and rigid expense growth. The assessment system provided ex-post confirmation of the deterioration in these profitability indicators, but lacked forward-looking analysis of driving factors such as expense rigidity and asset impairment trends. Accumulated asset impairment losses from 2021 to 2025 exceeded RMB 3 billion. Although this category of "non-recurring" losses has exhibited characteristics of normalization, the assessment process has consistently treated them as one-off items, never incorporating them into a framework of ongoing risk evaluation. More critically, the assessment content significantly underweighted leading indicators such as cash flow. As shown in Table 4.1, operating cash flow contracted persistently from RMB 5.827 billion in 2021 to RMB 646 million in 2025, a cumulative decline of 88.9%. This should have been the most concerning signal in the risk assessment process. The liquidity risk signaled by cash flow contraction is far more urgent than book losses themselves. However, due to the excessive focus on profitability indicators in the assessment content, this critical signal was never assigned its due risk weight. By 2025, operating cash flow was insufficient to cover short-term debt servicing obligations, yet the assessment conclusions merely labeled this as ordinary operational fluctuation. At the same time, the assessment content provided insufficient coverage of debt structure risks. The current ratio declined persistently from 0.84 to 0.55, while the asset-liability ratio increased from 84.5% to 94.6%. According to data from the China Association for Public Companies, the average asset-liability ratio for the wholesale and retail industry in the A-share market in 2023 was 64.18%, while Yonghui's 88.6% in the same period exceeded the industry average by 24 percentage points. Nevertheless, the assessment system only monitors the year-over-year reduction in short-term borrowing balances, without incorporating structural indicators such as accounts payable turnover days and the short-term funding dependence of long-term projects into the assessment scope.

Examining the assessment methodology, the enterprise calculates key indicators including inventory turnover ratio, current ratio, and accounts payable aging in isolation, failing to integrate them into a unified multidimensional linkage analysis framework. This leaves the transmission effects and superposition effects among risks ineffectively captured. The multiple indicators presented in Table 4.1 exhibit close transmission relationships: inventory accumulation leads to substantial working capital occupation; working capital insufficiency forces the enterprise to increase short-term borrowings (which reached RMB 10.948 billion in 2021); increased short-term borrowings drive up interest expenses; interest expenses erode profits; profit decline further impairs debt servicing capacity (net profit attributable to parent of -RMB 2.552 billion and asset-liability ratio of 94.6% in 2025); and deteriorating debt servicing capacity in turn constrains future refinancing

capacity. Yet the assessment system has never conducted a systematic analysis of this complete risk transmission chain. Furthermore, the inverse relationship between inventory and operating cash flow identified in Table 4.1—high inventory accompanied by sustained cash flow contraction—has also been overlooked by the assessment methodology. The assessment system calculates inventory turnover ratio and net cash flow as two isolated indicators, never incorporating their interrelationship into the assessment framework, leaving the true severity of the "high inventory, low cash" combined risk unquantified throughout. The integrated capital pressure across the entire supply chain—comprising the interactive effects among supplier payment terms, inventory turnover efficiency, and terminal collection cycles—has remained in a state of being uncoordinated and unmeasured. Risks at each stage are "normalized" one by one in isolated assessments, while their superposition effects continue to amplify in assessment blind spots.

Examining the assessment timing, the enterprise's risk assessment is primarily conducted at annual report preparation and periodic financial analysis milestones, constituting a "periodic ex-post confirmation" type of assessment that has failed to embed risk assessment into the pre-decision procedures for major operational decisions. As shown in Table 4.1, the current ratio has remained below the safety threshold of 1.0 and has continued to deteriorate to 0.55 for five consecutive years since 2021. Yet throughout the 2021–2025 period, all major investment projects—store remodeling, cold chain logistics construction, and supply chain upgrades—were approved based solely on projected revenue estimates, without incorporating solvency stress testing, cash flow sensitivity analysis, or graded risk assessment as pre-approval procedures. In 2025, the enterprise invested RMB 910 million in remodeling 315 stores while simultaneously closing 381 stores. Such large-scale structural adjustments were implemented without systematic risk assessment and scenario analysis prior to execution. The lag in assessment timing means that assessment conclusions can only provide "ex-post confirmation" for decisions already made, rather than "ex-ante constraints" for decisions in the process of being made. The guiding and constraining functions of risk assessment on enterprise operational behavior are essentially absent. The five-year deterioration in the current ratio has never triggered any decision constraints regarding investment pace adjustment or financing structure optimization.

Synthesizing the above analysis across three dimensions, the problems in Yonghui's risk assessment stage exhibit clear structural characteristics: assessment content biased toward ex-post profitability indicators and insufficient emphasis on leading signals such as cash flow, resulting in the systematic underestimation of risk severity; assessment methodology calculating indicators in isolation while neglecting transmission effects, resulting in the failure to capture risk superposition and amplification effects;

and assessment timing confined to periodic ex-post confirmation without being embedded in pre-decision procedures for major decisions, resulting in the absence of constraining functions on operational behavior.

The direct consequence of these deficiencies is that the risk levels and assessment conclusions transmitted from the assessment stage to the early warning stage are themselves severely distorted. The severity of critical risks including sustained operating cash flow contraction and persistent current ratio deterioration is underestimated, while risk transmission and superposition effects—such as liquidity risk resonance under the "high inventory, low cash" combination—are never identified or flagged in the assessment conclusions. The early warning system, operating on the basis of these distorted assessment conclusions, set monitoring thresholds that deviated from the enterprise's true financial condition from the very beginning. This constitutes the second point of rupture in the transmission chain, where the early warning stage inherently loses the capacity to set trigger benchmarks based on the true state of risk.

4.3 Current State and Deficiencies of Financial Risk Early Warning

As argued by Yang and Wang (2007) and Wei and Wang (2024), an effective financial risk early warning system should incorporate quantitative thresholds, continuous monitoring, and hierarchical alert mechanisms to provide proactive risk signals. Yonghui Superstores has not yet established a quantitative graded early warning system, and dynamic indicator monitoring thresholds remain absent. The following analysis examines three aspects: early warning indicators, monitoring frequency, and threshold settings. Core indicators including inventory turnover, debt structure, and cash flow consistently deviated from industry benchmarks throughout the 2021–2025 period, yet the information system was not equipped with automated alert functions.

In terms of early warning indicators, the enterprise's early warning mechanism relies on a single monitoring metric of total store inventory, lacking composite early warning thresholds that capture changes in supplier payment terms, omni-channel inventory turnover efficiency, and overall supply chain capital utilization. From 2021 to 2024, inventory remained above RMB 7 billion for four consecutive years, and inventory turnover remained below the industry average for four consecutive years, yet the system generated no early warning signals, failing to provide advance alert for the risk of substantial capital lock-up across the supply chain. According to data from the China Chain Store & Franchise Association, the average inventory turnover rates for the supermarket industry from 2021 to 2024 were 7.8, 7.5, 7.3, and 7.1 times,

respectively, while Yonghui's corresponding rates were 6.83, 6.81, 6.61, and 7.01 times. With the exception of 2024, when the company's turnover approached the industry average, Yonghui's performance was significantly below industry levels in all other years. Key indicators deviating from industry benchmarks for multiple consecutive years should have been the most direct trigger for the early warning mechanism, yet Yonghui's early warning system remained entirely unresponsive. It was not until the large-scale store closures and inventory clearance in 2025 that inventory finally declined to RMB 3.354 billion—a destocking process that was essentially a passive stop-loss following risk exposure rather than an early warning-driven proactive intervention.

In terms of monitoring frequency, the enterprise only compiles annual cash flow data for summary statistics, without conducting monthly dynamic tracking. From 2021 to 2025, operating cash flow experienced sustained decline, with year-on-year reductions of 52.04% and 70.54% in 2024 and 2025, respectively. At the quarterly level, substantial net operating cash outflows occurred on multiple occasions. However, the early warning system has not established graded response standards, nor does it have a monthly rolling update mechanism, resulting in the five-year trend of continuous cash flow deterioration never triggering a single early warning alert.

In terms of threshold settings, the internal early warning system has not established specialized monitoring indicators for the ratio of long-term to short-term financing or the concentration of short-term debt maturities. In 2021, short-term borrowings exceeded RMB 10 billion, with significant pressure from concentrated debt maturities. From 2022 to 2024, short-term borrowings continued to be maintained at approximately RMB 5 billion. In 2024, current liabilities reached RMB 22.73 billion, while current assets amounted to only RMB 17.27 billion, with the working capital gap expanding to -RMB 5.46 billion. Regarding the current ratio, according to data from the China Chain Store & Franchise Association, the industry average levels from 2021 to 2024 were 1.05, 1.02, 0.98, and 0.95, respectively, while Yonghui's corresponding ratios were 0.84, 0.84, 0.77, and 0.76, with the deviation widening progressively year by year. Yet the early warning system never established any dynamic monitoring thresholds linked to industry benchmarks. Key indicators remained below industry averages for multiple consecutive years with widening deviations, while the early warning system remained entirely silent. This contrast reveals a fundamental disconnection between early warning threshold settings and industry reference frameworks, causing the enterprise to completely lose its capacity to issue early signals and proactively intervene during the initial stages of risk formation.

Synthesizing the above analysis, Yonghui's risk early warning stage exhibits systemic problems including a narrow range of early warning

indicators, annualized monitoring frequency, and threshold settings disconnected from industry benchmarks. Despite core indicators deviating from safety thresholds for multiple consecutive years, the early warning system remained entirely silent, and the enterprise completely lost its capacity to identify signals and actively intervene during the early stages of risk formation.

The consequence of the above deficiencies is that the early warning stage should have issued leading signals during the initial stages of risk formation and secured intervention time for the control stage. However, due to the narrow indicator system, low monitoring frequency, and industry-disconnected thresholds, the early warning system remained entirely silent while key indicators deviated from safety thresholds for multiple consecutive years. Receiving no early warning information, the control stage continued with routine management approaches. This constitutes the third rupture in the transmission chain. The complete silence of the early warning stage directly severed the final link through which risk signals are transformed into control actions: risk signals from core indicators deviating from industry averages for five consecutive years were entirely uncaptured by the system, and no standardized early warning notifications were pushed to the control side. Operating in a state of complete unawareness, the control department could only continue its routine fund allocation rhythm, neither initiating proactive inventory clearance processes nor adjusting short-term debt rollover plans, thereby entirely missing the optimal intervention window of three to six months, ultimately allowing risks to accumulate directly to the threshold of eruption.

4.4 Current State and Deficiencies of Financial Risk Control

According to Mandipa and Sibindi (2022) and Zhang and Dai (2011), effective control measures should transform risk information into practical management actions that reduce financial risk exposure. Financial risk control represents the implementation stage of the whole-process financial risk control framework. Following risk identification, assessment, and early warning, this stage serves as the execution point where risk information is translated into management actions. Although Yonghui Superstores has established internal control systems covering inventory management, supplier settlement, capital budgeting, and cash flow management, the effectiveness of these mechanisms should ultimately be evaluated according to their implementation rather than their institutional design. Therefore, this section examines the effectiveness of Yonghui's financial risk control by analysing working capital management, investment and financing activities, and cash flow management.

Working capital management is an important component of financial risk control because it directly influences inventory utilisation, liquidity, and

operational efficiency. If inventory management measures operate effectively, inventory turnover should remain relatively stable and broadly consistent with industry performance. However, Yonghui Superstores recorded inventory turnover ratios of 6.83, 6.81, 6.61, 7.01, and 8.24 times between 2021 and 2025. During 2021–2024, the turnover ratio remained below the supermarket industry average for four consecutive years, indicating that inventory was converted into sales less efficiently than that of comparable retail enterprises. Inventory accounted for approximately 37.6%, 35.1%, 32.8%, and 40.9% of current assets from 2021 to 2024. Although operating revenue continued to decline during this period, inventory occupied a consistently high proportion of current assets rather than decreasing accordingly. It was only after large-scale store closures and inventory clearance activities in 2025 that inventory declined substantially from RMB 7.058 billion to RMB 3.354 billion. These findings suggest that inventory reduction was mainly achieved through corrective actions after operational pressure had intensified rather than through continuous inventory control during normal business operations, indicating that existing working capital control measures were not sufficiently effective.

Investment and financing activities provide another important indication of the effectiveness of financial risk control. Between 2021 and 2025, Yonghui continued to invest in long-term projects, including store remodeling and cold-chain logistics. In 2025 alone, the company invested approximately RMB 910 million in remodeling 315 stores while simultaneously closing 381 stores. During the same period, short-term borrowings remained relatively high at RMB 10.948 billion, RMB 6.528 billion, RMB 5.130 billion, RMB 4.938 billion, and RMB 3.927 billion, respectively. Although the amount gradually declined, short-term borrowings continued to account for a substantial proportion of total financing. Meanwhile, cumulative net cash outflows from financing activities exceeded RMB 25.6 billion over the five-year period, while the current ratio continuously declined from 0.84 in 2021 to 0.55 in 2025, remaining below the generally accepted benchmark of 1.0 throughout the study period. These results indicate that long-term investment activities continued despite increasing liquidity pressure and that a considerable proportion of investment funding relied on short-term financing sources. Although the company maintained investment approval procedures, the annual reports provide limited evidence of specific control mechanisms to ensure appropriate matching between investment horizons and financing maturities, allowing financing maturity mismatch to remain a persistent financial risk.

Cash flow management is equally important because it determines the enterprise's ability to maintain daily operations and respond to future financial uncertainty. From 2021 to 2025, Yonghui's net cash flow from operating activities declined from RMB 5.827 billion to RMB 646 million, representing an overall decrease of approximately 88.9%. During the same period, the

current ratio also continued to deteriorate from 0.84 to 0.55, reflecting increasing short-term liquidity pressure. Although the annual reports indicate that cash flow management policies had been established, the continuous decline in operating cash flow suggests that these measures did not effectively prevent the weakening of the company's financial position. Furthermore, the annual reports provide limited evidence of dynamic cash flow monitoring or rolling cash flow forecasting mechanisms. As liquidity pressure increased, management actions appeared to focus primarily on responding to immediate funding needs rather than preventing potential cash shortages before they emerged. By 2025, operating cash flow was no longer sufficient to comfortably support annual debt servicing requirements, indicating that existing cash flow control measures had become increasingly ineffective.

Overall, the analysis suggests that Yonghui Superstores' financial risk control remains constrained by several weaknesses. Working capital management has not effectively improved inventory utilisation or reduced capital occupation, investment and financing management lacks sufficient coordination between long-term investment decisions and financing structure, and cash flow management remains largely reactive with limited evidence of continuous monitoring and forward-looking control mechanisms. Consequently, the company's financial risk control system has not effectively translated institutional arrangements into practical management outcomes. Because the results of risk identification, assessment, and early warning were not transformed into timely control actions, financial pressures relating to inventory management, financing structure, and cash flow continued to accumulate throughout the study period. As a result, financial risk control functioned primarily as a reactive response mechanism rather than a preventive management process, reducing the effectiveness of the whole-process financial risk control system.

4.5 Current State and Deficiencies of Post-Event Review and Institutional Updating

As discussed by Gilson (1989) and Denis and Denis (1995), post-event review serves as a critical mechanism for organizational learning and continuous improvement, enabling firms to transform risk management experiences into institutional enhancements. According to the information disclosed in Yonghui Superstores' annual reports, the company has mainly adopted corrective measures following the materialization of financial risks, with limited evidence of systematic post-event review or continuous improvement mechanisms. This section evaluates the company's post-event review practices from three aspects: risk response, review depth, and organizational support.

Following the deterioration of its financial performance, Yonghui Superstores implemented a series of restructuring measures, including large-scale store closures, inventory reduction, disposal of equity investments, and business restructuring. In 2025, the company closed 381 stores, while inventory decreased from RMB 7.058 billion in 2024 to RMB 3.354 billion. Over the period from 2021 to 2025, cumulative net cash outflows from financing activities exceeded RMB 25.6 billion. These measures helped alleviate short-term operational pressure to a certain extent. However, they were implemented after financial risks had already become apparent, indicating that the company's responses were primarily corrective rather than preventive. The annual reports provide limited evidence that these actions were supported by systematic post-event evaluation or long-term improvement planning.

The depth of post-event review also appears to be relatively limited. The Management Discussion and Analysis sections mainly describe operating results and external business challenges, such as intensified market competition, changes in consumer demand, and industry transformation. Although inventory remained above RMB 8 billion from 2021 to 2023 and the current ratio declined continuously from 0.84 in 2021 to 0.55 in 2025, the annual reports disclose little information regarding comprehensive evaluations of the effectiveness of previous financial risk management measures. Likewise, no substantial revisions to inventory management policies, financing decision procedures, or cash flow management mechanisms are explicitly discussed. As a result, similar financial problems continued to recur throughout the study period.

From the perspective of organizational support, the annual reports disclose internal control systems and corporate governance arrangements, but provide limited information on formal post-event review procedures, responsibility allocation, rectification tracking, or follow-up evaluation mechanisms after financial risk events. Consequently, it is difficult to determine whether previous risk management experiences were systematically summarized and incorporated into future management practices. The available disclosures suggest that post-event review mainly serves an information disclosure function rather than a continuous management improvement process.

Overall, the above analysis indicates that Yonghui Superstores has not yet established a comprehensive post-event review mechanism capable of systematically evaluating previous risk management activities and transforming review findings into institutional improvements. Although the company has implemented a series of corrective measures following financial difficulties, these actions have mainly focused on resolving immediate operational problems instead of addressing the systemic deficiencies in the firm's risk management process that contributed to the risks. Consequently,

financial issues related to inventory management, liquidity, and financing structure continued to recur during the study period, undermining the effectiveness of the company's whole-process financial risk control management. These findings provide the basis for the recommendations proposed in Chapter Five regarding the establishment of a standardized post-event review mechanism and a continuous improvement process.

4.6 Summary

This study examined the financial risk control management of Yonghui Superstores from the perspective of the five-stage closed-loop framework comprising risk identification, risk assessment, risk early warning, risk control, and post-event review. The findings indicate that, although the company had established a series of formal financial risk control policies and management procedures, including risk identification mechanisms, financial assessment practices, inventory management systems, and internal control arrangements, these mechanisms did not function effectively in practice. As a result, significant financial risks continued to accumulate between 2021 and 2025, during which the company recorded cumulative losses exceeding RMB 12 billion and its asset-liability ratio increased to 94.60%. These findings suggest that the company's financial risk control problems cannot be attributed to the deficiency of any single management tool. Instead, they stem primarily from the ineffective coordination and information transmission among different stages of the financial risk control process. The effectiveness of the overall system therefore depends not only on the existence of individual control measures but also on the integration and coordination of the entire risk control process.

The analysis further demonstrates a clear transmission relationship among the five stages of financial risk control. At the risk identification stage, reliance on periodic financial reporting delayed the detection of important risk signals, including the continuous decline in operating cash flow and the accumulation of inventory. Consequently, the risk assessment stage was conducted on the basis of incomplete and predominantly lagging information. In addition, excessive reliance on traditional profitability indicators and the absence of a hierarchical assessment mechanism limited the ability of the assessment process to accurately reflect the company's overall risk profile. These deficiencies subsequently affected the effectiveness of the early warning stage, where the lack of dynamic monitoring and quantitative warning thresholds prevented the timely identification of increasing financial risks despite the continuous deterioration of key financial indicators. Without effective warning signals, the risk control stage remained largely reactive, allowing problems such as financing maturity mismatch, excessive working capital occupation,

and cash flow pressure to continue accumulating. Finally, the post-event review process mainly focused on describing operational outcomes rather than identifying institutional weaknesses or improving management procedures, preventing the financial risk control system from achieving continuous learning and organizational improvement.

Overall, the findings indicate that the fundamental weakness of Yonghui Superstores' financial risk control management lies in the fragmented operation of the five risk control stages. Although formal management arrangements exist at each stage, effective mechanisms for information sharing, coordination, and feedback across the entire process remain insufficient. Risk information identified at one stage is not effectively transmitted to subsequent stages, assessment results are not fully incorporated into early warning and control activities, and review findings are not systematically translated into institutional improvements. Consequently, the financial risk control process fails to operate as a genuine closed-loop management system and is unable to continuously adapt to changes in the internal and external business environment. This structural weakness has contributed to persistent problems including inventory accumulation, financing maturity mismatch, declining operating cash flow, continuous losses, and increasing financial leverage.

Based on these findings, Yonghui Superstores should further strengthen the integration of its whole-process financial risk control management by improving dynamic risk identification, enhancing comprehensive risk assessment, establishing a dynamic early warning mechanism, strengthening whole-process risk control, and institutionalizing post-event review and continuous improvement. More importantly, greater emphasis should be placed on establishing effective information transmission and coordination mechanisms among the five stages so that risk information can be efficiently communicated, transformed into management actions, and continuously refined through organizational learning. By improving the integrity and coordination of the financial risk control system, the company can enhance its capability to prevent and manage financial risks and promote sustainable business development. Furthermore, the findings of this study provide practical implications for improving financial risk control management in China's retail industry and offer empirical support for the application of the whole-process financial risk control framework in retail enterprises.

Chapter 5 Conclusion and Recommendation

5.1 Research Conclusion

Through a systematic analysis of Yonghui Superstores' financial risk control management practices from 2021 to 2025 based on the five-stage closed-loop financial risk control framework, this study finds that the enterprise exhibits deficiencies in risk identification, risk assessment, risk early warning, risk control, and post-event review. However, these problems are not independent failures occurring at individual stages; rather, they interact with and reinforce each other through weak information transmission and insufficient feedback mechanisms, ultimately reducing the overall effectiveness of the financial risk control system.

This systemic failure begins with the risk identification stage, which shows insufficient sensitivity to emerging financial risks. Yonghui Superstores has mainly relied on traditional financial analysis methods, limiting its ability to capture dynamic risk signals in a timely manner. Although indicators such as declining operating cash flow, continuous profitability pressure, and changes in inventory levels reflected potential financial risks, these signals were not effectively integrated into a forward-looking identification mechanism. Because the identification stage failed to output a complete and timely risk profile, subsequent risk assessment activities were necessarily conducted on an incomplete information base. The assessment process placed greater emphasis on historical profitability indicators while paying insufficient attention to forward-looking indicators such as cash flow stability, liquidity pressure, and financing structure. Moreover, the interaction among different financial risks was not fully considered—inventory pressure, declining cash generation capacity, and financing maturity mismatch may jointly increase financial vulnerability, but such combined effects were not sufficiently reflected in the assessment process. These biases in assessment directly undermined the foundation of the early warning stage, which failed to transform identified risks into timely preventive actions due to limitations in indicator selection, monitoring frequency, and warning sensitivity. Consequently, the warning mechanism did not provide adequate support for proactive risk management, leaving financial indicators under pressure over an extended period without triggering effective adjustment measures. This silence at the warning stage meant that the control stage received no actionable risk intelligence; working capital management, financing arrangements, and cash flow management lacked sufficient coordination, resulting in continued pressure from inventory efficiency, liquidity constraints, and financing structure imbalance. Without effective warning information and coordinated control measures, risk management remained reactive rather than preventive. Finally, although the

post-event review mechanism exists, its role in promoting continuous improvement remains limited—risk reviews mainly focus on summarising operational outcomes, while systematic analysis of root causes and institutional improvements is insufficient. As a result, lessons from previous risk events have not been fully incorporated into management adjustments, leading to the repeated occurrence of similar financial risk problems throughout the study period.

The Yonghui case thus demonstrates that the effectiveness of financial risk control depends not on the institutional perfection of any single stage, but on the connectivity and feedback efficiency among the five stages. When information transmission between stages is incomplete, risks cannot be effectively identified, assessed, warned, controlled, or transformed into organisational learning. Therefore, financial risk control should be viewed as an integrated closed-loop system rather than a collection of independent management activities. The case further confirms that isolated improvements at individual stages cannot replace the effectiveness of systemic coordination. Based on these findings, the following sections propose optimisation recommendations from the perspective of reconstructing the five-stage closed-loop mechanism—with the core objective of rebuilding information transmission and feedback channels among stages, rather than patching deficiencies in isolation—to enhance Yonghui Superstores' financial risk control system and promote a transition from reactive risk response toward proactive risk prevention.

5.2 Recommendation

5.2.1 Establishing a Dynamic Risk Identification Mechanism

As discussed in Chapter Four, Yonghui Superstores' risk identification process exhibits several deficiencies, including insufficient identification frequency, a limited identification scope, fragmented information sharing, and an overreliance on historical financial data. These shortcomings reduce the timeliness and effectiveness of risk identification, allowing financial risks to accumulate before they are detected. To provide a reliable foundation for subsequent risk assessment, early warning, risk control, and post-event review, the company should establish a dynamic and whole-process risk identification mechanism that enables the continuous monitoring of financial risks and supports proactive risk management.

First, Yonghui Superstores should establish a multi-level dynamic risk identification mechanism combining monthly monitoring, quarterly evaluation, and annual review. Monthly monitoring should focus on key indicators such as

operating cash flow, inventory turnover, accounts receivable, accounts payable, and short-term debt, enabling abnormal changes to be identified at an early stage. Quarterly evaluations should comprehensively assess the enterprise's financial condition by integrating operating performance, budget execution, and major investment activities. Annual reviews should systematically summarize the effectiveness of risk identification throughout the year and provide a foundation for improving the following year's risk management activities. Through continuous rather than periodic monitoring, the company can improve both the timeliness and continuity of financial risk identification.

Second, the scope of risk identification should be expanded from traditional financial indicators to a multidimensional risk identification framework. In addition to financial performance, Yonghui Superstores should incorporate operational indicators such as inventory turnover efficiency, product shrinkage rates, supplier payment cycles, cash flow fluctuations, debt maturity structure, and major investment projects into the identification process. At the same time, external environmental factors, including changes in consumer demand, market competition, industry policies, and macroeconomic conditions, should also be considered. Integrating internal operational risks with external environmental risks will improve the comprehensiveness and accuracy of financial risk identification.

Third, the company should strengthen information integration and digital support for risk identification. Data from finance, procurement, warehousing, logistics, store operations, and supply chain management should be integrated into a unified information platform to facilitate real-time data sharing and automatic risk monitoring. By applying data analytics and intelligent monitoring technologies, the company can identify abnormal changes in inventory levels, capital utilisation, sales performance, and cash flow more efficiently, while reducing delays caused by fragmented information. A cross-departmental information-sharing mechanism should also be established to improve communication and ensure that risk information is transmitted promptly throughout the organisation.

Furthermore, Yonghui Superstores should clarify the responsibilities of different departments involved in risk identification. The finance department should take primary responsibility for coordinating financial risk identification, while operational departments should provide timely business information and risk-related data. Internal audit should supervise the implementation of the identification process and evaluate its effectiveness. At the same time, risk identification performance should be incorporated into departmental performance evaluations to strengthen accountability and encourage active participation in financial risk management.

Finally, the company should continuously improve employees' risk identification capabilities through regular professional training. Financial managers and operational personnel should enhance their understanding of financial risk management concepts, improve their ability to identify potential financial risks during daily operations, and strengthen communication across departments. In addition, Yonghui Superstores should actively learn from best practices adopted by leading retail enterprises to continuously refine its risk identification procedures and improve its overall financial risk management capability.

By establishing a dynamic risk identification mechanism, Yonghui Superstores can transform its financial risk management from periodic and reactive identification to continuous and proactive monitoring. This will provide a more reliable information foundation for the subsequent stages of risk assessment, risk early warning, risk control, and post-event review, thereby improving the effectiveness of the whole-process financial risk control system and supporting the company's long-term sustainable development.

5.2.2 Developing a Comprehensive Risk Assessment Framework

The analysis presented in Chapter Four indicates that Yonghui Superstores' financial risk assessment process remains incomplete. The current assessment system relies heavily on traditional financial indicators, while insufficient attention is given to cash flow, debt structure, working capital utilisation, and the financial implications of major investment decisions. These limitations reduce the accuracy and effectiveness of risk assessment and weaken its ability to support subsequent risk early warning and control activities. To address these deficiencies, Yonghui Superstores should establish a more comprehensive and systematic risk assessment framework that strengthens the scientific basis of financial decision-making and improves the effectiveness of whole-process financial risk control management.

A comprehensive financial risk assessment framework should first be developed by expanding the assessment dimensions beyond traditional profitability and solvency indicators. In addition to commonly used financial measures such as the current ratio, debt-to-asset ratio, and return on equity, greater attention should be given to indicators reflecting cash flow conditions, debt maturity structure, working capital utilisation, inventory management efficiency, and supply chain capital allocation. Key indicators, including operating cash flow, cash flow coverage, inventory turnover, accounts receivable turnover, the proportion of short-term debt, and the matching relationship between financing sources and capital expenditure, should be incorporated into the assessment system. A multidimensional indicator

framework would provide a more comprehensive evaluation of the company's financial position and improve the accuracy of risk assessment.

Cash flow should also be recognised as a core element of financial risk assessment. As demonstrated in Chapter Four, although Yonghui Superstores experienced a continuous decline in operating cash flow, the existing assessment process remained largely focused on profitability indicators, resulting in insufficient attention to liquidity risk. Since stable cash flow forms the foundation of sustainable operations, operating cash flow, free cash flow, and debt servicing capacity should become key assessment indicators. Regular analysis of cash flow trends should be conducted to identify potential liquidity constraints and financing pressures at an early stage, thereby providing stronger support for financing decisions, investment planning, and capital allocation.

Risk assessment should also be integrated into the decision-making process for major investment projects. In recent years, Yonghui Superstores has continued to invest in store refurbishment, supply chain development, and digital transformation despite increasing financial pressure. To reduce the financial risks associated with these long-term investments, the company should establish a standardised pre-investment assessment procedure. Before project approval, comprehensive evaluations should be conducted covering expected profitability, cash flow recovery, financing arrangements, debt repayment capacity, and future market conditions. In addition, scenario analysis and stress testing should be incorporated into the assessment process to evaluate the potential financial impact of adverse operating conditions, such as declining revenue, increasing financing costs, or a combination of both. Integrating risk assessment into investment decision-making would improve the scientific basis of capital allocation and reduce the likelihood of investment decisions exacerbating financial risk.

Furthermore, the company should establish a tiered risk assessment mechanism to improve the effectiveness of risk management. Financial risks should be classified according to their likelihood, potential impact, and degree of controllability, allowing different management measures to be adopted for different levels of risk. Routine monitoring may be sufficient for relatively low-risk issues, while medium- and high-risk issues should require more detailed assessment, continuous tracking, and timely management intervention. For significant financial risks, cross-departmental coordination should be initiated promptly, and the assessment results should be reported to senior management to support rapid decision-making and effective risk mitigation.

To maximise the value of risk assessment, assessment results should be closely integrated with operational management. Rather than serving solely as

evaluation outcomes, assessment findings should be incorporated into budget management, investment management, financing decisions, capital allocation, and performance evaluation. At the same time, the assessment framework should be reviewed and updated regularly to reflect changes in the company's operating environment, industry development, and business strategy. Continuous optimisation of assessment indicators, evaluation standards, and assessment methods will improve the adaptability and effectiveness of the financial risk assessment system.

Overall, establishing a comprehensive risk assessment framework would enable Yonghui Superstores to evaluate financial risks more systematically and objectively. A more complete assessment system would improve the accuracy and forward-looking capability of financial risk evaluation, provide stronger support for risk early warning, operational decision-making, and financial risk control, and ultimately strengthen the effectiveness of the company's whole-process financial risk control management while supporting its long-term sustainable development.

5.2.3 Establishing a Dynamic Tiered Early Warning System

The analysis in Chapter Four indicates that Yonghui Superstores' financial risk early warning system remains underdeveloped. The existing system relies primarily on a limited number of financial indicators and annual financial analysis, resulting in delayed risk detection, insufficient monitoring of operational risks, and weak integration between early warning information and management decision-making. As a consequence, financial risks are often identified only after they have accumulated to a significant level, reducing the effectiveness of subsequent control measures. To address these deficiencies, Yonghui Superstores should establish a dynamic and tiered financial risk early warning system that strengthens the timeliness, continuity, and practical application of risk warning throughout the financial risk control process.

A comprehensive early warning indicator system should first be developed by integrating both financial and operational indicators. In addition to traditional measures of solvency and profitability, greater emphasis should be placed on indicators that reflect liquidity, working capital utilisation, inventory management efficiency, debt structure, and supply chain performance. Indicators such as operating cash flow, current ratio, debt-to-asset ratio, inventory turnover, accounts receivable turnover, supplier payment cycles, and the proportion of short-term debt should be incorporated into the monitoring system. By combining financial and operational information, the company can identify potential financial risks more comprehensively and improve the sensitivity of its early warning system.

The company should also replace its predominantly periodic, annual-based warning approach with a dynamic monitoring mechanism. Rather than relying mainly on annual financial analysis, key financial and operational indicators should be monitored continuously through regular data collection and analysis. Continuous monitoring would enable abnormal changes in cash flow, inventory levels, debt structure, and operating performance to be identified at an earlier stage, allowing management to respond before financial risks become more severe. A tiered warning mechanism should also be introduced so that financial risks can be classified according to their severity and urgency. Different levels of warning should be accompanied by corresponding management responses, ensuring that significant risks receive timely attention while routine issues continue to be monitored appropriately.

Information technology should play a more prominent role in strengthening the effectiveness of financial risk early warning. Yonghui Superstores should further integrate its financial, procurement, warehousing, logistics, and store operation systems to establish a unified information platform capable of supporting real-time data sharing and automatic risk monitoring. By applying digital technologies and data analytics, the company can monitor abnormal changes in inventory, operating cash flow, financing activities, and sales performance more efficiently. Automatic identification of unusual fluctuations would improve the timeliness and accuracy of risk warning while providing management with more reliable information for operational decision-making.

An effective early warning system should also be supported by a standardised response mechanism. The purpose of financial risk early warning is not merely to identify potential risks but also to ensure that appropriate management actions are taken promptly. Once warning signals are generated, the finance department should coordinate with relevant business units to analyse the underlying causes of the identified risks, evaluate their potential impact, and formulate corresponding response measures. For risks with greater potential financial consequences, management should be informed promptly so that appropriate corrective actions can be implemented before financial conditions deteriorate further. Establishing a closed-loop process linking early warning, risk analysis, response implementation, and follow-up evaluation would significantly improve the effectiveness of financial risk management.

The effectiveness of the early warning system should also be continuously reviewed and refined. As Yonghui Superstores continues to adjust its business strategy and operating model, financial risks and external market conditions will inevitably evolve. Accordingly, the company should periodically evaluate the suitability of its warning indicators, monitoring methods, and warning criteria, making timely adjustments in response to changes in its operating

environment and financial risk profile. Regular training should also be provided to improve employees' understanding of financial risk early warning and strengthen managers' ability to incorporate warning information into operational decision-making, thereby ensuring that the early warning system becomes an integral part of the company's daily management activities.

Overall, establishing a dynamic tiered early warning system would significantly improve Yonghui Superstores' ability to identify potential financial risks before they develop into major financial problems. A more timely and integrated early warning mechanism would strengthen the connection between risk identification, risk assessment, risk control, and post-event review, thereby enhancing the effectiveness of the company's whole-process financial risk control management and supporting its long-term operational stability and sustainable development.

5.2.4 Strengthening Whole-Process Financial Risk Control

In response to the problems identified in Chapter Four—namely, fragmented risk control, weak working capital coordination, financing maturity mismatch, and insufficient cash flow management—Yonghui Superstores should strengthen whole-process financial risk control by integrating financial management with business operations. Risk control should extend beyond isolated financial supervision and become a coordinated management process covering procurement, inventory, financing, investment, and cash flow activities, thereby improving the effectiveness of financial risk control.

First, the company should strengthen working capital management across the entire operating process. Inventory management, supplier settlement, and sales collection should be coordinated through a unified working capital management mechanism rather than being managed independently by different departments. Procurement plans should be prepared according to sales forecasts and inventory demand to avoid excessive inventory accumulation, while differentiated inventory management should be adopted for different product categories to improve inventory turnover and reduce capital occupation. At the same time, supplier payment arrangements and customer collection management should be coordinated with inventory management so that working capital can circulate more efficiently throughout the supply chain.

Second, Yonghui Superstores should optimise its financing structure by improving the matching relationship between financing maturity and investment projects. As identified in Chapter Four, long-term store renovation and supply chain investment have relied excessively on short-term borrowings, resulting in continuous liquidity pressure. Future investment decisions should

therefore follow the principle of matching long-term investments with long-term financing, while short-term borrowings should mainly be used to support daily operating activities. Before major investment projects are approved, financing plans and debt repayment capacity should be assessed simultaneously to reduce financing maturity mismatch and improve financial stability. In addition, the company could consider setting specific financing ratio targets, such as maintaining the proportion of long-term financing to long-term assets at no less than 80% and limiting short-term debt to no more than 40% of total liabilities, as part of its debt management policy.

Third, cash flow management should become the core of financial risk control. The company should establish a rolling cash flow budgeting mechanism to monitor expected cash inflows and outflows continuously and evaluate future liquidity conditions. The core anchor of budget preparation should be the coverage ratio of operating cash flow to short-term debt, with 1.0 times set as the safety threshold and 1.5 times as the warning threshold. When rolling forecasts indicate that the coverage ratio will fall below 1.0 in the next three months, financing plans or expenditure reduction measures should be automatically triggered. In addition, operating cash flow should be incorporated into routine management evaluation as a key indicator for monitoring financial risk.

Furthermore, the implementation of internal control should be strengthened. Risk control responsibilities should be clearly assigned across finance, procurement, supply chain, operations, and investment departments to ensure that financial control measures are consistently implemented throughout business activities. Internal audit should regularly evaluate the effectiveness of inventory management, financing decisions, cash flow management, and investment execution, while major investment and financing decisions should follow stricter approval procedures and collective decision-making mechanisms.

Finally, the company should establish a cross-departmental coordination mechanism to improve the effectiveness of financial risk control. Financial risks often arise from the interaction of procurement, inventory, financing, and operational activities rather than from a single department. Strengthening communication and information sharing among finance, procurement, supply chain, and operations departments would improve the consistency of decision-making and enhance the company's ability to respond to financial risks in a timely manner.

Through the above measures, Yonghui Superstores can strengthen the coordination of working capital, optimise its financing structure, improve cash flow management, and enhance the implementation of internal control. More

importantly, these measures enable the control stage to respond effectively to the risk information generated during the identification, assessment, and early warning stages, thereby strengthening the connection between different stages of the financial risk control process and improving the effectiveness of whole-process financial risk management.

5.2.5 Improving the Post-Event Review and Institutional Optimisation Mechanism

In response to the deficiencies identified in Chapter Four—namely, predominantly reactive emergency responses to risk events, insufficient depth in risk review, untimely institutional updates, and an incomplete risk control closed loop—Yonghui Superstores should further improve its post-event review and continuous improvement mechanism. The handling of risk events, experience summarisation, institutional optimisation, and continuous improvement should be organically integrated to drive the transformation of financial risk control management from "problem solving" to "problem prevention," thereby forming a whole-process, closed-loop risk management system and continuously enhancing the company's financial risk governance capability.

First, a standardised risk review system should be established. Post-event review is not merely a summary of risk event outcomes but also an important means of identifying institutional deficiencies and optimising management processes. Yonghui Superstores should develop a unified risk review management system that clearly defines the scope of review, review procedures, responsible departments, and implementation requirements. For significant financial risk events occurring in the course of operations—such as persistent declines in operating cash flow, inventory accumulation, major investment failures, and tight liquidity—special reviews should be organised promptly. For general risk matters, reviews may be conducted in conjunction with quarterly or annual operational analysis meetings. The review report should contain at least five components: a description of the risk event, analysis of direct and root causes, evaluation of the effectiveness of control measures, a list of institutional deficiencies, and the responsible persons for rectification along with completion deadlines. For example, in the case of a store closure event, the review must trace back to at least three institutional levels: the procurement approval process, the setting of inventory warning thresholds, and the store location evaluation process. Through systematic analysis of the background, formation process, impact extent, and response effectiveness of the risk event, the underlying causes can be thoroughly examined, and lessons learned can be summarised to provide reference for subsequent risk management.

Second, the translation of review findings into institutional optimisation should be promoted to improve the level of risk management. The ultimate purpose of risk review is continuous improvement, not merely the summarisation of problems. Accordingly, the company should establish a continuous improvement mechanism of "problem identification—root cause analysis—institutional revision—effect evaluation," ensuring that issues identified during the review process are promptly translated into institutional optimisation measures. For example, for inventory management problems such as product accumulation, the procurement approval system and inventory warning mechanisms should be further improved; for financing maturity mismatches, the financing approval process should be optimised and financing structure management strengthened; for cash flow management issues, the rolling cash flow budgeting system and fund allocation mechanisms should be enhanced. Through continuous revision and improvement of relevant systems, risk management measures can be effectively implemented and the recurrence of similar problems can be prevented.

Third, a mechanism for sharing risk management experience should be established to raise risk management awareness across the organisation. Financial risk management depends not only on the finance department but also requires the active participation of all business units. Therefore, the company should develop a risk case library, systematically compiling and categorising typical risk events to form referenceable risk management case studies. Regular experience-sharing sessions on risk management should be organised involving the finance department, procurement department, supply chain department, store management department, and other relevant units, enabling all departments to stay informed of the problems and improvement measures in the company's risk management process. At the same time, employee training on financial risk control should be strengthened to enhance managers' capabilities in risk identification, risk analysis, and risk response, fostering a positive organisational culture of organisation-wide participation in risk management and continuously strengthening the company's overall risk prevention awareness.

Furthermore, a risk rectification tracking and effect evaluation mechanism should be established to ensure that corrective measures are effectively implemented. For the rectification recommendations arising from risk reviews, the company should clearly define responsible departments, rectification content, completion deadlines, and assessment requirements, establishing a rectification tracking ledger to continuously monitor the progress of implementation. The rectification ledger should specify the responsible department, start date, expected completion date, and acceptance criteria for each corrective measure. The internal audit department should complete acceptance evaluations within 30 days after the rectification deadline. Projects

that fail to achieve the expected rectification outcomes should be subject to mandatory secondary rectification, and rectification performance should be incorporated into the departmental performance evaluation system, thereby forming an effective supervisory and constraining mechanism. At the same time, comprehensive evaluations of the operational effectiveness of the financial risk control system should be conducted regularly, focusing on the timeliness of risk identification, the accuracy of risk assessment, the effectiveness of risk early warning, the execution capability of risk control, and the improvement outcomes of risk review. Based on the evaluation results, the financial risk control system should be continuously optimised to enhance the company's risk governance capability.

Finally, a continuous improvement mechanism for financial risk control should be established to achieve whole-process closed-loop management. Financial risk control management is a dynamic, cyclical, and continuously optimising process, and the post-event review should serve as a critical link connecting risk identification, risk assessment, risk early warning, and risk control. Yonghui Superstores should establish a regular continuous improvement mechanism, periodically updating risk management systems, optimising risk management processes, and adjusting risk early warning indicators in response to changes in the company's operating condition, industry trends, and the external environment, thereby continuously improving the adaptability of the financial risk control system. At the same time, the company should actively draw upon the advanced management practices of industry-leading enterprises and introduce digital management tools to continuously enhance the scientific rigour, intelligence, and precision of financial risk control work, thereby promoting the sustained improvement of the company's financial risk control system.

By improving the post-event review and continuous improvement mechanism, Yonghui Superstores can achieve effective integration of risk event handling, experience summarisation, institutional optimisation, and continuous improvement, forming a complete closed-loop management system of "risk identification—risk assessment—risk early warning—risk control—post-event review." This would continuously enhance the company's financial risk prevention and governance capability, providing a solid foundation for stable operations, long-term development, and the strengthening of core competitiveness. At the same time, this mechanism would also help strengthen the company's adaptability to complex market environments and operational uncertainties, offering useful reference for retail enterprises in establishing a whole-process financial risk control system.

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