# Analysis of Cross-industry M&A in the New Energy Era: a Case Study of Dexin Transport

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**Abstract.** Under the strategic vision of green economy and the goal of carbon peaking and carbon neutrality, China's new energy industry has entered a new stage of high-quality development. Meanwhile, the scale of M&A of Chinese enterprises began to increase rapidly after 2007 as more and more enterprises explore diversification strategy and seek business transformation. In this context, this paper explores the motivations and performance of enterprises' cross-industry merger in the new energy era by studying the case of Dexin Transport's cross-industry merger with Zhihong Precision which realized its transformation to the new energy industry. This paper analyzes the status of related companies, the prospection of related industries and the companies' financial situation to explore the motivation of cross-industry mergers. We also evaluate the performance of the merger from the perspective of short-term market effect, status of transformation, long-term market performance and financial situation, and gives relevant investment suggestions. Based on the analysis, strategic transformation and cross-industry M&A are feasible choices for companies whose main businesses are limited in development and companies in financial distress. On the other hand, it is essential to be farsighted in the selection of the target industry. The development potential and market recognition of the target industry are the key to the improvement of the company's future performance and financial condition. These results present guiding significance for enterprises in similar circumstances and provides practical reference for enterprises with business transformation or upgrading plans and merger plans.

**Keywords:** Cross-industry M&A; Performance analysis; New energy industry.

## 1. Introduction

Acquisition is the economic behavior that a company obtains relevant control over other companies by some transactions of property rights to achieve economic objectives. Acquisition is a way of M&A, which includes merger and acquisition. Merger is that multiple companies merged into one and there is the loss of enterprise legal person. Acquisition is to acquire control without losing the enterprise legal person. The world's first M&A took place in the East India Company of the Netherlands. The West has gone through five bandwagons of M&A since the end of the 19th century. As time passed by, the benefits of M&A has become more and more obvious, which has become the first choice for enterprises to expand and enter new industries. China's M&A has been growing rapidly since 2007 and increase stably year by year. In 2019 and 2020, it began to decline due to the COVID-19 epidemic, but still maintain high level, indicating the well development tread of M&A in China.

According to the obtained literature, the theoretical circle has carried out relevant research mainly from the following aspects: the effect analysis of enterprise transformation through cross-border merger and acquisition, and the evaluation of the effect of merger and acquisition from the perspective of short-term market conditions, financial data and stock market reaction. The first is the impact of current major regulatory developments in China on M&A transactions. As China steps up legislation on cybersecurity and data protection, data compliance requirements are increasingly affecting companies, which poses new challenges for mergers and acquisitions [1]

The number of M&A deals in China in 2021 reached a record high of 12,790 transactions according to the PwC M&A 2021 Review and 2022 Outlook, which is an increase of 21% from the previous year. In 2022, however, new and old challenges have dampened economic growth. COVID-19 control measures have limited the scope for a sustained economic rebound and consequently, hindered inbound and domestic M&A activity. Meanwhile, increasing uncertainty in the global environment, stemming from issues (e.g., the Russia-Ukraine conflict and high inflation rates in developed countries), is discouraging outbound M&A transactions [2].

In previous studies, mergers and acquisitions are a mean for companies to acquire new resources and redeploy existing resources in a new context. The potential of mergers and acquisitions to generate value explains the number and value of mergers and acquisitions [3]. Chen selected 9 indicators from profitability based on a sample of 138 listed companies that completed asset restructuring activities in 2018. From the four aspects of analysis ability, analysis ability, per share index and development ability, the principal component analysis method is used to study and analyze the restructuring performance of listed companies. The results show that most listed companies can improve their performance in the short term after asset restructuring [4].

This paper takes the case of Delixi Xinjiang Passenger Transport Group Co. Ltd. (Dexin Transport) acquiring Dongguan Zhihong Precision Mould Co. Ltd. (Zhihong Precision) for analysis, as it is a cross-industry acquisition made by listed company in transportation industry which planned to step into new energy industry and the acquisition had a great positive impact on Dexin Transport. After the acquisition was made, the company ceased to face losses and improved its profitability. Its stock price started to rise significantly, which made this acquisition a very typical and successful case. This example is a good illustration of the motivation for companies, especially those in financial distress, to choose cross-border M&A in the new energy era and its possible impact on the company. It has guiding significance for enterprises in similar circumstances and provides practical reference for enterprises with business transformation or upgrading plans and merger plans. The rest part of the paper is organized as follows. In Sec. 2, this paper describes status of related companies, prospects of related industries, companies' financial situation and details of transaction plan. Subsequently, this paper analyzes the performance of the merger, and gives relevant investment suggestions. Finally, this paper summarizes the conclusions, implications, deficiencies and future prospects of this study.

## 2. Case description

### 2.1 Delixi Xinjiang Passenger Transport Group Co. Ltd.

The predecessor of the company, Delixi Xinjiang Passenger Transport Group Co. Ltd. established in 2003, is a limited liability company jointly invested 50 million yuan by Delixi Group Co. Ltd. and Xinjiang Uygur Autonomous Region State owned assets investment and Management Co. Ltd. It was changed into a joint-stock company in 2013 and listed on the Shanghai Stock Exchange in 2017. The actual controller of the company is Hu Chengzhong, who indirectly holds 27.6% equity by directly holding 54.1% equity of Delixi Group. The main business of the company includes road passenger transport and passenger bus station business, and other businesses include house and warehouse leasing, vehicle maintenance, vehicle parts sales and road freight business. The company has the right to operate passenger transport lines approved by the competent transportation department, provides transportation services of personnel and luggage transport for passengers by allocating corresponding operating vehicles and collects corresponding fees according to regulations. Contemporarily, the company's operating income and operating profit have decreased year by year. Because of the positioning, and competition situation of highway transportation in China's transportation system in recent years, regional stability maintenance and epidemic situation, it is difficult to improve the business environment, industrial development status and prospects in the short term [5].

Dongguan Zhihong Precision Mould Co. Ltd. formerly known as Dongguan Zhihong Mould Co. Ltd. was established in 1999. Its main business is to produce and sell high-precision lithium battery automatic cutting mould, precision tool fixture, fixture, industrial robot and auxiliary equipment for new energy material production; as well as research, development, production and sales of non-standard automation equipment and parts. Besides, lithium battery automatic cutting die research and development and technical services [5].

### 2.2 Industry situation and prospect analysis

At the end of 2021, there were 12.3196 million road operating cars in the country, an increase of 5.2% over the end of the previous year. In terms of structure, it owns 587,000 passenger cars and 17,510,300 passenger seats, decline 4.2% and 4.9% respectively. Regarding to transportation services, the annual commercial passenger traffic was 8.303 billion people, decline 14.1% from the previous year, and the passenger turnover volume was 1975.815 billion person-kilometers, an increase of 2.6%. The passenger turnover was 362.754 billion person-kilometers, decrease 21.8% from the previous year [6].

Due to the impact of the COVID-19 pandemic, both commercial passenger traffic and passenger turnover have declined. In order to prevent and control the epidemic spread, various localities have adopted different degrees of travel control to minimize the flow of people. At present, the flow of people has decreased, the public's awareness of self-prevention and control has gradually increased, and non-essential travel has basically stopped. Affected by the new crown pneumonia epidemic, China's railway, road, waterway and civil aviation transported only 1.48 billion passengers during the Spring Festival, decreasing 50.3% from the same period last year. Among them, the railway passenger throughput was 210 million passengers, drops 47.3% from the same period last year; Road passenger traffic was 1.21 billion passengers, drops 50.8% from the same period last year [7]. When the severity of the pandemic worsened, the impacts of transportation consumption on the economy deepened. More importantly, investment in railways plays a more positive role in the economy than that of road and air transports. The government needs to build a favorable investment environment to promote steady and long-term economic growth [8]. Under the current situation that the epidemic continues to affect travel restrictions in various places, the transportation industry, especially passenger transport companies, will suffer from different degrees of blows. Although there are current signals to relax travel restrictions (canceling the 14-day record of the itinerary card and changing it to 7 days, etc.), the current domestic epidemic situation is still in a relatively serious stage. The inevitable emergence of local cases has greatly reduced people's travel needs. Road transport has not only been hit by people travelling less owing to the pandemic, but is also increasingly competitive with rail transport, and the outlook is not prosperous.

Zhihong Precision is an automated precision parts manufacturer, in the field of lithium battery cutting precision mold in the domestic leading position. Nowadays, with the larger-scale commercialization and rapid upgrading of lithium batteries, the energy density of consumer lithium batteries and power batteries has been continuously improved. Higher requirements have been put forward for the precision of the cell cutting process. At present, lithium battery automated production equipment has basically achieved localization. Before 2018, the localization rate is less than 30%, and the price is relatively high [9]. So far, Dongguan Zhihong Precision Mould Co has been able to achieve localization substitution, becoming the main supplier of lithium battery cutting molds for leading enterprises in the lithium battery industry.

Under the strategic vision of green economy and "double carbon vision", China's lithium battery industry will usher in a new stage of high-quality development. Contemporarily, China has successively issued the Action Plan for Promoting the Development of the Automotive Power Battery Industry, and the New Energy Automobile Industry Development Plan (2021-2035) and other relevant policy documents, vigorously supporting the development of the lithium battery industry and the downstream application market. The relevant policies have created a good development environment for the development of China's lithium battery industry. China has become the world's largest consumer market for lithium batteries for five consecutive years. In 2021, the global market share of Chinese enterprises reached 70%, as shown in Fig.1, in the 20 years from 2002 to 2021, China's lithium battery companies have developed rapidly, from the original global market share of only 3% to now in the global market share of up to 70%, with a wide range of market demand, thus promoting the rapid development of lithium battery companies [9].

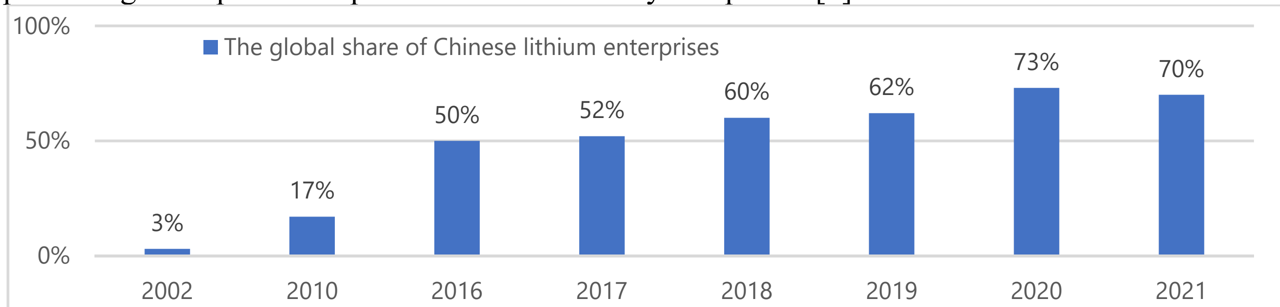


**Fig. 1** Global market share of Chinese lithium enterprises in the past 20 years.

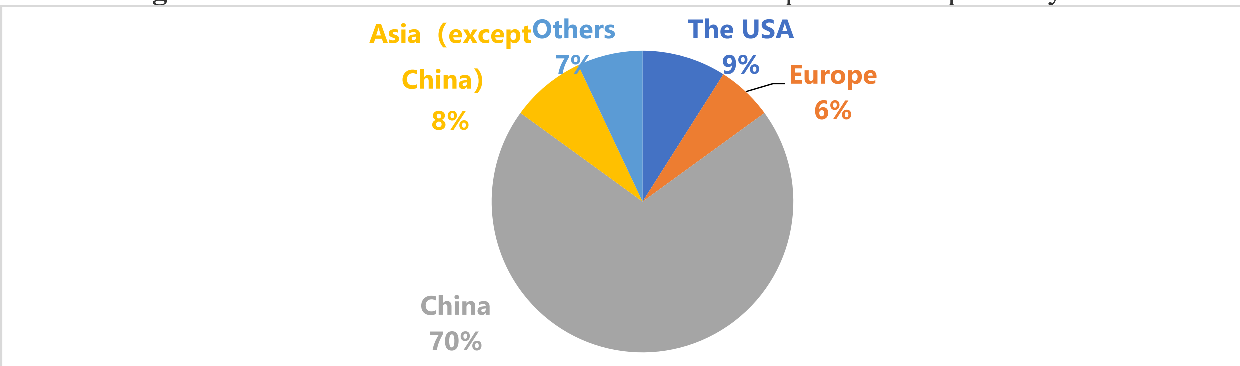


**Fig. 2** Global power battery capacity distribution in 2021

In addition to the large global share of lithium battery companies, the expansion of production capacity is also leading the world. In the past two years, driven by the new energy vehicle market production capacity has accelerated its expansion to the whole vehicle manufacturing area. By the end of 2021, China's power battery production capacity accounts for about 70% of the world's total, as shown in Figure 2. The lithium battery industry is undoubtedly one of the hottest industries in China at present. Energy storage batteries are growing the fastest, which is expected to become the next explosive growth point [9, 10]. The large demand for lithium batteries in new energy vehicles has contributed to the rapid development of the lithium battery industry. The lithium battery industry ushers in better development opportunities. The market demand for new energy vehicles, energy storage, digital electronics and other products continues grow, the relevant technology continues to mature, and the combination of factors such as the change of consumer concepts will promote the lithium battery industry to grow into a trillion-level market in the next 3-5 years, which creates a huge market space for lithium battery industry chain enterprises.

### 2.3 Acquisition plan

According to the asset evaluation of Zhongtongcheng and negotiation, the price of 100% equity of the target company is 650 million yuan, and Dexin Transport will pay the consideration to the transferor in cash. The time of signing are given in Table. 1.

The transferor and Zheng Zhixian promise that the net profit of the target company in 2020, 2021 and 2022 will not be less than 64.105 million yuan, 69.16 million yuan and 81.735 million yuan respectively. Otherwise, compensation will be given. The total amount to be compensated in the current period = (cumulative committed net profit as of the end of the current period-cumulative actual net profit as of the end of the current period)/total committed net profit in the performance commitment period×Transaction price of 100% equity of the target company-accumulated compensated amount. Amount to be compensated by each transferor=total amount to be compensated in the current period×Proportion of equity held by the transferor in the target company before this transaction [5].

**Table. 1** Signing of the agreement

| | |
|---|---|
| December 30, 2020 | Signing of the asset purchase agreement |

| | |
|---|---|
| February 26, 2021 | Signing of the supplementary agreement to the asset purchase agreement |

The excess performance reward can be started while the end of the commitment period of the excess performance reward industry if the cumulative net profit of the target company without deducting the total non-recurring profit and loss exceeds the total committed net profit within the performance commitment period. Excess performance=total accumulated realized net profit-accumulated committed net profit. For 30% of the excess performance, the target company shall give cash rewards to the personnel of the target company, and the personnel list shall be determined by Zheng Zhixian; 20% of the excess performance is the upper limit of the expenses by the listed company, and the listed company will provide equity incentive to the core team [5].

## 2.4 Analysis of financial data

At the end of each reporting period in 2020, 2019 and 2018, the total assets of Zhihong Precision were 64.4956 million yuan, 113.9517 million yuan and 198.1725 million yuan respectively, showing a rapid growth trend; The non-current assets at the end of each reporting period of Zhihong Precision are relatively low, accounting for 14.45%, 17.23% and 11.11% respectively. The liquidity of enterprise assets is large. During the reporting period, the current assets of the target company mainly consisted of monetary capital, trading financial assets, notes receivable, accounts receivable, receivables financing and inventory. The total of the above six assets accounted for 99.86%, 99.73% and 99.83% of the total current assets respectively. The non-current assets of the target company are mainly composed of fixed assets. At the end of each reporting period, the proportion of fixed assets to the total non-current assets of the current period is 94.42%, 71.79% and 74.35% respectively. It indicates that the development of the enterprise tends to be stable and condition is good.

At the end of each reporting period, the total liabilities of Zhihong Precision were 27.0675 million yuan, 25.0362 million yuan and 62.9221 million yuan respectively, of which current liabilities accounted for 96.84%, 98.09% and 99.30% respectively. The shortage of funds of enterprises is mostly solved by short-term loans. Meanwhile, the enterprise needs to repay more debts in the short term. For the normal operation of the enterprise, greater capital pressure appears.

During the reporting period, the current ratio of Zhihong Precision was 2.11 times, 3.84 times and 2.82 times respectively, and the quick ratio was 1.71 times, 3.00 times and 2.24 times, showing an overall upward trend and then downward trend. Before the maturity of short-term debt, the current assets of the enterprise can be converted into cash for the repayment of debt. Meanwhile, the current assets of the enterprise can be realized immediately to repay the current liabilities. The asset liability ratio of Zhihong Precision was 41.97%, 21.97% and 31.75%, respectively, showing a trend of first decreasing and then increasing. The company's debt is low and its business activity capacity is good. The profit of Zhihong Precision before interest, tax, depreciation and amortization showed an upward trend, and high interest coverage thus it has strong overall solvency.

The sales funds of the target company are collected well, and the turnover rate of Delixi Xinjiang Passenger Transport Group Co. Ltd is generally increased after M&A. Thus, the asset turnover is in good condition. In terms of revenue, after the completion of this transaction, the overall business scale of the listed company has been expanded and the profitability has been continuously enhanced. The company's asset liability ratio has increased. Its current ratio and quick ratio have decreased, but the debt paying ability and anti risk ability are still at a reasonable level. The turnover rate and the profit rate of total assets and the return on net assets all increased significantly, indicating that the operating efficiency and profitability of the company's assets have been significantly improved and the asset quality has been fundamentally improved. After this transaction, the overall asset operation capacity of the listed company was further enhanced.

# 3. Analysis

## 3.1 Short-term market effect

Firstly, this paper will use event study method to evaluate the short-term market effect of the acquisition by calculating the cumulative abnormal return of the announcement of acquisition. According to efficient market theory, stock price reflects the market's expectations of company's future performance. After the announcement of acquisition, a rise in the stock price represents the market believe that this is a smart deal. The more the rise of the stock price, the better expectations the market has on the company's future performance.

On March 28, 2020, Dexin Transport announced for the first time that it planned to acquire Zhihong Precision, and its shares were suspended from trading on March 30, 2020, and resumed trading on April 14, 2020. However, the acquisition plan failed to be approved by the China Securities Regulatory Commission (CSRC) on October 21, 2020. On February 27, 2021, Dexin Transport announced a reply to the inquiry letter from the CSRC on the acquisition plan and disclosed the adjusted acquisition plan, releasing the signal to promote the acquisition again, and the market showed large reactions before and after the announcement. Finally, Dexin Transport announced the completion of the underlying asset transfer on April 1, 2021.

Therefore, this paper selects the first announcement of acquisition and the second announcement of adjusted acquisition plan as two events for study respectively. The event occurrence date is set as April 14, 2020 (resumption date) and March 1, 2021 (the first trading day after announcement), and the window period is set as 10 trading days before and after the occurrence date. There is no other announcement or event affecting the company's stock price during the window. With the daily stock return of Dexin Transport as $R_i$ and the daily return of Shenzhen stock exchange component index as the normal return $R_m$, the abnormal return (AR) and the cumulative abnormal return (CAR) are calculated as follows:

$$AR_t = R_{i_t} - R_{m_t},\ \ CAR = \sum_{t=-j}^{t=j} AR_t \tag{1}$$

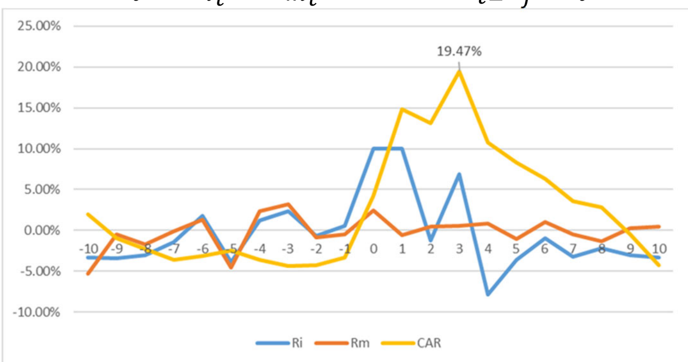


**Fig. 3** CAR of first event.

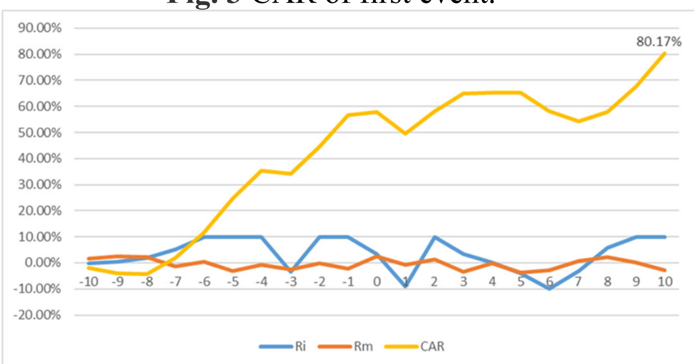


**Fig. 4** CAR of second event.

Fig. 3 exhibits the CAR of the first event. We can find from the graph that the market gave positive feedback immediately after the first announcement of acquisition, with the maximum CAR reaching 19.47%, indicating that this transaction was a good news. However, the CAR immediately returned to the original level, and the market did not give a premium to the event in the end, indicating that the market remained skeptical of the event due to the risk and uncertainty of the acquisition. Seen from Fig. 4, we can find that the market produced a large CAR before the announcement of adjusted acquisition plan, which may be due to the expectation of the announcement or the leakage of the news. After the announcement, the CAR maintained a high level and continued to rise, reaching 80.17%, indicating that the market was now very optimistic about the acquisition and the future earnings it may bring to the company.

### 3.2 Business transformation status

Since the acquisition of Zhihong Precision by Dexin Transport is a cross-industry acquisition, it is necessary to investigate the main business transformation status of Dexin Transport after the acquisition. Table. 2 lists the operating income of Dexin Transport from its annual report in 2020 before the acquisition. Its main operating income comes from passenger and freight transportation business. Table. 3 summarizes the operating income from the 2021 annual report after the acquisition. Its main operating income comes from the precision manufacturing business operated by Zhihong Precision, accounting for 79.20%. Therefore, the main business of Dexin Transport has changed from road passenger transport and passenger bus station business to lithium equipment cutting mold business. The company's industry has also been transformed from transportation industry to new energy and lithium battery industry.

**Table. 2** Operating income before acquisition

| | iness name | Operating income(Yuan) | Proportion | Operating cost(Yuan) | Proportion | Profit proportion | Profit Margin |
|---|---|---|---|---|---|---|---|
| By industry | Service | 36 billion | 69.45% | 33 billion | 74.58% | 35.73% | 6.79% |
| | Else | 16 billion | 30.55% | 11 billion | 25.42% | 64.27% | 27.77% |
| By product | Road passenger transportation | 29 billion | 55.55% | 23 billion | 52.21% | 77.52% | 18.42% |
| | Else | 16 billion | 30.55% | 11 billion | 25.42% | 64.27% | 27.77% |
| | Ticket | 7 billion | 13.90% | 10 billion | 22.37% | -41.79% | 39.67% |

**Table. 3** Operating income after acquisition

| | Business name | Operating income(Yuan) | Proportion | Operating cost(Yuan) | Proportion | Profit proportion | Profit Margin |
|---|---|---|---|---|---|---|---|
| By industry | Manufacturing | 215 billion | 0% | 78 billion | 64.93% | 90.47% | 63.82% |
| | Service | 36 billion | 7% | 32 billion | 26.65% | 2.88% | 12.02% |
| | Else | 20 billion | % | 10 billion | 8.42% | 6.65% | 50.01% |
| By product | Precision manufacturing | 215 billion | 0% | 78 billion | 64.93% | 90.47% | 63.82% |
| | Road passenger transportation | 36 billion | 7% | 32 billion | 26.65% | 2.88% | 12.02% |
| | Else | 20 billion | % | 10 billion | 8.42% | 6.65% | 50.01% |

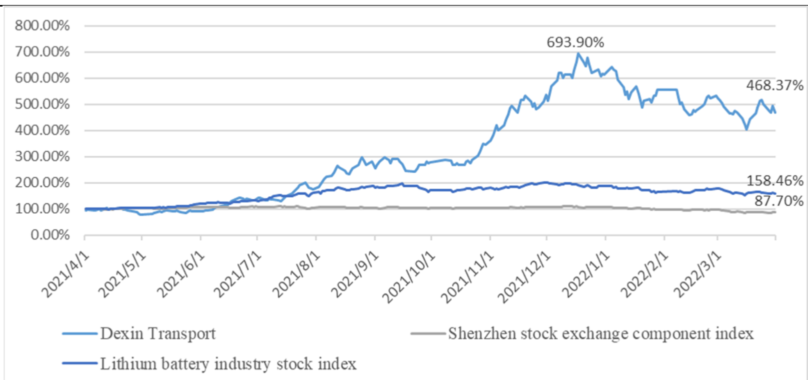


**Fig. 5** Long-term market performance.

### 3.3 Long-term market performance

Subsequently, this paper will investigate the long-term performance of the company after the acquisition through the stock return of Dexin Transport. Since the new energy industry represented by lithium battery industry had attracted investors' pursuit in 2021, this paper takes Shenzhen stock exchange component index and lithium battery industry stock index as the benchmark, and takes one year after the completion of ownership transfer as the time range. Fig. 5 depicts the stock return of Dexin Transport. In the first two months after the acquisition, its market performance was subdued because of warning of delisting risk due to lack of profit in 2020. However, since July 2021, its share price has been rising all the way, and its performance far exceeds Shenzhen stock exchange component index and lithium battery industry stock index, with the highest return reaching 693.9%, indicating that benefits brought by the acquisition have been recognized by the market to a great extent, and the wealth of shareholders has increased significantly.

### 3.4 Financial status

We introduce Altman Z-score model to analyze the financial status of Dexin Transport before and after the acquisition, so as to evaluate the performance of the acquisition. Altman Z-score model examines the financial status of a company from the aspects of asset scale, profitability, solvency and capital structure, and obtains the Z-score by weighting several indicators. The calculation method is as follows:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 0.999X_5 \quad (2)$$

where, $X_1$ is Operating capital/Total asset, $X_2$ is Retained earnings/Total asset, $X_3$ is EBIT/Total asset, $X_4$ is Market value/Total debt, $X_5$ is Operating income/Total asset. In theory, a higher Z-score indicates that the company is less likely to have financial crisis, and the company is in better financial condition. Although the company's Z-score will be affected by different regions and industries, we mainly examine the change of Z-score to evaluate the effect of the acquisition.

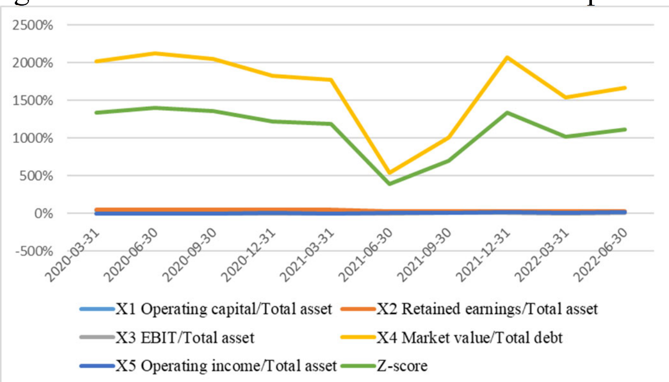


**Fig. 6** Z-score of Dexin Transport

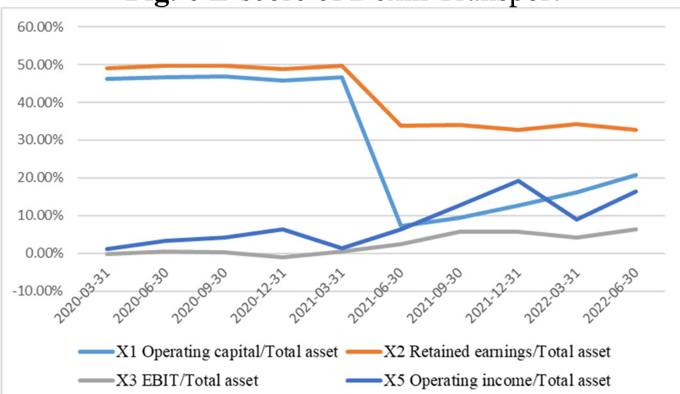


**Fig. 7** $X_1$, $X_2$, $X_3$ and $X_5$ of Dexin Transport

Table. 4 presents the relative data used to compute the Z-score. Fig. 6 shows the Z-score of Dexin Transport, and $X_4$ and Z-score are stripped in Fig. 7 to reveal the trend of other variables. From the charts, we can find that the market value of the company has a great impact on the Z-score through $X_4$. After the acquisition of Dexin Transport in April 2021, the company's debt ratio increased significantly, leading to a significant decline in $X_1$, $X_4$ and Z-score, but then $X_4$ and Z-score gradually improved by the increasing stock price. Additionally, the profitability represented by $X_3$ and $X_5$ have been significantly improved after the acquisition.

**Table. 4** Data used in computing Z-score

| (million Yuan) | 2020-03-31 | 2020-06-30 | 2020-09-30 | 2020-12-31 | 2021-03-31 | 2021-06-30 | 2021-09-30 | 2021-12-31 | 2022-03-31 | 2022-06-30 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total asset | 817 | 813 | 807 | 804 | 795 | 1225 | 1342 | 1417 | 1504 | 1685 |
| Total debt | 136 | 128 | 124 | 130 | 118 | 529 | 604 | 647 | 665 | 789 |
| Operating income | 9 | 27 | 34 | 51 | 11 | 78 | 170 | 271 | 135 | 275 |
| Total profit | -1 | 3 | 2 | -8 | 4 | 29 | 76 | 80 | 62 | 105 |
| Retained earnings | 400 | 403 | 401 | 392 | 395 | 415 | 457 | 463 | 515 | 551 |
| Operating capital | 377 | 380 | 378 | 368 | 371 | 89 | 126 | 179 | 245 | 350 |
| Market value | 2750 | 2720 | 2544 | 2381 | 2097 | 2877 | 6117 | 13405 | 10245 | 13193 |

# 4. Suggestions

## 4.1 Clarify strategies and development goals

Affected by the unabated momentum of railway civil aviation to seize the market, the strategic living space of traditional road transport enterprises is facing severe challenges. Besides, the transportation industry is in urgent need of transformation and upgrading. Through the acquisition of Zhihong Precision, Dexin Transport Group has transformed itself into the new energy industry. Nowadays, the world is actively developing the new energy industry, not only The German-New Transport, other industries are also undergoing transformation, and many choose to enter the hot energy field to share a piece of the pie. For businesses that are in dire need of transformation or want to expand their reach, choosing which industry to enter is crucial. If the industry is chosen wrongly, it is likely to lose the opportunity to make profits, and even worse will affect the survival of the enterprise. For small enterprises, by mastering a new technology, or making a certain part of the extreme, can have the chance to get into the supply chain system of large enterprises, entering the field of small enterprises (e.g., new energy) that seems to lack opportunities. Zhihong Precision has the extreme technology of battery cutting in the field of lithium, so it has become a supplier of BYD and other tram companies, acquired by Dexin Transport.

## 4.2 Strengthen group management and integration

After the acquisition of Zhihong Precision, the traditional business of Dexin Transport, i.e., road passenger transport business revenue accounts for only 8.73% of the total revenue, while the core business provides intelligent manufacturing overall solutions for lithium battery cutting and high-precision slit coating dies, coating equipment and coating accessories, accounting for up to 91%. Handling the relationships that focus on business within the Group is crucial to the development of the company. Before the acquisition of Zhihong Precision, the revenue of Dexin Transport's road passenger traffic accounted for 55%. In the first year of the acquisition of Zhihong Precision, Dexin Transport significantly reduced the capital and manpower invested in road passenger transportation, turning the company's core business into precision manufacturing. In the first year of the acquisition, the business income of precision manufacturing accounted for 80% of all businesses. Generally, the management and integration of the group after the merger and acquisition takes a long time. It is necessary to plan funds to invest in different businesses, and coordinate and cooperate with the whole group. As a result of the new acquisition of a business, its stakeholders have also changed. The way to balance the relationship between new stakeholders and old stakeholders has become a crucial point. In the meantime, the acquisition of a company in a new field also faces great challenges in business culture. Before mergers and acquisitions, companies should integrate cultures so that problems can be identified and resolved as early as possible, while balancing the relationships between multiple stakeholders at the same time.

## 5. Conclusion

In conclusion, based on the analysis of industry and financial status, the main reasons for Dexin Transport's cross-industry acquisition of Zhihong Precision include: limited development of road passenger transportation business, adverse impact caused by COVID-19, deterioration of its financial situation and bright prospects of the lithium battery industry. In terms of acquisition performance, the market has given positive feedback from the short-term market effect. After the acquisition, the main business of Dexin Transport has changed from road passenger transportation and passenger bus station business to lithium equipment cutting mold business, and the industry of the company has changed from transportation industry to new energy and lithium battery industry. From the perspective of long-term market performance, after the completion of the acquisition, the share price of Dexin Transport increased significantly and the wealth of shareholders had a remarkable increase. Regarding to financial status, the acquisition increased the debt ratio of Dexin Transport, but the company's profitability was improved to a large extent. By generalization of the results obtained in this case study, following enlightenment are given. for enterprises whose main business or industry is limited in development and financial distress, strategic transformation and cross-industry M&A is a feasible option. Besides, it is essential to be farsighted in the selection of the target industry. The development potential and market recognition of the target industry are the key to the improvement of the company's future performance and financial situation.

There are also some shortcomings in this study. For example, the efficiency of China's stock market still needs to be strengthened. Stock price of enterprises may fail to accurately reflect their future performance due to speculative trading. On account of the distinctiveness in the company and the listing environment, the financial status evaluation model adopted in this paper may not be compatible enough. Possible future development of this research includes increasing the sample size, comparing and analyzing more cross-industry M&A cases, and analyzing the motivation and performance from more dimensions (e.g., valuation analysis and financial forecasting). Overall, these results offer a guideline for enterprises in similar circumstances and provides practical reference for enterprises with business transformation or upgrading plans and merger plans.

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