

Finance research on China's real estate market under the Covid-19: Taking Country Garden as an example

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Keywords: Covid-19, real estate, Country Garden, financial analysis, qualitative analysis

Abstract: The epidemic that broke out in early 2020 has had a greater impact on various industries in China, and real estate as a pillar industry of the Chinese economy cannot be avoided. By comparing the development of China's real estate market before and after the epidemic, we can clarify the impact of the epidemic and make predictions about the development of real estate in the next few years. This article selects Country Garden Group as a representative of the real estate industry and selects 2017~2019 and 2019~2021 as the time range for financial and non-financial analysis. The analysis results show that before the epidemic, Country Garden Group was in an overall upward development trend. Under the influence of the 2020 epidemic, the group's finances and the market declined, but after the epidemic eased in the second half of 2020, the group's market also recovered and there is a trend of continued recovery. Country Garden Group represents the leading real estate company in China. This article is a deeper theoretical analysis of the group's financial data, and combined with the current market and new regulatory policies under COVID-19, it proposes its future practical direction. Large real estate companies such as Country Garden Group should accelerate their transition to green development and expand their business scope to catering, hotels, schools and other fields.

1. Introduction

Real estate is an important economic industry in China, and the Covid-19 epidemic in early 2020 has had a certain impact on this industry. This article hopes to conduct a qualitative and quantitative analysis of the marketing situation of the Country Garden Group in real estate companies, find out the market changes before and after the epidemic, and make relevant recommendations for its follow-up development based on the analysis results.

This article is divided into four parts: literature review, quantitative analysis, qualitative analysis and summary. In the literature review, we will focus on reviewing China's real estate development experience and the impact of the epidemic on it. In the qualitative and quantitative analysis part, ROC analysis, SWOT analysis and other methods will be used to analyze the group's financial report and the company itself. The final conclusions and recommendations will be put forward in the conclusion section.

2. Literature review

2.1. Past development of China's real estate market

The Chinese real estate market started in the late 1980s [1]. Since then, the real estate system has gone through decades of development and changes with the change of economic system, from housing allocation and supply system, land use rights system, real estate transaction system, real estate investment and financing system, and a series of development stages [2]. Although the rise of the real estate market and system originated in the 1980s, strictly speaking, there was no real estate market in

the sense that it was only "product housing" before 1990. The real estate market in China did not have "commodity houses" until later when it started for individuals to purchase houses, and the real estate market really emerged [3]. With the gradual establishment and improvement of the socialist market economy system since 1992, China has further promoted the reform of the urban housing system, which has greatly contributed to the rapid development of China's real estate market. From 1992 to 1998, which is precisely the period of adjustment of China's real estate industry and the formation of real estate market after the reform and opening up, China's real estate industry entered a period of healthy and orderly development afterwards [4]. The monetization of housing allocation and the stimulation of the residential consumer market have greatly contributed to the development of China's real estate market [5]. After 2002, China's real estate market reached another stage of rapid development and began to become a major force driving the development of the national economy [6]. The impact of the SARS epidemic in 2003 launched an impact on the real estate industry, especially in the southeastern coastal region, where the real estate market began to experience rapid price increases. The impact was further amplified in 2004, as China's commodity housing prices continued to increase by more than double digits, and the situation has spread rapidly from the eastern coastal regions to the inland regions and the whole country. In order to control the rapid rise of real estate market prices, the Chinese government has taken a series of macro-control measures on the real estate market from various aspects, such as financial credit, land reserves and consumption efforts, to stabilize the real estate industry prices. In 2005, the government increased its macro-control efforts to maintain the stable growth of the real estate industry [7]. After more than a decade of rapid and sustained growth, China's real estate market peaked in 2007 [8]. In 2008, with the arrival of the global financial crisis, China's real estate industry, which had been growing for many years, experienced a decline for the first time, accompanied by low real estate prices, declining sales volume, and a gradually shrinking market [9]. Although the residential market rebounded significantly in 2009, it also failed to bring commercial real estate out of the doldrums [10]. Since the end of 2009, the Chinese government has increased the macro-control of the real estate market, aiming to help the real estate market out of the difficulties caused by the financial crisis [11]. The year 2011 was the most severe year for the government to regulate and control the real estate market and the most effective policy implementation. The policies of purchase restriction, loan restriction, and price restriction were gradually refined and upgraded to suppress investment and speculative demand and curb the rapid rise of housing prices [12]. After two consecutive years of severe real estate regulation in 2010 and 2011, by the end of 2011, commodity housing prices fell back finally, and the real estate market fell into a period of depression [13]. In 2013, the Chinese government continued the tone of strict real estate regulation policies, the transformation of the Chinese economy actively slowed down the growth rate and the macro economy started to gradually warm up. Under the national tightening control policy, real estate basically started to maintain a stable and steady upward trend in 2017. However, the current market environment is still complex and competition is intensifying, and the real estate industry is still highly uncertain afterwards. The trend of the real estate market in 2018 basically continued the state of affairs in 2017 [14].

2.2. COVID-19's impact on China's real estate market

In 2019, China's real estate has been affected by a combination of negative factors such as macroeconomic downturn, intensified trade friction between China and the United States, sluggish real economy, and lack of income growth for most people, but real estate prices have increased rather than decreased [15]. The basic pattern of the national real estate market in 2019 is likely to be a stable price increase, so much so that the government's goal for real estate regulation in 2019 is to "stabilize land prices, stabilize housing prices, and stabilize expectations" [16]. The new crown pneumonia epidemic, which began in December 2019, rapidly fermented and spread in the Spring Festival of 2020, and as of February 11, 2020, as many as 40,000 people have been diagnosed, and its hidden transmission pathway and the ineffective precautionary measures have had a huge impact on the macroeconomy and real estate industry [17]. The development of the real estate industry was once brought to a standstill by the sudden outbreak. Compared with the pre-epidemic period, the resumption

of real estate development enterprises in 2020 was delayed, especially the construction sites with high risk of population movement were hit more severely. With the suspension of construction sites, some projects will also stop moving forward and blame the delayed delivery of pre-sold houses on "force majeure of the epidemic outbreak" [18]. In order to control the impact of the new crown outbreak on the real estate market, the Chinese government continued to implement the purchase restriction policy to regulate the real estate market. In addition, a series of loose monetary policies introduced after the epidemic also had a moderating effect on the real estate market [19]. In 2021, the macro capital surface remains reasonably abundant, the economic operation continues to improve, the overall real estate regulation will remain continuous and stable, adhere to the "housing does not fry", city-specific policies to ensure the stable operation of the market. The development of the national real estate market will further slowdown, showing an overall "small adjustment in sales area, the average price rose steadily, new construction to maintain a high level, investment in high growth" characteristics [20].

In summary, China's real estate market has experienced rapid development for decades since the 1980s. Although the real estate industry has experienced the impact of financial turmoil, subprime mortgage crisis and other major events, the government's macro-control has caused too much adverse effects. At the end of 2019, COVID-19, which has a huge impact to this day, is a huge test for the financial stability and market sales of China's real estate market and enterprises. However, with the joint efforts of the government and real estate companies, it is expected that it will be able to recover and enter a stable stage starting in 2021.

3. Data and methods

3.1. Company introduction

Country Garden Group is headquartered in Shunde District, Foshan City, Guangdong Province, China. Starting from developing its first property in 1992 Starting from developing its first property in 1992 to listing on the Hong Kong Stock Exchange in July 2007, then stepping out of China to start overseas investment in 2011 and finally reaching 771.5 billion yuan in annual sales in 2019, firmly ranking first in China's real estate industry. Today, Country Garden Group has expanded its business to include residential, school, hotel, restaurant, robotics, modern agricultural development and many other areas around real estate, and always adheres to the Today, Country Garden Group has expanded its business to include residential, school, hotel, restaurant, robotics, modern agricultural development and many other areas around real estate, and always adheres to the green, ecological and smart city construction concept that is different from traditional property developers. This is an important reason for it to establish its original value ahead of other companies in the industry. As of June 30, 2021, Country Garden Group operates 3,157 projects in various stages of development, of which 3,127 projects are located in Mainland China and 30 are located outside of Mainland China, The Group operates in all provinces, regions and municipalities in China, as well as in foreign countries and regions such as Thailand, Malaysia and Australia [21].

3.2. Data Source

Country Garden Group is one of the largest groups in the real estate industry in China, so this paper uses the development of Country Garden Group as a representative and metaphor for the development of the real estate market in China. The data analysis in this paper is based on Country Garden's financial data, and the financial statements and phased statements and other information from 2017-2021 used are all from Country Garden Group's official website [22].

4. Results and discussion

COVID-19 in China starts at the end of 2019 and the full outbreak is at the end of January 2020. Therefore, in this paper, in order to explore the impact of the new epidemic on the Chinese real estate market and the subsequent development, the point in time when the outbreak started is used as a dividing line and the financial data of Country Garden Group is divided into two phases. 2017-2019

as the usual yearly development results before the outbreak and 2019-2021 to date as the impact after the outbreak year development results.

The formulas that will be used in the subsequent analysis include:

$$\% \text{ of change} = \frac{\text{later period amount} - \text{base period amount}}{\text{base period amount}} \quad (1)$$

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current assets}} \quad (2)$$

$$\text{Total asserts turnover} = \frac{\text{Revenue}}{\text{Total Assets}} \quad (3)$$

4.1. 2017-2019

4.1.1 ROC analysis

According to the data of Country Garden, we can plot the trend of the basic data of revenue, gross profit, net profit and sales expense, and plot the growth rate according to the formula of ROC, as shown in Table 1 and Figure 1, Figure2

Table 1. ROC calculation 2017~2019

| ROC | Country Garden | | | | | |
|-----------------------------------|-----------------------|----------|------|----------|-------|----------|
| | ¥ amounts in millions | 2017 | ROC | 2018 | ROC | 2019 |
| Revenues | | 226,900 | 0.67 | 379,079 | 0.28 | 485,908 |
| Cost of sales | | -168,115 | 0.65 | -276,603 | 0.30 | -359,271 |
| Gross profit | | 58,785 | 0.74 | 102,476 | 0.24 | 126,637 |
| Selling and marketing costs | | -10,002 | 0.25 | -12,533 | 0.31 | -16,365 |
| Research and development expenses | | -693 | 0.77 | -1,224 | 0.61 | -1,973 |
| Operating profit | | 43,598 | 0.77 | 77,018 | 0.20 | 92,660 |
| Administrative expenses | | -7,269 | 1.28 | -16,601 | 0.06 | -17,538 |
| EBT | | 46,522 | 0.71 | 79,563 | 0.24 | 98,939 |
| Taxes | | -17,770 | 0.75 | -31,021 | 0.22 | -37,737 |
| Net profit | | 28,752 | 0.69 | 48,542 | 0.24 | 60,202 |
| Earning per share (in ¥) | | 1.23 | 0.31 | 1.61 | 0.15 | 1.85 |
| Full-time employees | | 124,837 | 0.05 | 131,387 | -0.23 | 101,784 |

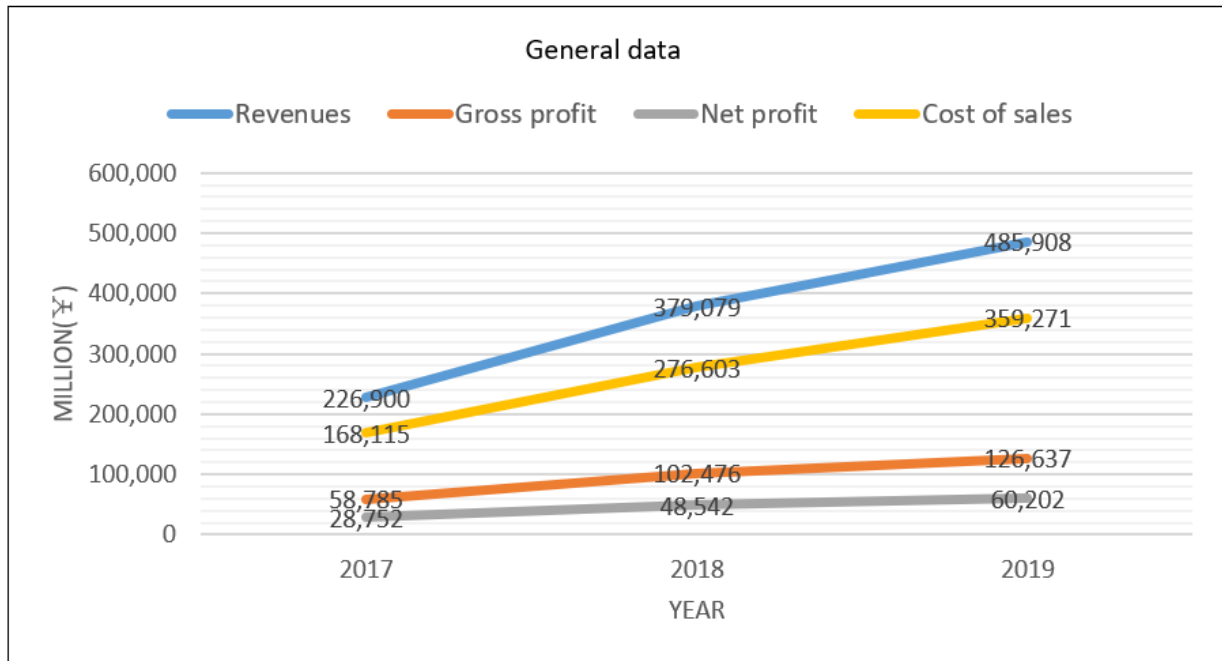


Figure1 General data line chart 2017~2019

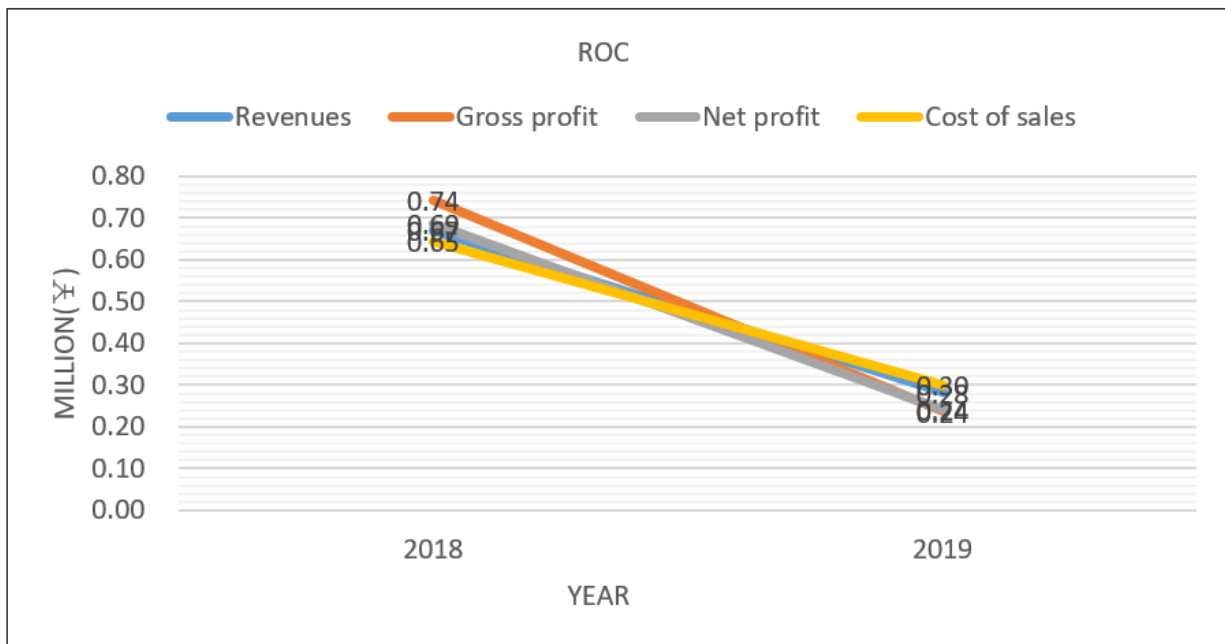


Figure2 ROC line chart 2018~2019

Total revenue, profit, and profit margin from the raw data were first analyzed. Looking at the figure 1, we can see that Country Garden's total revenue is on an upward trend between 2017 and 2019 and achieved total sales of RMB 4859.08 million in 2019. Profit and gross profit were also up during this period, but the trend of profit growth was significantly flatter than the trend of total sales growth. The reason for this is that every year, the amount of money spent by Cinnamon on sales is also growing at almost the same trend as the total revenue. Then we analyze the ROC chart. From the chart it is quite intuitive to see that the growth rate has been on a downward trend despite the annual increase in total revenue and profit.

4.1.2. Income Statement and Balance Sheet Analysis

4.1.2.1. Income Statement Analysis

Table 2. Vertical Analysis 2017~2019

| Trend | Country Garden | | | | | |
|-----------------------------------|----------------|---------------------|------------|---------------------|-------------|---------|
| | 2017 | Vertical Analysis % | 2018 | Vertical Analysis % | 2019 | |
| ¥ amounts in millions | | | | | | |
| Revenues | 226,900.00 | 100.00% | 379,079.00 | 100.00% | 485,908.00 | 100.00% |
| Cost of sales | -168,115.00 | 74.09% | 276,603.00 | 72.97% | -359,271.00 | 73.94% |
| Gross profit | 58,785.00 | 25.91% | 102,476.00 | 27.03% | 126,637.00 | 26.06% |
| Selling and marketing costs | -10,002.00 | 4.41% | 12,533.00 | 3.31% | -16,365.00 | 3.37% |
| Research and development expenses | -693.00 | 0.31% | 1,224.00 | 0.32% | -1,973.00 | 0.41% |
| Operating profit | 43,598.00 | 19.21% | 77,018.00 | 20.32% | 92,660.00 | 19.07% |
| Administrative expenses | -7,269.00 | 3.20% | 16,601.00 | 4.38% | -17,538.00 | 3.61% |
| EBT | 46,522.00 | 20.50% | 79,563.00 | 20.99% | 98,939.00 | 20.36% |
| Taxes | -17,770.00 | 7.83% | 31,021.00 | 8.18% | -37,737.00 | 7.77% |
| Net profit | 28,752.00 | 12.67% | 48,542.00 | 12.81% | 60,202.00 | 12.39% |

As the Table 2 shows, we can intuitively see that cost of sales, which accounts for about 75% of total revenue, is the largest share of expenses. As for the percentage of gross profit and net profit, they are basically maintained at around 25% and 12%, except for the impact of the epidemic outside 2020. This indicates that the company is in a relatively stable state of operation. At the same time, we can see that Country Garden Group is investing an increasing proportion of capital in R&D, while administrative expenses are decreasing year by year. This indicates that the Group may be optimizing its industrial structure, improving its innovation capacity and reducing unnecessary expenses.

4.1.2.2. Balance sheet analysis

Make the balance sheets as shown in Table 3.

Current assets are the total amount of all realizable assets that the company can sell, consume, and use through its operations within one year. It usually includes assets such as cash, bank deposits, securities, and amounts owed by other companies. The amount of current assets reflects the cash and liquidity that a company can provide for its operations and is an assessment of the value and risk of the operations [25]. Generally speaking, the greater the proportion of current assets to total assets, the more capital a company has at its disposal and the higher its operating capacity. Non-current assets are the opposite and represent the total amount of assets that cannot realistically be fully realized in value within one year, i.e., the portion that cannot be converted to cash. It usually includes assets such as land, heavy machinery, and fixed facilities. Non-current assets are equivalent to the company's long-term reserve assets, but may require consideration of depreciation, depletion, and other asset losses [26].

Table 3. Balance sheets 2017~2019

| ¥ amounts in millions | Country Garden | | | | | |
|------------------------------|----------------|---------|-------------|---------|-------------|---------|
| | 2017 | | 2018 | | 2019 | |
| Assets | | | | | | |
| Non-current assets | 181,754 | 17.32% | 229,944 | 14.11% | 275,635 | 14.45% |
| Current assets | 867,915 | 82.68% | 1,399,750 | 85.89% | 1,631,517 | 85.55% |
| Total assets | 1,049,669 | 100.00% | 1,629,694 | 100.00% | 1,907,152 | 100.00% |
| Liabilities | | | | | | |
| Non-current liabilities | 163,520 | 17.53% | 236,880 | 16.27% | 289,792 | 17.16% |
| Current liabilities | 769,537 | 82.47% | 1,219,406 | 83.73% | 1,398,752 | 82.84% |
| Total equity and liabilities | 933,057 | 100.00% | 1,456,286 | 100.00% | 1,688,544 | 100.00% |
| Current Ratio | 1.127840507 | | 1.147894959 | | 1.166409056 | |

Table 4. Current ratio calculation results 2017~2019

| Country Garden | 2017 | 2018 | 2019 |
|---------------------|-------------|-------------|-------------|
| Current assets | 867,915 | 1,399,750 | 1,631,517 |
| Current liabilities | 769,537 | 1,219,406 | 1,398,752 |
| Current ratio | 1.127840507 | 1.147894959 | 1.166409056 |

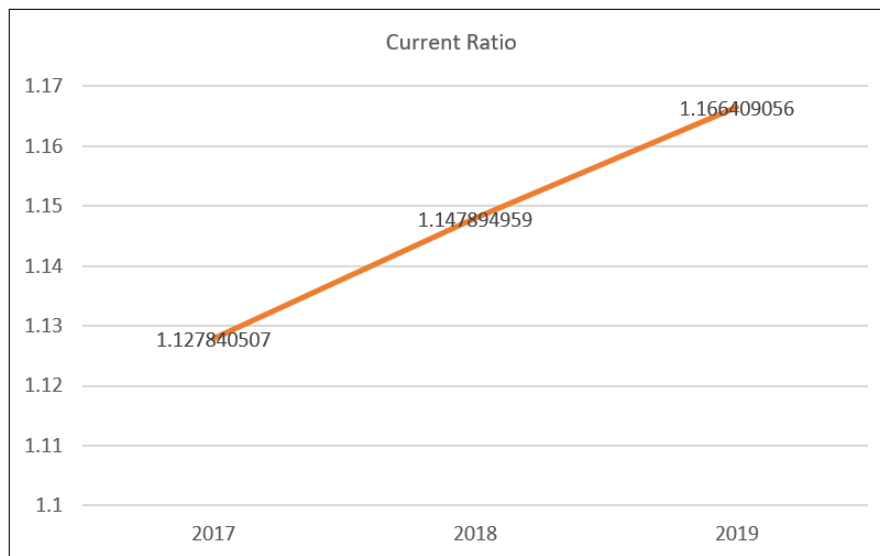


Figure3 Current ratio line chart 2017~2019

A current liability is a company's debt that is due to be repaid within one year. It usually includes amounts owed to other companies and is often repaid from current assets. Current arrears compared to current assets can tell management whether the current capital chain of the company can support the company's growth and whether the shortfall needs to be covered by borrowing and selling assets [27]. Non-current liabilities, also known as long-term liabilities, are obligations that will be repaid when due after one year. Non-current liabilities usually include long-term leases and purchased services, long-term loans, and other debts. Comparing illiquid liabilities to total assets can be used to assess a company's leverage, that is, its financial exposure and ability to repay [28]. According to the data in the above table, we can find that Country Garden's liquid assets ratio has been stable at around 85% with an increasing trend. This indicates that Country Garden Group has better operating potential and solvency. Also, according to the chart, the liquidity ratio of Country Garden Group's capital is increasing year by year, indicating that the proportion of fixed assets within the group is decreasing year by year. While bringing greater solvency, it may also increase the risk of the Group's operations.

4.1.3. Efficiency Analysis

Table 5. Total assets turnover 2017~2019

| ¥ amounts in millions | Country Garden | | |
|------------------------------|----------------|-------------|-----------|
| | 2017 | 2018 | 2019 |
| Year | | | |
| Revenue | 226,900 | 379,079 | 485,908 |
| Total assets | 1,049,669 | 1,629,694 | 1,907,152 |
| Total assets turnover | 0.216163381 | 0.232607471 | 0.254782 |

As the table shows, Country Garden's asset turnover ratio is on an upward trend from 2017 to 2020 and reaches 0.25 in 2019, higher than Wanke Group's 0.22 and Hengda Group's 0.23 for the same period. As a result, Country Garden's competitiveness in the real estate market is steadily increasing.

4.1.4. Investment Analysis

Table 6. P/E ratio 2017~2019

| ¥ amounts in millions | Country Garden | | |
|------------------------|----------------|-------------|-------------|
| | 2017 | 2018 | 2019 |
| Year | | | |
| Market Value per Share | 5.46 | 7.85 | 11.16 |
| Earnings per Share | 1.23 | 1.61 | 1.85 |
| P/E ratio | 4.43902439 | 4.875776398 | 6.032432432 |

As the table shows, Country Garden Group's P/E ratio has been increasing year by year, which indicates that the price of the company's stock is increasing. It indicates that Country Garden Group still has high competitiveness in the industry.

In summary, the overall development of Country Garden Group from 2017 to 2019 shows a steady upward trend, which is reflected in the increase in revenue, profit, stock data and other data. Therefore, before the outbreak of the epidemic, Country Garden Group was in a healthy and stable state of development.

4.2 2019-2021 (First half of year)

The year 2020 was an important turning point, a year in which all industries in China were affected by the epidemic, and the real estate industry was no exception. The epidemic situation in China starts to improve in the second half of 2020, and the real estate sector starts to recover. Therefore, the analysis of data before and after the year of the outbreak is an important way to study the future trend of Country Garden Group. In order to compare with the situation before the outbreak, we chose to use the same parameters and calculation methods. Since Country Garden Group's 2021 year-end report has not yet been released, the data for this period are taken from the financial reports for the first half of 2019, 2020 and 2021 in order to ensure comparability.

4.2.1. ROC analysis

Based on 2019 to 2021, we can plot the trend of changes in the base data of four parameters: revenue, gross profit, net profit, and sales spend, and plot the changes in growth rate based on the formula of ROC.

Table 7. ROC calculation in the first half of 2019~2021

| ROC ¥ amounts in millions | Country Garden | | | | |
|-----------------------------------|----------------|-------|------------|-------|-------------|
| | 2019 | ROC | 2020 | ROC | 2021 |
| Revenues | 202,006 | -0.08 | 184,957 | 0.27 | 234,930.00 |
| Cost of sales | -147,150 | -0.05 | -140,070 | 0.35 | -188,646.00 |
| Gross profit | 54,856 | -0.18 | 44,887 | 0.03 | 46,284.00 |
| Selling and marketing costs | -9,098 | -0.24 | -6,894 | 0.12 | -7,700.00 |
| Research and development expenses | -620 | 0.66 | -1,030 | 0.25 | -1,291.00 |
| Operating profit | 36,266 | -0.13 | 31,418 | 0.03 | 32,220.00 |
| Administrative expenses | -9,571 | -0.31 | -6,574.00 | -0.05 | -6,213.00 |
| EBT | 39,488 | -0.09 | 35,887 | 0.04 | 37,245.00 |
| Taxes | -16,431 | -0.15 | -13,961.00 | 0.06 | -14,825.00 |
| Net profit | 23,057 | -0.05 | 21,926 | 0.02 | 22,420.00 |
| Earning per share (in ¥) | 0.73 | -0.10 | 0.66 | 0.05 | 0.69 |
| Full-time employees | 116,606 | -0.25 | 87,851 | 0.06 | 93,472.00 |

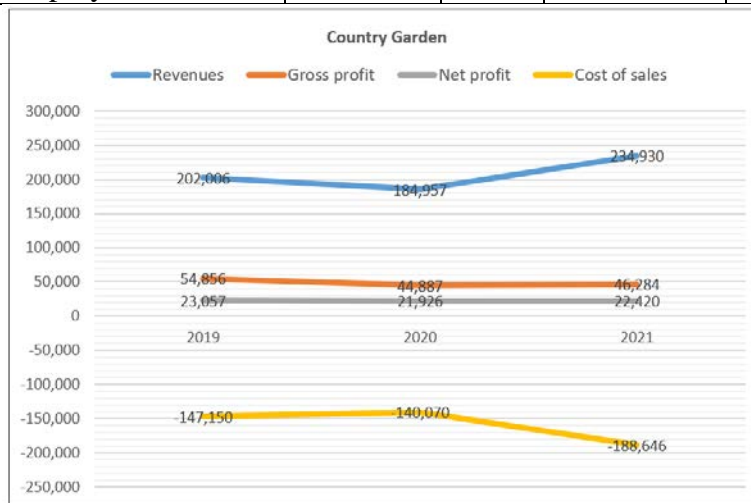


Figure 4 General data line chart 2019~2021

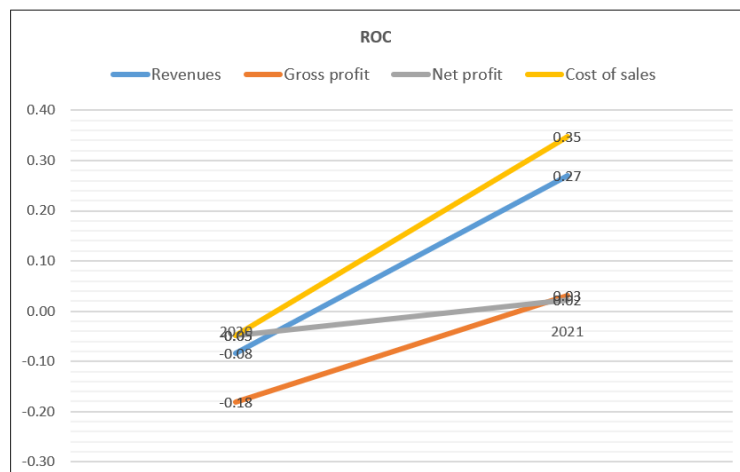


Figure 5 ROC line chart 2019~2021

Analysis of total revenue, profit and profit margin in the raw data. Looking at the chart, we can see that Country Garden's total revenue troughs in early 2020 and picks up significantly in 2021, a trend that is even more evident in the ROC trend chart. As you can see from the ROC chart, the Group's total revenue and gross profit growth will be negative between 2019 and 2020 due to the impact of the epidemic. And by the first half of 2021, all indicators are back to positive growth, which in a way means that the real estate market conditions are starting to improve.

4.2.2. Income Statement and Balance Sheet Analysis

4.2.2.1. Income Statement Analysis

The income statement for 2019 through the First half of 2021 is plotted as follows.

Table 8. Vertical Analysis in the first half of 2019~2021

| Trend | Country Garden | | | | | |
|-----------------------------------|----------------|---------------------|----------------|---------------------|-----------------|---------------------|
| | 2019 | Vertical Analysis % | 2020 | Vertical Analysis % | 2019 | Vertical Analysis % |
| ¥ amounts in millions | | | | | | |
| Revenues | 202,006 | 100.00% | 184,957 | 100.00% | 485,908.00 | 100.00% |
| Cost of sales | - 147,150 | 72.84% | -140,070 | 75.73% | - 359,271.00 | 80.30% |
| Gross profit | 54,856 | 27.16% | 44,887 | 24.27% | 126,637.00 | 19.70% |
| Selling and marketing costs | -9,098 | 4.50% | -6,894 | 3.73% | -16,365.00 | 3.28% |
| Research and development expenses | -620 | 0.31% | -1,030 | 0.56% | -1,973.00 | 0.55% |
| Operating profit | 36,266 | 17.95% | 31,418 | 16.99% | 92,660.00 | 13.71% |
| Administrative expenses | -9,571 | 4.74% | -6,574.00 | 3.55% | -17,538.00 | 2.64% |
| EBT | 39,488 | 19.55% | 35,887 | 19.40% | 98,939.00 | 15.85% |
| Taxes | -16,431 | 8.13% | - 13,961.00 | 7.55% | -37,737.00 | 6.31% |
| Net profit | 23,057 | 11.41% | 21,926 | 11.85% | 60,202.00 | 9.54% |
| Earning per share (in €) | 0.73 | 0.00% | 0.66 | 0.00% | 0.69 | 0.00% |
| Full-time employees | 116,606 | 57.72% | 87,851 | 47.50% | 93,472.00 | 39.79% |

As concluded in the ROC analysis above, Country Garden Group achieves a large improvement in both total revenues and profits in 2021 relative to 2020. However, we find that even if the real estate market receives the impact of the epidemic in 2020, its net profit share of 11.85% remains similar to or even higher than that of 11.41% in 2019. The ratio of net income to total sales in the first half of 2021, however, was lower than in the previous two years, at 9.54%. By analyzing the proportions of other parameters in the income statement, we can see that expenses for sales have increased significantly in 2021, with a 5% increase compared to the figures of the previous two years. We can guess that this is due to the fact that Country Garden Group has invested a lot of human resources and increased publicity to recover the damage of the epidemic, which led to additional expenses.

4.2.2.2. Balance sheet analysis

Make the balance sheets as follows:

Table 9. Balance sheets in the first half of 2019~2021

| ¥ amounts in millions | Country Garden | | | | | |
|-------------------------------------|----------------|---------|-------------|---------|------------|---------|
| Assets | 2019 | | 2020 | | 2021 | |
| Non-current assets | 274,551 | 15.72% | 256,679 | 13.07% | 250,895 | 12.44% |
| Current assets | 1,472,179 | 84.28% | 1,706,590 | 86.93% | 1,766,568 | 87.56% |
| Total assets | 1,746,730 | 100.00% | 1,963,269 | 100.00% | 2,017,463 | 100.00% |
| Liabilities | 2019 | | 2020 | | 2021 | |
| Non-current liabilities | 248,038 | 15.90% | 274,280 | 15.87% | 270,150 | 15.53% |
| Current liabilities | 1,312,357 | 84.10% | 1,453,993 | 84.13% | 1,469,637 | 84.47% |
| Total equity and liabilities | 1,560,395 | 100.00% | 1,728,273 | 100.00% | 1,739,787 | 100.00% |
| Current Ratio | 1.121782411 | | 1.173726421 | | 1.20204377 | |

Table 10. Current ratio calculation results in the first half of 2019~2021

| Country Garden | 2019 | 2020 | 2021 |
|----------------------------|-------------|-------------|------------|
| Current assets | 1,472,179 | 1,706,590 | 1,766,568 |
| Current liabilities | 1,312,357 | 1,453,993 | 1,469,637 |
| Current ratio | 1.121782411 | 1.173726421 | 1.20204377 |

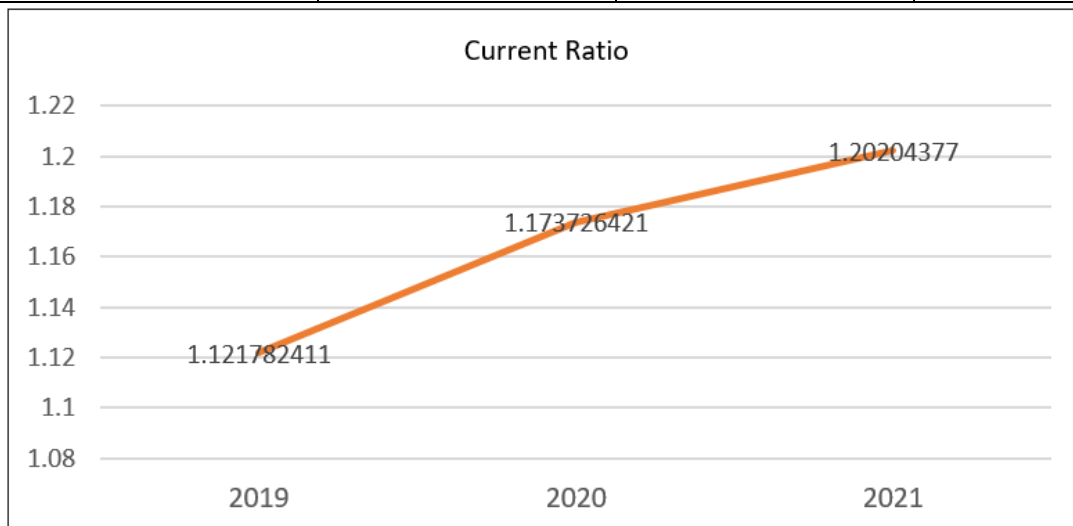


Figure 6 Current ratio line chart 2019~2021

According to the data in the table above, we can see that despite the impact of the epidemic, Country Garden Group's current assets ratio has been steadily increasing and reached 87.56% of total assets in the first half of 2021. At the same time, according to the current ratio chart, Country Garden Group's liquidity ratio is also increasing year by year, which indicates that the Group's current assets are increasing as well as the proportion of current debts is decreasing, indicating that Country Garden Group's solvency is increasing, allowing the company to be in a stable operation in the long term.

4.2.3. Ratio analysis

4.2.3.1. Efficiency Analysis

Table 11. Total assets turnover in the first half of 2019~2021

| ¥ amounts in millions | Country Garden | | |
|-----------------------|----------------|------------|-------------|
| Country Garden | 2019 | 2020 | 2021 |
| Revenue | 202,006 | 184,957 | 234,930.00 |
| Total assets | 1,746,730 | 1,963,269 | 2,017,463 |
| Total assets turnover | 0.115648097 | 0.09420869 | 0.116448232 |

As shown in the table 11, Country Garden's asset turnover ratio shows a decline from 2019 to 2020. Because of the significant decrease in revenue during the year, the company experienced some difficulties in turnover compared to the previous year. However, as the market recovered, by the first half of 2021, the company's turnover rate returned to 2019 levels, which is a positive sign for the company's own operating outlook.

4.2.3.2. Investment Analysis

Table 12. P/E ratio in the first half of 2019~2021

| ¥ amounts in millions | Country Garden | | |
|------------------------|----------------|-------------|-------------|
| Country Garden | 2019 | 2020 | 2021 |
| Market Value per Share | 10.45 | 8.93 | 7.52 |
| Earnings per Share | 0.73 | 0.66 | 0.69 |
| P/E ratio | 14.31506849 | 13.53030303 | 10.89855072 |

As the table shows, Country Garden Group's price-to-earnings ratio is on a downward trend since 2019. This suggests that although companies' profitability levels have improved compared to the pre-epidemic period, investors' enthusiasm for the sector has not increased as a result of the companies' renewed profitability. Since the epidemic is not over now, perhaps the only way to regain investors' attention is to wait until the company continues to achieve profitable growth in the coming years.

4.3. SWOT Analysis

4.3.1 Strength

Country Garden Group's strength comes from the market base it has built up over decades of operation and its strong financial base, a view we can draw from the process of financial analysis for 2017 to 2021 as described above. Based on these four years of financial data we find that Country Garden Group was growing in terms of revenue, profit and stock before the 2020 epidemic. Even though all metrics decline somewhat in 2020 due to the epidemic, the impact on its profitability and asset liquidity is minimal and the epidemic subsides in China in the second half of 2020. In the first half of 2021, all KPIs of the Country Garden Group returned to their pre-epidemic status, with a trend of continued growth. Therefore, Country Garden's strength lies in its strong market base and its ability to buffer against force majeure.

4.3.2 Weakness

Country Garden Group's immediate disadvantage lies in the continued decline of its P/E ratio from 2019 onwards. Although the negative impact of the epidemic on the real estate market is weakening, however, investors' enthusiasm for investing in this market does not seem to have recovered with the recovery of the market. The reasons for this can be found in the financial results of the first half of 2021. The cost of sales figure in the 2021 earnings report increased by \$48,576million compared to the same period in 2019, while total revenues increased by only \$32,924million relative to 2019, the

year before the outbreak. This suggests that a large part of the corporate revenue recovery is due to huge investments in sales, such as advertising and promotion, rather than from consumers' own wishes, which may also be a consideration for investors.

4.3.3 Opportunities

Sustainability is one of the hot topics nowadays, and all industries are moving in the direction of sustainability. Green building is an important development trend of today's real estate industry, and is also a national requirement for the real estate industry. According to the sustainability report of Country Garden Group, we can find that Country Garden is already working towards energy saving and emission reduction in building construction, material selection and power consumption, and has set up sustainability as one of the company's development strategies.

4.3.4 Threats

The current risks facing China's real estate industry come mainly from new national policies. New real estate tax policies were introduced in China in the second half of 2021. According to Wang Tao, director of the China Chief Economist Forum, real estate fundamentals have weakened significantly since mid-2021 as pent-up demand after the epidemic has largely been released, overlaid with further tightening of related policies from last year. It also expects real estate sales and new construction to fall about 10% and real estate investment to fall about 5% in 2022. The "zero new" prevention strategy may also hinder the recovery of real estate consumption.

5. Conclusion

This article focuses on the analysis of key KPIs such as income and net profit in Country Garden Group's financial statements. Through analysis, we have concluded that before the emergence of the epidemic, Country Garden's market was in a state of continuous growth, but the growth rate was gradually declining. These can be proved on basic data (revenue, profit margin, etc.), trend analysis and ratio analysis. The outbreak of the epidemic at the beginning of 2020 has taken a certain blow to the real estate industry, but the epidemic gradually disappeared in the second half of 2020. Until the first half of 2021, Country Garden Group's income has returned to the state before the epidemic. In the qualitative analysis, we used the SWOT analysis method to analyze the strengths and weaknesses of the Country Garden Group. By summing up the results of the SWOT analysis, we believe that under the influence of China's new real estate policy, the Country Garden Group should take advantage of its current strong capital and market, increase investment in green production, and actively expand other businesses, such as catering, schools, hotels, etc., so as to reduce the negative impact of policies and open the market to expand its own strength.

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