

Original Paper

Analysis of Vanke's Enterprise Development Strategy from the Financial Perspective

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Abstract

With the rapid growth of China's economy, most industries are growing at a relatively high rate. Since the beginning of my country's reform and opening up, the theory of commercial housing has gradually emerged. With the increasing progress of real estate-related institutional reforms, the real estate market has begun to flourish. Driven by the vigorous population growth and economic development, the development of real estate enterprises has become the main driving force for my country's GDP growth, one of the sources. Under the background of the steady decline of the national economy, the supply-side reform and the overall stable development of the real estate market, it is particularly important for enterprises to formulate appropriate strategies if they want to improve their market competitiveness and sustainable development in the face of extremely fierce competition. The current real estate enterprise is a highly regional capital-intensive industry, which can also drive the rapid development of the furniture and home appliance sales industry and the furniture industry. Real estate is an important force that can drive the development of the national economy. In addition, China's real estate industry presents obvious industrial characteristics: resource-intensive, high-income, and obvious regional characteristics. Under the above background, from the perspective of financial reporting, the company's development strategy has become an urgent need for the healthy development of every real estate company in China. How to correctly conduct financial analysis and formulate effective strategies are urgent for Chinese real estate companies.

This paper selects Vanke Group as the research object. Vanke can be said to be a leading company in the real estate industry, and the analysis data will be more representative. The article first introduces the background of Vanke, compares a series of changes in Vanke's development strategy and the strategy that is currently being selected, and then uses SWOT theory to analyze Vanke's advantages, disadvantages, opportunities and threats. It pointed out the reasons why Vanke chose the specialization strategy, and then made an in-depth analysis of Vanke's current strategy from the three financial perspectives of the

balance sheet, income statement and cash flow statement, and further obtained the reasons for the success of Vanke's development strategy. Some suggestions for development also hope to attract the attention of other real estate industries, so as to improve and optimize their own corporate strategies, and promote a more positive and healthy development of the entire real estate industry.

Keywords

Financial analysis, Real estate, Development strategy

1. Introduction

1.1 Research Background and Objectives

1.1.1 Research Background

The real estate industry is crucial to the development of our country. At present, there are a large number of economic bubbles^[1] in the real estate industry in our country, and housing prices are being driven higher and higher. In response to this phenomenon, the government has introduced a series of policies aimed at curbing the expansion of bubbles through macro-control. These measures include the purchase restrictions implemented in 2010. If real estate prices remain high in the future, the government will take more measures to control the irrational demand in the real estate market. Against the backdrop of a steady decline in the national economy, supply-side reform and the overall stable development of the real estate market, the role of financial analysis is particularly important^[2] for enterprises to enhance market competitiveness and sustainable development in the fierce competition. Nowadays, the real estate industry is not only a regional capital-intensive industry, but also can drive the rapid development of many industries such as decoration and home appliances. It can be said that the real estate industry has now become one^[3] of the main forces driving the growth of the national economy. In addition, the real estate industry in China is characterized by periodicity, capital-intensive nature, high policy sensitivity and distinct regional characteristics. The real estate industry is cyclical. The short-term cycle is manifested as the mutual influence of macroeconomics, while the long-term cycle is manifested as the change of population, the regularity of migration and the regularity of urban development; The real estate industry is capital-intensive, characterized by investment scale, total capital, complex payment of construction costs, large scale, and high requirements for capital scale, liquidity, and capital operation level; Most companies are accustomed to relying on their own development and financial leverage, which to some extent expands the operational and financial risks of the company.

In this context, financial analysis under a reasonable corporate development strategy has become an urgent need^[4] for the healthy development of every real estate enterprise in China. Accurate financial analysis and effective strategy formulation need to be taken seriously by every real estate enterprise. In the current environment, attention should be paid to the survival status and financial problems of real estate. Especially financial risks, strengthening management and operation to inject fresh blood into the sustainable development of real estate enterprises is particularly crucial.

1.1.2 Significance of the Study

In recent years, with the continuous regulation of the real estate industry by the state, competition in the real estate market has become increasingly fierce. Vanke, a major real estate company, has also come under intense market pressure. This paper selects the financial analysis of Vanke as the research direction, which is of practical value and theoretical significance.

The significance of the paper is mainly reflected in:

- (1) This paper takes the enterprise's strategy as an entry point and conducts an in-depth analysis of the company's finance and related financial indicators, providing useful references for the company's financial analysis and strategic analysis.
- (2) The paper, from a relatively novel perspective, focuses on some corporate strategies to analyze the financial issues of Vanke Co., Ltd. and puts forward suggestions and prospects on this basis.
- (3) To provide a reference for the healthy development of China's real estate industry, Vanke Group is the leading enterprise in China's real estate industry. This paper takes Vanke enterprise as the research object, and the research has certain representativeness and theoretical value.
- (4) The research results of this paper can provide useful references for enterprises to implement specialized operation and operate the internal capital market more effectively. It can play a certain role in the development of the group by formulating reasonable enterprise development strategies based on the internal and external environment, better responding to financial risks, and guiding the effective operation of the company's internal capital market to achieve its business goals.

1.2 Previous Research Results

1.2.1 Foreign Literature Presentation

In the field of real estate strategy research, Oliver (2018) holds that in the course of development, enterprises should plan ahead, be vigilant in times of peace^[5], the essence of a successful development strategy is to adapt to changes, adapt to all aspects of the rapidly developing environment, and transform proactively rather than be passively abandoned^[6] by The Times in a panic; Zotova.s (2018) believes that establishing a sound and guiding corporate development strategy and conducting financial analysis based on it is of great practical significance for the long-term development of the company. It helps to improve the accuracy of the enterprise's understanding of the internal and external environment, notice potential operational risks, combine the analysis of financial indicators, and evaluate and formulate corresponding contingency^[7] plans. To achieve long-term and healthy development, enterprises must strengthen control over their development strategies and formulate sound and feasible development strategies^[8]; PingXiao (2018) in "The Application of Financial Statement Analysis in Strategic Management" takes "green household appliances" as the research object and points out that business operation and strategic management are inseparable. The operation of the enterprise is fully reflected in the financial report, and strategy is achieved through optimal allocation and efficient operation. Financial report analysis has shifted from simple data analysis to strategic management as a means to analyze^[9] financial reports of enterprises from a strategic perspective; NityaP.Singh (2020) believes that the uncertainty of the

environment in which real estate enterprises operate affects the development of enterprises. The more complex and changeable the environment, the greater the risks enterprises need to face, and it is even more necessary to analyze the data of financial statements from the perspective of development strategy. Further examination and identification^[10] of financial data in an environment of uncertainty by selecting primary and secondary strategies.

1.2.2 Domestic Literature Elaboration

With the development of China's economy and the deepening of reforms, corporate financial analysis has gradually come into view and formed a new method of financial analysis.

Li Yuan (2017) argues that if an enterprise finds in the course of production and operation that its asset liquidity is poor, its financing cost is high, and its investment return is low, it indicates that there is a certain financial risk. She proposed the best ways to prevent financial risks, including formulating corresponding development strategies to diversify risks and strictly controlling capital flows, etc.^[11]

Zhang Chunling (2018) holds that currently, Chinese enterprises lack an overall and global perspective in the analysis of financial statements. Most enterprise managers do not have modern management ideas such as strategic management and risk management. The purpose of this is to start from the perspective of development strategy, address the deficiencies of traditional financial statement analysis methods, and thereby provide some suggestions for the long-term development of companies.

Lu Chenlong (2019) pointed out in the research on the development strategy of commercial real estate of Nanjing JM Company: Enterprises should carefully analyze the internal and external environment they are in, dig out their own problems from the strategic height, give full play to their advantages to avoid risks, conduct further financial analysis, formulate strategies suitable for their own development, enhance the competitive level of the enterprise in this field, and achieve their own financial goals^[12].

Liu Wenxin (2019) pointed out that the risks that enterprises have in the process of strategic management include: paying attention to short-term interests and ignoring long-term development; Focus on strategy formulation but neglect strategy implementation; The blueprint is drawn too big and the support is weak. In the process of strategic management, enterprises should constantly be vigilant about financial issues in order to effectively enhance^[13] their own management level and economic benefits.

Liu Xinjun (2020) analyzed the strategic implementation of the management model of real estate enterprises and clarified that the financial indicators of real estate companies should be analyzed and combined with the implementation of the development strategy, adjusted and reorganized, and the enterprise management information system should be improved. Su Jingqin (2020) pointed out that in reality, some fast-growing regions (such as Shanghai and Shenzhen) have shown a trend^[14] of increasing professionalization.

1.2.3 Overview of the Situation

From the above research, we can see that many current scholars believe that financial reporting has an inseparable relationship with the strategies implemented by enterprises. It is the combination of corporate strategy and financial reporting that expands the perspective of financial analysis. The analytical

framework of Harvard Corporation is the most common approach at present, but there is still a problem that financial analysis is not closely linked to strategy. In recent years, although some scholars have put forward perspectives from the objective development environment, external accounting perspectives, etc., there are still many scholars who have put forward new perspectives, most of which are based on theory and rarely applied in practice. This paper attempts to analyze^[15] the financial statements from the perspective of development strategy, in combination with the specific case of Vanke Group.

In short, in the process of exploring and studying corporate financial issues, many researchers have dissected and studied the models of corporate strategy and financial analysis, and have drawn certain cognitive conclusions^[16] based on real-life examples of management control in real estate enterprises.

1.3 Research Content and Methods

1.3.1 Research Content

The full text is divided into six chapters:

The first chapter is the introduction, which mainly describes the relevant research background and significance, research status at home and abroad, research methods, etc.

Chapter 2 briefly describes some of the theories used in the article, mainly financial statement analysis theory and enterprise strategy theory, to lay the foundation for the following research.

Chapter 3 first presents the background of Vanke, compares a series of changes in Vanke's development strategy and the strategy it is currently choosing, and then points out the reasons for Vanke's choice of specialization strategy from both internal and external aspects and analyzes Vanke's strengths, weaknesses, opportunities and threats using SWOT theory.

Chapter 4 is divided into three perspectives to study the financial situation. Based on Vanke's strategy, it conducts a deep analysis of Vanke from the three financial perspectives of balance sheet, income statement and cash flow statement, and presents some existing problems of Vanke.

Chapter 5 presents feasible measures for the problems, hoping to provide a reference.

Chapter 6 is a summary of Vanke's overall development.

1.3.2 Research Methods

(1) Case analysis. This article uses the case analysis method, taking the professional development of Vanke Group as an example. The article uses both qualitative and quantitative analysis methods to analyze Vanke in terms of opportunities and threats in the macro environment, Vanke's strengths and weaknesses, and based on relevant industry data, as well as the industry and Vanke's annual reports in recent years.

(2) The combination of quantitative and qualitative methods

In this paper, when analyzing the financial situation of Vanke Group Company, the qualitative analysis method was used to evaluate the company's development strategy in combination with the internal and external environment, and the quantitative analysis method was used to analyze the financial situation of the enterprise with the help of some financial data, etc.

(3) Literature analysis method

First, collect and read a large amount of domestic and foreign literature on the theoretical knowledge of financial statements and development strategies, determine the research scope, clarify the research focus, and explore the financial situation of Vanke Group from a strategic perspective. Through literature research, the research framework of this paper was basically determined and the research content of this paper was clarified. With the help of China National Knowledge Infrastructure (CNKI) and book reading, a large number of articles on financial analysis under corporate strategy were reviewed.

2. Related Concepts and Theoretical Basis

2.1 Corporate Strategy

2.1.1 Definition of Corporate Strategy

In the context of competition among large enterprises, enterprise strategy guides enterprises on how to figure out the direction^[17] of healthy development. At the same time, allocate limited resources appropriately to achieve the ultimate goal of maximizing the use of resources. Strategic management of an enterprise is a dynamic and flexible process. According to business processes, corporate strategy can roughly be divided into three stages: formulating the strategy, implementing the strategy, and strictly controlling the strategy^[18]. The formulation of appropriate strategic goals is to make the ultimate goal of the enterprise reach every department, so that it has a definite direction of effort. The formulation of the overall strategy is the overall approach and method to achieving the ultimate goal of the enterprise. The formulation of a precise and detailed strategy is a series of measures^[19] taken by the enterprise to achieve its ultimate goal.

2.1.2 Classification of Corporate Strategies

Corporate strategy is a unified term that refers to the strategies of different companies. In general, it includes company-level strategy, competitive strategy, and function-level strategy, and within company-level strategy, competitive strategy, and function-level strategy, there are several types of strategies. Corporate strategies abound, and it can be said that different strategies can be seen in various industries. Although there are many types of corporate strategies, there are many common problems among them. They are all corporate planning, strategies for long-term, overall, and fundamental issues of the enterprise. Strategic management theory has been thriving and has achieved good results because it is theoretically in line with the development needs of The Times and the development needs of enterprises, and has drawn rich experience from successful management.

2.1.3 Specialization Strategy

Specialization is derived from one of the three general strategies proposed by Michael Porter in *Competitive Strategy* - competitive strategy (Focus)^[20]. Specialization refers to a company devoting all its energy and creativity to a competitive core business, concentrating its advantages to drive the company's development. A core business refers to the business that a company values in its business domain. Specialization is divided into two major categories: one is industrial specialization, which refers

to the concentration of business by an enterprise in a specific industry; The second is business specialization, where a company focuses on one link in the entire industrial chain. Specialization strategies can define a company's core business and, under the premise of downsizing the business, define the company's market positioning, determine the core business of the enterprise, narrow the business scope of the enterprise, have a clear market positioning, and focus on the specialization strategy of the core business, which is conducive to improving the core capabilities of the enterprise and putting other enterprises in an advantageous position when compared with it, And adopting this strategic approach is more long-term and stable, which is conducive to the healthy development^[21] of the enterprise. That's what Peter Drucker said: Companies that focus on productivity will gain a significant competitive advantage and will quickly gain market dominance.

With the advent of the information age, information technology has developed well and industry standards have gradually opened up, which has greatly improved the efficiency of information exchange among companies and also greatly reduced costs. Different industries have achieved resource sharing and mutual benefit. At this point, the model of companies swallowing all at once is no longer applicable, and modern enterprises are more pursuing win-win cooperation models. This trend is in line with the development of The Times. Every company is striving to build its best core business and hand over its non-core business to others to improve operational efficiency.

2.2 Financial Statement Analysis

2.2.1 Definition of Financial Statement Analysis

Financial statement analysis refers to the assessment of a company's financing, investment activities, solvency, profitability, operational capacity, etc. through accounting, verification, application of financial statements or other relevant data, using a set of analytical and evaluation methods. For creditors, operators and others who want to know about the company, it will provide a deeper understanding of the company's history, analyze the current actual situation of the company, predict the future development trend of the company, and facilitate the making of scientific and decision-making judgments.

Financial statement analysis has different focuses on multiple reports and can reflect the financial situation of a company in a particular period and determine its debt-paying ability, such as whether the capital structure is reasonable and whether the liquidity of the enterprise is sufficient. By analyzing the financial data in the cash flow statement, the solvency and profitability of the company can be reflected, and the debt situation of the company can be evaluated; By analyzing the indicators in the income statement, one can determine the company's profit situation and predict its future development direction.

2.2.2 Methods of Financial Statement Analysis

(1) Trend analysis

Trend analysis is a data-based analytical method whose core is to predict changes in the data. It is a method of analyzing data in units of time, then using trend lines to categorize the data, then using trend lines to determine changes over time, and ultimately reaching a conclusion. This article, from the perspective of financial strategy, discusses the development trend of the rate of change in sales of

enterprises and conducts a specific analysis.

(2) Factor analysis

The factor analysis method determines the scope and direction of the influence of the analyzed indicator by analyzing the connection between the indicator and the various factors that have a certain influence on its variation. Factor analysis is widely used in financial statement analysis. This paper selects multiple factors from the financial statements to analyze the financial position of Vanke enterprise.

2.2.3 The Significance of Financial Statement Analysis in Corporate Strategic Decision-making

(1) Comprehensive strategic analysis makes the analysis more comprehensive

Analyze the changes in financial data based on the enterprise's development strategy, observe whether they are in line with the company's development strategy, use financial statement analysis methods to analyze the company's profitability, management level, asset management level, financial management level, and use cash flow analysis to evaluate the company's capital operation, improve the company's capital management, financial management and financial efficiency.

(2) More in line with the development direction of the enterprise

Traditional financial statement analysis only involves the data of the enterprise and neglects to measure the external factors that affect the development of the company from a strategic height, such as opportunities, threats, etc. From the perspective of the real estate industry, there are various types of business and the financial data appears chaotic. At this point, traditional financial analysis alone can no longer meet the needs of the company. Analyzing financial statements from the perspective of development strategy can not only gain insights into the opportunities and threats of the enterprise from the external level, but also sort out the financial situation of the enterprise more clearly. While focusing on the financial situation of the enterprise, it can also understand the position of the enterprise in the entire industry, thereby formulating a more precise development strategy.

3. Overview of Vanke and Its Development Strategy Analysis

3.1 Introduction to Vanke

Vanke Group Co., Ltd. was founded in 1984, with real estate as its main business. It was one of the first listed companies in China. As of the end of 2001, the company had total assets of about 6.4 billion yuan, net assets of about 3.1 billion yuan, a staff of up to 5,000 people, and 43 independent and affiliated companies. Vanke Group has been involved in the real estate industry for more than three decades and is a leading figure in the industry, and he deserves^[22] it.

Vanke first got involved in real estate in the 1990s, and since 1993, it has made real estate development its main business. In the first quarter of 2022, Vanke achieved operating income of 62.67 billion yuan, an increase of 0.6% compared with the same period of the previous year; The company achieved a net profit of 1.43 billion yuan, an increase of 10.6 percent compared with the previous year. Among them, real estate development projects completed an area of about 4 million square meters, the same as the same period of the previous year, achieved operating income of 49.34 billion yuan, a decrease of 6.9%

year-on-year. In the first quarter of 2022, the pre-tax gross profit of the company's development business was 21.8%, while the after-tax gross profit was 17.1%; The Group's total profit was 18.9 percent and its after-tax profit was 15.0 percent. The financial position of the Group is sound. The company has made real estate development its primary core business, and its product types are concentrated in residential commercial housing. At the same time, its sales volume has consistently ranked first^[23] in the industry.

3.2 Vanke's Development Strategy Analysis

3.2.1 Evolution of Vanke's Strategy

Vanke's professional restructuring mainly consists of four points: First, a shift from diversified operations to specialized operations; The second is a shift from multi-variety operation to residential; Third, resources have shifted from being scattered in 13 large and medium-sized cities to being concentrated in economically developed first-tier cities with large populations, and the focus of investment has gradually shifted to the five core regions^[24] of Beijing, Shenzhen, Shanghai, Tianjin and Shenyang, with a focus on regional control. As a result, Vanke has achieved specialization not only in its business but also at the regional level. Thanks to the strategic transformation, Vanke's sales performance has been growing. By the fourth quarter of 2021, Vanke had achieved a net profit of 38.07 billion yuan and a basic earnings per share of 1.94 yuan. Fourth, Vanke is further refining under its specialization strategy, with regional expansion, market segmentation and green strategy. Regional expansion is based on central cities and extends outward. Market segmentation refers to Vanke's practice of drawing on the experience and management model of American real estate companies, segmenting markets based on customer needs, and differentiating levels more precisely^[25]; The green strategy is divided into three steps. The first step is decorated houses, the second stage is specialized residential products, and the third stage is green buildings. Vanke is more specialized in the demand for details and better develops housing in pursuit of high-quality profits. The fifth is the specialization strategy to support diversification, prioritizing the development of the real estate industry while supporting the diversification of other industries. As of the end of 2021, Vanke's real estate and related business revenue reached 429.9 billion, accounting for 94.95%, and property services accounted for 19.83 billion, accounting for 4.38%.

3.2.2 Vanke's Professionalization Strategy

Through its "slimming" plan, Vanke shifted its business focus to specialization, giving up 13 industries including import and export, investment, and film and television. After the business divestiture and reorganization, it quickly completed the integration of its business and obtained sufficient capital. Vanke entered an era dominated by real estate, and this strategic change laid the foundation for Vanke's advantages in terms of funds, human efficiency, and management. It helped the company to manage its core business in a centralized manner. The best way for Vanke to expand would be to industrialize residential buildings, and the profit model of commercial centers and office buildings would be more suitable for leasing, which would require the company to have strong capital and strong financing capabilities. Vanke's development has become simpler, but not smaller. Vanke is not only moving towards specialization, but also striving for excellence. Vanke is strengthening its use of big data to precisely

deliver useful information to potential customers, serve the promotion team to expand offline, and ultimately achieve conditions such as better customer service, innovative products, and the creation of supporting measures.

Vanke focuses on the development of residential products, targeting mid-to-high-end residences in the market, with a regional focus on the four cities of Beijing, Shanghai, Shenyang and Shenzhen, and expanding from the central cities to the periphery, as well as targeting first-tier cities such as Wuhan and Chengdu. And it made necessary adjustments to some non-core businesses. At the same time, the famous Vanke era "subtraction theory" was born, Vanke reduced the variety of products such as apartments and villas, and transferred equity investments to standardize core businesses. Real estate development is the company's main source of income, and its share has remained at 95% for a long time. Property management is the second largest source of revenue, accounting for 4.4% in 2021. The revenue growth of the property management business was good, increasing by 32.1% quarter-on-quarter compared with 2021.

3.2.3 Analysis of the Reasons for Vanke's Professionalization Strategy

1. External causes

National macroeconomics and policies have a certain driving and restraining effect on the development of a company, but different industry life cycles also make corresponding decisions for it, especially the real estate industry, which is even more constrained by national macro-control and policies.

(1) The state promulgates policies for regulation

There is still an economic bubble in China's real estate sector, and there is a large amount of property price speculation. To address this problem, the government has issued many policies, aiming to prevent the expansion of the economic bubble through overall government regulation. "Purchase restrictions, purchase restrictions, price caps" have emerged across the country. At present, cities have responded.

(2) The prospects for real estate remain broad

We are in a period of rapid industrialization, urbanization and modernization, and people 'work' consciousness has not changed over time.

(3) The competitors are powerful

The real estate industry is still relatively mature and has a low entry threshold. The entire real estate market is still in the development stage, and there are many competitors that are not to be underestimated. Therefore, real estate enterprises need to be relatively strong overall and focus on developing a certain area to enhance core competitiveness and achieve sustainable development.

2. Intrinsic reasons

(1) facilitating economies of scale

Adopting a specialization strategy is conducive to concentrating all the advantageous resources of the enterprise at one point, and after the re-integration and processing of production factors, it can accelerate the increase of market share and increase enterprise profits. At the same time, achieving economies of scale under a specialization strategy can reduce product costs and give the enterprise more advantages

when competing with rivals in other industries.

(2) It is easy to create differentiation and form core competitiveness

After more than 30 years of development, Vanke has become a company that can have a place in the real estate industry and is relatively mature in all aspects compared to other real estate companies. Choosing a specialization strategy and concentrating strengths to develop in a particular field helps to build its own proprietary core competitiveness, create its own advantages, and gradually expand market share. Take over the market more quickly.

3.3 SWOT Analysis of Vanke

Use the SWOT analysis method to comprehensively analyze the development of Vanke Group from four aspects: strengths, weaknesses, opportunities and threats.

3.3.1 Strengths

Its advantages are mainly reflected in the following aspects:

1. Good service quality and reputation. Vanke is currently the leading enterprise in the real estate industry. It has been at the top of the real estate industry for many consecutive years, with obvious competitive advantages and immeasurable brand value. In addition, Vanke attaches great importance to the quality of its products, mainly in details such as the standard of fine decoration, which is also highly praised in the industry and has played a very good role^[26] in promoting Vanke's increase in market share and land acquisition.
2. Strong innovation ability. Through continuous efforts, Vanke has gradually established its own competitive advantage: "Vanke" has become the first national well-known trademark in the industry; The "Landscape Garden Villa" developed independently by the company is the first patent of a residential enterprise in China and the first invention patent; Vanke has established an innovation research department that constantly develops new products, and the group attaches great importance to innovation. In terms of housing indicators alone, there have been more than 60 innovations^[27].
3. Strong core competitiveness under specialized development. The strategy adopted by Vanke is conducive to the concentration of various resources, as well as better improvement and enhancement, and helps to raise the barriers in the industry and better prevent other rivals from entering. Vanke has a complete human resources management system that sets up the organizational structure based on the entire project cycle, which can make Vanke's professional division of labor stronger and the organizational structure clearer.

3.3.2 Disadvantages

1. Insufficient land reserves. Vanke Group has a very small land reserve, which may only meet the land demand for the next two to three years. The mismatch with the demand may affect the development of the enterprise and cause land cost problems^[28].
2. The risk of specialization strategy is relatively high. The specialization strategy adopted by Vanke Group is not conducive to risk transfer, has relatively poor operational security, cannot achieve mutual promotion among multiple industries, has strong limitations, and is not conducive to the optimal use of

resources and technology.

3. The marketing efforts are not strong enough. The brand did very little promotion in the early stage and did not pay attention to Internet marketing. There was a lack of more direct communication with customers, which led to a series of problems such as information asymmetry. The marketing awareness was not strong enough and there was a lack of overall marketing planning^[29].

3.3.3 Opportunities

1. A significant increase in demand for home purchases. With the rapid growth of the Chinese economy, most industries are growing at a relatively high rate, among which the real estate sector is on the rise, and the disposable income of residents is also on the rise. Buying houses is a rigid demand, and with the implementation of talent introduction policies in first - and second-tier cities, the housing purchase demand of urban residents is also constantly increasing^[30].

2 The national real estate market is growing steadily. The era of property speculation in China's real estate market is over. The main purpose of real estate market regulation is to stabilize and control housing prices, and the fundamental purpose is to ensure the green and healthy development of the real estate market. China's real estate market will develop steadily under the market environment and macro-control by the government, which also provides a stable market for Vanke Group. It is beneficial to the development^[31] of Vanke Group.

3. Fast pace of technological innovation. With the changing times, the pace of technological innovation has accelerated, and at the same time, it has changed the traditional production model of the real estate industry. The industrialized production model will also enhance the efficiency of building houses, and the overall quality will be greatly improved. The implementation of informatization has improved and rectified the overall operation of enterprises, further enhancing the core competitiveness^[32] of the real estate development and construction industry.

4 Specialization contributes to achieving economies of scale. Enterprises can better integrate the advantages of the company in terms of resources, human resources, material resources and funds, and focus on developing a core business, which will also save a lot of money.

3.3.4 Threats

1. Industry competitors are not to be underestimated. In recent years, the real estate industry has expanded rapidly. In the residential sector, real estate companies can be said to have the advantage of a pillar industry and can obtain high profits. The number of different industries entering the real estate market has continued to rise, and even some traditional enterprises have participated in the competition for resources in^[33] the real estate industry. How to strengthen core competitive businesses and achieve sustainable development is a challenge^[34] that companies have to face all the time.

2 Land costs are high. Vanke's current reserves can only last for a maximum of three to four years. The acquisition of the land is through listing, which saves developers a lot of formalities, but the cost of the land is relatively high, and the proportion of the total development cost has increased^[35].

3 The state has introduced policies to regulate the real estate market. Many first-tier cities in China have

implemented macro-control policies on the real estate sector, restricting residents' home purchases, such as raising the down payment ratio for houses and restricting home purchases.

4 The economy as a whole is on a downward trend. Since the outbreak of the pandemic began in 2020, most industries across the country have been affected by the event, the economy has slumped rapidly, and the entire real estate industry has been severely hit. Although Vanke is the leader in the real estate industry, it has also inevitably been affected to some extent, and the gross profit margin on sales has been declining^[36].

3.3.5 Vanke's SWOT Matrix

Based on the analysis of Vanke's strengths, weaknesses, opportunities and threats, the SO strategy, WO strategy, ST strategy and WT strategy of Vanke Group were obtained and summarized to form Vanke's analysis matrix as shown in the table below:

Table 1. SWOT Analysis of Vanke

	Strengths (S)	Disadvantage (W)
	1. Good quality of service and reputation	1. Insufficient land reserves
	2. Be innovative	2. Professionalization strategies carry higher risks
	3. Strong core competitiveness under specialized development	3. Insufficient marketing promotion
Opportunity (O)	SO Strategy	WO Strategy
1. A significant increase in demand for home purchases	1. Leverage the strategic advantages of specialization, sustain the core business, and achieve economies of scale.	1. Adjust the marketing strategy, increase publicity, integrate online and offline, and expand marketing channels.
2. The national real estate market is developing steadily	2. Increase the intensity of product innovation, implement the concentration of resources in the specialization strategy, introduce new products, grasp customer preferences, and continuously develop and explore.	2. Actively participate in public land auctions, expand land project development, increase land reserves, and try to avoid the risks brought by professionalization.
3. Fast pace of technological innovation		
4. Specialization helps achieve economies of scale		
Threat (T)	ST Strategy	WT Strategy
1. Industry competitors are not to be underestimated	1. Develop the unique characteristics of the specialization strategy, explore the potential value of the product, enhance competitiveness, and highlight the distinct advantages of the product over competitors.	1. Appropriately diversifying channels and reasonably avoiding risks are beneficial for enterprises to expand their overall scale.
2. Higher land costs		
3. The state has introduced relevant policies to regulate the real estate industry	2. Strengthen cost management and use the characteristics of the specialization strategy	2. Maintain the company's image, enhance brand reputation, and innovate marketing models in line
4. The overall economy is		

on a downward trend to concentrate resources and reduce unnecessary waste of resources. with national policies.

3 Give up some projects in overpriced areas appropriately and save money to invest in^[37] the booming emerging industries.

4. Analyzing Vanke's Development Strategy from the Perspective of Financial Statements

4.1 Based on Balance Sheet Analysis

The implemented strategy is the best support for capital, and any capital development cannot do without the support of strategy. The human, material and financial resources of the enterprise need to play a significant role, which is reflected in the balance sheet in the sources^[38] of capital. From the perspective of the enterprise structure, it is divided into two parts from a strategic perspective: one part is operating assets, and the other part is investment assets^[39]. An enterprise that takes operation as its core is an operation-driven type, and Vanke is a company that takes operation as its core.

Table 2. Vanke's Share of Assets (Billion Yuan)

Projects	2019	2020	2021
Assets	17300	18690	19390
Financial assets	5485.39	5913.88	5665.25
Proportion of financial assets	31.7%	31.6%	29.2%
Proportion of operating assets	68.3%	68.4%	70.8%

Data source: Eastmoney

Information on Vanke's operating conditions can be seen from the composition of assets on the left side of the balance sheet. From the structure of asset sources, the composition of assets can reflect the allocation of resources by the company to achieve its strategy and the implementation of strategic decisions. Vanke adopts a specialized competitive strategy with real estate as its main business, is guided by an overall strategy of a specific marketing model, and has a large market share, maintaining the advantage of a leading enterprise and creating value for the company. As shown in Table 2, it can be seen from the analysis of the asset structure that Vanke's assets have continued to grow over the past three years. Among them, the operating assets have remained at around 70%, while the financial assets have fluctuated slightly around 30% and are in a relatively stable state. Through the analysis of the company's total asset situation, it can be concluded that Vanke Company is mainly operating. The specialized operation mode driven mainly by the development of operating assets indicates that its operation strategy is to pursue economies of scale, and its asset scale is constantly expanding and maintaining a large proportion.

Table 3. Vanke's Overall Assets (Billion Yuan)

	2019	2020	2021
Current assets	14390	15470	16000
Non-current assets	2910	3220	3390

Data source: Eastmoney.com

Vanke Group's current assets and non-current assets have been increasing year by year, and its current assets reached 1.6 trillion in 2021. The difference is significant, which is very much in line with the characteristics of the real estate development industry. A large number of development properties are inventories, which contain huge profitability. It is precisely because of the continuous advancement of the company's professionalization strategy and the adoption of real estate operation as the main business, Logistics management development is secondary, which is why current assets far exceed non-current assets. From the perspective of implementation effect, it can be seen that the overall strength of the enterprise is strong, so it has strong competitiveness in the industrial structure adjustment. In addition, if Vanke goes public successfully, the company's balance sheet will improve significantly, so banks can lend money to Vanke with confidence, which is inseparable from Vanke's professional strategy.

4.2 Based on the Income Statement Analysis

Profit refers to the final financial income that a company acquires in the course of its operations. The level of a company's earnings will directly affect the return on investment for investors, the debt-paying ability of creditors, and the execution^[40] of the company's overall strategy. Therefore, the analysis of corporate profits plays an important role^[41] in understanding the business results and performance of enterprises.

Vanke's specialization strategy still focuses on residential types while supporting diversified businesses, with real estate development as the core business to create more profits for the company, and core profits are an important analytical entry point for evaluating the company's earnings.

4.2.1 Quality of Income and Expenses

1. Quality of operating income

The most crucial indicators in the income statement are operating revenue and profit^[42]. This article mainly analyzes the changes in revenue over the past three years. The revenue of Vanke Group has generally been on the rise. In the first half of 2021, the company's revenue was 167.11 billion yuan, an increase of 14.2% compared with the same period of the previous year. Combined with Chapter 3, it is analyzed that the increase in revenue growth rate and the decline in net profit growth rate are mainly due to certain risks of the specialization strategy implemented. Under the influence of the pandemic and other macro-environment factors, the risk-avoidance effect was not as good as that of enterprises implementing the diversification strategy.

In 2020, the property market in China warmed up. With the improvement of the epidemic and the online

marketing of enterprises, and the adoption of a specialized strategy still focusing on residential types while supporting diversified businesses, the transaction volume of commercial housing rose. Vanke's approach helped the enterprise maintain stable development in the unstable market background, and the company's sales revenue increased. However, in 2021, the pandemic recurred and several first-tier cities were affected by the pandemic. The state introduced policies to regulate the property market, which led to a decline in the company's net profit, mainly due to the decline in gross profit margin of the real estate development business, the decline in investment income, and the provision for impairment. This is the reflection of historical factors in the financial statements, precisely because Vanke takes real estate business as the main core business, So when that business is affected, the entire company will be greatly impacted. From 2019 to 2021, Vanke's development plan has been centered on real estate and related businesses, as shown in Table 4, which accounts for as high as 94.95% of the business, indicating the full utilization of resources for development, with real estate business as the main driver of profit sources, so risks cannot be well transferred under this strategy. There is still much room for improvement in financial risk prevention. Under the guidance of the professionalization strategy, while developing services such as property management and logistics, the company has been steadily advancing and its revenue has been increasing year by year, demonstrating its overall development and operational capabilities. In the process of optimizing the industrial structure, the company's long-term development is highly competitive.

Table 4. List of Vanke's Main Business

	Main business composition	Main business revenue (billion)	Revenue ratio	Operating costs (billion)	Main operating profit (billion)	Profit ratio
2021	Real estate and related businesses	4299	94.95%	3365	934.5	94.56%
	Property services	198.3	4.38%	163.8	34.55	3.5%
	Others (Supplementary)	30.35	0.67%	0.32	19.19	1.94%
2020	Real estate and related businesses	4004	95.55%	2829	1176	95.93%
	Property services	154.3	3.68%	126	28.28	2.31%
	Others (Supplementary)	32.31	0.77%	10.69	21.61	1.76%
2019	Real estate and related businesses	3527	95.86	2239	1288	96.95%
	Property services	127	3.45	103.4	23.59	1.77%
	Others (Supplementary)	25.4	0.69	3.518	21.88	1.64%

Data source: Eastmoney.com

2. Quality of cost and expense

The cost portion is more flexible and does not necessarily correlate with operating income, and better returns^[43] can be achieved with less cost through internal and strategic adjustments. Overall, with the

expansion of the business scale and the orientation of the enterprise strategy, operating costs have been increasing year by year, showing an upward trend, indicating that Vanke is committed to developing for greater profits, and the upward trend is relatively stable. Operating costs account for the highest proportion of cost and expense items. As the company adopts a specialized strategy with real estate development as the core business, the main land acquisition costs and real estate development project costs are relatively high. In addition, project costs such as labor costs and depreciation also account for a certain proportion. Vanke attaches great importance to the training of employees and core talents, and the salary level of employees has also improved significantly. As a result, Vanke's operating costs have risen, which also reflects Vanke's specialized development strategy. Other expenses are auxiliary expenses and account for a relatively low proportion overall. Among them, sales expenses account for a relatively high proportion. Combined with the development of the enterprise, it can be seen that Vanke is realizing the role of enterprise marketing and has adopted an active marketing model. At the same time, enterprise financial expenses, sales expenses, administrative expenses and taxes and surcharges have all decreased in the past three years, and hidden costs have decreased. This indicates that the company is strict in controlling costs and expenses, trying to reduce costs to gain more profits, and attaches great importance to the role of expense management and resource allocation.

From the above analysis, it can be seen that the current business strategy of the company is in line with the analysis results of the financial statements, thereby better demonstrating that Vanke's financial situation is good, can enhance the company's core competitiveness, and can continue to develop steadily in the fierce market competition.

4.2.2 Quality of the Profit Structure

The ultimate goal of an enterprise is to make profits. Profitability determines the development of an enterprise, reflecting not only its ability to make money but also its ability^[44] to increase capital. The quality of the profit structure is also of great significance to business managers.

Table 5. Indicators Related to Vanke's Profits (Billion Yuan)

	2019	2020	2021
Gross profit margin	36.25%	29.25%	21.82%
Core profit	745.9	692.85	503.06

Data source: Eastmoney.com

Under the impact of the pandemic, Vanke has been adjusting its strategic layout from the previous diversified strategy adjustment to the specialized occupation auxiliary diversified layout, constantly taking various measures for strategic innovation and transformation, as shown in Table 5, Vanke's gross profit margin and core profit have declined in the last three years, indicating that Vanke has strong market competition and huge development space, But the company's profit level has not increased; instead, it

has gradually declined and is gradually unable to cover financial, management and sales expenses. Under the specialization strategy, Vanke will face the risk of a single business. Due to the impact of the force majeure epidemic in recent years, which has led to a significant decline in the performance of the entire real estate market, Vanke has not been spared. Apparently, from the perspective of profits, Vanke Group's specialization strategy has increased the overall financial risk, making its own profits vulnerable to market fluctuations and having a certain negative impact on the development of the enterprise's specialization.

4.3 Analysis Based on the Cash Flow Statement

A cash flow statement is a report of the flow and status of a company's funds over a certain period of time. The main contents reflected in the cash flow statement include cash flows^[45] generated from operating activities, investing activities and financing activities. An analysis of a company's cash flow statement reveals the performance of its operating and financing strategies and the effectiveness of its strategies.

Table 6. List of Vanke's Cash Flows (Billion Yuan)

	2019	2020	2021
Net cash flows from operating activities	456.9	531.9	41.13
Net cash flows from investing activities	-286.3	57.97	-262.8
Net cash flows from financing activities	-333.4	-325	-231
Net increase in cash and cash equivalents	-159.3	229.2	-446.5

Data source: Eastmoney.com

4.3.1 Business Analysis

Table 7. List of Vanke's Operating Cash Flow Items (Billion Yuan)

	2019	2020	2021
Cash received from the sale of goods or the provision of services	4327	4723	4641
Other cash received in connection with operating activities	371.1	360.8	201.7
Cash paid for the purchase of goods or services	3173	3185	3606
Cash paid to and on behalf of employees	164.1	155.6	185.9
Taxes and fees paid	612.9	594	601
Payment of other cash related to operating activities	291.6	617.4	408

Data source: Eastmoney

According to the annual report disclosed by Vanke, operating cash flow in 2020 was 7.5 billion higher than in 2019, but dropped significantly in 2021 by about 49 billion. Moreover, in 2019 and 2021, the

company's net increase in cash and cash equivalents was negative. The basic situation was that the cash inflow from operating activities was greater than the cash outflow during the year, and the net cash generated from operating activities not only met the company's investment and financing needs, but also promoted the growth of cash and net cash, But the larger decline in 2021 indicates a decrease in the company's ability to generate cash, most likely due to the impact of the pandemic, with cash in a non-virtuous cycle. In light of Vanke's business situation, the company has adopted a stable business model for expansion, seized the specialization strategy to vigorously consolidate residential products, seized the layout of the three core urban agglomerations plus key cities in the central and western regions, and adopted an active cost control relationship during the development strategy to maintain long-term stable operating costs. These are all based on the good implementation effect of Vanke's specialization strategy. The stability of cost sales is the foundation of operating profit. Firmly develop the strategy and carefully set the sales targets.

4.3.2 Investment Analysis

Table 8. List of Vanke Investment-Related Projects (Billion Yuan)

	2019	2020	2021
Cash received for recovering investments	17.61	46.37	8.564
Cash received for obtaining investment returns	29.12	39.03	59.57
Cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets	62.44	72.08	95.78
Cash paid for investment	279.2	129.4	152.5
Net cash flows from investing activities	-286.3	57.97	-262.8

Data source: Eastmoney

As can be seen from Table 8, Vanke's net cash flows from investing activities were positive in 2020, while they were negative in 2019 and 2021. The negative net cash flows from investing activities indicate that the company has been increasing investment and expanding the demand for market sales, and the overall trend of first rising and then falling indicates that investment alone, The cash flow generated by Vanke's investment over the past three years has not met the development needs of the enterprise. A large amount of capital investment has not brought expected returns. By comparing the amounts of cash flow from operating and financing activities, it is found that the investment loss can be compensated for the profit deviation. Profit coordination is the core issue of supporting resources, so as not to impose an excessive burden on the enterprise. At the same time, from the perspective of asset structure, it can be seen that the enterprise has chosen an operation-driven development model. From the amount of investment assets, it can also be seen that the enterprise has not focused on investment but has maintained real estate development as the core business for specialized development, in line with the enterprise

development strategy, which reflects the focus of Vanke's specialized strategy from the side. The company has a relatively large proportion of cash from investment income and a relatively low proportion of the rest, indicating that the company is actively expanding outward through investment.

4.3.3 Financing Analysis

Classified by the source of funds, the main sources of funds for an enterprise are its own surplus profits and external borrowing and financing^[46]. The cash absorbed by Vanke in the last two years was around 39 billion yuan each year, and the funds paid for debt repayment were relatively high and increasing year by year. It can be seen that the resource structure supporting the enterprise is first operating liabilities, then shareholder shares, and finally profit distribution. The company did not raise funds through the issuance of stocks and funds, and its fundraising methods were rather limited. For a long time, Vanke Group has attached great importance to communication and cooperation with banks. Vanke Group has maintained stable long-term cooperative relationships with the five major state-owned banks, which provide good financial support for Vanke Group to meet the needs of its business development. As a result, the company's internal financing strategy based on operating liabilities has not been fully implemented. It should raise funds through multiple channels, minimize its financial expenses, and ultimately enhance its profitability.

4.4 Problems with Vanke

Overall, Vanke's overall financial situation is good and its specialization strategy has been implemented successfully, but there are also some problems:

1. The specialization strategy has a single business and fails to transfer risks well.

Specialization is not conducive to risk dispersion, has a weak risk-avoidance effect, cannot achieve rapid risk transfer, has relatively lower operational security compared to diversification, and has a relatively single source of profit and a relatively narrow market prospect, which is not conducive to rapid improvement of economic benefits and may affect the development of the enterprise. From the perspective of assets, the proportion of operating assets is relatively large, which is in line with Vanke's characteristics in the real estate industry. From the perspective of profits, Vanke Group's specialization strategy increases the overall financial risk and makes its own profits vulnerable to market fluctuations. All these problems will have a certain negative impact on the future specialization development of the enterprise.

2. Operating costs have been increasing year by year and have been on an upward trend.

From the above series of analyses, it can be seen that Vanke's operating costs have been increasing year by year precisely because the enterprise has adopted a specialized strategy with real estate development business as the core business. Due to the high cost of land acquisition and real estate development projects in the real estate development industry, and Vanke's philosophy also attaches great importance to the feelings of employees and the cultivation of core talents, human capital has been output in large amounts. There are also certain labor costs, which are the reasons for the increase in the company's operating costs and reflect Vanke's professional development strategy. The increase in business costs should draw the

attention of the company's management, that is, reducing costs is crucial to the business and directly affects the company's profits. This trend is not conducive to the positive development of the enterprise.

3. The net cash flow from investing activities is negative

It can be seen from the above analysis that Vanke's net cash flow from investing activities was negative for two of the last three years, indicating that in terms of investment, the cash flow generated by the enterprise's investment cannot meet the needs of the enterprise's development. A large amount of capital investment has not brought expected returns, indicating that the situation is not optimistic. Combined with the overall situation of positive cash flow from operating activities and negative cash flow from investing activities, It indicates that the company has entered a period of product maturity. At this stage, the product sales market is stable and it enters the payback period, but a lot of external funds need to be repaid in order to maintain the good credit standing of the enterprise. Attention should be paid to investment issues and supervision and management should be strengthened.

4. The financing methods are relatively single and overly dependent on bank financing

Due to the introduction of a series of loan policies by the state, which reduced the original financing channels, Vanke was under great pressure. The company did not raise funds through methods such as issuing stocks and funds, and Vanke Group attaches great importance to and relies heavily on bank financing, resulting in an overly single financing form, which would undoubtedly greatly increase the financial risk of Vanke. It may impose high financing costs on the company. Excessive dependence, once the demand cannot be met, and if the enterprise has no alternative alternative, the risk will directly increase, easily causing the enterprise to be unable to bear the problem, which is extremely detrimental to the development of the enterprise and requires great attention from managers.

5. Suggestions for Vanke's Future Development

5.1 Reasonably Control Operating Costs of the Enterprise

The operating costs of Vanke Group have been increasing year by year, which also indicates that the difficulty for the enterprise to reduce costs is further expanding. The proportion of the enterprise's land acquisition costs, etc. is too large. If Vanke wants to effectively control costs and make rational use of enterprise resources, it needs to strengthen budget control, improve the basic work of cost management, and strengthen the monitoring of capital plans, Especially when the profits of development projects in second-tier cities are not high, it is necessary to be meticulous and do every link well in order to achieve the maximum profit for the company.

5.2 Adjust the Strategy in Line with the Development Trend

In recent years, the real estate market has suffered a heavy blow, and major real estate companies have ventured into other emerging industries. In terms of development strategies, there have long been strategic differences among different real estate companies. Vanke's development strategy seems somewhat backward. Therefore, we propose a path that focuses on developing the main business and exploring other emerging industries. We can select and invest in some emerging industries to increase

profits and continue to expand the scale^[47] of Vanke Group.

5.3 Strengthen Risk Assessment and Invest with Caution

From the above analysis, it can be seen that Vanke Group may have potential financial risks in its investments. Vanke should actively explore new investment models to reduce investment costs and risks. By analyzing Vanke's financial indicator data, the management of the enterprise should be able to take targeted measures such as rationally formulating the asset-liability structure, accelerating capital turnover, properly handling various investment relations, conducting risk assessment in a timely manner, and preventing investment risks.

5.4 Develop a Diversified Strategic Direction

After years of accumulation and development, Vanke is now a relatively mature real estate enterprise. It can continue to choose to appropriately expand its diversified development direction, select some projects with strong profitability, and while maintaining its core business, use a small portion of funds to expand other real estate-related businesses, put eggs in multiple baskets, and continuously increase market share. To enhance competitiveness while stabilizing performance, more resources can be utilized to strengthen various capabilities of the enterprise.

5.5 Expand Financing Channels

Vanke's financing channels are relatively single and heavily dependent on bank credit, which brings hidden financing risks to the enterprise. To shift from a single bank loan to a diversified and multi-directional financing model, expand financing channels and raise funds, in the constantly changing financial financing market, the enterprise must use innovative financing methods to ensure the continuous optimization of the company's asset structure, Diversifying, reducing investment costs, improving the efficiency of operating funds, and appropriately increasing the issuance of corporate stocks, bonds and trust investment funds to increase the sources of funds, making the available funds held by the enterprise more and reducing reliance on banks.

6. Summary

Vanke's main business is real estate development projects. It is precisely because of this specialized strategy that the group has a good financial position and has remained in the leading position in the industry. Vanke's asset structure is also relatively stable. From the perspective of the sources of assets on the left side of the balance sheet, Vanke's strategy is mainly operation-oriented. The enterprise's business strategy pursues a certain scale effect. Its asset size has been expanding and the proportion has been increasing, and its profitability has also been growing. It can be seen that Vanke's specialization strategy centered on real estate development has been implemented well. In the income statement, the financial situation of the enterprise is analyzed from the perspectives of revenue and expenses and core profit. It can be seen that the operating income of the enterprise has steadily increased but all kinds of expenses have decreased overall, indicating that the enterprise has good expense control and management, which has brought good returns to the company. However, from the perspective of the core profit indicator, due

to the company 's specialization strategy being unable to better avoid risks, It has also brought some losses to the company, reflecting that there is still much room for improvement in Vanke Group's specialization strategy. The cash flow statement is divided into three perspectives for analysis. In terms of business strategy, it can be seen that the company has adopted active cost control and operating costs are very stable, which is also the basis of the company's profit. The company has grasped the relationship with suppliers in the upstream and maintained the relationship with customers in the downstream. The positive net operating cash flow also proves that the company's strategic choice has good advantages. In terms of investment, the net cash flow from investment has not been significant in the past three years, but the proportion of investment funds is high, indicating that the company has adopted an aggressive investment strategy for external expansion and still needs to invest with caution. From the perspective of financing, the relatively single financing method may carry potential risks, and companies need to formulate appropriate financing strategies based on their development strategies.

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