

Original Paper

Exploration of the *ST Mall Acquisition Event Based on the Theory of Corporate Life Cycle

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Abstract

**ST Mall, a publicly listed company that has gone through multiple development stages, is currently facing severe financial difficulties and industry challenges. Through financial data analysis, it was found that *ST Mall is dealing with issues such as high debts, tight cash flow, and declining profitability. Especially in the recession stage, the financial condition of *ST Mall continues to deteriorate, leading to a significant drop in stock prices. In addition, they are also facing challenges like high market saturation and severe customer loss. The financial events of 2021 have had a profound impact on the company, bringing new financial risks and challenges. To address the current difficulties, the mall urgently needs to take measures to reduce financial risks, improve operational efficiency, closely monitor industry trends, and ensure that the company can effectively deal with future challenges.*

Keyword

**ST Mall, theory of corporate life cycle, acquisition, financial risk*

1. Detailed Description of the Acquisition of *ST Mall

In June 2021, *ST Mall issued an announcement regarding a private placement. *ST Mall plans to privately issue shares to leading semiconductor companies. Upon completion of the private placement, based on the calculation of the maximum number of shares issued, the leading semiconductor company will hold 53.436 million shares of *ST Mall. Shareholders controlled by Wang Qiang and its concerted parties will collectively hold 87.6476 million shares of *ST Mall, accounting for 37.85% of the total share capital after the private placement. Wang Qiang will become the actual controller of the company. After the transaction, the actual controller of *ST Mall will change from Huang Maoru to Wang Qiang, the latter and its concerted parties will hold 37.85% of the shares of the listed company. The shareholding percentage of Zhongzhao Investment, controlled by Huang Maoru, will decrease to

18.63% and become the second largest shareholder.

Wang Qiang expressed his optimism towards *ST Mall as early as September 2020. Starting from September 30, 2020, Wang Qiang began to continuously increase his stake in *ST Mall. Before the increase, Wang Qiang and its concerted parties collectively held 6.45% of *ST Mall shares. After two rounds of share acquisitions, Wang Qiang and its concerted parties collectively held 18.46% of *ST Mall shares. Wang Qiang stated that the reason for the increase was because he believed that the secondary market stock price of *ST Mall was undervalued, deviating from the company's fundamentals. Increasing the stake at this time would further dilute the cost of holding shares for Wang Qiang and his concerted parties. At the same time, Wang Qiang expressed confidence in the restructuring and development plans of *ST Mall at that time.

In order to improve the company's fundamentals, *ST Mall has been planning for transformation for several years, unfortunately without success. For example, in July 2019, *ST Mall planned to acquire 100% equity of Shenzhen Youyi Gou E-commerce Co., Ltd., aiming to transition to e-commerce. In January 2018, it planned to acquire the equity of Beijing Sidai Technology Co., Ltd., with a focus on communication technology. After Wang Qiang took over *ST Mall, it is uncertain whether the company will continue to pursue transformation, and the future direction of development is still unknown.

2. Describe the Development Overview of *ST Mall Based on the Theory of Corporate Life Cycle

2.1 Research on the Theory of Corporate Life Cycle

The theory of corporate life cycle refers to the stages that a business goes through in its development and growth, forming a complete life cycle. This theory aims to describe the process of a business from establishment to growth, maturity, and then decline or transformation.

Generally, the corporate life cycle can be divided into the following stages:

- (1) Start-up Phase: The company is newly established, usually requiring significant resources to build infrastructure, develop products or services, and establish a brand image in the market.
- (2) Growth Phase: The company gradually gains recognition in the market, with rapid growth in sales and profits. During this stage, the company needs to strengthen management and organizational development to meet the demands of rapid expansion.
- (3) Maturity Phase: The company's position in the market stabilizes, with a slowdown in sales and profit growth. Companies in this stage typically have a stable customer base and market share but face intense market competition.
- (4) Decline Phase: Factors such as market saturation and increased competition lead to a decline in sales and profits. In this stage, the company needs to seek innovation or transformation to revive its operations.

The significance of the theory of corporate life cycle lies in reminding entrepreneurs and managers to focus on the stage of development their businesses are in and to adopt appropriate strategies and measures based on the characteristics and requirements of each stage. Additionally, the theory also

assists investors in assessing the potential value and risks of companies to make more informed investment decisions.

2.2 *ST Mall Current Situation Analysis

In the first three quarters of 2023 (as shown in Table 1-1), the company achieved a total operating income of 157 million yuan, a year-on-year increase of 78.71%; the net profit attributable to the parent company was a loss of 361 million yuan, compared to a loss of 62.9118 million yuan in the same period of the previous year; the non-recurring net profit was a loss of 74.7182 million yuan, compared to a loss of 63.2319 million yuan in the same period of the previous year; the net cash flow generated from operating activities was -26.2007 million yuan, compared to -23.4374 million yuan in the same period of the previous year; during the reporting period, the basic earnings per share of *ST Mall was -1.56 yuan, and the weighted average return on net assets was -23.90%.

Table 1-1 *ST Mall's Financial Data for the First Three Quarters of 2023

Project	Current period	Change in the current period compared to the previous year (%)	From the beginning of the reporting period to the end of the reporting period	Change from the beginning of the year to the end of the reporting period (%)
Revenue	74,657,517.54	197.06	156,826,383.51	78.71
Net profit attributable to shareholders of the listed company	-312,994,963.67	not applicable	-361,429,143.75	not applicable
Net profit attributable to shareholders of the listed company excluding non-recurring gains and losses	-26,184,158.27	not applicable	-74,718,186.12	not applicable

Cash flow from operating activities	not applicable	not applicable	-26,200,723.98	not applicable
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The announcement shows that in the third quarter, the company achieved a total operating income of 74.6575 million yuan, an increase of 197.06% year-on-year and 20.30% quarter-on-quarter; the net profit attributable to the parent company was -313 million yuan, a decrease of 1303.47% year-on-year and 1099.18% quarter-on-quarter; the non-recurring net profit was -2620.91 million yuan, a decrease of 16.87% year-on-year and 0.32% quarter-on-quarter.

Given the current operational situation, *ST Mall faces significant challenges in achieving positive net assets through its core business alone. The company must accelerate the pre-reorganization process to create favorable conditions for a formal restructuring in the future. Successfully completing the restructuring by the end of the year is the only hope to completely avoid delisting crisis.

*2.3 Analyzing the Current Situation of *ST Mall Based on the Theory of Corporate Life Cycle*

***ST Mall, as a company, can also be analyzed following the theory of corporate life cycle based on its development process.**

Startup Phase: Shenyang Commercial City Co., Ltd. was established in 1991 and opened to the public at the end of 1991 with a building area of 79,000 square meters. Shenyang Commercial City Group was formed in September 1997 and was designated by the National Ministry of Domestic Trade as a "large-scale enterprise in the national retail industry" in the same year. In 1999, the group, together with five enterprises, underwent restructuring to form Shenyang Commercial City Co., Ltd. On December 26, 2000, Class A shares were successfully listed on the Shanghai Stock Exchange. *ST Mall went through key steps such as defining the business model, investment and financing, establishing platforms, and initiating the development of the supply chain. The focus of this stage was to establish the company's position in the market and set up operational infrastructure.

Growth Phase: On May 4, 2010, the Commercial City ceased operations completely and invested heavily in the comprehensive renovation of the old business building's interior and exterior facilities. Phase One reopened to the public on April 15, 2011; and after over a year of construction, Phase Two was successfully completed on December 12, 2012. The newly renovated Commercial City expanded its operating area to 160,000 square meters, covering a variety of functions including department stores, supermarkets, dining, hotels, ice skating rinks, logistics, and distribution, making the leap from traditional department stores to modern comprehensive retail centers. Over 2,000 salespersons stationed by brand suppliers. During the growth phase, *ST Mall likely attracted more users and achieved rapid sales growth through effective marketing promotion and optimizing user experience. In this stage, companies need to respond quickly to market demand by expanding product lines and enhancing service capabilities. For *ST Mall, the growth phase is about rapidly expanding the user base, increasing market share, and achieving economies of scale.

With the intensification of market competition, *ST Mall has entered the maturity stage. The company mainly operates in the department store industry, while also expanding into multiple fields such as logistics, hotel industry, and real estate development. It owns wholly-owned subsidiaries such as Shenyang Tiexi Department Store Building Co., Ltd. and Shenyang Commercial City Department Store Co., Ltd. At this stage, the focus of the enterprise is to consolidate its market position, improve operational efficiency, and seek new growth points. *ST Mall may maintain its growth momentum through refined operations, optimized user experience, and expansion into new markets, while also facing challenges from competitors.

*ST Mall operates through a combination of joint venture, leasing, and self-operated models. Due to heavy historical debt burdens, the daily operating profits are unable to cover the huge financial expenses. *ST Mall (600306) has been reporting losses for multiple consecutive years since the 2018 fiscal year. As of the end of 2022, the audited net assets were negative, and the audited net profit for the 2022 fiscal year was negative as well. After deducting non-operating and non-substantial business income, the operating income was less than 100 million yuan. The company's stock has been subject to delisting risk warning starting from March 31, 2023, with the stock abbreviation *ST Mall. Due to internal and external factors, *ST Mall may be unable to effectively cope with market competition and changes, potentially entering the decline stage. At this stage, the company needs to actively seek innovation or transformation to revitalize itself. However, through in-depth analysis of market demands, strategic adjustments, and cooperation or restructuring with other companies or capital, *ST Mall may also find new growth opportunities, achieve transformation, and be reborn.

In summary, the entrepreneurial journey of *ST Mall has followed different stages of the enterprise lifecycle theory. However, it is important to note that the enterprise lifecycle is not linear, but involves various possibilities and turning points, requiring flexible strategic adjustments and continuous innovation to adapt to the constantly changing market environment.

3. Analyzing the Future Value of the Company from the Perspectives of Company Background, Governance Structure, Business Model and Finance

3.1 Company Background

Shenyang Commercial City Co., Ltd. is a long-established commercial enterprise that has undergone many years of development since its establishment in 1991. The company primarily engages in department store business and has expanded into various fields such as logistics, hotel industry, and real estate development. It owns wholly-owned subsidiaries including Shenyang Tiexi Department Store Co., Ltd. and Shenyang Commercial City Department Store Co., Ltd.

However, faced with increasingly fierce market competition and evolving market conditions, *ST Shopping Mall also encounters some challenges. For instance, the company's operating income and net profit have fluctuated in recent years, possibly due to intensified market competition and changing consumer demand. Additionally, the company needs to continually strengthen internal management,

enhance operational efficiency, and improve service quality to cope with market changes and meet consumer demands.

In the future, *ST Shopping Mall still holds certain potential for development. With the continuous growth of the Chinese economy and the expanding consumer market, the department store industry still possesses vast development opportunities. Meanwhile, the company is actively exploring new development models and business areas, such as e-commerce, smart logistics, and other emerging fields, which could become new growth points for the company in the future.

In the course of future development, attention needs to be paid to the following aspects:

Firstly, strengthen research and understanding of the macroeconomic environment and industry development trends. Factors such as economic cycle fluctuations, changes in consumer spending levels, and shifts in consumption patterns could impact company operations. Therefore, it is essential to track and respond to these changes promptly to provide a basis for the company's strategic decision-making.

Secondly, enhance strategic cooperation with suppliers and elevate the level of supply chain management. With intensifying market competition, supply chain management has become a crucial factor for modern business success. Establishing long-term stable partnerships with high-quality suppliers can effectively reduce procurement costs, enhance product quality, and strengthen the company's core competitiveness.

Thirdly, prioritize the development trend of e-commerce and actively cultivate new hybrid business models integrating online and offline channels. As internet technology continues to advance, consumer shopping habits and demands are evolving. By introducing new technologies and concepts and integrating online and offline resources, companies can better meet personalized consumer needs, expand sales channels, and increase market share.

Lastly, focus on strengthening talent development and enhancing employee quality and skill levels. Talent is one of the key factors for enterprise development. By attracting and nurturing excellent talent and continuously optimizing human resource allocation, companies can drive sustained innovation and growth.

3.2 Governance Structure

Firstly, *ST Mall has a relatively sound governance structure. The company has established systems such as the board of directors, supervisory board, and shareholders' meeting, and strictly complies with relevant laws and regulations to fulfill its disclosure obligations. This governance structure effectively protects shareholder rights and ensures that company decisions and management actions align with the overall interests of the company.

Secondly, *ST Mall has a stable management team. The company's management and core team members possess extensive industry experience and professional knowledge, with a deep understanding of the company's business and market environment. This stable management team can deliver consistent performance and strategic execution capabilities for the company.

Additionally, the company emphasizes communication and relationship management with shareholders.

*ST Mall actively communicates with shareholders, promptly addresses their concerns and demands, and takes proactive measures to safeguard and enhance shareholder interests. This communication and relationship management can enhance shareholder trust and support for the company, contributing to its future development.

However, *ST Mall also faces governance challenges. For example, the company's ownership structure is relatively concentrated, with major shareholders exerting significant influence on company decisions and management. If the actions of major shareholders conflict with the overall interests of the company, it could have adverse effects on the company's governance structure and future development. Additionally, the company needs to further strengthen its focus on internal controls and risk management to avoid potential management loopholes and risks.

3.3 Business Model

From the perspective of business model, an analysis of the future value of *ST Mall should focus on the following aspects:

Firstly, optimizing the business format structure to adapt to market demand changes. As consumer demands evolve, *ST Mall needs to adjust and optimize its format structure based on market trends and its own strengths. This involves enhancing the quality and differentiation of goods and services to meet the personalized needs of different consumers.

Secondly, strengthening brand building and marketing promotion. Branding is a crucial manifestation of core competitiveness for businesses and a key factor in attracting consumers. By increasing brand publicity efforts and enhancing brand image and awareness, *ST Mall can boost consumer recognition and loyalty, thereby driving sales growth.

Thirdly, enhancing supply chain management and cost control. Supply chain management is a critical factor for modern business success. By establishing long-term stable partnerships with high-quality suppliers to reduce procurement costs, improve product quality, and enhance supply efficiency, *ST Mall can strengthen its core competitiveness. Additionally, by bolstering cost control and improving capital utilization efficiency, the company can effectively reduce operational risks and enhance profitability.

Lastly, developing an integrated online and offline retail model. With the advancement of internet technology, the boundaries between online and offline are becoming increasingly blurred. By introducing new technologies and concepts, integrating online and offline resources, *ST Mall can better meet consumer's personalized needs, expand sales channels, and increase market share.

3.4 Finance

According to the data released by the National Bureau of Statistics, the total retail sales of consumer goods in China from January to May 2023 reached 18.76 trillion yuan, a year-on-year increase of 9.3%. By region, urban retail sales of consumer goods amounted to 16.30 trillion yuan, with a year-on-year growth of 9.3%, while rural retail sales of consumer goods totaled 2.47 trillion yuan, showing a year-on-year growth of 9.4%. In terms of consumption types, the retail sales of goods reached 16.77

trillion yuan, marking a year-on-year increase of 7.9%, while the revenue from catering services was 2.00 trillion yuan, experiencing a significant year-on-year growth of 22.6%. The national online retail sales for the same period reached 5.69 trillion yuan, showing a year-on-year growth of 13.8%. Specifically, the online retail sales of physical goods amounted to 4.81 trillion yuan, with a year-on-year growth of 11.8%.

According to the statistics released by the Shenyang Municipal Bureau of Statistics, the retail sales of consumer goods above the designated size in Shenyang from January to May 2023 were 70.07 billion yuan, reflecting a year-on-year increase of 7.9%. However, the online retail sales of goods in Shenyang were 16.94 billion yuan, showing a decrease of 4.6% compared to the same period last year.

Unit: RMB Currency: Yuan

Key financial data	Current reporting period (January-June)	Same period of the previous year	Change in the current reporting period compared to the same period of the previous year (%)
Revenue	82,168,865.97	62,622,113.68	31.21
Net profit attributable to shareholders of the listed company	-48,434,180.08	-40,610,280.15	not applicable
Net profit attributable to shareholders of the listed company excluding non-recurring gains and losses	-48,509,062.26	-40,806,124.39	not applicable
Net cash flows from operating activities	-28,040,973.01	-4,591,964.90	not applicable
	End of the current reporting period	End of the previous year	Change in the end of the current reporting period compared to the end of the previous year (%)
Net assets attributable to shareholders of the listed company	-246,656,199.17	-198,222,019.09	not applicable
Total assets	1,351,038,243.87	1,327,080,780.96	1.81

Key financial data	Current reporting period (January-June)	Current reporting period (January-June)	Current reporting period (January-June)	Same period of the previous year	Change in the current
	Same	Same	Same		

	Change in the current reporting period compared to the same period of the previous year (%)	Change in previous year (%)	period of the previous year to the same period of the current reporting period compared to the same period of the previous year (%)
Basic earnings per share (EPS) (Yuan per share)	-0.21	-0.18	not applicable
Diluted earnings per share (EPS) (Yuan per share)	-0.21	-0.18	not applicable
Basic earnings per share after deducting non-recurring gains and losses (Yuan per share)	-0.21	-0.18	not applicable
Weighted average return on equity (%)	-21.77	-156.24	Increase by 134.47%
Weighted average return on equity after deducting non-recurring gains and losses (%)	-21.81	-157.00	Increase by 135.19%

Financial Statements Related Subject Change Analysis Table Unit: RMB Currency: Yuan

Subject	This Period	Same Period Last Year	Change Ratio (%)
Operating Income	82,168,865.97	62,622,113.68	31.21
Operating Costs	50,178,405.70	24,936,692.55	101.22
Sales Expenses	3,981,805.78	725,387.76	448.92
Administrative Expenses	14,297,263.64	17,295,918.65	-17.34
Financial Expenses	55,481,002.72	44,910,942.36	23.54
Research and Development Expenses			
Net Cash Flows from Operating Activities	-28,040,973.01	-4,591,964.90	not applicable
Net Cash Flows from Investing Activities	-793,155.80	27,000.00	-3,037.61
Net Cash Flows from Financing Activities	25,000,000.00	-49,030,522.09	not applicable

Assets and Liabilities Status

Unit: RMB Currency: Yuan

Item Name	Ending Balance for the Period	Percentage of Ending Balance for the Period to Previous Year Total Assets (%)		Percentage Change Ratio of Ending of Balance for the Previous Period to Previous Year Total Assets (%)	
		Balance for the Period	for Ending Balance for the Period to Previous Year Total Assets (%)	Balance for the Previous Period	for Balance for the Previous Year Total Assets (%)
Monetary Funds	22,023,712.13	1.63	22,171,091.01	1.67	-0.66
Accounts Receivable	2,008,963.68	0.15	2,047,175.31	0.15	-1.87
Prepaid Accounts	7,128,448.27	0.53	1,043,716.63	0.08	582.99
Other Receivables	6,707,114.50	0.50	3,781,317.70	0.28	77.38
Inventory	29,396,670.08	2.17	12,011,685.89	0.91	144.73
Contract Assets	-	-	-	-	-
Investment Properties	1,119,740,000.00	82.79	1,119,740,000.00	84.38	-
Long-term Investments	-	-	-	-	-
Fixed Assets	106,065,098.35	7.84	108,507,266.51	8.18	-2.25
Construction Progress	-	-	-	-	-
Right-of-use Assets	6,141,159.32	0.45	5,395,448.23	0.41	13.82
Short-term Borrowings	150,922,170.78	11.16	151,203,011.79	11.39	-0.19
Contract Liabilities	4,801,183.48	0.35	5,144,222.75	0.39	-6.67
Other Payables	488,376,036.89	36.11	404,578,749.67	30.49	20.71
Long-term Borrowings	-	-	-	-	-
Lease Liabilities	5,475,800.00	0.40	4,982,672.76	0.38	9.90

Data Source: Semi-annual report for the first half of 2023.

In the first half of 2023, the company achieved operating income of 82.1689 billion yuan, an increase of 19.5468 billion yuan compared to the same period last year, representing a growth rate of 31.21%. This substantial growth was primarily attributed to the significant increase in self-operated income

resulting from the company's intensified procurement of self-operated goods in the second quarter of 2023. The company reported operating profit and net profit attributable to the owners of the parent company of -48.3926 million yuan and -48.4342 million yuan, respectively, showing increased losses of 8.5174 million yuan and 7.8239 million yuan compared to the same period last year, with loss margins of 21.36% and 19.27%, respectively.

From a financial perspective, there is a certain level of uncertainty regarding the future value of *ST Mall. On April 13, 2023, the company received a decision from the Shenyang Intermediate People's Court, which, at the request of Florence, decided to initiate pre-reorganization proceedings for the company. The success of the pre-reorganization process is uncertain, and the initiation of pre-reorganization does not guarantee the formal acceptance of Florence's reorganization application by the Shenyang Intermediate People's Court, leading to uncertainties regarding the company's formal entry into the reorganization process. According to relevant provisions of Rule 9.4.1 of the Listing Rules, if the Shenyang Intermediate People's Court formally accepts the applicant's reorganization application, the company's shares will be subject to additional delisting risk warnings. Even if the reorganization application is formally accepted by the court, the company faces risks of bankruptcy if the reorganization plan is not approved, implemented, or if it fails. In the event of bankruptcy, the company would enter into bankruptcy liquidation proceedings. As per Rule 9.4.13 of the Listing Rules, the company's shares would be at risk of being delisted.

Below is an analysis of its financial condition from several perspectives:

- (1) **Income and Profit:** The company's operating income and net profit have shown a fluctuating downward trend in the past few years. This may be related to factors such as intensified market competition and changing consumer demand. If the company fails to take effective measures to improve its business operations, increase income, and profit levels, it could have a negative impact on the company's future value.
- (2) **Debt-to-Asset Ratio:** The company has a relatively high debt-to-asset ratio, indicating a certain level of debt repayment risk. Poor business conditions could lead to risks such as debt default, negatively impacting the company's future value.
- (3) **Cash Flow:** The company's operating cash flow is relatively stable, but the net cash flow is declining. This may indicate that the company has certain issues in fund operation and needs to strengthen financial management and fund control to ensure its future development.
- (4) **Goodwill and Intangible Assets:** The company holds a significant amount of goodwill and intangible assets, occupying a large portion of non-current assets. If the company's business conditions deteriorate, it could negatively impact the value of goodwill and intangible assets, thus affecting the company's future value.
- (5) **Industry Prospects:** The department store industry is highly competitive, with some degree of market uncertainty. Failure to adapt to market changes and shifting consumer demands could negatively impact the company's future value.

In summary, *ST Mall needs to closely monitor market changes and consumer demand shifts, and actively respond to industry changes and development opportunities.

4. Recommendations and Strategies for the Future Development and Governance of *ST Mall

4.1 Internal Business Strategies

4.1.1 Actively Learn from Industry Development Experience

By studying and observing the market behavior of benchmark companies in the industry or the top ten companies, avoid some damaging behaviors, learn from positive management decisions, play to strengths and avoid weaknesses. By optimizing supplier selection, establishing long-term cooperative relationships, implementing strict procurement standards and procedures, etc., ensure product quality and reduce procurement costs. In addition, the new owner needs to clarify *ST Mall's strategic positioning, including its target market, competitive advantages, and business model. This will help the company find its place in the competitive market and formulate corresponding development plans.

4.1.2 Optimize Supply Chain Management

For *ST Mall, being acquired may enter a new lifecycle stage. Therefore, it is necessary to clarify the current financial strategic goals, such as achieving profitability, optimizing capital structure, and controlling risks. Secondly, the company should focus on user needs, increase user stickiness, establish a data-driven decision-making culture, and better understand users, optimize products, and improve operational efficiency through data collection, analysis, and application.

4.1.3 Optimize Capital Structure and Improve Financial Management Level

According to the theory of the corporate lifecycle, companies should have different capital structures at different stages. *ST Mall should reasonably arrange the proportion of debt and equity capital according to its own development stage and market environment, reduce financial costs, and enhance the company's risk resistance capability. Secondly, financial management is the core link of enterprise management. *ST Mall should continuously improve its financial management level, including strengthening the construction of the financial team, improving the quality of financial personnel, and introducing advanced financial management methods and tools.

4.1.4 Improve Corporate Governance Structure

After the acquisition is completed, it is necessary to further improve the corporate governance structure to ensure the scientificity and fairness of company decisions. This includes establishing an independent director system, strengthening internal audit and risk management, and increasing information disclosure transparency. Due to the internal nature and relative independence of internal audit services in the capital market, they are often subject to the "invisible control" of management. The power of internal audit seems to be less than that of external audit. Therefore, it is important to actively establish a company's internal audit committee, continuously integrate outstanding, comprehensive, and high-quality personnel, form a mutually restrictive working mechanism, strengthen the independence of audits, and ensure the effectiveness of the internal audit team.

4.2 Macro Environment

4.2.1 Improvement of Information Disclosure System

According to relevant regulations, companies should report their financial and operational information to the securities regulatory authorities and stock exchanges, as well as make announcements to the general public, so that investors and users of reports can fully understand the relevant situations. However, the enforcement of the information disclosure system falls far short of the original purpose of establishing such a system. In order to maintain a good corporate reputation, listed companies selectively disclose accounting information that is favorable to the company. For example, in the process of disclosing related party custodial transactions, *ST Mall only states that custodial income is determined based on bilateral agreement prices but fails to verify its fairness.

Similarly, with regards to government subsidies, *ST Mall recognizes all subsidies as current non-operating income each year without providing detailed explanations, even though according to relevant regulations, the treatment should be determined based on specific circumstances. Due to incomplete information disclosure and the limited ability of investors and creditors to identify the quality of accounting information, *ST companies find ways to maintain their listing status through questionable means, thereby lingering in the capital market with poor performance stocks unable to be excluded. To reduce earnings management driven by the motivation to maintain listing status, it is essential to improve the information disclosure system to protect the legitimate rights and interests of investors.

Fundamentally, the improvement of the information disclosure system must begin with enhancing the corporate accounting system. Only when the corporate accounting system is improved can the reliability of corporate accounting information be enhanced. Additionally, companies should establish a comprehensive set of norms related to the generation, disclosure, and auditing of financial information for listed companies to effectively prevent management from manipulating corporate profits.

4.2.2 Enhancing the Independence of External Audits by Certified Public Accountants

For listed companies, engaging certified public accountants to conduct external audits is a necessary supervisory measure. Certified public accountants rely on their professional judgment in the actual auditing process for certain business matters, requiring them to maintain a relative degree of independence during the audit. Independence is the core of auditors' professional ethics and is crucial for the effectiveness of external audit oversight.

However, in the case of *ST Mall, the long-term relationship between the company and the accounting firm has restricted the independence of certified public accountants in practice. There should be regular rotation of project leaders in audit firms to prevent the establishment of overly intimate relationships with audited entities that could affect audit independence. The lack of independence among auditors during the audit process often leads to instances like excessive earnings management by companies such as *ST, which harm the interests of investors. Therefore, it is necessary to safeguard the independence of external audits by certified public accountants.

From a legal perspective, relevant authorities should strengthen supervision of certified public accountants to ensure compliance with relevant laws, regulations, and professional ethics standards. Violations should be strictly dealt with according to the law to maintain fair competition in the audit market and serve the public interest. Ensuring the independence of audit work from a systemic perspective; from the perspective of certified public accountants themselves, they should enhance their legal awareness during external audits and strictly adhere to laws and regulations; from an industry perspective, the Chinese Institute of Certified Public Accountants should supervise the audit practices of certified public accountants and conduct periodic spot checks. Additionally, a third-party service organization could be established between listed companies and audit firms to act as a bridge, handling audit fees and payments to audit firms to avoid direct contact between company management and auditors, thereby enhancing the independence of external audits.

In order to mitigate the impact of financial risks, *ST Mall can take a series of measures, combining internal and external macro strategies. Through these measures and by flexibly adjusting development and governance strategies, the company can maintain its competitive advantage and achieve long-term stable growth.

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