



VSB – TECHNICAL UNIVERSITY OF OSTRAVA  
FACULTY OF ECONOMICS

DEPARTMENT OF FINANCE

Zhodnocení finanční situace společnosti Country Garden Holdings Company  
Limited

Financial Situation Assessment of the Country Garden Holdings Company Limited

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List of Annexes  
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### References:

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# 1 Introduction

By the end of 2017, the value of China's real estate according to market value was up to about 300 trillion yuan. China's three big real estate companies, Country Garden, Vanke, Evergrande respectively reached 550 billion 800 million yuan, 529 billion 880 million yuan and 500 billion 960 million yuan in sales in 2017. And Country Garden has become the first real estate enterprise to break through 500 billion yuan sales, which is the first place in China's real estate sales industry.

Since 2013, Country Garden has taken 7 years to increase sales by 11 times. Country Garden makes lots of profit every year and beats the Vanke and Evergrande successfully. Country Garden shows high profitability performance in this industry. Its change is outstanding.

Financial analysis is a management of economic activity, based on the accounting reporting and other related information, through the use of a series of specialized analysis techniques and methods, analyzing and evaluating for enterprises' past and present related financing activities, investment activities, business activities, distribution of profit ability, operation ability, solvency ability and growth ability.

From the perspective of investors, financial analysis helps them decide whether to invest their own funds in the company. From the perspective of the company itself, managers can modify business strategies timely through financial analysis to make them adapt to the future development of the company. Most importantly, financial analysis has the function of predicting the future development of the company.

The goal of the thesis is to evaluate the financial performance of the Country Garden Holdings Company Limited by analyzing the annual reports for period 2012 – 2016.

The thesis is divided into five parts. The first part is the introduction, and the last part is the conclusion we have obtained. In the chapter 2, we will describe the financial statement at the beginning, including the balance sheet, income statement, and cash flow statement. And then we move to explain the methodology we use to analysis changes of revenue and cost (i.e. vertical and horizontal analysis). After that, we introduce the financial ratios we used, including liquidity ratios, leverage ratios, activity ratios, solvency ratios, profitability ratios. We will introduce the Du-Pont analysis of return of equity in the end.



The third chapter is a comprehensive introduction to the situation of Country Garden. In the third chapter, we will provide an overview of Country Garden, including its business scope, history, structure, management structure and its achievement. We will have an omni-directional understanding of Country Garden.

The fourth chapter will use the specific data in the financial statements to illustrate the operation of the company's finance situation. It is the most important part of the whole paper. We will use the stated method to analyze the financial situation of Country Garden and the operating performance of the last five years.

## **2 Description of the financial analysis methodology**

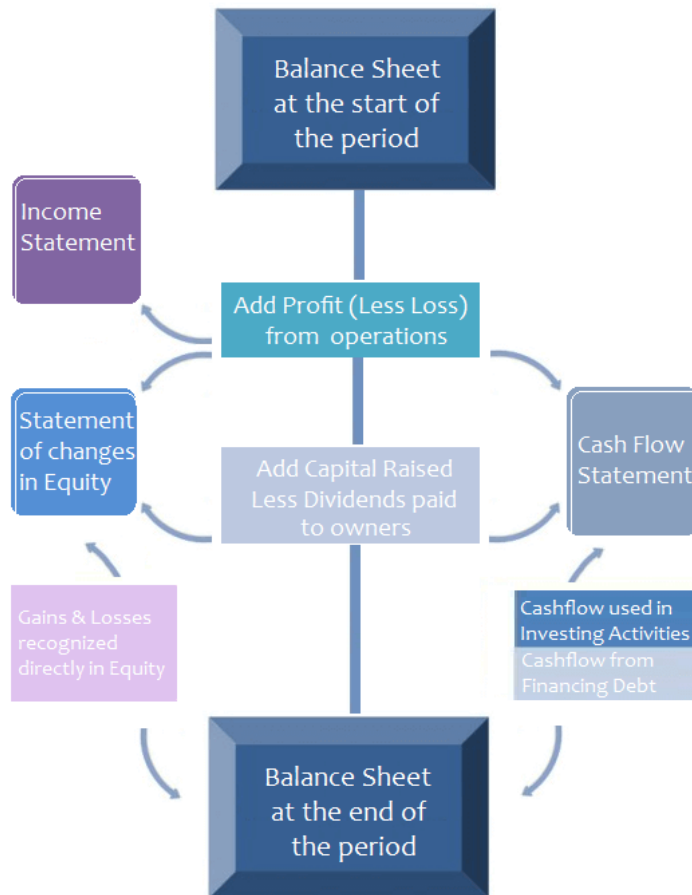
In this chapter, we will give a detailed description of the financial analysis methods we will use. Firstly, we will introduce the three major reports used in financial analysis, i.e. financial statement, balance sheet, cash flow statement, income statement, and they are the source of financial data. Then, we will introduce common-size analysis, financial ratio analysis and DuPont analysis. The reason why we introduced these methods is that we need to analyze the situation of the company more comprehensively and systematically through many aspects. These methods are the basis of our analysis. In this chapter, we will introduce these methods in detail. This chapter is based on Dluhošová (2014) and Robinson (2008).

### ***2.1 Financial statements***

The financial statement records the economic activity of a company in an accounting method. Financial statements are the main part of the financial report. The financial statements include the balance sheet, the profit and loss statement, the cash flow statement, or the statement of changes in the financial situation, the appendix and the notes.

The balance sheet is a general description of the overall situation of the enterprise. We can say that the balance sheet is the core, and the other three tables are the explanations of a project in the balance sheet. We can see from this table that the business of this enterprise is good or bad.

Image 2.1 Relationship between Financial Statements



Source: <http://accounting-simplified.com/financial/statements/links-and-relationships.html>

Image 2.1 illustrates that the relationship between different types of financial statements is not separated from each other, but is closely related.

### 2.1.1 Balance Sheet

A balance sheet is an accounting statement that reflects the financial situation of an enterprise on a specific date. It shows the economic resources owned or controlled at a particular date, the existing obligations of the enterprise and the owner's claim to the net assets. For basic structure see Table 2.2.

Table 2.1 Balance sheet structure

<b>Assets</b>	<b>Liabilities And Shareholder's Equity</b>
Current Assets	Current Liabilities
Long-term Investment	Long-term Liabilities
Fixed Assets	Share-holders' Equity
Intangible Assets	
Other Assets	

Table 2.1 is the structure of a standard balance sheet. First of all, we can check the total amount of the assets, liabilities and owners' equity by the balance sheet. Because the balance sheet is made by the formula

$$\text{Sum of Asset} = \text{Sum of Equity} + \text{Liabilities} \quad (2.1)$$

The total amount of the assets of the enterprise can reflect the size of the business.

Secondly, we can check the total amount of current assets, non-current assets, liabilities, owners' equity and so on. Through these total data, we can get the proportion of related projects in total assets and liabilities and owners' equity, so that we can know the liquidity of corporate assets, the liquidity of liabilities and the level of operation on borrowing to a certain extent.

### 2.1.2 Income statement

The income statement reports the sales revenue or profit gained for a period (usually one year), the reasonable cost of the goods sold, and the profit (net income) after the cost is eliminated. It is also called the profit and loss statement.

The basic equation underlying the income statement is:

$$\text{Revenue} - \text{Cost} = \text{Net income/loss} \quad (2.2)$$

For basic income statement structure see Table 2.3.

Table 2.2 Income statement structure

Sales (revenues)
- Costs of goods sold (costs of producing or acquiring product or service to be sold)
= GROSS PROFIT
- Operating expenses (marketing and selling, general and administrative, depreciation expenses)
= OPERATING INCOME (earnings before interest and taxes)
- Non-operating income and expenses
= EARNINGS BEFORE TAXES
- Income tax
=NET INCOME

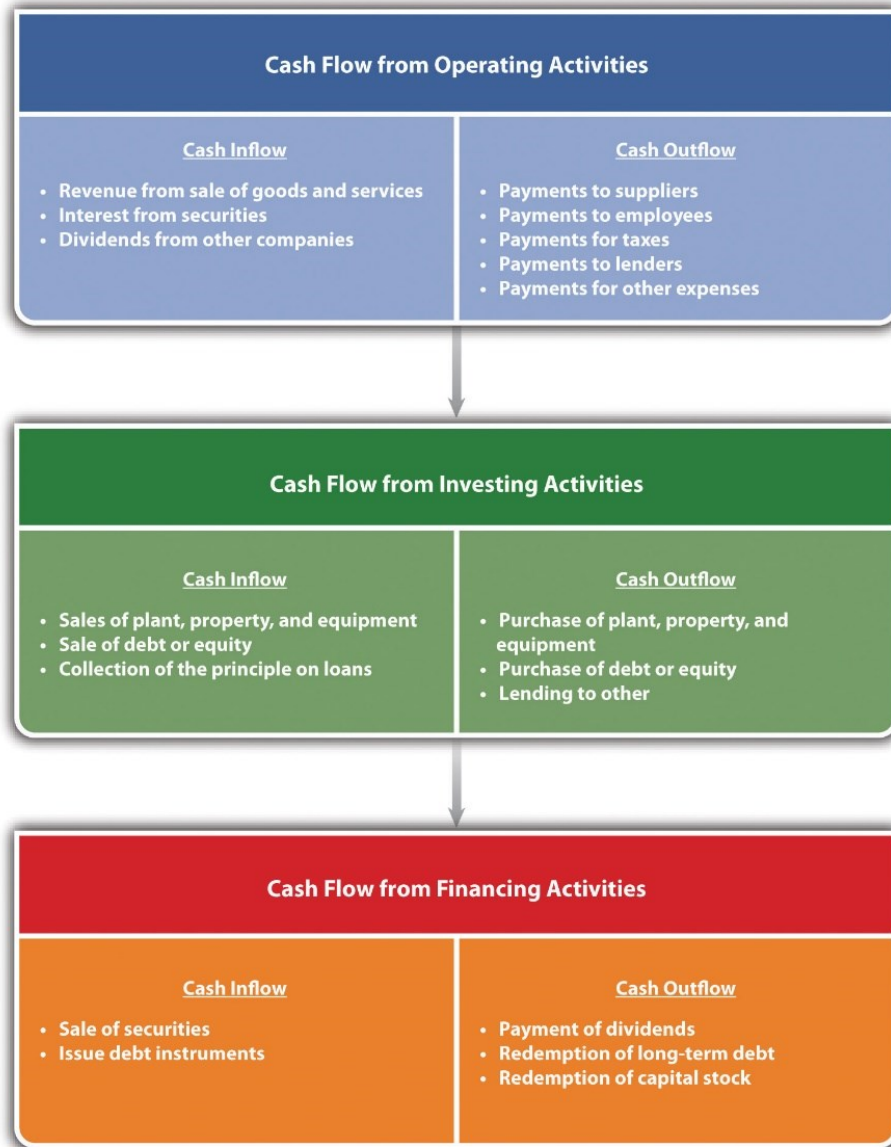
We can see from the table 2.3, the revenues minus costs of goods sold, we get the gross profit. Sometimes it is called gross margin. It is the amount left over from sales after product manufacturing costs are subtracted. Operating income is the difference between sales (revenues) and operating costs and expenses. Sometimes called operating profit or earnings before interest and taxes. Net income is the difference between all sales and all costs and expenses minus corporate tax. If the sum of costs and expenses exceed sales (revenues), company makes loss.

The information provided by the profit and loss statement can be used to reflect and evaluate the benefits of business activities in the current period. And through the profit and loss statement can reflect the business activities of many aspects, according to the assessment of the work performance of the enterprise management department. At the same time, the profit and loss statement can be used to analyze the profitability of the enterprise and predict the future profit trend of the enterprise. Finally, the profit and loss statement can be used to reflect the distribution of profits to the enterprise, in order to expand the scale of business and increase the ability to profit after the period.

### 2.1.3 Cash flow statement

A cash flow statement is usually a change in the amount of cash (including bank deposits) of an institution during a fixed period (usually monthly or quarterly). For basic structure see Image 2.2.

Image 2.2 Relationship between Financial Statements



Source: [https://saylordotorg.github.io/text\\_small-business-management-in-the-21st-century/s13-accounting-and-cash-flow.html](https://saylordotorg.github.io/text_small-business-management-in-the-21st-century/s13-accounting-and-cash-flow.html)

The cash flow generated by the enterprise is divided into three categories: the first is the cash flow generated by the operating activities.

Activities refers to all transactions and matters other than enterprise investment activities and financing activities. Cash flows generated by business activities mainly include cash and cash equivalents that flow or flow into and out of goods, such as selling goods or providing services, buying goods, receiving services, paying salaries and paying taxes. The second is the cash flow generated by investment activities. Investment activity refers to the purchase and construction of the long-term assets of the enterprise and the investment and disposal activities within the scope of the cash equivalents. The cash flow generated by investment activities mainly includes cash and cash equivalents that flow into and out of the fixed assets, the disposal of subsidiaries and other business units. The third is the cash flow generated by financing activities. Financing activities refer to activities that lead to changes in the scale and composition of enterprise capital and debt. The cash flow generated by financing activities mainly includes cash and cash equivalents that flow into and out of and out of investment, issuing stocks, distributing profits, issuing bonds, and paying debts. Payment of accounts payable, bills payable, and other commercial accounts payable belong to the business activities, which do not belong to the financing activities.

The basic equation underlying in the cash flows statement is:

$$\text{Net cash flow} = \text{Total Inflows} - \text{Total Outflows} \quad (2.3)$$

## ***2.2 Common-Size Analysis***

Common-size analysis is used to analyze the data in the financial statements by calculating the ratio, and the purpose is to analyze the changes in the company's financial situation. So we can know the trend of the company's development.

Horizontal common-size analysis and vertical common-size analysis are two main methods of common-size analysis.

### **2.2.1 Horizontal common-size analysis**

Horizontal analysis refers to the comparison between an enterprise and other enterprises at the same time point (or period).

In general, the horizontal analysis is to compare the enterprise with the other enterprises in the same industry. On the habits of the same industry enterprises across a row, comparison and analysis of the business indicators to be analyzed to find the difference of enterprise.

In the field of mergers and acquisitions, the Target Corp valuation, management performance evaluation and compensation plan, financial crisis prediction and the public policy formulation of excess profit tax all need horizontal analysis. But in the commonly used horizontal analysis process, we need to pay attention to several key problems that should be grasped in horizontal analysis of financial statement information.

The formulas of absolute and relative change are following:

$$\Delta X = X_{n+1} - x_n, \quad (2.4)$$

$$\frac{\Delta X_t}{x_0} = \frac{x_t - x_0}{x_0}. \quad (2.5)$$

### 2.2.2 Vertical common-size analysis

The vertical common-size analysis is common method of analysis data in financial statements, especially in fundamental analysis. It analyses the change in percentage in the selected benchmarks, for example, total revenues, total assets, total liabilities, etc.

It is customary to arrange the business data for several years in a row to compare the business performance of enterprises in different periods.

In addition to the vertical analysis helps enterprise managers and investors find business trends, and to predict the future, in the management performance evaluation, vertical analysis is also useful (to observe the percentage of profit change is due to factors outside the company leads). The key problems in the vertical analysis of financial statement information are structural change, accounting method change, accounting classification, and extreme observation.

We use the following formula in vertical analysis:

$$\text{Percentage} = \frac{\text{Amount of item}}{\text{Amount of benchmark}} \quad (2.6)$$



## 2.3 Financial ratio analysis

Financial ratios compare the financial statement accounts of the company through using mathematical methods. There are four kinds of ratios classified based on the different needs that we will use, namely, profitability ratios, liquidity ratios, solvency ratios and activity ratios.

It can be used to compare different industries and different companies. Financial data is a simple comparison of mathematical proportions and easy to understand. But for this reason, financial ratios usually do not take into account the size of the company and the overall situation of the industry. Financial ratio analysis is the most primitive and direct way to analyze the financial situation of the company.

### 2.3.1 Profitability ratio

The purpose of business operation is only one, that is, profit. Therefore, the profitability of enterprises is the primary concern of investors and managers. In short, the profitability ratio is used to assess the ability of an enterprise to make a profit.

There are many indicators that reflect the profitability of an enterprise, which are usually used mainly in net profit margin, gross profit margin, operating profit margin, etc.

The operating profit margin is the percentage that revenue dividing operating and other expenditures. EBIT is the profit that the revenue minus all expenses except interest and income tax expenses.

The formula is:

$$\text{Operating profit margin} = \frac{EBIT}{Revenues} \quad (2.7)$$

The gross profit margin is the percentage of gross profit and sales income (or business income), of which the margin is the difference between income and the operating cost corresponding to the income.

The formula is:

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Total Revenues}} \quad (2.8)$$

We deduct all operating expenditures from the total revenue, then get the percentage. The net profit margin formula is:

$$\text{Net profit margin} = \frac{EAT}{Revenue} \quad (2.9)$$

The rate of return on assets (ROA) is a measure of how much net profit per unit asset is created. The higher the index, the better the use of the enterprise assets. At the same time, it also shows that the enterprises have achieved good results in increasing income or saving money. Its function is:

$$ROA = \frac{Net\ Income}{Total\ assets} \quad (2.10)$$

The rate of return on equity (ROE) represents the rate of return on shareholders' equity investment. It represents the ability of the company to make money. Compared with other single financial indicators, ROE is more capable of reflecting the fundamentals of the company. The higher the ratio is, the more return the investor could get. Its function is shown as:

$$ROE = \frac{Net\ income}{Equity} \quad (2.11)$$

### 2.3.2 Liquidity ratios

The liquidity ratio is also called the working capital ratio or the real ratio. Liquidity Ratio is used to calculate the ratio of current assets to current liabilities. We usually use current ratio and quick ratio for analysis.

In general, the higher the two ratios, the stronger the enterprise assets' ability to cash in, the stronger the short-term debt repayment ability, and vice versa. It is generally believed that the flow rate should be above 2:1, and the speed ratio should be above 1:1. The flow ratio of 2:1, said the current assets is two times the current liabilities, even half of liquidity in the short term cannot be realized, also can ensure that all current liabilities repaid; quick ratio 1:1, said cash with instant liquidity assets and liabilities is quick, can meet all current liabilities. Of course, the operating conditions of different industries are different, and the normal standards of their flow rate and speed ratio will be different. It should be explained that the two ratios are not higher and better. The current ratio is too high, which is relative to the current assets current liabilities may be too much inventory backlog, may also be holding too much cash, or both; the quick ratio is too high, namely assets relative to current liabilities is too much, that too much cash holdings. The backlog of

enterprises indicates that enterprises are not well managed, and there may be problems in inventory. Too many cash holdings mean that enterprises are not good at managing money and inefficient in capital utilization.

The formulas are:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad (2.12)$$

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} \quad (2.13)$$

Cash ratio is used to measure the liquidity of a company's assets through calculating the ratio of cash and cash equivalents and current liabilities.

$$\text{Cash ratio} = \frac{\text{cash} + \text{marketable securities}}{\text{current liabilities}} \quad (2.14)$$

### 2.3.3 Solvency ratios

The size of the solvency reflects the degree of business risk to a large extent. The solvency ratio is an indicator of enterprises' ability to repay banks, creditors and other long-term liabilities. Solvency ratios is also known as leverage ratios.

The asset liability ratio is the percentage of the total amount of the final liabilities divided by the total assets, that is, the proportion of the total liabilities of the total liabilities to the total assets. The proportion of the assets and liabilities reflected in the total assets is raised by borrowing, and it can also measure the extent of the protection of the interests of the creditors in liquidation. The index of the asset liability ratio reflects the proportion of the capital provided by the creditor in the total capital, and is also known as the ratio of the debt operation.

The ratio of assets and liabilities is the comprehensive index to evaluate the level of the company's debt. At the same time, it is also an indicator of the ability of the company to use the creditor's funds to carry out its operating activities, and also reflects the security of the creditor's loan. For the enterprise, it is generally believed that the appropriate level of the asset liability ratio is 40% to 60%.

The formula is:

$$\text{Debt – to – assets ratio} = \frac{\text{Total debt}}{\text{Total assets}} \quad (2.15)$$

Debt-to-equity ratio shows the proportion of equity and debt in the source of capital for the company. It is an indicator of the financial leverage of a company. It reflects the extent to which the company's managers are willing to borrow money, so both investors and creditors are concerned about the ratio. And if the lender is a bank, the high debt to equity ratio will make him risk the unrecoverable loan. The function is:

$$\text{Debt – to – equity ratio} = \frac{\text{Total debt}}{\text{Equity}} \quad (2.16)$$

Debt equity ratio reflects the contrast relationship between the funds provided by a creditor and the funds provided by shareholders. The lower the ratio, the better the long-term financial situation of a company, and the creditor's rights and interests are guaranteed. The ratio is generally greater than 1.

The interest coverage ratio is the number of times of a company's EBIT can cover its interest payments. It should be greater than one, that is to say, the profit of the enterprise before tax is greater than the interest payable, the enterprise has the ability to pay the debt, and the financial risk is within the control range. The interest coverage ratio is not as large as the better. This index actually responds to the capital structure of the enterprise, and the enterprise assets are two parts of debt and owner. Debt operation actually uses financial leverage. When a company achieves a profit rate greater than interest rate through debt, interest can be deducted before tax, which can achieve greater additional profits compared with its own capital investment. If the interest coverage ratio is very large, it shows that the business of using debt is relatively small, and the capital structure is unreasonable. Although it is relatively stable, it is not conducive to the expansion and rapid development of enterprises. The equation of interest coverage is:

$$\text{Interest coverage} = \frac{\text{Operate profit}}{\text{Interest paid}} \quad (2.17)$$

#### 2.3.4 Activity ratios

The ratio of operating activities can be used to evaluate the efficiency of a company using assets. There are some efficiency ratios that focus on single assets, such as inventory or accounts receivable, and other ratios consider the overall efficiency of the company. The ratio of business activities in general are: inventory turnover, accounts receivable turnover, average accounts receivable recovery period (i.e. the average closing period) and turnover rate of current assets and total assets turnover rate.

Holding inventory and accounts receivable is cost - efficient, and the efficiency - seeking company wants to minimize the time of non-cash funds held. For companies, converting inventory into accounts receivable and then converting into cash is a cyclical operation process. If we can make this process faster, then we can get more income per unit assets.

Total assets turnover (TAT) is an important financial ratio to measure the efficiency of an enterprise's asset management. It also reflects how fast from a company invest capital and then get output.

When using the total asset turnover to analyze and evaluate the efficiency of asset use, we should also analyze it with the sales profit. At the same time, we should also calculate and analyze the non - current assets of the total assets. The higher the total assets turnover rate, the stronger the sales ability of the enterprises, the better the benefit of the asset investment. The function is shown as:

$$\text{Total assets turnover} = \frac{\text{Revenue}}{\text{Average total assets}} \quad (2.18)$$

The inventory turnover ratio is a forward pointer, the better the turnover rate is, and the faster the stock turnover is. The process from purchasing to manufacturing and selling is very short, and the number of times to generate profits is more; and the lower inventory turnover rate means that the time period of selling goods is long, and inventory is likely to remain overloaded and deteriorated, so that backlog of funds will affect the profitability of enterprises.

$$\text{Inventory turnover} = \frac{\text{Revenue}}{\text{Average inventory}} \quad (2.19)$$

Accounts receivable are another important item of the enterprise's current assets apart from the inventory. Receivable turnover ratio is an indicator to measure the turnover rate and management efficiency of the accounts receivable.

Generally speaking, the higher the account receivable turnover is, the better. The higher the turnover rate of accounts receivable, the faster the company receivables, the shorter the average account receivable. Also, the higher the account receivable turnover the less bad debt loss, the faster the asset flow, and the stronger debt paying ability the company has. The formula is:

$$\text{Receivable turnover} = \frac{\text{Revenue}}{\text{Average receivable}} \quad (2.20)$$

Working capital turnover refers to the ratio of annual net sales to working capital. It reflects how efficiently the working capital is used in a company.

There is no general standard to measure the turnover rate of working capital. We need to compare this index with the history level of enterprises, other enterprises or the average level of the same industry. However, if the working capital turnover rate is too low, it indicates that the utilization rate of working capital is too low, which can increase sales. If the working capital turnover rate is too high, it indicates that capital is insufficient, which indicates that it may face the crisis of business debt repayment. The formula is:

$$\text{Working capital turnover} = \frac{\text{Total revenue}}{\text{Average working capital}} \quad (2.21)$$

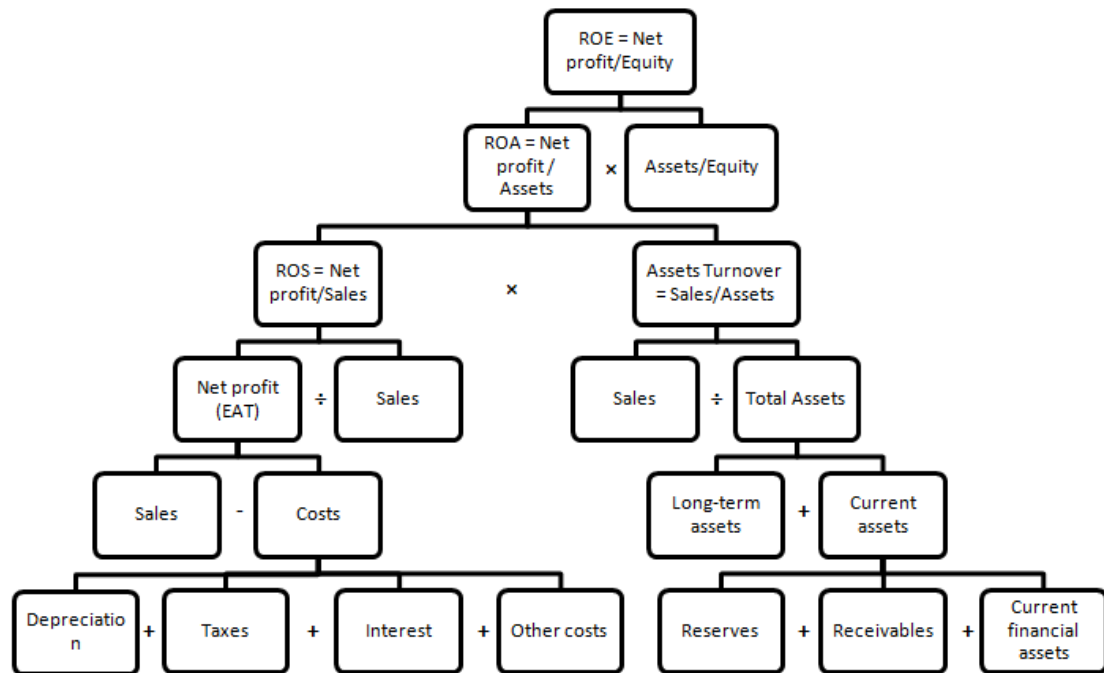
## **2.4 Du-Pont analysis**

As we all know, the profitability ratios plays an important role in analyzing the performance of the company. As these ratios are influenced by many factors, (e.g. company's leverage, liquidity, the activity of the company), we need more in-depth analyses.

DuPont analysis is a method that makes use of the internal relationship between the main financial ratios, and establishes a comprehensive financial ratio analysis model to comprehensively analyze and evaluate the company's financial performance and business performance. The DuPont analysis chart is used to arrange the relevant indexes according to the internal relations, so as to intuitively reflect the financial situation of the enterprise and the overall appearance of the

operation results. Basically, there are two methods we can use to analysis these ratios. One is parallel decomposition, which characterizes the ratios without mathematical accuracy. While the second is pyramidal decomposition which mainly uses mathematically formulated. We will use the second method to do the analysis. The basic structure of pyramidal decomposition of the ROE is shown in Chart 2.1.

Chart 2.1 DuPont analysis



Source: <https://managementmania.com/en/dupont-analysis>

As we can see from the chart, the left side of the decomposition is the result of the sales of the enterprise, and the right side is the aspect of the enterprise's asset operation. The most important way of using DuPont's analysis is the decomposition of ROE.

First of all, let's explain the ROE. ROE stands for shareholders' return on investment, which means that shareholders invest funds into enterprises. How much money can they bring to shareholders if they use this part of funds? The source of the capital is not only the investment of

the shareholders, but also the loan to the external financial institutions, such as the loan to the bank. This is part of the loan liabilities, the repayment period to interest repayment of bank, but also in the repayment is a priority in return. Then the business profits, interest is attributable to the bank, so deduct interest, the remaining profit attributable to shareholders. Now we decomposes return of equity into some basic ratio:

$$ROE = \frac{Net\ income}{equity} \quad (2.22)$$

In DuPont analysis, we further decompose ROE to get the following formula:

$$\frac{Net\ income}{equity} = \frac{Net\ income}{total\ assets} \cdot \frac{Total\ assets}{equity} \quad (2.23)$$

Here, as we all know, the two components on the right side are return of assets and financial leverage.

By further decomposition, we can get this formula:

$$ROE = \frac{Net\ income}{revenue} \cdot \frac{Revenue}{total\ assets} \cdot \frac{Total\ assets}{equity} \quad (2.24)$$

We know that,  $\frac{Net\ income}{revenue}$  is net profit margin,  $\frac{Revenue}{total\ assets}$  is assets turnover, and  $\frac{Total\ assets}{equity}$  is financial leverage.

We can change the formula like this:

$$ROE = \text{Net profit margin} \cdot \text{assets turnover} \cdot \text{leverage} \quad (2.25)$$

Then we made ROE decompose into more components and details, it can compute like this:

$$ROE = \frac{EAT}{EBT} \cdot \frac{EBT}{EBIT} \cdot \frac{EBIT}{REV} \cdot \frac{REV}{Assets} \cdot \frac{Assets}{Equity} \quad (2.26)$$

In this formula, EAT represents Earnings after Taxes (net profit), EBT represents Earnings before Taxes, EBIT represents Earnings before Interests and Taxes.  $\frac{EBT}{EBIT}$  is the interest burden,  $\frac{EBIT}{REV}$  is the operating profit margin,  $\frac{REV}{Assets}$  is the assets turnover and  $\frac{Assets}{Equity}$  is the financial leverage.

Generally, there are five ways to study the impact of different factors on ROE. They are respectively: Methods of gradual changes; Methods of decomposition with surplus; Logarithmic decomposition method; Functional decomposition method and Integral method.

#### 2.4.1 Method of gradual changes

The first method uses the absolutely changes in component ratios. The advantage of this method is that it can be applied regardless of the component ratio or basic ratio is positive or



negative values. It can be used widely and easily in many situations. While the disadvantage of this method is that the order in decomposition can influence the results. We need to pay attention to it. The formulas is shown as following:

$$\begin{aligned}
 \Delta x_{a1} &= \Delta a_1 \cdot a_{2,0} \cdot a_{3,0} \cdot \dots \cdot a_{n,0} \cdot \frac{\Delta y_x}{\Delta x} \\
 \Delta x_{a2} &= \Delta a_{1,1} \cdot a_2 \cdot a_{3,0} \cdot \dots \cdot a_{n,0} \cdot \frac{\Delta y_x}{\Delta x} \\
 &\vdots \\
 \Delta x_{an} &= \Delta a_{1,1} \cdot a_{2,1} \cdot a_{3,1} \cdot \dots \cdot a_n \cdot \frac{\Delta y_x}{\Delta x},
 \end{aligned} \tag{2.27}$$

Where X is the basic ratio.  $\Delta X$  presents the absolute change in the basic ratio.  $\Delta a$  is the absolute change in the component ratio. And  $a$  presents the component ratio.

#### 2.4.2 Logarithmic decomposition method

In this method, there is only one formula regardless of the number of the component ratios. It is easy to calculate. The formula is:

$$\Delta X_{ai} = \frac{\ln I_{ai}}{\ln I_x} \cdot \Delta x \tag{2.28}$$

In this formula,  $X$  is the basic ratio and  $\Delta x$  is the absolute change.  $I_x$  and  $I_{ai}$  comparatively are the index of change in basic ratio and component ratio.

#### 2.4.3 Functional decomposition method

The third method focuses on the relative changes in basic and component ratios. And it is applicable regardless of the signs of the relative changes. Here is the function:

$$\begin{aligned}
 \Delta x_{a1} &= \frac{1}{R_x} \cdot R_{a1} \cdot \left( 1 + \frac{1}{2} \cdot R_{a2} + \frac{1}{2} \cdot R_{a3} + \frac{1}{3} \cdot R_{a2} \cdot R_{a3} \right) \cdot \Delta x \\
 \Delta x_{a2} &= \frac{1}{R_x} \cdot R_{a2} \cdot \left( 1 + \frac{1}{2} \cdot R_{a1} + \frac{1}{2} \cdot R_{a3} + \frac{1}{3} \cdot R_{a1} \cdot R_{a3} \right) \cdot \Delta x \\
 \Delta x_{a3} &= \frac{1}{R_x} \cdot R_{a3} \cdot \left( 1 + \frac{1}{2} \cdot R_{a1} + \frac{1}{2} \cdot R_{a2} + \frac{1}{3} \cdot R_{a2} \cdot R_{a1} \right) \cdot \Delta x
 \end{aligned} \tag{2.29}$$

### **3 Profile of the Company**

In this section, we will provide an overview of Country Garden, including its business scope, history, structure, management structure and its achievement.

As a large group enterprise listed on Hong Kong Stock Exchange's Main Board (Stock Code: 2007), Country Garden ranks among "The World's 500 Largest Public Companies" as per Forbes. Founder Guoqiang Yang built the company from scratch in 1992 in Guangdong. In 2017, Country Garden was ranked the 1st largest property developer in China by sales revenue.

#### ***3.1 History of Country Garden***

Country Garden was listed on the main board of the stock exchange in April 20, 2007. The listing not only provides funds for the long-term healthy development of the group, but also takes a successful step for the group to enter the international capital market. Country Garden listed in the reserve by the market recognition. Country Garden became the constituent stock of Morgan Stanley Capital International Standard Index in September 1, 2007. In September 10, 2007 it become a Hang Seng Composite Index and Hang Seng China 100 mainland stocks. In September 14, 2016, it was included in FTSE 50 index. Joining the stock market marks the affirmation of the capital market as an important part of the Hong Kong stock market, and strengthens the position of the Country Garden in the international capital market.

#### ***3.2 Company business scale***

Country Garden is China's largest residential developer of urbanization. The company adopts a centralized and standardized operation mode, which includes property development, building decoration, property management, property investment, hotel development and management, etc.. Country Garden offers a wide range of products to meet the needs of different markets. All types of products include residential apartments and villas and other residential areas, as well as parking spaces and shops. At the same time, Country Garden has also developed and managed hotels in several projects to enhance the appreciation potential of real estate projects. In addition, it also operates a hotel independent of real estate development. In addition to investing in real estate market, Country Garden has the following business:

### ***Property management***

Country Garden of the division of property management contract management area of about 251 million square meters, 233 City covering a total of 27 domestic provinces, a total of about 1 million National Service owners; property management and community related business during the period of Country Garden's income is about 1 billion 208 million yuan, an increase of 24.6%; operating profit of about 258 million yuan. An increase of 37.3%. Country Garden is planning the listing of the business and improving the real estate industry chain.

### ***Building decoration***

Building decoration's revenue has increased year by year due to the increase in architectural and decorative services provided by Country Garden's associated parties and the three party.

### ***Hotel development and management***

The Group has developed and currently operated 8 five-star hotels and 2 four-star hotels, as well as 39 hotels which have been developed to the five-star rating standard and 4 hotels which have been developed to the four-star rating standard under the “Star-Rating Standard for Tourist Hotels”. In addition, the Group has 7 hotels that are under construction in accordance with the five-star rating standard and 2 hotels that are under construction in accordance with the four-star rating standard of the “Star-Rating Standard for Tourist Hotels”.

## ***3.3 Global Business of Country Garden***

Since December 2011, Country Garden has also successfully entered overseas markets, and now has property development projects in Malaysia, Australia and Indonesia.

## ***3.4 Company's mission and strategy***

Development strategy of Country Garden not only is to further consolidate the leading position in the garden of the real estate market, but also develops the group's business in other areas, strengthen the brand influence, and fully embodies the Country Garden excellent project execution ability and the group property development mode can be copied.

The goal of Country Garden is not only to become an open community and operator of residential communities, but also to be the builders and operators of green, ecological and smart cities. Country Garden has built a modern city in the modern urban design concept in Singapore, the forest city. The forest city ground is vegetation, and the vehicle passes through the bottom. The ground is the pollution free rail traffic, and the building exterior wall is full vertical distribution plant. Forest city will be the model of future city. This is the mission of Country Garden.

In the future, the main battlefield of Country Garden is still in the third or fourth-tier cities. Taking last year as an example, 881 pieces of land were added in the Country Garden. According to the area, the proportion of the first, second-tier cities and the third or fourth tier was 31:69.

## 4 Evaluation of Financial Situation of the Company

In this chapter, we will apply the analytical method of the previous chapter to practice. Specifically, we use these analytical methods to calculate and analyze the data of Country Garden's financial reports and accounting reports from 2012 to 2016. As a result, the operation and development of the company in the past five years are fully reflected.

### 4.1 Common-size analysis

The common ratio statement reflects the proportional relationship between the items in the same report, showing the relative importance of each item, so as to analyze and compare the appropriateness of the items in the same report. The common-size analysis is divided into vertical and horizontal analysis.

Based on the balance sheet of Country Garden, according to equation 2.6, we get the table 4.1 below.

Table 4.1 Vertical analysis of assets part

	2012	2013	2014	2015	2016
<b>Total non-current assets</b>	29.75%	29.10%	28.14%	24.85%	18.04%
<b>Total current assets</b>	70.25%	70.90%	71.86%	75.15%	81.96%
<b>Total assets</b>	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Own calculation

From the table 4.1, we can see that the proportion of current assets to the total assets is very high, and shows a trend of increasing year by year. The proportion of the total assets of the current assets is more than 50%, so the liquidity of the property is very strong. From 70.25% in 2012, it rose to 81.96% in 2016. It can be said that the growth of current assets is very rapid during the five years. Real estate companies do not need to plant and equipment, the most important means of production land, land use rights as intangible assets accounting in enterprises, and real estate enterprises as in the construction of inventory accounting; development project is to build the project as the general business accounting, and real estate enterprises as a development cost for deposit in the construction of the housing; real estate enterprises the same as the stock product

development accounting. So the current assets of real estate enterprises can often account for more than 80% of the total assets, or even higher.

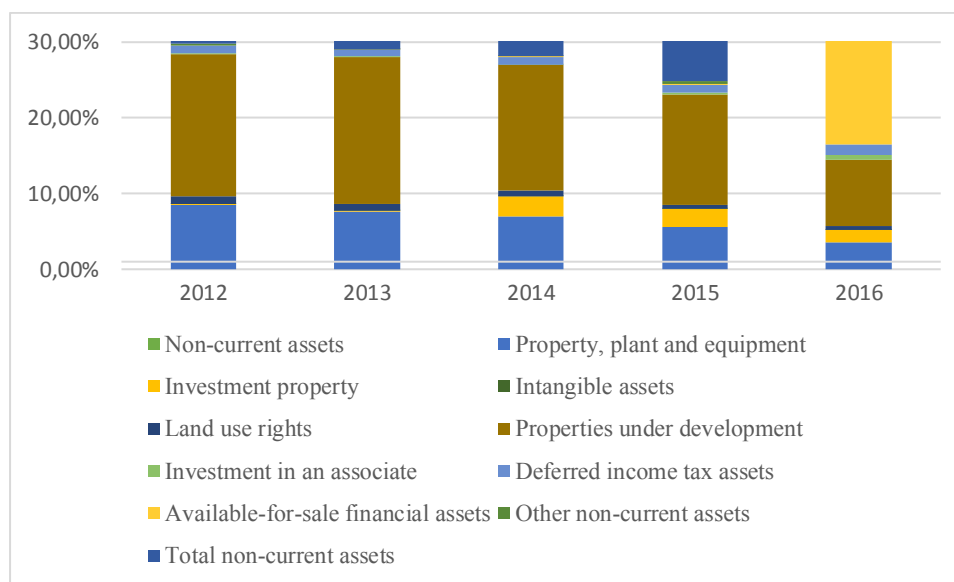
It does not necessarily represent the liquidity of the assets of the real estate enterprises. On the contrary, we must pay attention to the fact that the real liquidity of the land use right and the rebuilt project as the stock is very poor, and it is difficult to cash in in the short term.

Table 4.2 Vertical analysis of non-current assets

	2012	2013	2014	2015	2016
<b>Non-current assets</b>					
<b>Property, plant and equipment</b>	8.51%	7.67%	6.96%	5.53%	3.53%
<b>Investment property</b>	0.09%	0.05%	2.62%	2.40%	1.65%
<b>Intangible assets</b>	0.02%	0.02%	0.01%	0.03%	0.04%
<b>Land use rights</b>	1.02%	0.90%	0.76%	0.57%	0.43%
<b>Properties under development</b>	18.83%	19.43%	16.65%	14.57%	8.85%
<b>Investment in an associate</b>	0.08%	0.03%	0.01%	0.24%	0.65%
<b>Deferred income tax assets</b>	1.06%	0.87%	1.03%	1.05%	1.32%
<b>Available-for-sale financial assets</b>	—	0.10%	0.08%	0.06%	45.35%
<b>Other non-current assets</b>	0.15%	0.02%	0.01%	0.40%	1.57%
<b>Total non-current assets</b>	29.75%	29.10%	28.14%	24.85%	18.04%

Source: Own calculation

Chart 4.1 Structure Analysis of Non-current Assets



From the Chart 4.1, we can see that non-current assets of Country Garden is decreasing. This is the result of a shift in the focus of the company's business. From 2012 to 2013, investment property decreased and then in 2014, it was growing fast.

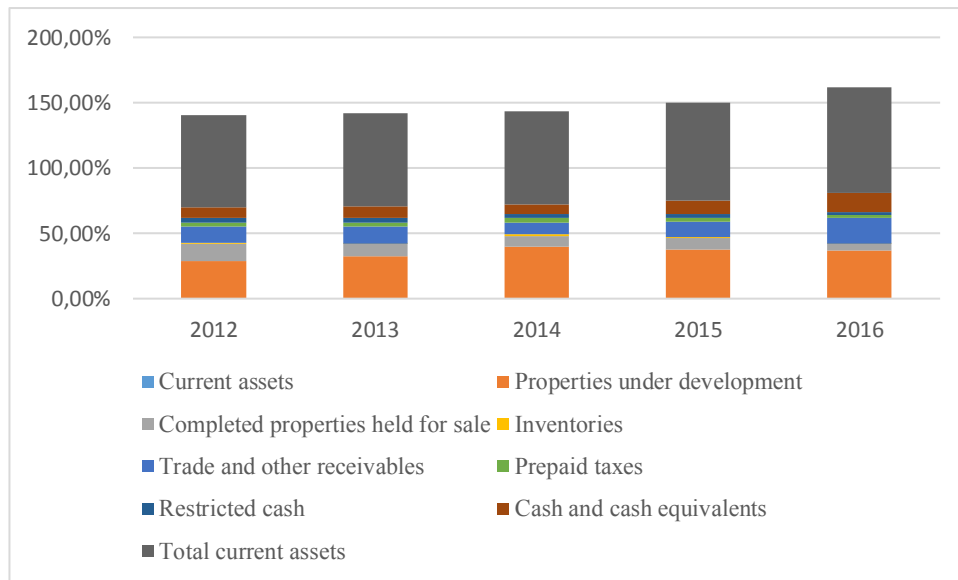
Table 4.3 Vertical analysis of current assets

	2012	2013	2014	2015	2016
<b>Properties under development</b>	28.68%	32.72%	39.55%	37.33%	36.58%
<b>Completed properties held for sale</b>	13.55%	9.17%	8.66%	9.42%	5.22%
<b>Inventories</b>	0.25%	0.28%	0.78%	0.55%	0.37%
<b>Trade and other receivables</b>	12.54%	12.79%	9.47%	11.67%	19.83%
<b>Prepaid taxes</b>	2.88%	3.00%	3.26%	2.62%	2.37%
<b>Restricted cash</b>	3.70%	3.77%	3.15%	3.22%	2.00%
<b>Cash and cash equivalents</b>	8.65%	9.17%	7.00%	10.02%	14.34%
<b>Total current assets</b>	70.25%	70.90%	71.86%	75.15%	80.72%

Source: Own calculation

The real estate enterprises have their own characteristics because of their different operating modes. The proportion of money and capital is high and the inventory level is very low or even 0, most of which are service oriented housing enterprises. The data from the table corresponds to the orientation and development direction of the Country Garden service oriented housing enterprises.

Chart 4.2 Vertical Analysis of Current Assets



From Table 4.3, we can see that current assets keep growing. To a certain extent, the liquidity of the enterprise is increasing. The proportion of properties under development is the largest. Completed properties held for sale is decreasing fast. And trade and other receivables growing from 12.54% to 19.83%. The substantial increase in monetary funds is due to the increase in the operating activities of the current period and the increase in the net cash flow of investment activities. The increase in money flow is beneficial to the solvency of the enterprise.

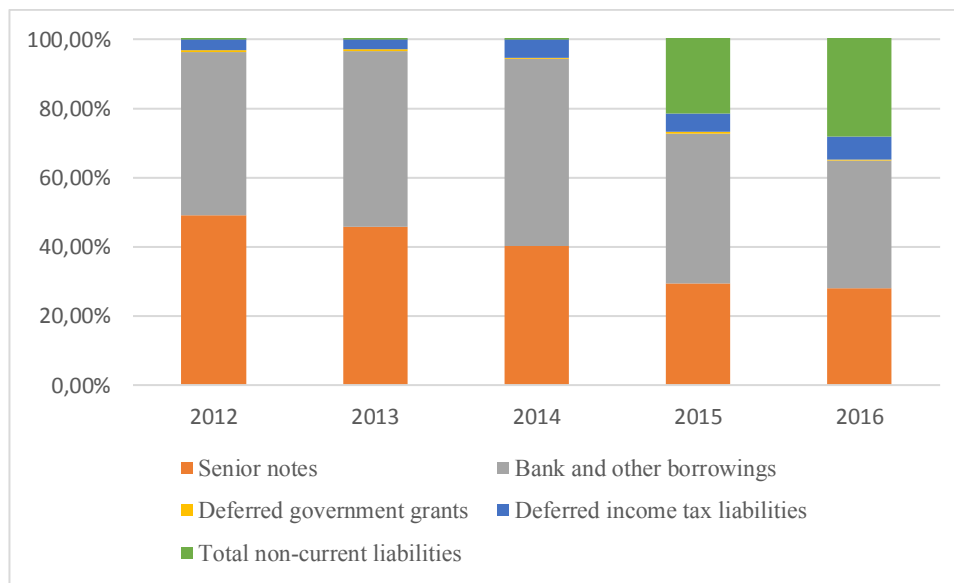


Table 4.4 Vertical analysis of Non-current liabilities

	2012	2013	2014	2015	2016
<b>Non-current liabilities</b>					
<b>Senior notes</b>	14,213,224	20,711,542	19,735,005	20,878,179	29,264,448
<b>Bank and other borrowings</b>	13,603,287	23,103,006	26,404,258	30,829,079	38,710,079
<b>Deferred government grants</b>	189,520	239,520	239,520	239,520	237,445
<b>Deferred income tax liabilities</b>	924,381	1,269,910	2,587,976	3,815,717	6,928,304
<b>Total non-current liabilities</b>	28,930,412	45,323,978	48,966,759	71,020,994	104,642,423

Source: Own calculation

Chart 4.3 Structure Analysis of Non-current liabilities



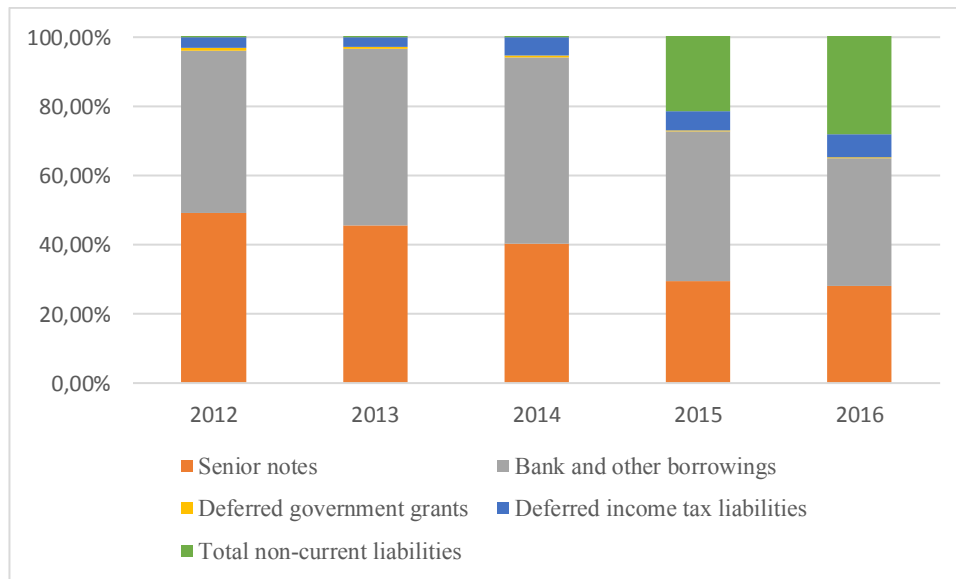
From the Chart 4.3 ,we can see the structure of Country Garden’s Non-current liabilities. Total non-current liability increased from 2012 to 2016. This shows that the sales of the company were increasing year by year.

Table 4.5 Vertical analysis of Non-current liabilities

	2012	2013	2014	2015	2016
<b>Non-current liabilities</b>					
<b>Senior notes</b>	49.13%	45.70%	40.30%	29.40%	27.97%
<b>Bank and other borrowings</b>	47.02%	50.97%	53.92%	43.41%	36.99%
<b>Deferred government grants</b>	0.66%	0.53%	0.49%	0.34%	0.23%
<b>Deferred income tax liabilities</b>	3.20%	2.80%	5.29%	5.37%	6.62%
<b>Total non-current liabilities</b>	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Own calculation

Chart 4.4 Structure Analysis of Non-current liabilities



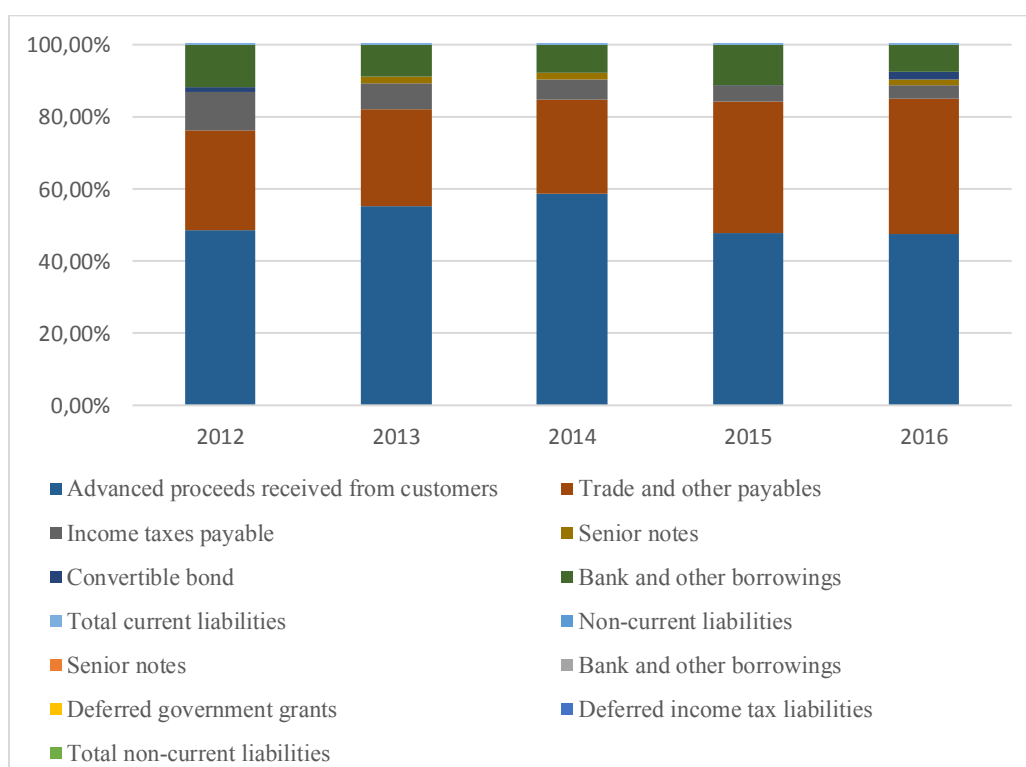
From the Chart 4.4 ,we can see that Senior notes decreased year by year. While Deferred income tax liabilities increased. Bank and other borrowings increased from 2012 to 2014, then it increased.

Table 4.6 Vertical analysis of Current liabilities

	2012	2013	2014	2015	2016
<b>Current liabilities</b>					
<b>Advanced proceeds received from customers</b>	48.5%	55.19%	58.61%	47.88%	47.47%
<b>Trade and other payables</b>	27.7%	26.90%	26.13%	36.40%	37.45%
<b>Income taxes payable</b>	10.52%	7.08%	5.73%	4.42%	3.78%
<b>Senior notes</b>	—	2.04%	1.62%	—	1.74%
<b>Convertible bond</b>	1.37%	—	—	0.01%	2.04%
<b>Bank and other borrowings</b>	11.8%	8.78%	7.91%	11.3%	7.53%

Source: Own calculation.

Chart 4.5 Structure Analysis of Current liabilities



From the data and charts of the vertical analysis of debt, we can see that the most significant feature is that the debt of Country Garden has been continuing to decline. Especially in 2016, non-current liabilities declines to 27.97%.

When most of their peers are still looking at the expansion of the market share, the garden is looking for its own market share. According to data released by Country Garden, the net loan ratio was 37.8%, which was 10.9 percentage points lower than that in December 31, 2016. The weighted average cost of borrowing is 5.32%, which is 34 basis points lower than that in December 31, 2016. All of them reached a new low of five years in June 30, 2017. This shows that while the market share of Country Garden is increasing, the financial leverage has not risen. On the contrary, it has been decreasing gradually. The debt ratio and financing cost have reached the low level of the industry.

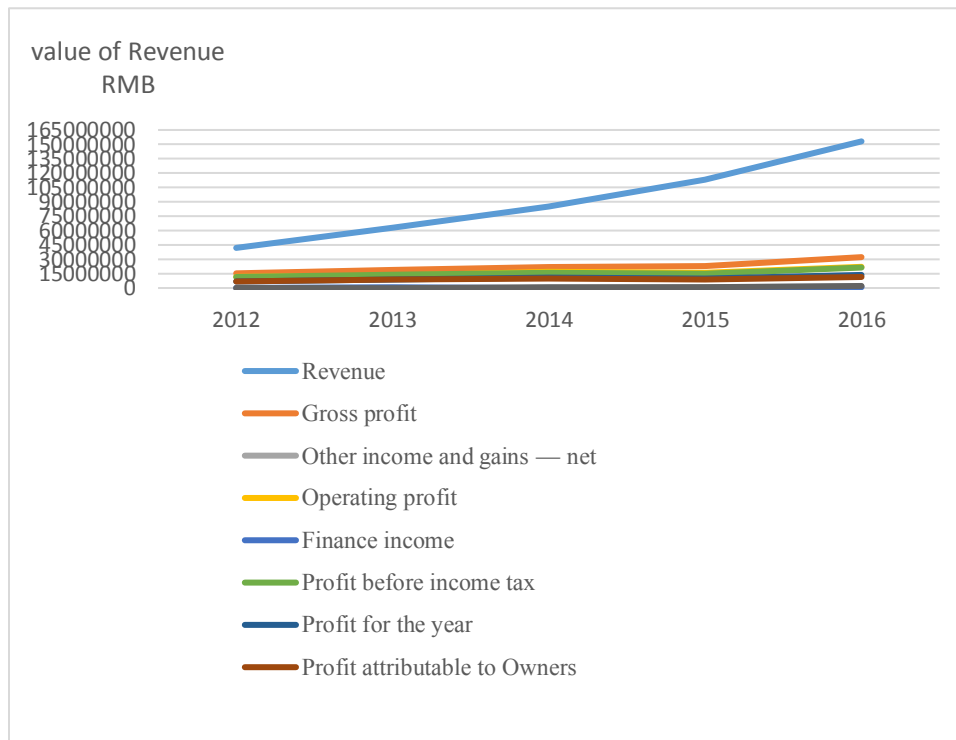
It is worth mentioning that, Country Garden in 2017 July to August announced that senior notes issued two consecutive replacement total of \$700 million per annum and only 4.75% had a high interest debt. So that the short-term debt becomes the goal of the long-term debt and the floating of interest rate.

Table 4.7 Details in Revenues

	2012	2013	2014	2015	2016
<b>Revenue</b>	41890984	62724729	84548803	113222640	153086977
<b>Gross profit</b>	15339505	18968619	22055133	22863299	32236086
<b>Other income and gains — net</b>	103293	21480	185996	423985	1530465
<b>Operating profit</b>	11688460	12695853	16604965	16178377	22124173
<b>Finance income</b>	153277	803249	254747	221079	532870
<b>Profit before income tax</b>	11541913	13473153	16369125	14833109	21390572
<b>Profit for the year</b>	6884562	8847980	10611900	9711681	13663223
<b>Profit attributable to Owners</b>	6852651	8514104	10229159	9276485	11516815
<b>Profit attributable to Non-controlling interests</b>	31911	333876	382741	435196	2146408

Source: Own calculation.

Chart 4.6 The Growth Trend of the Revenues

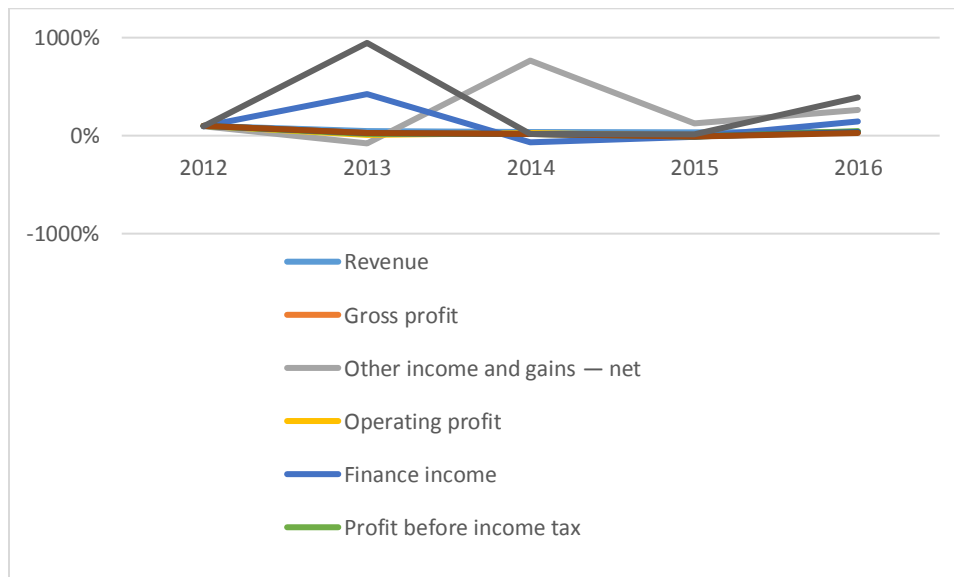


We can see from the Chart 4.6 that both income and net profit of Country Garden are growing continuously. The speed of growth is very fast. The net profit of Country Garden in 2016 has reached 32236086000 yuan. This is especially prominent in the case of the weak growth of the real estate industry in China. The high growth of Country Garden is mainly that the company has grasped the country's new urbanization process and realized the balanced distribution of investment.

Table 4.8 Relative changes compared to 2012 in income statement

	2012	2013	2014	2015	2016
<b>Revenue</b>	100%	50%	35%	34%	35%
<b>Gross profit</b>	100%	24%	16%	4%	41%
<b>Other income and gains — net</b>	100%	-79%	766%	128%	261%
<b>Operating profit</b>	100%	9%	31%	-3%	37%
<b>Finance income</b>	100%	424%	-68%	-13%	141%
<b>Profit before income tax</b>	100%	17%	21%	-9%	44%
<b>Profit for the year</b>	100%	29%	20%	-8%	41%
<b>Profit attributable to Owners</b>	100%	24%	20%	-9%	24%
<b>Profit attributable to Non-controlling interests</b>	100%	946%	15%	14%	393%

Chart 4.7 Relative changes compared to 2012 in income statement



From the Chart 4.7, we can see that the revenues are growing each year. The growth rate from 2012 to 2013 is big as 50%. And from 2014 to 2016, the growth rate is stable around 35%.

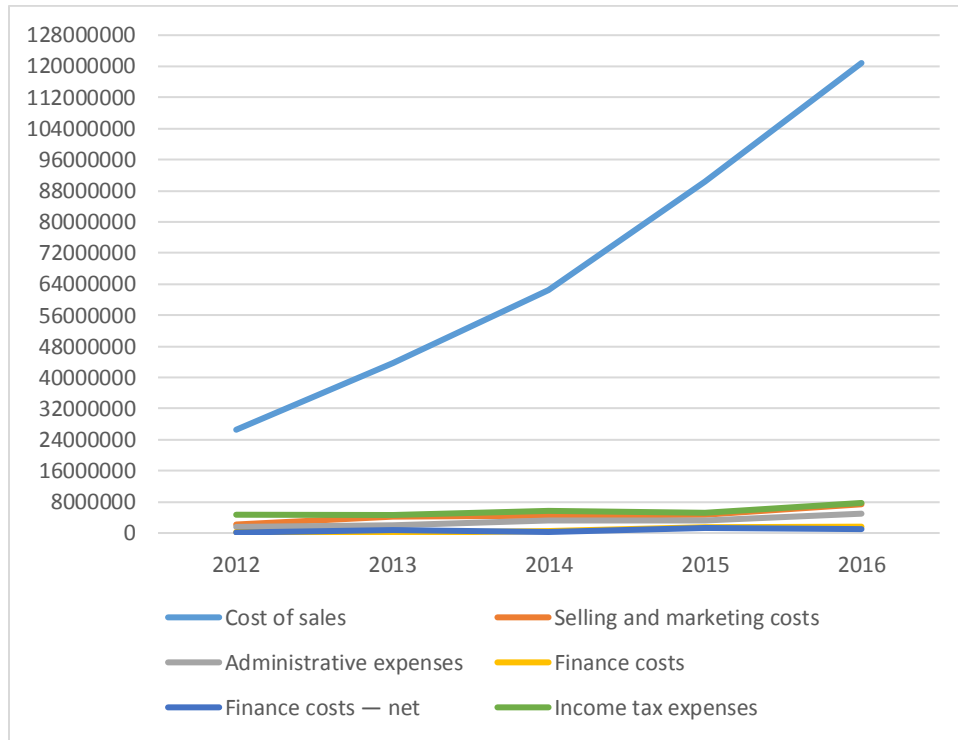
The gross profits are growing fast these years and it reflects the success of Country Garden in enterprise reform. It is not easy for Country Garden to achieve such a result when China's real estate and industry downturn collectively goes down.

Table 4.9 Details in Costs (RMB)

	2012	2013	2014	2015	2016
<b>Cost of sales</b>	26551479	43713256	62493670	90359341	120850891
<b>Selling and marketing costs</b>	2186059	4303823	4356272	4688695	7383618
<b>Administrative expenses</b>	1568279	2033277	3159928	3230024	4970364
<b>Finance costs</b>	279720	—	450329	1510589	1628175
<b>Finance costs — net</b>	126443	803249	195582	1289510	1095305
<b>Income tax expenses</b>	4657351	4625173	5757225	5121428	7727349

Source: Own calculation

Chart 4.8 The Growth Trend of the Costs



From the Chart 4.8, we can see that the cost of sales keeps growing. The detailed changes refer to the following relative changes.

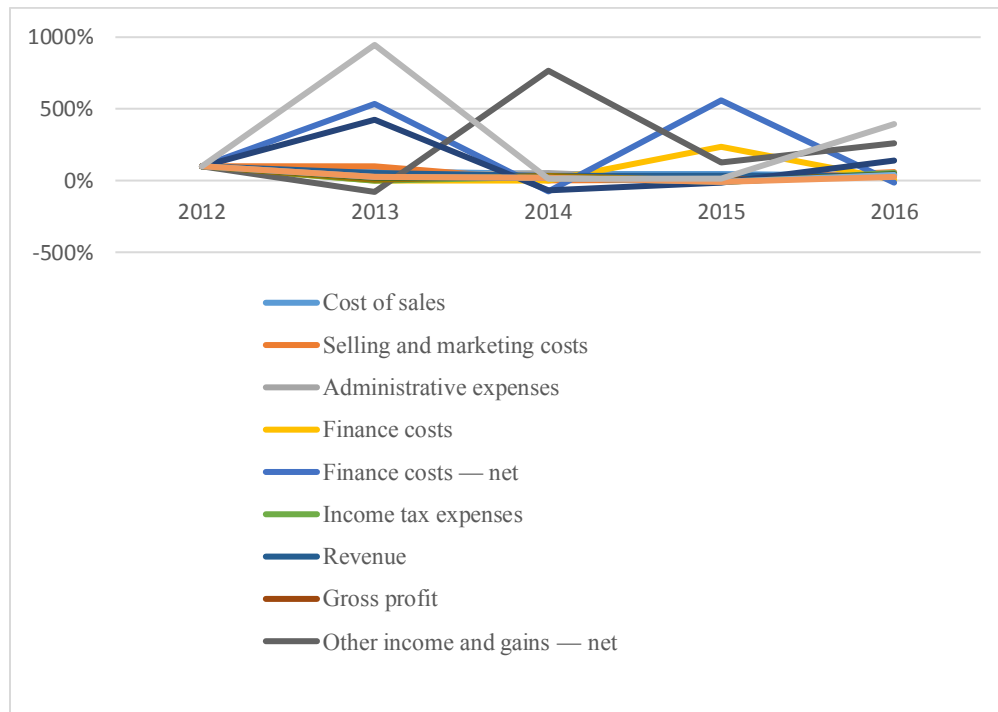


Table 4.10 Relative changes compared to 2012 in income statement

	2012	2013	2014	2015	2016
<b>Cost of sales</b>	100%	65%	43%	45%	34%
<b>Selling and marketing costs</b>	100%	97%	1%	8%	57%
<b>Administrative expenses</b>	100%	30%	55%	2%	54%
<b>Finance costs</b>	100%	—	—	235%	8%
<b>Finance costs — net</b>	100%	535%	-76%	559%	-15%
<b>Income tax expenses</b>	100%	-1%	24%	-11%	51%
<b>Revenue</b>	100%	50%	35%	34%	35%
<b>Gross profit</b>	100%	24%	16%	4%	41%
<b>Other income and gains — net</b>	100%	-79%	766%	128%	261%
<b>Operating profit</b>	100%	9%	31%	-3%	37%
<b>Finance income</b>	100%	424%	-68%	-13%	141%
<b>Profit before income tax</b>	100%	17%	21%	-9%	44%
<b>Profit for the year</b>	100%	29%	20%	-8%	41%
<b>Profit attributable to Owners</b>	100%	24%	20%	-9%	24%
<b>Profit attributable to Non-controlling interests</b>	100%	946%	15%	14%	393%

Source: Own calculation

Chart 4.9 Relative changes compared to 2012 in income statement



We can see from the Chart 4.9 that the profit of Country Garden is increasing year by year, but the rate of rise is decreasing. The growth of business revenue is mainly due to Country Garden's hotel and property management and decoration industry. Net profit and net income of Country Garden are increasing, while profit margins have declined slightly. The main reason is the rise of sales cost and land cost. In addition, Country Garden's selling and marketing costs and administrative expenses grow fast.

## 4.2 *Financial ratio analysis*

In this chapter, we will analyze the financial situation of Country Garden. This chapter divides into four parts: profitability, liquidity, solvency and activity ratios. As we know, between financial accounts and expected relationships, there are many relationships. And ratios can help us express these relationships and release the situation of the company. The analysis from different aspects of ratios is useful and essential. Firstly, the ratios react to the special aspects of the company. It is an indicator. Secondly, from the accounting policies differences of the company, we can do a meaningful comparison and make adjustments to the data.

#### 4.2.1 Liquidity ratios

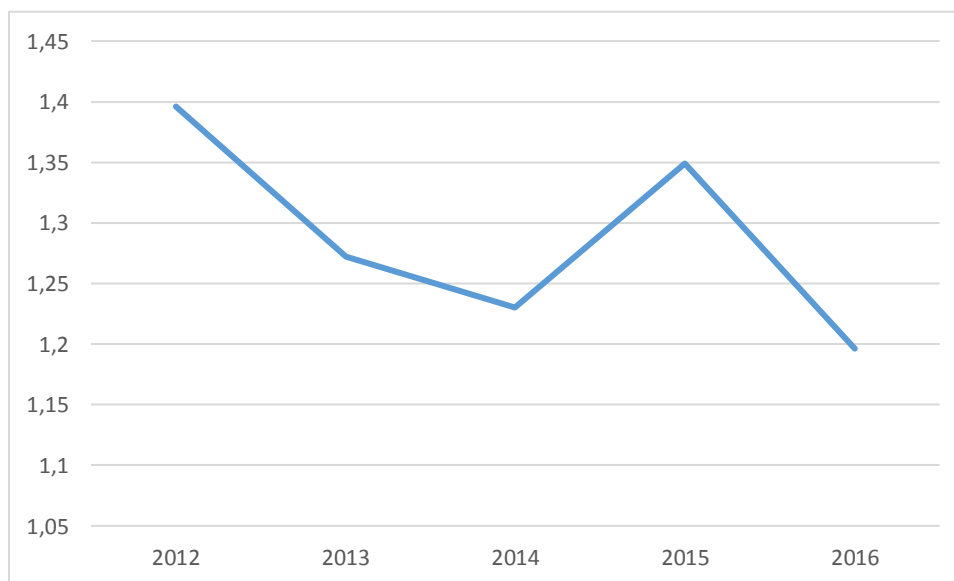
We will use the formula to calculate some ratios to analysis the liquidity ratios: current ratio based on equation 2.12, quick ratio based on equation 2.13 and cash ratio based on equation 2.14 and the method is from chapter two. The data we use are based on Country Garden's balance sheet from 2012 to 2016. The results are possible to see in the Table 4.11.

Table 4.11 Result of liquidity ratio

	2012	2013	2014	2015	2016
<b>Current ratio</b>	1.395938	1.272482	1.229813	1.34932	1.196197
<b>Quick ratio</b>	1.39088	1.267497	1.216436	1.339506	1.19076
<b>Cash ratio</b>	0.171874	0.164569	0.119782	0.17977	0.208843

Source: Own calculation

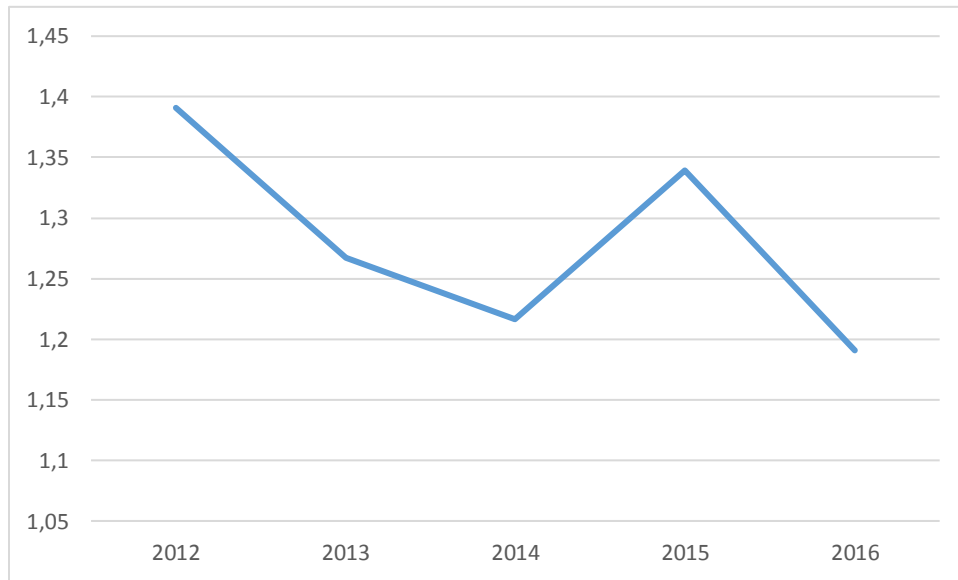
Chart 4.10 Trend of current ratio of Country Garden from 2012 to 2016



From the Chart 4.10, we can know that from 2012 to 2014, the current ratio of Country Garden going down and it means the ability to pay short-term obligations decreasing. And then the current ratio increasing then in 2015, it decreasing again. It is generally believed that the reasonable minimum flow rate of production enterprises is 2. This is because the worst liquidity in the current assets is about half of the total current assets, and the remaining liquidity is at least equal to the

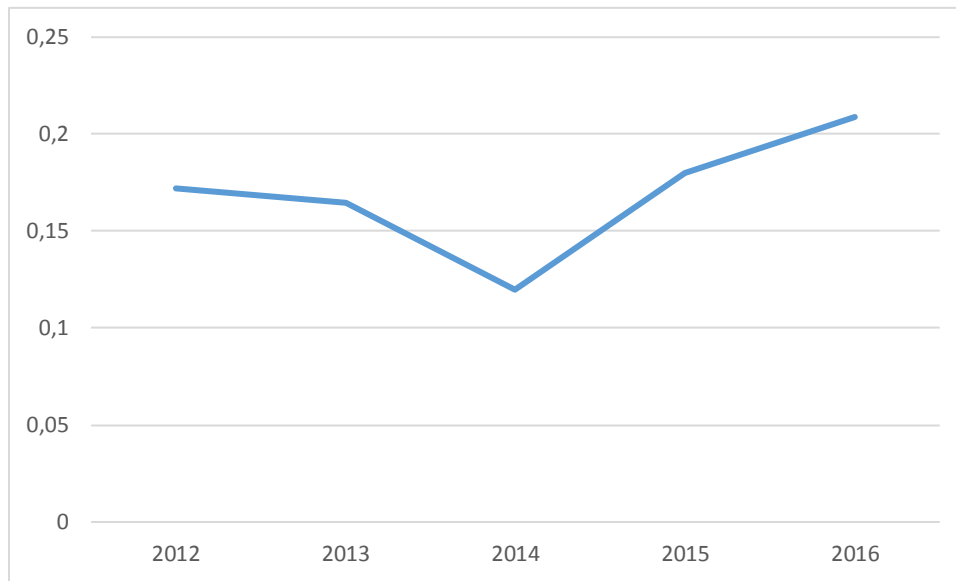
current liabilities, and the short-term solvency of the enterprise will be guaranteed. According to China's industry survey data in 2016, the liquidity ratio of China's real estate industry is 1.2. From this point of view, the liquidity ratio of Country Garden is at a normal level in the industry.

Chart 4.11 Trend of quick ratio of Country Garden from 2012 to 2016



From the Chart 4.11, we can see that the general trend of quick ratio change is similar to that of current ratio. But in 2016, the quick ratio of China's real estate industry was 0.65, Country Garden was two times higher than that of the industry. Because the development cycle of the real estate industry is long, and the cost recovery time is long. But Gountry garden has changed to property management real estate enterprises, so it has stronger ability to repay short-term debt.

Chart 4.12 Trend of cash ratio of Country Garden from 2012 to 2016



The cash ratio is generally considered to be more than 20%. It means that the liquidity assets of Country Garden can be used rationally. And from 2014 to 2016, the cash ratio is growing and in 2016, it reaches 20.88%.

#### 4.2.2 Leverage ratios

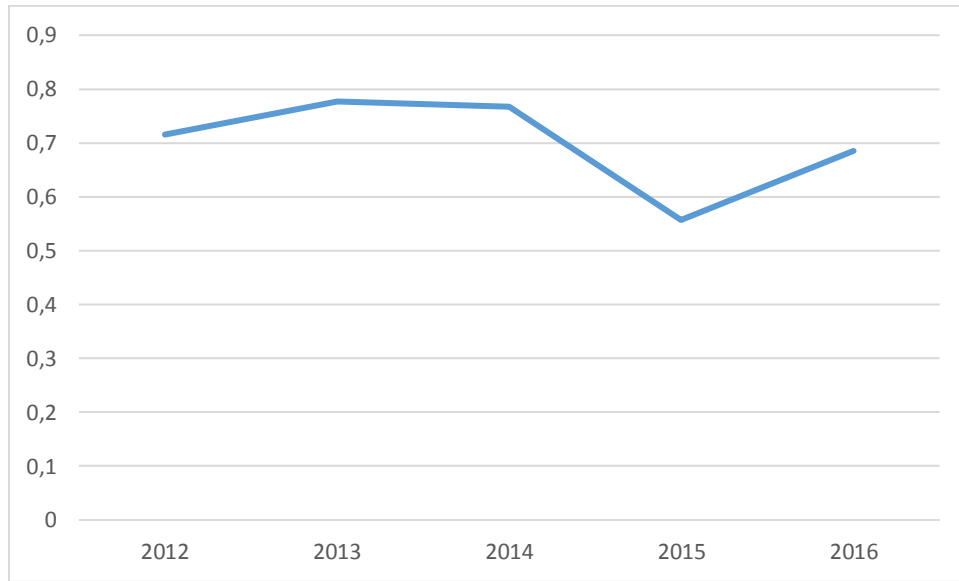
Financial leverage refers to the way that enterprises use liabilities to regulate equity capital gains. Financial leverage ratio reflects the ratio of corporate debt financing.

Table 4.12 Result of debt ratio

	2012	2013	2014	2015	2016
<b>Debt ratio</b>	0.715178756	0.77690412	0.767033872	0.556959257	0.685147846

Source: Own calculation

Chart 4.13 Trend of Debt ratio of Country Garden from 2012 to 2016



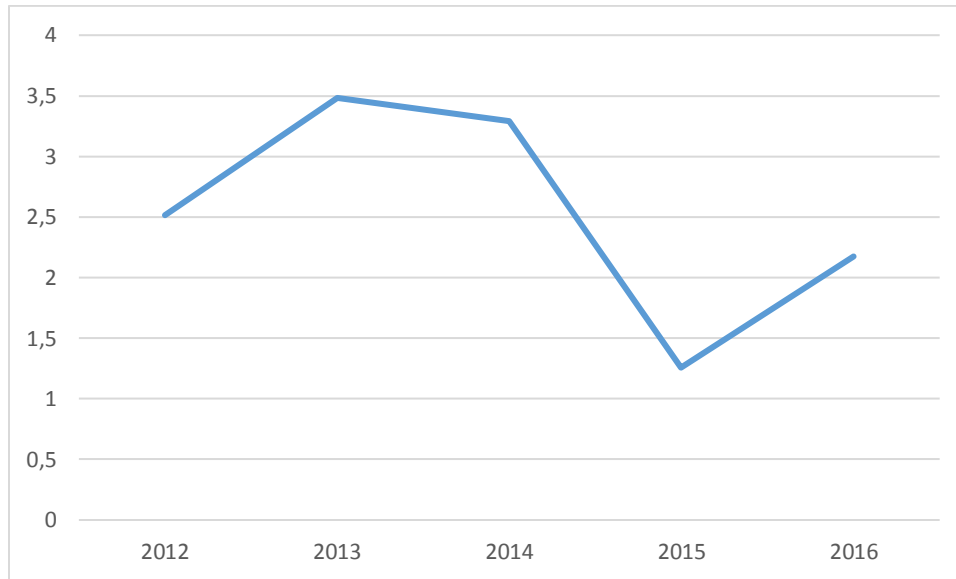
Real estate companies have large amounts of advance receipts, which will lead to higher asset liability ratio. Generally speaking, the debt ratio of enterprises is less than 75%, which is considered relatively safe. The debt ratio decreased from 2013 to 2015, and then growing again in 2015. Because the income that has been realized should be recorded as debt, and the asset liability ratio cannot accurately measure the debt situation of the real estate company.

Table 4.13 Result of debt-to-equity ratio

	2012	2013	2014	2015	2016
<b>Debt-to-equity ratio</b>	2.5109740	3.4823776	3.29246949	1.25712875	2.17609387

Source: Own calculation

Chart 4.14 Trend of Debt-to-equity ratio of Country Garden from 2012 to 2016



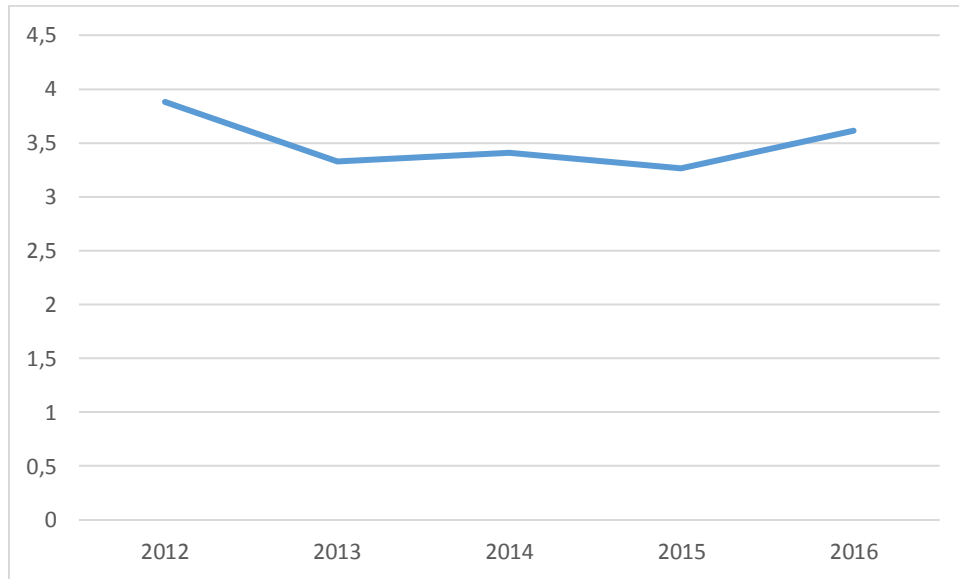
The graph shows the debt-to-equity ratio between the years 2012 and 2016. It increased in 2012 and then, it decreased sharply from 2013 to 2015 and grew again. The debt-to-equity ratio is more accurate than the debt-to-asset ratio, which is more accurate to reveal the solvency situation of the enterprise, because the company can only reduce the debt rate by increasing the way of capital. The capital debt rate is 200% as a general warning line. And in 2016, the debt-to-equity ratio of Country Garden was over 200%. It reached about 218%. To a certain extent, this indicates that the capital structure of Country Garden is changing.

Table 4.14 Interest coverage

	2012	2013	2014	2015	2016
<b>Interest coverage</b>	3.880561238	3.32843945	3.404402914	3.264138689	3.614457357

Source: Own calculation

Chart 4.15 Trend of Interest coverage of Country Garden from 2012 to 2016



From the Chart 4.15, we can see that the interest coverage rate of Country Garden has not changed much in the past five years. Interest coverage has been kept above 3. It shows that Country Garden profit before tax can pay the current interest rate. Interest coverage is not a perfect way to measure the company's financial health. Because taxes do not include income figures for calculation. Interest coverage is an important indicator of risk in business management. It is a measure of whether the company's interest, tax, depreciation and amortization will be paid for the current interest. The larger the ratio, the less risk of the enterprise. When less than 1, it shows that the profits generated by the company are not enough to pay the interest cost of the bank.

#### 4.2.3 Profitability ratios

In this part, we will analyze the profitability of Country Garden through profit margin, operating margin, return on assets and return on equity. The formulas we use are from 2.8, 2.9, 2.10 and 2.11 in chapter 2.



Table 4.13 Operating profit margin

	2012	2013	2014	2015	2016
<b>Operating profit margin</b>	0.2755226	0.214798	0.193606	0.13101	0.139728

Source: Own calculation.

Chart 4.16 Operating profit margin

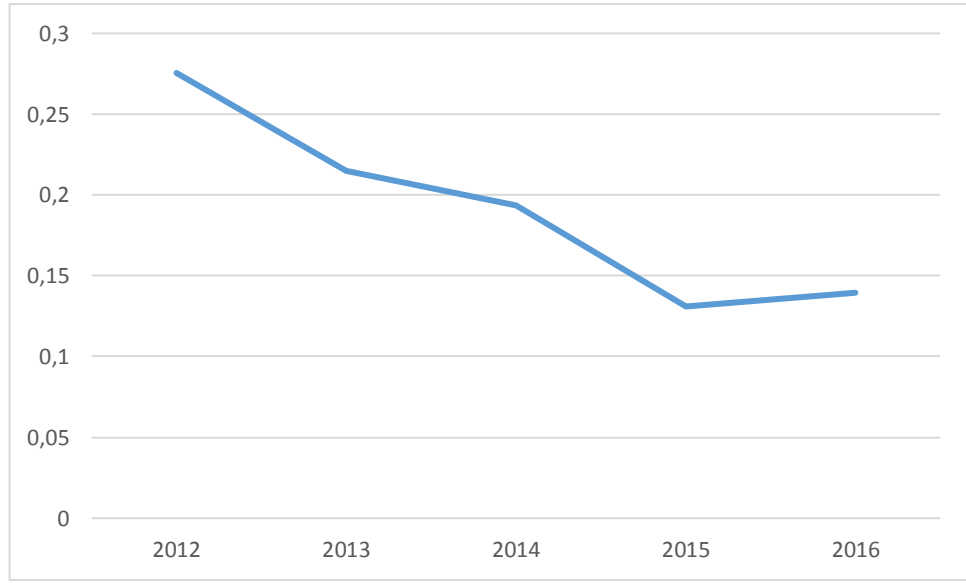
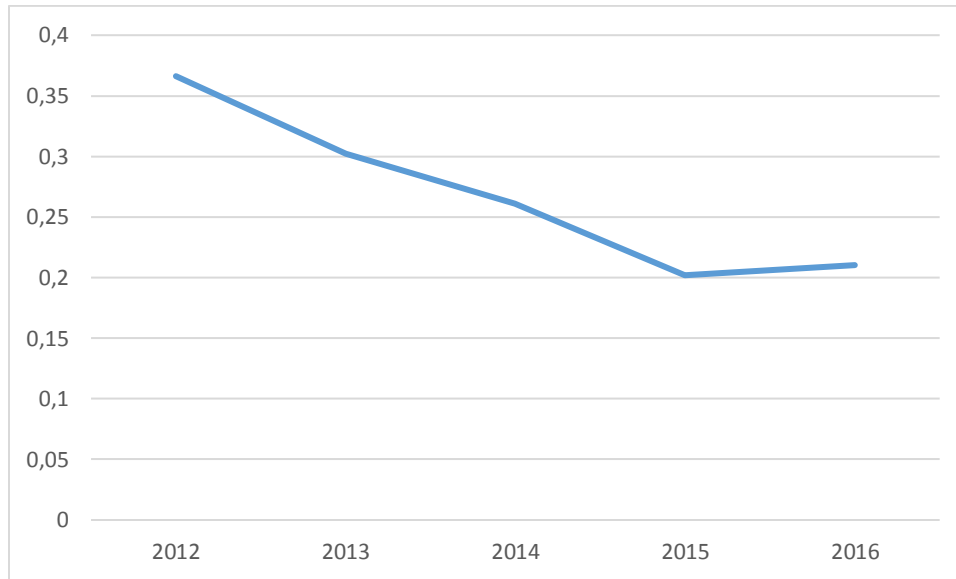


Table 4.14 Net profit margin

	2012	2013	2014	2015	2016
<b>Net profit margin</b>	0.3661768	0.302411	0.260857	0.20193	0.210574

Source: Own calculation.

Chart 4.17 Net profit margin



The higher the operating profit rate, the more business profit provided by the sales of the business, the stronger the profitability of the enterprise; the lower the ratio, the weaker the profitability of the enterprise. From data and charts, we can see that the profitability of Country Garden has been decreasing.

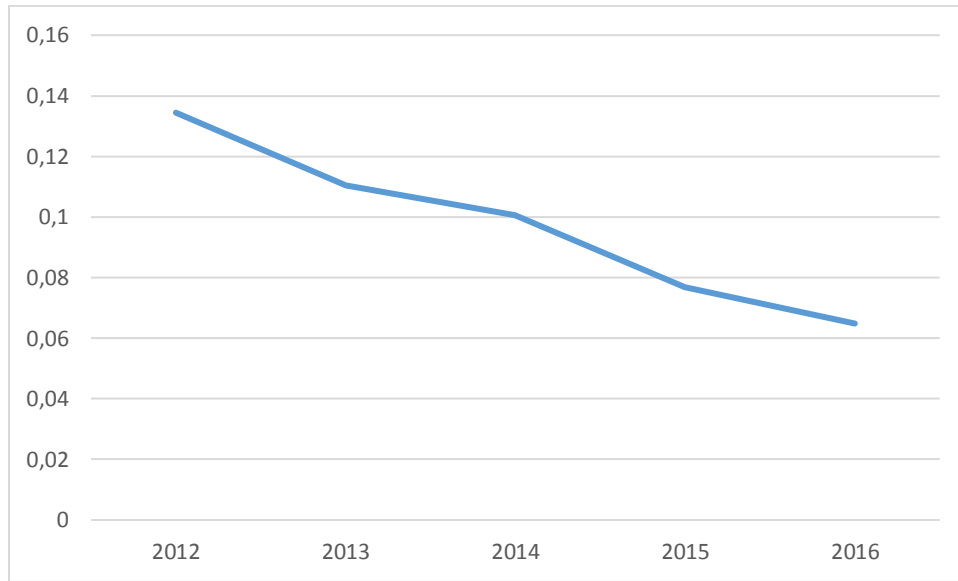
Although China's real estate market has been warm again after a cold spell, the performance of the housing enterprises has been promoted generally, but the profit rate of the industry is still in the downlink. At this time, the competitive advantages of the leading housing enterprises are gradually highlighted, the market share is rising and the profitability is constantly showing. Under the background of China's real estate industry's profit margins decreasing, the expansion speed of Country Garden is slowing down.

Table 4.15 Return on assets

	2012	2013	2014	2015	2016
<b>ROA</b>	0.1344218	0.110469	0.100483	0.07686	0.064839

Source: Own calculation.

Chart 4.18 Return of assets



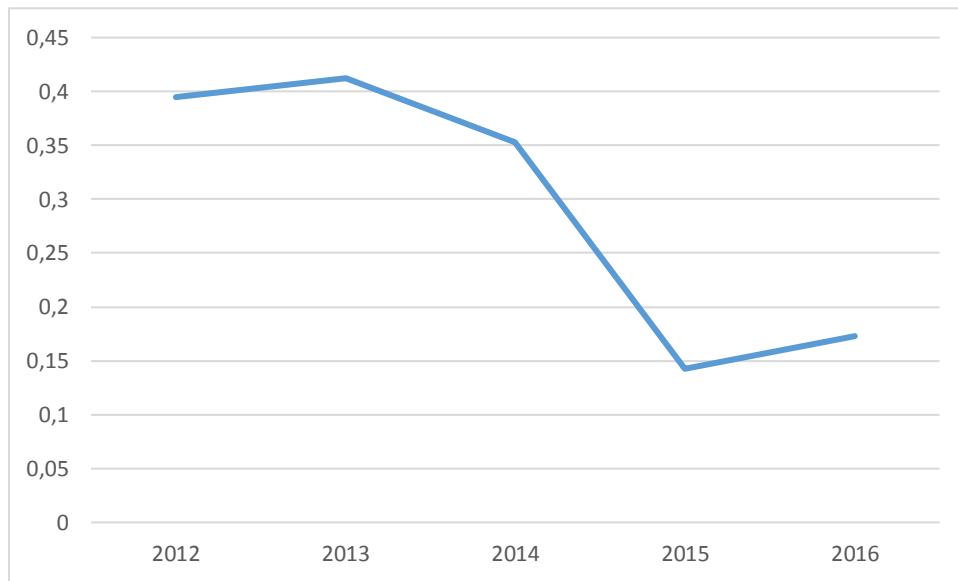
ROA is used to measure the net profit per unit asset. The higher the net asset return index is, the higher the profit from investment. This index reflects the ability of equity capital to get net income. Country Garden's ROA index continued to decline over the last five years. In my opinion, the reason is the rise of management cost and financial cost of Country Garden in recent five years.

Table 4.16 Return on equity

	2012	2013	2014	2015	2016
<b>ROE</b>	0.3944899	0.412261	0.353207	0.14257	0.173073

Source: Own calculation.

Chart 4.19 Return of equity



ROE reflects the profit level of shareholders' equity, which is used to measure the efficiency of company's own capital utilization. In 2012, the ROE of Country Garden is very high and keep growing in 2014, while after that the overall trend is downwards. But it is still in a reasonable range.

#### 4.2.4 Activity ratios

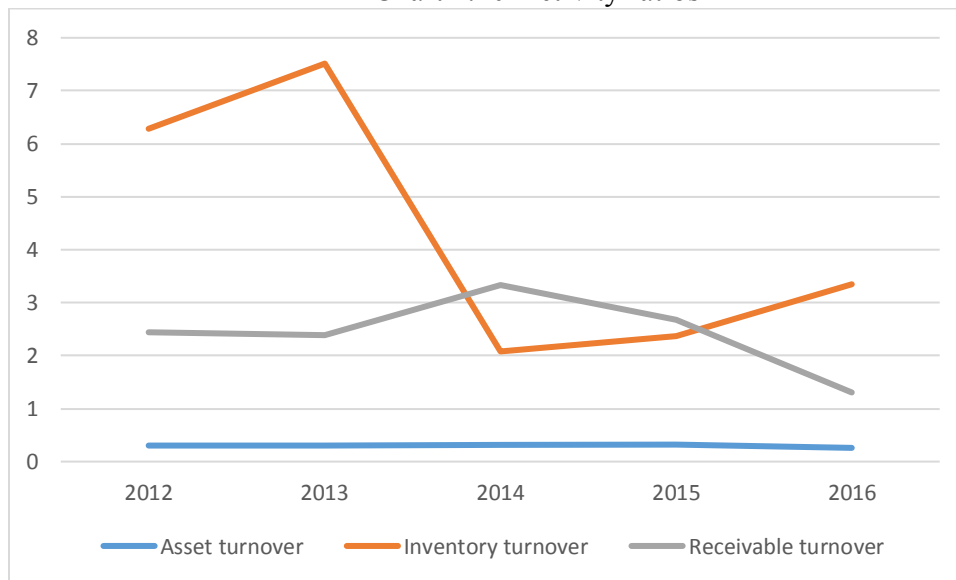
Activity ratios is used to reflect the speed of assets transfer from input to output during the operation of enterprises, which can reflect the management quality and efficiency of enterprise assets. Activity ratios can be divided into two categories: short term ratio and long-term ratio. The former is mainly an investigation of the use efficiency of inventory and accounts receivable. They are not only the main part of the current assets, but also relatively weak in liquidity; the latter mainly refers to the total asset turnover, which is the cause of all the assets on the account of the enterprise.

Table 4.17 Activity ratios

	2012	2013	2014	2015	2016
<b>Asset turnover</b>	0.306844	0.304135	0.315443	0.312807	0.25878
<b>Inventory turnover</b>	6.290564	7.512831	2.079224	2.369899	3.350514
<b>Receivable turnover</b>	2.446343	2.377882	3.332511	2.680326	1.304847

Source: Own calculation.

Chart 4.20 Activity ratios



From the chart 3.20, we can easily find that the asset turnover doesn't change too much between 2012 and 2016, and it shows the trend of decreasing. And the inventory turnover growing from 2012 to 2013 and then decreasing. In 2014, it grows again. Then receivable turnover has the opposite trend of change.

### 4.3 *Pyramidal decomposition*

In this chapter, we will use Du-Pont analysis to analyze the financial situation of Country Garden. Du-Pont analysis is a comprehensive analysis of the financial situation of a company based on the relationship between several major financial ratios.

Table 4.18 Basic data for pyramidal decomposition

	2012	2013	2014	2015	2016
Total assets	136522148	206239428	268032209	361956327	591571601
Total equity	38884408	46011167	62442426	160361400	186257593
Operating revenues	41890984	62724729	84548803	113222640	153086977
Operating profit	11688460	12695853	16604965	16178377	22124173
Profit for the year	6884562	8847980	10611900	9711681	13663223
net profit margin	0,366177	0,302411	0,260857	0,20193	0,210574
assets turnover	0,306843868	0,304135488	0,315442697	0,312807462	0,258780132
financial leverage	3,510974064	4,48237768	4,292469498	2,257128754	3,176093879
return on equity (%)	39%	41%	35%	14%	17%

Source: Own calculation.

Table 4.19 Result of component ratios

	2012	2013	2014	2015	2016
<b>Net profit margin</b>	0,366176765	0,302410537	0,260856833	0,20193222	0,210573666
<b>assets turnover</b>	0,306843868	0,304135488	0,315442697	0,312807462	0,258780132
<b>financial leverage</b>	3,510974064	4,48237768	4,292469498	2,257128754	3,176093879
<b>return on equity (%)</b>	39%	41%	35%	14%	17%

Source: Own calculation.

### 4.3.1 Method of gradual change

As we know all the ROE from 2012 to 2016, firstly we will calculate the absolute change and its index. It shows in table 4.20. And then, we will use method of gradual changes to do decomposing. We will use the formula 2.27 from chapter 2.

Table 4.20 Absolute change and index change of ROE

Absolutely change and index change	2012	2013	2014	2015	2016
ROE	0,394	0,412	0,353	0,143	0,173
$\Delta$ ROE	0,018	-0,059	-0,211	0,030	-
IROE	1,045	0,857	0,404	1,214	-

Source: Own calculation.

Table 4.21 Result of 2012-2013 by gradual change method

Gradual change method (2012-2013)	2012	2013	$\Delta$ a	$\Delta$ X <sub>ai</sub>	order
<b>a1=EAT/REV</b>	0,438	0,363	-0,075	-0,081	3
<b>a2=Rev/Assets</b>	0,307	0,304	-0,003	-0,003	2
<b>a3=Assets/Equity</b>	3,511	4,482	0,971	0,107	1
<b>sum</b>				0,023	

Source: Own calculation.

From the table 4.21, we can see that the absolute change in return on equity caused by the change is negative. And the assets turnover is also negative. The financial leverage is the only positive ratio. It reflects that the financial leverage has a strong positive influence on the Country garden in 2013. At the same time, the first two ratios have less effects on the company in 2013. And we can find that the sum of absolute change in the ROE caused by the change in each component ratio is equal to the total absolute change we calculated.

Table 4.22 Result of 2013-2014 by gradual change method

Gradual change method (2013-2014)	2013	2014	$\Delta a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,363	0,319	-0,045	-0,061	3
<b>a2=Rev/Assets</b>	0,304	0,315	0,011	0,016	1
<b>a3=Assets/Equity</b>	4,482	4,292	-0,190	-0,019	2
<b>sum</b>				-0,064	

Source: Own calculation.

From the table 4.22, we can see that the absolute change in return on equity caused by the change and the financial leverage are negative. And it shows that the financial leverage makes a negative effect on the company this year. While the assets turnover is positive. Assets turnover plays an important role in 2014.

Table 4.23 Result of 2014-2015 by gradual change method

Gradual change method (2014-2015)	2014	2015	$\Delta a$	$\Delta X_{ai}$	<b>order</b>
<b>a1=EAT/REV</b>	0,319	0,246	-0,073	-0,099	<b>2</b>
<b>a2=Rev/Assets</b>	0,315	0,313	-0,003	-0,003	<b>1</b>
<b>a3=Assets/Equity</b>	4,292	2,257	-2,035	-0,156	<b>3</b>
<b>sum</b>				-0,258	

Source: Own calculation.

From the table 4.23, we can see that the absolute change in return on equity caused by the change, the financial leverage and the assets turnover are all negative. And the assets turnover becomes the most influenced component.



Table 4.24 Result of 2015-2016 by gradual change method

Gradual change method (2015-2016)	2015	2016	$\Delta a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,246	0,251	0,005	0,003	2
<b>a2=Rev/Assets</b>	0,313	0,259	-0,054	-0,031	3
<b>a3=Assets/Equity</b>	2,257	3,176	0,919	0,060	1
<b>sum</b>				0,032	

Source: Own calculation.

From the table 4.24 Assets turnover has the less impact in 2016. And the financial leverage has become the most affect component ratio to the return on equity.

#### 4.3.2 Logarithmic decomposition method

Then we will use Logarithmic decomposition method Regardless of how many component ratios, we only need to use one formula for the impact quantification We will use the formula 2.28 from chapter 2.

Table 4.25 Result of 2012-2013 through logarithmic decomposition method

Logarithmic decomposition method (2012-2013)	2012	2013	$Ia$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,438078967	0,363221577	0,829123525	-0,097810294	3
<b>a2=Rev/Assets</b>	0,306843868	0,304135488	0,991173424	-0,004627678	2
<b>a3=Assets/Equity</b>	3,510974064	4,48237768	1,276676386	0,127496922	1
<b>sum</b>				0,023	

Source: Own calculation.

As is shown in the table 4.25, we can see that the financial leverage is the primary factor of influence to the return on equity. And the influence is positive to the return on equity finally although the data of net profit margin and assets turnover is negative.

Table 4.26 Result of 2013-2014 through logarithmic decomposition method

Logarithmic decomposition method(2013-2014)	2013	2014	<i>Ia</i>	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,363221577	0,318545373	0,877000137	-0,054198738	3
<b>a2=Rev/Assets</b>	0,304135488	0,315442697	1,037178199	0,015111375	1
<b>a3=Assets/Equity</b>	4,48237768	4,292469498	0,957632267	-0,017921253	2
<b>sum</b>				-0,064	

Source: Own calculation.

From the table 4.26, as is demonstrated that the assets turnover has the most impact on basic ratio. The result of net profit margin and financial leverage are negative. As a result, the return on equity illustrates a little negative impact in 2014.

Table 4.27 Result of 2014-2015 through logarithmic decomposition method

Logarithmic decomposition method(2014-2015)	2014	2015	<i>Ia</i>	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,318545373	0,245707917	0,771343543	-0,432986295	2
<b>a2=Rev/Assets</b>	0,315442697	0,312807462	0,991645914	-0,013999919	1
<b>a3=Assets/Equity</b>	4,292469498	2,257128754	0,525834547	-1,072657002	3
<b>sum</b>				-0,258	

Source: Own calculation.

The data of net profit margin, assets turnover and financial leverage are negative. The assets turnover has the most impact on basic ratio. In 2015, the return on equity still shows a little negative impact.

Table 4.28 Result of 2015-2016 through logarithmic decomposition method

Logarithmic decomposition method(2015-2016)	2015	2016	$I_a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,245707917	0,250557616	1,01973766	0,003272258	2
<b>a2=Rev/Assets</b>	0,312807462	0,258780132	0,827282477	-0,03129945	3
<b>a3=Assets/Equity</b>	2,257128754	3,176093879	1,407138991	0,056382296	1
<b>sum</b>				0,032	

Source: Own calculation.

In 2016, the financial leverage has become the most affect component ratio to the return on equity. And the data of net profit margin is positive. The assets turnover in 2016 has a negative impact on the return on equity.

Table 4.29 Relative change of 4 groups

	2012-2013	2013-2014	2014-2015	2015-2016
<b><math>\Delta</math>ROE relative</b>	0.045048896	-0.14324342	-0.5963461	0.213917752

Source: Own calculation.

#### 4.3.3 Functional decomposition

Now we use the functional decomposition. It works with the relative changes in basic and component ratios. And the method is applicable regardless of the signs of the relative changes.

Table 4.30 Result of 2012-2013 by functional decomposition

	2012	2013	$R_a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,438078967	0,363221577	-0,170876475	-0,099758593	3
<b>a2=Rev/Assets</b>	0,306843868	0,304135488	-0,008826576	-0,004716563	2
<b>a3=Assets/Equity</b>	3,510974064	4,48237768	0,276676386	0,129813483	1
<b>sum</b>				0,025338327	

Source: Own calculation.

Table 4.31 Result of 2013-2014 by functional decomposition

	2013	2014	$R_a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,363221577	0,318545373	-0,122999863	-0,054783892	3
<b>a2=Rev/Assets</b>	0,304135488	0,315442697	0,037178199	0,015266319	1
<b>a3=Assets/Equity</b>	4,48237768	4,292469498	-0,042367733	-0,018088422	2
<b>sum</b>				-0,057605995	

Source: Own calculation.

Table 4.32 Result of 2014-2015 by functional decomposition

	2014	2015	$R_a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,318545373	0,245707917	-0,228656457	-0,075188778	2
<b>a2=Rev/Assets</b>	0,315442697	0,312807462	-0,008354086	-0,002474795	1
<b>a3=Assets/Equity</b>	4,292469498	2,257128754	-0,474165453	-0,180960813	3
<b>sum</b>				-0,258624386	

Source: Own calculation.

Table 4.33 Result of 2015-2016 by functional decomposition

	2015	2016	$R_a$	$\Delta X_{ai}$	order
<b>a1=EAT/REV</b>	0,245707917	0,250557616	0,01973766	0,003229424	2
<b>a2=Rev/Assets</b>	0,312807462	0,258780132	-0,172717523	-0,031420631	3
<b>a3=Assets/Equity</b>	2,257128754	3,176093879	0,407138991	0,056176253	1
<b>sum</b>				0,027985046	

Source: Own calculation.

We can see that the results that we use the functional decomposition to calculate are similar to the results obtained by the first two methods. In 2013, the financial leverage has become the

most affect component ratio to the return on equity. While in 2014 and 2015, the assets turnover becomes the most impact component. The result of net profit margin and financial leverage are negative. In 2016, the financial leverage is outstanding as we can see.

## 5 Conclusion

The goal of this thesis was to evaluate the financial situation and the performance of the Country Garden Holdings Company Limited by the annual reports for period 2012 – 2016.

In this thesis, firstly, we describe the financial analysis methodology which we use for later analysis. And then we provide an overview of Country Garden, the most important part is the practical part where we use the specific data in the financial statements to illustrate the operation of the company's finance.

In the theoretical part, we explain in detail the way to analyze the company's financial situation and how to deal with data and indicators in the annual report to support the analysis. We use common-size analysis to compare the relative and absolute changes of the company's assets, liabilities, revenues and costs. In general, sales revenue of Country Garden has risen steadily, and the total liabilities of the company are decreasing. The net debt ratio of the company is below the average level of the industry. For its reasons, Country Garden has done a good job in financing, and the scale of financing is also very large. Coupled with its long and short term loans, the distribution of domestic and foreign loans is very balanced and reasonable, sufficient operating capital has enhanced the risk resistance capacity of Country Garden. In addition, it is worth mentioning the cash flow management of Country Garden. In 2017, net cash used in operating activities of Country Garden turns to positive. In the face of the complex changes in China's real estate industry, Country Garden has actively adjusted its assets and liabilities structure. In the past five years, Country Garden has increased the demand for land investment and increased the scale of financing, but the capital structure has been further optimized thanks to its strong sales capacity and strict cash flow management. And we use different ratios from different aspects to express the relationships between these data and we try to find reasons behind, finally release the financial situation of the company. This is the most important part of the practice in our full text. The liquidity ratio of Country Garden is at a normal level in the industry, while the quick ratio is two times higher than that of the industry in 2016. But as we know, the development cycle of the real estate industry is long, and the cost recovery time is also long. In addition, Country Garden transforms the focus of business development into property management gradually. It has stronger ability to repay short-term debt, compared with the traditional real estate enterprises in China. We can see from the profitable ratio, from 2012 to 2013, Country Garden expanded rapidly in the three

or four tier cities, thanks to the policy of the Chinese government, reducing the number of unsold homes. Because third- and fourth-tier cities in China that have a high inventory of housing and they face huge pressure in reducing their unsold homes. The government gives priority to these cities. The profitability of Country Garden has been decreasing from 2014. Under the background of China's real estate industry's profit margins decreasing, the expansion speed of Country Garden is slowing down. Country Garden is also expanding to first-tier and second-tier cities by increasing sales and land reserves.

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## **List of Abbreviations**

EAT: Earnings after tax

EBIT: Earnings before Interests and Taxes

OPM: Operating profit margin

ROE: Return on equity

ROA: Return on assets

Rev.: Revenue

TAT: Total assets turnover

IT: Inventory turnover

P/E: Price-to-Earning

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Ostrava dated 11.5.2018.

Luo Yong. 楊榮.

Student's name and surname

## **List of Annexes**

*Annex 1 Balance sheet of Country Garden Holdings Company Limited*

*Annex 2 Income statement of Country Garden Holdings Company Limited*

*Annex 3 Cash flow statement of Country Garden Holdings Company Limited*

## *Annex 1 Balance sheet of Country Garden Holdings Company Limited*

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	11,613,913	15,828,290	18,642,518	20,019,841	20,877,029
Investment property	118,329	112,340	7,035,579	8,686,295	9,773,430
Intangible assets	22,632	43,477	29,247	121,539	239,367
Land use rights	1,390,218	1,865,068	2,034,522	2,052,170	2,536,458
Properties under development	25,700,500	40,080,095	44,638,652	52,727,068	52,342,374
Investment in an associate	114,351	56,791	34,492	884,492	3,873,349
Deferred income tax assets	1,449,327	1,800,022	2,770,111	3,786,942	7,822,313
Available-for-sale financial assets	—	206,329	208,667	214,998	175,410,313
Other non-current assets	201,722	33,333	21,374	1,446,884	927,174
	40,610,992	60,025,745	75,415,162	89,940,229	106,736,094
<b>Current assets</b>					
Properties under development	39,155,431	67,473,799	105,993,980	135,107,046	216,383,252
Completed properties held for sale	18,497,241	18,919,822	23,203,236	34,114,127	30,885,254
Inventories	347,514	572,863	2,095,143	1,978,437	2,203,727
Trade and other receivables	17,123,921	26,378,400	25,370,902	42,242,116	117,321,747
Prepaid taxes	3,927,083	6,189,210	8,739,706	9,490,355	14,042,259
Restricted cash	5,050,935	7,769,870	8,453,490	11,637,126	11,843,988
Cash and cash equivalents	11,809,031	18,909,719	18,760,590	36,258,795	84,834,044
Total current assets	959,115,156	1,462,136,883	1,926,170,477	2,720,160,988	4,848,355,507
Total assets	1,365,221,148	2,062,394,228	2,680,322,099	3,619,563,277	5,915,716,601
<b>Non-current liabilities</b>					
Senior notes	14,213,224	20,711,542	19,735,005	20,878,179	29,264,448
Bank and other borrowings	13,603,287	23,103,006	26,404,258	30,829,079	38,710,079
Deferred government grants	189,520	239,520	239,520	239,520	237,445
Deferred income tax liabilities	924,381	1,269,910	2,587,976	3,815,717	6,928,304
Total non-current liabilities	28,930,412	45,323,978	48,966,759	71,020,994	104,642,423
<b>Current liabilities</b>					
Advanced proceeds received from customers	33,353,645	63,417,952	91,792,491	96,516,079	192,408,932
Trade and other payables	19,030,298	30,914,620	40,924,965	73,385,200	151,789,260
Income taxes payable	7,227,236	8,137,481	8,976,132	8,905,412	15,310,412
Senior notes	—	2,348,003	2,538,757	—	7,043,440
Convertible bond	943,866	—	—	10,198	8,249,239
Bank and other borrowings	8,152,283	10,086,227	12,390,679	22,778,038	30,512,725
Total current liabilities	68,707,328	114,904,283	156,623,024	201,594,927	405,314,008
Total liabilities	97,637,740	160,228,261	205,589,783	201,594,927	405,314,008
Net current assets	27,203,828	31,309,400	35,994,023	70,421,171	79,521,499
Total assets less current liabilities	67,814,820	91,335,145	111,409,185	160,361,400	186,257,593
<b>Equity</b>					
Share capital and premium	19,368,755	205,492,555	24,262,047	29,212,611	25,677,217
Other reserves	1,901,964	181,677	563,355	3,942,139	4,484,042
Retained earnings	—	—	—	32,135,960	39,967,106
Proposed final dividend	2,527,303	3,105,759	3,001,893	—	—
Others	13,779,127	100,182	444,519	—	—
	37,577,149	237,733,663	281,450,309	89,340,406	81,615,170
Non-controlling interests	1,307,259	2,057,547	5,756,221	24,049,696	11,486,805
Total equity	38,884,408	46,011,167	62,442,426	160,361,400	186,257,593

## *Annex 2 Income statement of Country Garden Holdings Company Limited*

	2012	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	41890984	62724729	84548803	113222640	153086977
Cost of sales	-26551479	-43713256	-62493670	-90359341	-120850891
<b>Gross profit</b>	<b>15339505</b>	<b>18968619</b>	<b>22055133</b>	<b>22863299</b>	<b>32236086</b>
Other income and gains — net	103293	21480	185996	423985	1530465
investment properties				809812	711604
Selling and marketing costs	-2186059	-4303823	-4356272	-4688695	-7383618
Administrative expenses	-1568279	-2033277	-3159928	-3230024	-4970364
<b>Operating profit</b>	<b>11688460</b>	<b>12695853</b>	<b>16604965</b>	<b>16178377</b>	<b>22124173</b>
Finance income	153277	803249	254747	221079	532870
Finance costs	-279720	—	-450329	-1510589	-1628175
Finance costs — net	-126443	803249	-195582	-1289510	-1095305
Share of results of joint ventures and associates	-93689	-25949	-40258	-55758	361704
<b>Profit before income tax</b>	<b>11541913</b>	<b>13473153</b>	<b>16369125</b>	<b>14833109</b>	<b>21390572</b>
Income tax expenses	-4657351	-4625173	-5757225	-5121428	-7727349
<b>Profit for the year</b>	<b>6884562</b>	<b>8847980</b>	<b>10611900</b>	<b>9711681</b>	<b>13663223</b>
Profit attributable to Owners	6852651	8514104	10229159	9276485	11516815
Profit attributable to Non-controlling interests	31911	333876	382741	435196	2146408
<b>Cost of sales</b>	<b>26551479</b>	<b>43713256</b>	<b>62493670</b>	<b>90359341</b>	<b>120850891</b>
Selling and marketing costs	2186059	4303823	4356272	4688695	7383618
Administrative expenses	1568279	2033277	3159928	3230024	4970364
Finance costs	279720	—	450329	1510589	1628175
Finance costs — net	126443	803249	195582	1289510	1095305
Income tax expenses	4657351	4625173	5757225	5121428	7727349
Revenue	41890984	62724729	84548803	113222640	153086977
Gross profit	15339505	18968619	22055133	22863299	32236086
Other income and gains — net	103293	21480	185996	423985	1530465
Operating profit	11688460	12695853	16604965	16178377	22124173
Finance income	153277	803249	254747	221079	532870
Profit before income tax	11541913	13473153	16369125	14833109	21390572
Profit for the year	6884562	8847980	10611900	9711681	13663223
Profit attributable to Owners	6852651	8514104	10229159	9276485	11516815
Profit attributable to Non-controlling interests	31911	333876	382741	435196	2146408

### *Annex 3 Cash flow statement of Country Garden Holdings Company Limited*

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	3,994,913	2,822,408	6,543,405	-6,488,588	57,303,143
Income tax paid	-3,466,061	-4,817,435	-5,997,773	-6,144,944	-9,919,363
Interest paid	-3,012,054	-3,814,356	-4,877,497	-4,956,400	-6,121,022
Net cash used in operating activities	-2,483,202	-5,809,383	-4,331,865	-17,589,932	41,262,758
<b>Cash flows from investing activities</b>					
Net of cash acquired	—	-13,163	—	34,837	-595,296
Purchases of property, plant and equipment	-3,894,485	-4,777,165	-4,768,710	-2,197,538	-1,907,034
Purchases of intangible assets	-10,190	-37,776	-10,875	-12,467	-19,321
Purchases of land use rights	-1,679	-531,768	-337,450	-74,797	-545,019
Payment for investment property	—	-1,645	—	-344,564	-107,035
Investment in a joint venture	-5,000	—	—	-712,771	-5,295,417
Proceeds from disposal of property, plant and equipment	10,289	27,647	174,911	255,447	232,365
Interest received	132,382	290,708	254,747	221,079	532,870
Net cash used in investing activities	-3,968,683	-4,993,162	-4,687,277	-6,665,787	-20,457,345
<b>Cash flows from financing activities</b>					
Capital contributions from non-controlling interests	281,611	562,009	3,521,116	17,993,383	3,385,277
Redemption of convertible bond	—	-957,163	—	-400,000	-19,528,000
Net proceeds from the issuance of senior notes	—	9,136,339	4,849,502	-8,325,469	—
Proceeds from bank and other borrowings	16,921,991	24,552,236	17,974,590	32,895,610	36,535,512
Repayments of bank and other borrowings	-9,043,712	-13,268,573	-12,368,886	-20,779,394	-20,507,403
Dividends paid to the Company's shareholders	—	-1,709,847	-1,507,210	-4,773,575	-3,005,040
Dividends paid to non-controlling interests	-80,590	-83,400	-182,296	-50	-64,631
Net cash generated from financing activities	10,526,935	17,984,601	8,912,647	41,669,568	27,454,158
Net increase in cash and cash equivalents	4,075,050	7,182,056	-106,495	17,413,849	48,259,571
Cash and cash equivalents at the beginning of the year	7,744,362	11,809,031	18,909,719	18,760,590	36,240,752
Exchange losses on cash and cash equivalents	-10,381	-81,368	-42,634	66,313	146,576
Cash and cash equivalents at the end of the year	11,809,031	18,909,719	18,760,590	36,240,752	84,646,899