International Business & Economics Studies
ISSN 2640-9852 (Print) ISSN 2640-9860 (Online)
Vol. 5, No. 3, 2023
www.scholink.org/ojs/index.php/ibes

Original Paper

An Analysis of the Causes and Effects of the Out-of-Control Merger and Acquisition of Subsidiaries—A Case Study of the Great Wall of Culture Company

Yuqing Cai[1]

[1] Lanzhou University of Technology, Lanzhou, Gansu, Chian

Received: June 22, 2023 Accepted: August 03, 2023 Online Published: August 18, 2023

doi:10.22158/ibes.v5n3p139 URL: http://dx.doi.org/10.22158/ibes.v5n3p139

Abstract

The phenomenon of out-of-control of subsidiaries after mergers and acquisitions is becoming more and more prominent. Effective control of subsidiaries is the most important issue that needs to be paid attention to. How to reasonably and effectively control subsidiaries has become the focus of theoretical and practical research. Taking the acquisition of Jade Education by Great Wall of Culture as an example, this paper analyzes the causes of losing control after the acquisition and analyzes the impact of losing control subsidiaries on the enterprise by means of event research and financial index analysis. The study found that the main reasons for the out-of-control of subsidiaries are unreasonable performance commitment, excessive decentralization caused by cross-border mergers and acquisitions, and out-of-control caused by blind mergers and acquisitions. Moreover, the out-of-control subsidiaries are no longer included in the scope of consolidated statements, which has a significant impact on the operating conditions of enterprises. In order to prevent the subsidiaries from losing control, it is suggested to carefully select the target for merger and acquisition, conduct due diligence on the target enterprise before merger and acquisition, reasonably delegate decision-making power and enrich and improve the performance commitment agreement.

Keywords

merger and acquisition, the subsidiary is out of control, performance commitment

1. Introduction

M&A is the most common transaction behavior of enterprises. In the increasingly fierce market competition, enterprises will choose to conduct M&A transactions in order to get rid of the plight of limited development and to grow. According to the statistics of the CSRC, from 2013 to 2015 is a wave of mergers and acquisitions in the history of our country, with a growth rate as high as 75%. However, according to the latest report of China Online, the failure rate of mergers and acquisitions of Chinese enterprises has exceeded 80%. With the failure of enterprise merger and acquisition, a puzzling phenomenon has appeared in the capital market-merger and acquisition of controlling subsidiaries is out of control. On June 24, 2019, Culture Great Wall Group Co., Ltd. (hereinafter referred to as "Culture Great Wall") issued a notice about losing control of its subsidiaries, which stated that after Culture Great Wall acquired Jade Education Technology Co., Ltd. (hereinafter referred to as "Jade Education") in 2018, Jade Education did not obey the arrangement of its parent company and did not cooperate with the management of the company, but Culture Great Wall declared that it had lost control of Jade Education. What is more serious is that the core management team of Jade Education refused to cooperate with the audit of the achievement of performance commitments, which led to the failure of Dahua Certified Public Accountants to express its opinion on the 2018 audit report of Great Wall of Culture, seriously affecting the development of the enterprise.

It is no longer the case that subsidiaries lose control due to the failure of mergers and acquisitions in the capital market. Especially, the wave of mergers and acquisitions pushes enterprises to carry out a large number of blind mergers and acquisitions, which results in the inability of enterprises to complete mergers and acquisitions and the loss of control of subsidiaries. The so-called subsidiary out of control refers to the acquirer holding the equity of the acquiree but unable to manage the acquired enterprise, thus losing control over the acquiree. Once the subsidiary is out of control, in theory, the parent company will no longer include the subsidiary in its consolidated statements, and will need to re-measure the assets of the subsidiary and treat the long-term equity investment of the subsidiary differently, the Lian Feng xia study found that because changes in the scope of the consolidated statements could significantly affect corporate profits. Enterprises increase their own short-term interests through mergers and acquisitions. However, the impact of out-of-control subsidiaries is on the contrary. The specific causes of out-of-control subsidiaries and what impact they will have on enterprises are the purposes of this study.

2. Literature Review

2.1 Mergers and Acquisitions (M&A)

M&A has always been a hot topic in academic research. The success and failure of M&A directly affect the development of enterprises. Enterprises need to do due diligence and value estimation on the target enterprises before merger and acquisition. Due diligence usually takes a long time, but it is difficult to reflect the true data and information, and its effect is limited (Chen Qianzi, 2016); Asymmetric information and unreasonable valuation result in the difference between the two parties to the merger and acquisition in the estimated price, which leads to the failure of the merger and acquisition due to the price dispute between the two parties (Zeng & Zhang, 2017). A high valuation is accompanied by a high premium. The higher the premium, the lower the efficiency of economic synergy, which increases the possibility of impairment of goodwill (Liu &Wang, 2019). Therefore, in order to mitigate the high premium enterprises will sign performance compensation agreements with the acquired enterprises during the merger, so as to adjust the merger consideration and reduce the merger risk (Zhou & Wang, 2021). The most important stage of the success of M&A is the stage of M&A integration. The management ability is a positive factor to improve the efficiency of M&A integration and the performance of M&A (Zhang & Du, 2020).

2.2 Parent-Subsidiary Control

There is two-way influence between parent and subsidiary companies. On the one hand, consistency is a prerequisite for the joint development of parent and subsidiary companies. In order to achieve better consistency, the parent company will choose to control the subsidiary company. At the same time, the subsidiary company will voluntarily accept the control of the parent company. Higher consistency will have a positive impact on the performance of the subsidiary company (Chen Zhijun, 2019); The higher the degree of association between executives of parent and subsidiary companies, the higher the communication efficiency between parent and subsidiary companies, which can effectively reduce the supervision and coordination costs between parent and subsidiary companies. The higher the degree of business association, the higher the group status of subsidiaries. Subsidiaries will tend to obtain resources from parent companies (Zhao, 2021). In addition, the size of the parent company’s control rights will also have an impact on the subsidiary’s business activities, and the parent company’s over-enforcement of the control rights over the subsidiary will reduce the psychological safety of the subsidiary, thus undermining the enthusiasm of the subsidiary for development and growth; Too relaxed control of subsidiaries can, to a certain extent, ease the above-mentioned relationship between parent and subsidiary companies (Chen, 2021). On the other hand, due to the uncertainty of market development, the parent company will choose to grant certain rights to the subsidiary company to increase the autonomy of the subsidiary company. Generally, the form and size of the autonomy of the subsidiary company are the result of negotiation with the parent company. Appropriate decentralization of power from the parent company to the subsidiary company will, to a certain extent, contribute to the long-term development of the subsidiary company (Yang & Xu, 2020), the subsidiary has certain residual claim rights, which is also conducive to the realization of coordinated allocation of the parent and subsidiary, and is of great significance to the enhancement of corporate value (Zhang & Wang, 2015). Out-of-control of subsidiaries is a phenomenon in capital market in recent years. There are few literatures on how out-of-control of subsidiaries affects the parent company. Therefore, the research in this paper has certain significance for the expansion of this field.

3. Case Introduction

3.1 Both Parties to the Merger and the Merger Process

The acquirer is Guangdong Culture Great Wall Group Co., Ltd., hereinafter referred to as “Culture Great Wall”, which was established in 1996 and listed on the Growth Enterprise Market of Shenzhen

Stock Exchange in 2010. It is the first creative art ceramic enterprise listed on the Growth Enterprise Market in China and also a leading enterprise in the art ceramic industry. The prototype of the Great Wall of Culture belongs to the traditional ceramic industry. Due to the shrinking market of the ceramic industry, the Great Wall of Culture chose to cross-border transition to the education industry. The acquiree is Beijing feicui education group co., ltd, hereinafter referred to as “feicui education”, which was established in 2012 and is a group education instITution focusing on the training of practical it talents; Professional content includes six major segments, including mobile internet, art design, program development, movie and television animation, digital entertainment, marketing and operation. Under the solemn management of the co-founders, the company’s profit is extremely objective and is highly valued by the market.

On September 19, 2017, Cultural Great Wall and Emerald Education signed the “Share Issue and Cash Payment for Asset Purchase Agreement”, which agreed that Cultural Great Wall would purchase 100% equity interest in Emerald Education by way of share issue and cash payment. The transaction was successfully completed on March 9, 2018. Specific merger and acquisition processes include Table 1 As shown:

Table 1. The Runaway Process of the Great Cultural Wall

Time	Event
March 2016	The Great Wall of Culture, Linfeng Capital and Emerald Time and Space jointly established Xinyu Zhiqu, and the Great Wall of Culture is the largest shareholder of Xinyu Zhiqu.
May 2016	Xinyu Zhiqu acquired 10% shares of Jade Education through legal channels.
January 2017	Xinyu Zhiqu invested 200 million yuan in Emerald Education and acquired 14.12% of the shares of Emerald.
September 2017	Great Wall of Culture announced that it would purchase 100% equity interest in Jade Education by issuing shares and paying cash.
March 2018	Jade Education Completed Business Registration.
January 2019	When Great Wall of Culture released its 2018 annual results forecast, the stock price suddenly plunged, a large amount of funds fled, and the stock price dropped directly. But the anomaly is that the content of the performance forecast shows that Great Wall of Culture has performed very well.
April 2019	Great Wall of Culture released its 2018 annual report, maintaining the previous performance growth. However, in the financial report, the audit report given by Dahua Certified Public Accountants is unable to express an opinion.
June 2019	The Great Wall of Culture fully responded to the letter of inquiry from the Shenzhen Stock Exchange, clearly indicating that the emerald education was out

	of control.

3.2 Merger Subsidiary out of Control

After Cultural Great Wall acquired Jade Education, it included its subsidiary, Jade Education, in the consolidated statement in April 2018. However, at the end of 2018, Jade Education refused to cooperate with the annual audit of Cultural Great Wall, and Cultural Great Wall was therefore issued an audit report with non-standard opinion by an accounting firm. Since then, the Great Cultural Wall has been repeatedly questioned by the Shenzhen Stock Exchange. On the evening of June 23, 2019, the Great Cultural Wall admitted that it had lost control of the emerald education, and at the same time issued an out-of-control announcement. The announcement said that after the completion of the acquisition of the emerald education, the company completely lost control of the emerald education because the emerald education did not cooperate with the management of the company. According to the announcement, since March 2018, when 100% of the equity of Emerald Education was transferred to the name of Great Wall of Culture, the core management team of Emerald Education did not comply with the Articles of Association and internal approval authority of Emerald Education. Without the approval and consent of the shareholders or the board of directors of Emerald Education, the core management team of Emerald Education conducted many large-amount capital transactions with third parties without business relationship. In addition, Cultural Great Wall and Jade Education signed a performance commitment agreement. Before the performance commitment expired, the representatives and leaders of Jade Education appointed by Cultural Great Wall were blocked by Jade Education because of the failure of Jade Education to complete the performance of the current year. As a wholly-owned shareholder of Emerald Education, Cultural Great Wall has repeatedly proposed to access relevant information such as account books to Emerald Education, which was rejected by the management of Emerald Education.

As can be seen from the above performance, the core management team of Emerald Education is not controlled by the Great Wall of Culture. The Great Wall of Culture has no alternative but to say that based on the above-mentioned circumstances, it has been confirmed that the emerald education has lost its control and will not be merged with the emerald education in 2018.

4. Case Analysis

4.1 Reasons for Subsidiary Merger out of Control

4.1.1 Blind Selection of Merger Objects

In order to enter the education industry as soon as possible, the Great Wall of Culture has made a lot of acquisitions of educational enterprises. Before the acquisition of Emerald Education, it has also acquired Lianxun Education, Yingsheng Network, Zhiyou Zhenlong and other enterprises. However, the operating condition of Jade Education is not good. Net profits attributable to the owners of the parent company in 2015, 2016 and January to April 2017 were RMB21,307,600, RMB3,503,000 and

RMB6,237,300 respectively, with a downward trend. According to the performance commitment agreement signed during the merger and acquisition, Emerald Education needs to achieve a realistic performance of RMB90 million in 2017, a total net profit of RMB207 million from 2017 to 2018 and a total net profit of RMB359 million from 2017 to 2019. However, it is difficult to achieve the performance commitment according to the financial data of Great Wall Culture from 2015 to January to April 2017.

4.1.2 High Performance Commitment Triggers Strategic Error

The acquisition of 100% equity interest in Emerald Education by Great Cultural Wall in 2017 has indeed brought a significant return to the revenue of Great Cultural Wall. Behind the profit growth was the high performance commitment given by the subsidiaries, among which the performance commitments of Jade Education in 2018 and 2019 were RMB117 million and RMB152 million respectively. The founder of Emerald Education, Solemn, said before that if the business grows by 30% and the turnover increases by 15%-18%, the challenge is not too great. However, under the pressure, it is inevitable that the movement will be distorted. Under the pressure of performance gambling, “Emerald began to open a large-scale campus and change the way of enrollment, which was mainly from education enrollment directly to recruitment to enrollment, lowering the enrollment threshold. As a result, many students of Emerald Education did not approve the training of Emerald Education in its later period. Many students of Emerald Education announced on the Internet the dispute between the two because of the recruitment and enrollment. In the year following the signing of the Performance Pledge, 33 of the 63 companies controlled or invested by Jade Education were established between November 2016 and April 2017, accounting for half of the total. In other words, Emerald Education overfulfilled its performance promise in the gambling agreement in less than one year.

4.1.3 Over-Decentralization

The M&A of Great Wall of Culture is a cross-industry M&A. The industry before the M&A is the ceramic industry, while the target enterprise of the M&A is the education industry. The industry has a large span and the complexity of operation has increased. At the same time, the degree of information asymmetry has been aggravated. Therefore, in order to facilitate the development of Jade Education, Great Wall of Culture continues to employ the original management of Jade Education to maintain the development and market position of Jade Education. The Great Wall of Culture handed over the emerald education to its original management for management, which not only ensured the market position of the emerald education would not be severely affected, but also gave the management of the emerald education a great deal of rights, so that when it was discovered that the headquarters of the emerald education had been emptied, it was too late for the personnel inside the Great Wall of Culture to start to intervene in the investigation.

In addition, Cultural Great Wall announced that after the merger and acquisition, Cultural Great Wall will implement unified financial management for Emerald Education, and formulate and implement unified major accounting policies and financial management systems in accordance with the standard operating requirements of listed companies and the operating model and financial management characteristics of Emerald Education. However, the actual situation is inconsistent with the announcement. Cultural Great Wall did not implement unified financial management of Jade Education, and only sent a high-level person to serve as the chief financial officer of Jade Education. However, the chief financial officer did not have real power and had no access to the financial statements and related financial information of Jade Education. The core management team of Jade Education still controlled the financial information of the Company, which made Cultural Great Wall unable to provide financial statements of Jade Education in the 2018 annual review. The management of Jade Education did not obey the orders of Cultural Great Wall at all, which eventually led to the accounting firm issuing an audit opinion that could not be expressed.

4.1.4 The Capital Chain is Difficult to Flow and the Transfer Payment Is not Paid on Time

The 2018 annual report showed that the short-term borrowing of Great Wall reached 389 million yuan, up 67% year-on-year; Non-current liabilities due within one year amounted to RMB133 million, up 269% year-on-year; The balance of corporate bonds payable is RMB340 million, of which RMB18.86 million is bonds payable for one year. If the three items are added together, Cultural Great Wall will have to repay at least RMB542 million in one year. Not only that, the Great Wall of Culture borrowed 110 million yuan from Jade Education by taking advantage of its controlling position. . In addition, Cultural Great Wall still needs to pay 1,575 million yuan in cash transfer. The agreement stipulates that the lump-sum payment will be completed within 10 working days after the full amount of supporting funds is raised or within 90 days after the completion of equity settlement. However, in fact, Great Wall of Culture has paid only 145 million yuan and still owes 485 million yuan due to its large capital gap and in order to pay the transfer payment on time. This has caused dissatisfaction from Jade Education, and the shareholders of Jade Education filed a lawsuit against Great Wall of Culture to recover the transfer payment of the equity.

4.2 The Influence on Enterprise Caused by Out-of-Control of Subsidiary

4.2.1 Short-Term Market Response Analysis

Determining three important times for the event research method, the date of the event being June 24, 2019, when the Culture Great Wall released the announcement on the runaway of the wholly-owned subsidiary Jade Education; The window period is 20 trading days before and 20 trading days after the event; The estimated period is 120 trading days before the window period. The calculation results are as follows Figure 1 As shown:

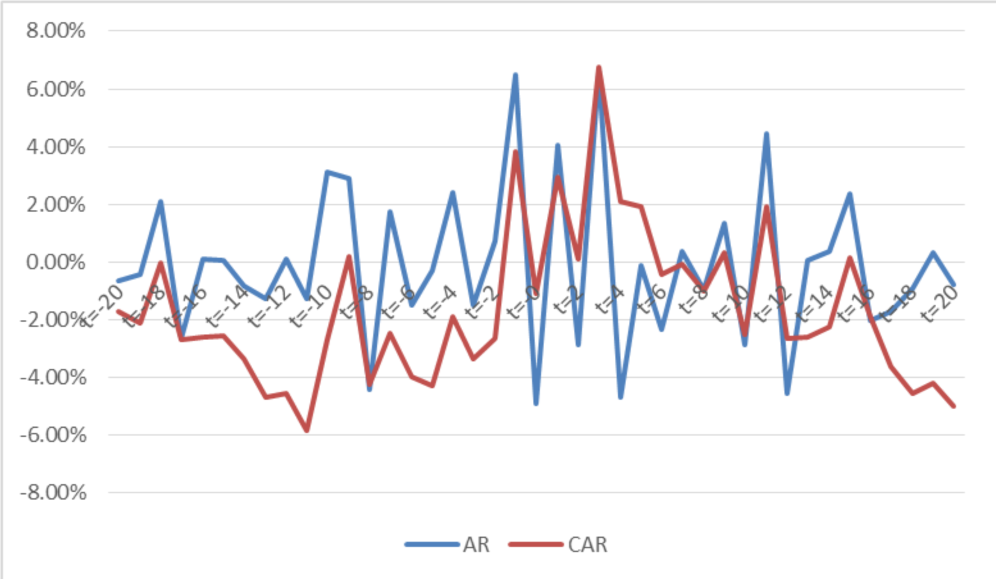


Figure 1. Short-Term Market Reflection on the Out-of-Control Event of the Great Wall of Culture

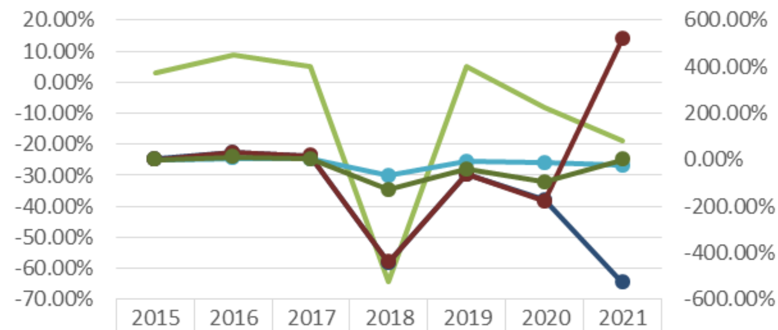
The cumulative rate of return of Great Cultural Wall remained basically stable before the information release date, but most of it was still in a negative state, because during this period, Great Cultural Wall lost control of Emerald Education, but also lost control of Lianxun Education, thus causing the cumulative rate of return to be in a negative state. In addition, a few days before the release of the information, the negative value of the cumulative return rate of the Great Wall of Culture increased, indicating that investors in the capital market have noticed that the Great Wall of Culture has problems in controlling the emerald education. Subsequently, the excess accumulation rate of Great Wall of Culture completely turned negative and continued to decline significantly, indicating that investors had completely lost confidence in Great Wall of Culture. Earlier, when Great Wall of Culture released the 2018 performance forecast that showed good results, but the stock price of that day plunged or even suspended trading, and a large number of capital fled. Since then, the 2018 annual report of Great Wall of Culture has been issued with no opinion, thus causing the excess return rate of Great Wall of Culture to remain almost negative. From this, it can be seen that if the merger fails, the market will question the existence of higher transaction costs, the benign nature of the assets acquired and the future prospects of both parties, causing the price of the acquirer to fall, seriously affecting the development of the enterprise and damaging the interests of the enterprise.

4.2.2 Analysis of Financial Indicators

Cultural Great Wall has not included Jade Education in the scope of consolidated statements since April 2018. The statement of subsidiaries will directly affect the financial position of the enterprise. Therefore, to further illustrate the impact of uncontrolled subsidiaries on the enterprise, financial data of two years before, three years during and two years after the performance commitment period of

Cultural Great Wall's acquisition of Jade Education are selected for analysis, i.e. from 2015 to 2021.

(1) profitability analysis



	2015	2016	2017	2018	2019	2020	2021
Retuen on Total Assets Rate	2.91%	9.02%	4.95%	-64.43%	4.91%	-8.12%	-18.97%
ROA	1.05%	7.51%	2.84%	-67.34%	-8.04%	-11.69%	-23.50%
Net Profit Ratio	2.78%	30.23%	13.58%	-443%	-63.45%	-172%	-529%
Operating Profit Ratio	1.51%	31.18%	15.90%	-441%	-61.81%	-179%	521%
ROE	1.56%	12.04%	4.10%	-130%	-39.80%	-96.59%	0

Figure 2. The Change Trend of Profitability Index of Cultural Great Wall

According to the announcement issued by Great Wall of Culture, Jade Education lost control in 2018 and has not been included in the consolidated financial statements since 2018. Therefore, for example Figure 2 As shown in the figure, after Emerald Education ceased to be consolidated, various profitability indicators of Cultural Great Wall changed significantly in 2018. All profitability indicators were positive before the performance commitment was signed. However, the profitability indicators dropped to negative values after the company lost control of Emerald Education in 2018. It can be seen that the profitability of Cultural Great Wall was insufficient after the subsidiary lost control, and the company may face the risk of not being able to maintain normal operating expenses; It also further shows that the integration effect of Cultural Great Wall's acquisition of emerald education is not good and has not achieved good synergy effect.

(2) the solvency analysis

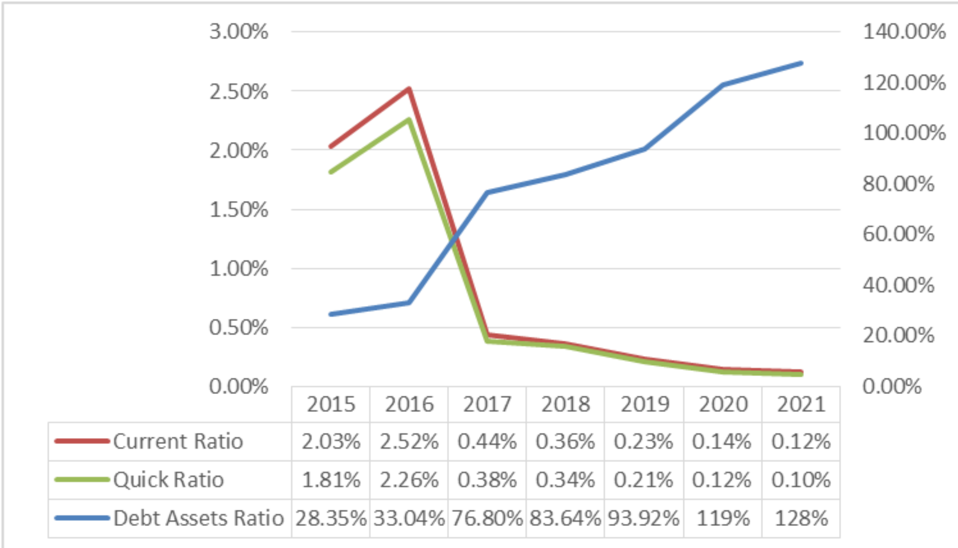


Figure 3. The Changing Trend of Debt-Paying Ability Index of Cultural Great Wall

such as Figure 3, since the acquisition of Jade Education in 2017, the asset-liability ratio of Great Wall has been increasing, reaching 128% in 2021, while the average value of the education industry was only 49.95% in 2021. The asset-liability ratio of Great Wall is far higher than the average value of the industry, which indicates that the debt-paying ability of Great Wall has not been improved but has been lowered and its development ability has been significantly reduced since the acquisition of Jade Education. In addition, the current ratio and the quick ratio also decreased significantly after the acquisition of Emerald Education, which indicates that the effect of the acquisition of Emerald Education by Cultural Great Wall is not good and the short-term debt-paying ability continues to decline. In addition, the net profit of Great Cultural Wall has changed from positive to negative since the emerald education lost control in 2018, and it has been in a deficit state for four consecutive years. As a result, Great Cultural Wall has also been ST, which indicates that the capital chain of Great Cultural Wall is in short supply, and there is a risk that the capital chain will be broken. The ability of continuous operation needs to be studied.

(3) Operational capability analysis

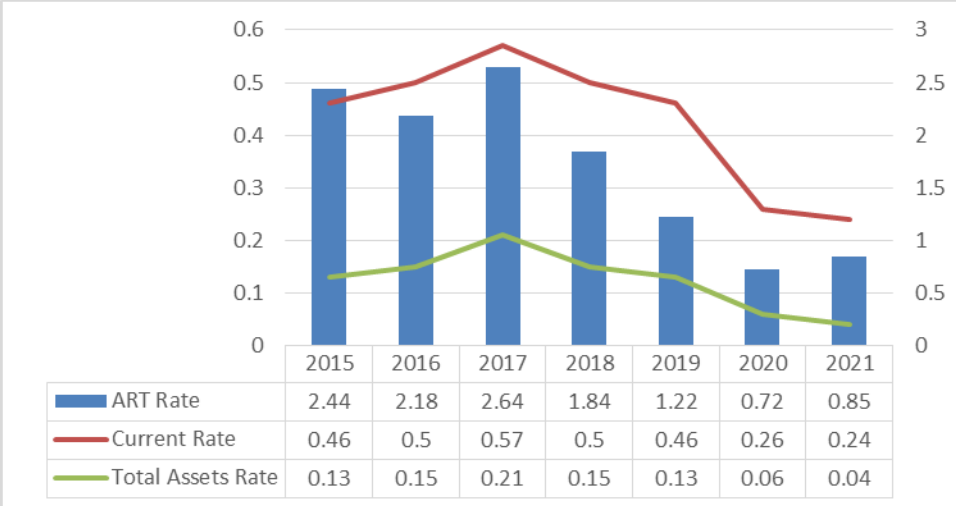


Figure 4. The Changing Trend of the Operational Capability Indicators of the Great Cultural Wall

such as Figure 4, the turnover rate of revenue after the merger of Great Wall of Culture showed an upward trend in the first year of the merger, but in 2018, with the runaway turnover rate of revenue of Emerald Education decreased significantly, in addition, the turnover rate of current assets and the turnover rate of total assets also showed the same trend, which indicates that the initial merger brought positive impact to Great Wall of Culture, but the "presentation" of the subsidiary of Emerald Education seriously affected the operation ability of the enterprise.

(4) analysis of growth ability

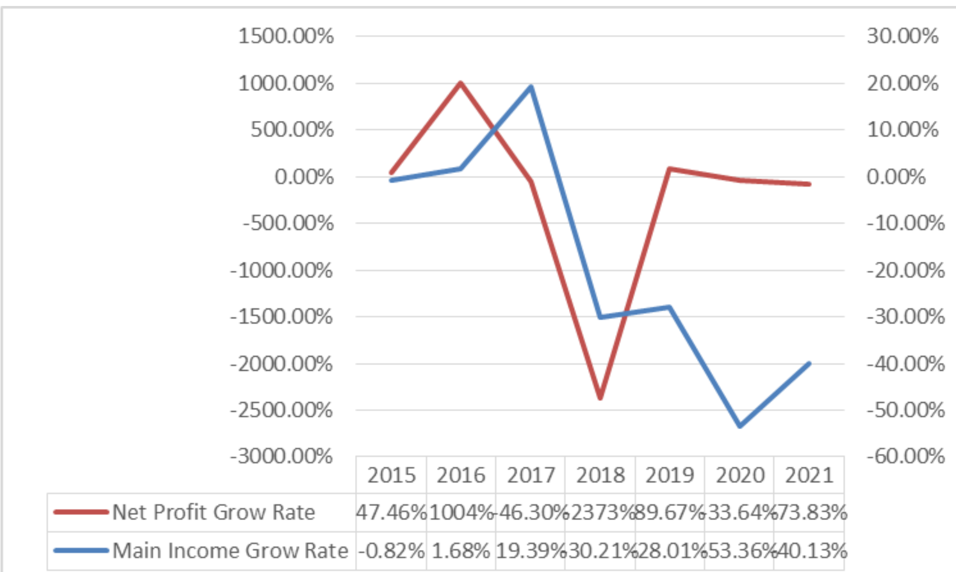


Figure 5. The Changing Trend of Growth Ability Indicators of the Great Wall of Culture

such as Figure 5, during the first two years before the acquisition of Emerald Education, Cultural Great Wall had a good development trend. The growth rate of net profit and the growth rate of operating income showed an upward trend, especially the growth rate of net profit reached 1004% in 2016. In 2017, Cultural Great Wall acquired Emerald Education. As the development scale of Emerald Education was large and the profit was good, it further increased the operating income of Cultural Great Wall. However, in 2018, Emerald Education went out of control and was no longer included in the consolidated financial statements of enterprises, resulting in a significant decrease in the growth rate of net profit and the growth rate of operating income. Since then, Great Wall of Culture has also been actively and harmoniously developing, and its growth capacity has been improved, but the overall growth has not been fully restored to the level before the merger and acquisition. It shows that M&A has no significant positive effect on the growth ability of Great Wall of Culture.

To sum up, it can be seen that the acquisition of emerald education by Great Wall of Culture did not play a positive role at all. Not only did the merger and acquisition cost a large amount of capital, resulting in a significant decrease in its own solvency and difficult capital turnover, but also the failure of merger and acquisition to exclude subsidiaries from the consolidated financial statements seriously affected the development, profitability, development ability and operation ability of the enterprise.

5. Measures and Recommendations

5.1 Make Adequate Investigation and Preparation before Merger and Acquisition

There are many factors that affect the success of the merger and acquisition. Whether the enterprise is sufficiently aware of the important position of the merged enterprise, the enterprise must conduct multiple inspections of the merged enterprise to obtain as much information as possible. It can stretch the front and fully examine whether there are potential risks in the development of human resources, technology, finance and management of the merged enterprise, and consider whether the merger and acquisition can produce synergistic effects so that both parties to the merger and acquisition can enhance the enterprise value. At the same time, it is necessary to objectively evaluate and predict the development prospect of the target enterprise, and carefully select the target of merger and acquisition in combination with the enterprise’s own situation.

5.2 Optimize the Management and Control Mode and Reasonably Coordinate with the Decision-Making Power

Cultural Great Wall’s Management of Emerald Education: Decentralization, Separation of Management Rights and Management Rights will stimulate the management’s opportunistic behavior, which will lead to the management’s abuse of power. Therefore, the parent company must take measures to contain the subsidiaries on the basis of ensuring certain power. On the one hand, the management of the parent company must master the custody and control of the important license seal of the subsidiary company, and the subsidiary company can apply for use when necessary; On the other hand, it is necessary to set restrictive terms for the management activities that the subsidiaries are responsible for.

For capital businesses that fall within the scope of daily operations but involve relatively large amounts, they must be reported to the management of the parent company for approval by the board of directors before they can be executed.

5.3 Improving the Rationality of Performance Commitment Setting

The rationality of performance commitment is crucial to whether the acquired enterprise can be completed on schedule. First, the acquirer should scientifically and reasonably evaluate the profitability of the target enterprise and set reasonable performance commitment targets based on the actual situation of the target enterprise; Secondly, to enrich the indicators of performance commitment, the Great Wall of Culture only stipulates the profit indicators of Jade Education, which is too single and can reflect too little information, and can add the provisions of non-financial indicators. Finally, a performance commitment reward system can be set up. When the performance commitment is not completed, the merged enterprise needs to compensate the rest of the performance, which undoubtedly exerts pressure on the merged enterprise. Therefore, a reward system can be set up to motivate the merged enterprise.

References

Chen, Q. Z. (2016). Due Diligence in Merger and Acquisition. *China Finance*, *2016*(13), 85-86.

Chen, Z. J., Liu, X. L., & Dong, M. T. (2019). Consistency between Parent and Subsidiary Companies and Subsidiary Performance: Mediating Role of Parent Companies' Attention Allocation. *Economic and Management Research*, *40*(12), 128-140.

Chen, Z. J., Sun, L. Z., & Dong, M. T. (2021). Research on the Relationship among Power of Parent, Psychological Safety of Subsidiary and Cooperative Behavior. *Modern Finance (Journal of Tianjin University of Finance and Economics)*, *41*(05), 99-113.

Lian, F. X. (2013). Scope Changes Impact on Book Performance of Consolidated Financial Statements. *Applied Mechanics and Materials*, *2617*(380-384). https://doi.org/10.4028/www.scientific.net/AMM.380-384.4494

Liu, X. H., & Wang, J. Y. (2019). Premium Mergers and Acquisitions, Impairment of Goodwill and Volatility Effect of Stock Returns. *Financial Economics Research*, *34*(03), 83-93.

Xu, H. X. (2008). Analysis on the Difference of Net Profit between the Parent Company's Statement and the Consolidated Statement. *Accounting Newsletter (Consolidated Edition)*, *2008*(02), 98-99.

Yang, Y. Y., & Xu, X. Y. (2020). The Effect of Subsidiary Autonomy on Corporate Performance: The Moderating Role of Chain Directors. *Economic and Management Research*, *41*(01), 118-130.

Zeng, C. H., Zhang, X., & Hu, G. L. (2017). High Premium Mergers and Acquisitions and the Risk of Stock Price Collapse: Agency Conflict or Overconfidence?. *Business Research*, *2017*(06), 124-130.

Zhang, X. Z., & Du, C. M. (2020). Management Competence and Value Creation in the Merger and Acquisition Process. *Research on Financial Issues*, *2020*(12), 78-88.

Zhang, X. Z., & Wang, C. Y. (2022). Remaining Claims, Collaborative Allocation Model of Parent-subsidiary Companies and Corporate Value. *Journal of Management*, *35*(02), 68-86.

Zhao, Y. J., Chen, Z. J., & Zheng, L. (2021). The Impact of Parent-subsidiary Relationship on Technology Innovation: The Mediating Role of Parent's Differentiation Support. *dongyue tribune*, *42*(01), 125-135.

Zhou, L. F., Li, X. L., & Wang, J. Q. (2021). Risk Analysis of Enterprise Mergers and Acquisitions Based on Performance Bet. *Journal of Finance and Accounting*, *2021*(01), 59-66.