

# Financial Statement Analysis of Shanghai Guijiu based on the Harvard Analytical Framework

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## Abstract

With the acceleration of globalization and increasingly fierce market competition, liquor enterprises are facing unprecedented challenges and opportunities. As an important component of enterprise management, operational management plays a crucial role in the sustainable development and competitive advantage enhancement of liquor enterprises. However, there are still many problems in the operation and management of liquor enterprises, such as low production efficiency, ineffective cost control, and slow market response, which seriously restrict the development of liquor enterprises. Therefore, analyzing and researching the operational management capabilities of liquor enterprises, exploring their existing problems and reasons, and proposing corresponding solutions and measures are of great theoretical and practical significance for the transformation, upgrading, and high-quality development of liquor enterprises.. Since its establishment, Shanghai Guijiu Co., Ltd. has always been committed to the production and sales of high-end Baijiu. In recent years, with the intensification of market competition, the operational capability of Guijiu has received widespread attention. This article will analyze the operational capabilities of your liquor from the following aspects. Shanghai Guijiu has a modern production line and strict quality management system, ensuring product quality and production efficiency. In the production process, Guijiu attaches importance to the combination of traditional technology and modern technology, which not only ensures the taste and quality of Baijiu, but also improves the production efficiency. The sales network of Guijiu is spread throughout the country, with a strong dealer team and a wide range of terminal sales channels. At the same time, Guijiu actively engages in online sales, expanding sales channels and increasing market share through various means such as e-commerce platforms and self built shopping malls.

## Keywords

Operation Ability; Listed Company; Alcohol Industry.

## 1. Introduction

### 1.1. Research Background and Significance

#### 1.1.1. Research Background

With the acceleration of globalization and the increasingly fierce market competition, wine enterprises are facing unprecedented challenges and opportunities. As an important part of enterprise management, operations management plays a crucial role in the sustainable development and enhancement of competitive advantages of wine enterprises. However, there are still many problems in the operations management of wine enterprises, such as low production efficiency, poor cost control, and slow market response. These issues seriously restrict the development of wine enterprises. Therefore, analyzing and studying the operational management capabilities of wine enterprises, exploring the existing problems and their causes, and proposing corresponding solutions and measures have important theoretical and practical

significance for the transformation and upgrading and high-quality development of wine enterprises.

### **1.1.2. Research Significance**

Analyzing and studying the operational management capabilities of wine enterprises helps enhance their competitiveness. In today's fiercely competitive market, wine enterprises must possess strong operational management capabilities to stand out. By conducting a comprehensive analysis of various aspects such as production, sales, and logistics of wine enterprises, identifying existing problems and bottlenecks, and proposing effective solutions

Secondly, analyzing and studying the operational management capabilities of wine enterprises is conducive to promoting the sustainable development of the industry. As traditional manufacturing enterprises, wine companies face pressures and challenges in areas such as resources and the environment. By analyzing and researching the operational management capabilities of wine enterprises, it can guide enterprises to pay attention to issues such

## **1.2. Literature Review**

### **1.2.1. Current Status of Foreign Research**

Abroad, liquor enterprises, as important representatives of traditional manufacturing industries, have long been the focus of attention in both academic and business circles regarding the research on their operational management capabilities. From early studies on production efficiency and cost control, to subsequent research on marketing and supply chain management, and further to the emerging studies on digital transformation and intelligent upgrading in recent years, foreign scholars' research on the operational management of liquor enterprises has covered multiple aspects<sup>[1]</sup>.

Early research mainly focused on the efficiency and effectiveness of operational management in liquor enterprises. Smith (1990) conducted an in-depth study on the production processes of American wine enterprises and proposed a series of measures to improve production efficiency and reduce costs<sup>[2]</sup>. The research focus during this period was on fundamental issues such as production process optimization, resource allocation, and quality management, laying a foundation for subsequent in-depth studies.

With the intensification of market competition, marketing and brand management gradually became the focus of operational management in liquor enterprises<sup>[3]</sup>. Porter (1980) put forward the differentiated marketing strategy for liquor enterprises, emphasizing the focus on consumer needs and brand building. Johnson (2008) studied the quality management systems of Australian wine enterprises and put forward suggestions for improving quality management. The research focus during this period was on how to enhance the competitiveness and market share of liquor enterprises through marketing and brand management.

Supply chain management plays an important role in the operation of liquor enterprises, and foreign scholars have conducted extensive research on this. Mentzer (2003) conducted an in-depth study on the supply chain management of American wine enterprises and analyzed the importance of supply chain optimization for liquor enterprises<sup>[4]</sup>. In addition, partnership is also a crucial part of supply chain management. The research focus during this period was on how to improve the overall competitiveness of liquor enterprises by optimizing supply chain management and establishing good partnerships.

### **1.2.2. Current Domestic Research Status**

Domestic scholars' research on the operational management models of liquor enterprises mainly focuses on links such as production, sales, and logistics.

In terms of production, scholars mainly pay attention to issues like production efficiency, cost control, and quality management systems. For instance, Li Chunlei (2015) analyzed the

production models of baijiu enterprises and proposed measures and plans to improve production efficiency and reduce costs<sup>[5]</sup>.

In terms of sales, scholars mainly focus on issues including sales channels, marketing strategies, and brand building. For example, Wang Wei (2018) conducted an in-depth study on the sales models of wine enterprises and put forward strategies and suggestions for optimizing sales channels and enhancing brand value<sup>[6]</sup>.

In terms of logistics, scholars mainly concentrate on issues such as logistics costs, logistics efficiency, and supply chain collaboration. For example, Zhang Zhiyong (2017) analyzed the logistics models of baijiu enterprises and proposed measures and plans to reduce logistics costs and improve logistics efficiency<sup>[7]</sup>.

As one of the key links in the operational management of liquor enterprises, supply chain management has also received widespread attention. Domestic scholars' research on the supply chain management of liquor enterprises mainly centers on issues such as supply chain optimization, supplier management, and logistics

## 2. Profile of Shanghai Guijiu

Shanghai Guijiu Co., Ltd. (also known as Yanshi Co., Ltd.) is a listed company on the Shanghai Stock Exchange, with a stock code of 600696. Founded in 1992, the company has developed into a comprehensive alcohol industry group after years of growth, covering multiple business areas such as the production, sales and investment of baijiu.

As an enterprise with an innovative spirit and market sensitivity, Shanghai Guijiu is renowned in the industry for its philosophy of "Defining the future with the future". Based in Shanghai, an international metropolis, the company leverages a global perspective and modern management methods to drive the continuous development of the enterprise.

## 3. Financial Analysis of Shanghai Guijiu

First, in terms of key accounting data, the company's operating revenue reached RMB 1,091,380,324.14 in 2022, representing an 80.90% increase compared to RMB 603,308,422.10 in 2021. This growth was mainly driven by the increase in the company's alcohol sales, particularly the strong sales performance of strong-aroma baijiu and sauce-aroma baijiu products. However, although operating revenue increased compared to 2020, the growth rate slowed down, which may be related to the intensification of market competition and changes in consumer demand.

In terms of net profit, the net profit attributable to shareholders of the listed company in 2022 was RMB 37,243,992.74, a 39.86% decrease from RMB 61,928,159.20 in 2021. This decline was primarily due to the increase in the company's selling expenses, general and administrative expenses, and financial expenses, as well as the decrease in sales prices of some products caused by intensified market competition. The net profit after deducting non-recurring gains and losses was RMB 33,978,468.82, which also showed a similar downward trend.

Regarding cash flow, the net cash flow from operating activities in 2022 was RMB 65,096,311.68, a 73.85% decrease compared to RMB 248,962,046.02 in 2021. This decline may be attributed to either the failure of cash inflows to grow in tandem with the increase in sales revenue or the rise in cash outflows caused by the growth in inventory and accounts receivable.

From the perspective of key financial indicators, the company's basic earnings per share (EPS) and diluted EPS in 2022 were RMB 0.11 per share and RMB 0.11 per share, respectively, both down from RMB 0.19 per share and RMB 0.19 per share in 2021. This indicates a weakening of the company's profitability. The basic EPS after deducting non-recurring gains and losses also decreased to RMB 0.10 per share. The weighted average return on net assets (ROE) in 2022

was 7.49%, a decrease of 6.29 percentage points from 13.78% in 2021, reflecting a decline in the company's investment return rate.

Overall, although the company's operating revenue grew over the past three years, both its net profit and ROE declined to a certain extent. This suggests that the company needs to further focus on issues such as cost control, product pricing, and market expansion to ensure sustained and stable profitability.

The key quarterly financial data for 2022 reflects changes in the company's operating performance across different quarters. The detailed analysis and interpretation are as follows: First, in terms of operating revenue, the company achieved growth in all four quarters of 2022: RMB 228,139,833.04 in Q1, RMB 268,295,856.66 in Q2, RMB 290,109,842.52 in Q3, and RMB 304,834,791.92 in Q4. This indicates that the company maintained a steady sales growth trend throughout the year.

However, in terms of net profit performance, the company's profitability fluctuated significantly across quarters. The net profit attributable to shareholders of the listed company was RMB 10,309,881.95 in Q1, increased to RMB 26,288,526.15 in Q2, dropped to RMB 10,703,174.28 in Q3, and turned into a loss of RMB -10,057,589.64 in Q4. Such fluctuations may be the combined result of multiple factors, including seasonal changes in market demand, product price volatility, and cost expense control.

## 4. Analysis of the Operating Capacity of Shanghai Guijiu

### 4.1. Analysis of Profitability

Over the past few years, Shanghai Guijiu Liquor Co., Ltd. (Shanghai Guijiu) has exhibited notable characteristics and trends in its financial performance. Overall, its inventory turnover rate and accounts receivable turnover rate are both lower than the industry average, indicating certain shortcomings in the company's operational management.

First, from the perspective of inventory turnover rate, Shanghai Guijiu's inventory turnover rate showed a trend of first decreasing, then increasing, and finally stabilizing over the past five years. Although the overall range of change was small, this indicator has consistently remained below the industry average, with a significant gap from the average. This trend may be related to Shanghai Guijiu's implementation of the "aged baijiu strategy," which requires the storage of large quantities of raw materials and base baijiu in inventory. Between 2016 and 2020, Shanghai Guijiu's inventory turnover rate hit its lowest point in 2017, at only 0.19. A comparative analysis of the company's financial reports over these five years revealed that the company's operating costs in 2017 were the lowest among the five years; however, due to the annual increase in the average inventory balance, the inventory turnover rate remained low. In 2018, Shanghai Guijiu's inventory turnover rate increased significantly, mainly driven by a 45.63% year-on-year growth in operating costs, which led to a substantial rise in the inventory turnover rate compared to 2017. Nevertheless, the inventory turnover rate still remained at a low level of 0.26 and remained basically stable thereafter. Such a low inventory turnover rate indicates poor liquidity of the company's inventory, which may put pressure on the company's profitability and affect its debt-servicing capacity<sup>[8]</sup>.

Second, in terms of total asset turnover rate, although Shanghai Guijiu's total asset turnover rate increased year by year from 2016 to 2019, it still fell below the industry average. This suggests that the company has certain issues in asset operation, which may be related to the high proportion of inventory, as this has significantly hindered the operational efficiency of total assets.

In addition, Shanghai Guijiu's accounts receivable turnover rate has decreased year by year, showing a clear downward trend. In 2017, the company increased its capital investment in the

joint-stock Sichuan Tianma Glass Co., Ltd., leading to a 200% year-on-year growth in accounts receivable and a sharp drop in the accounts receivable turnover rate. Compared with four other comparable enterprises, Shanghai Guijiu has a larger amount of accounts receivable, but the turnover efficiency is unsatisfactory. This indicates that the company needs to adopt more effective measures to strengthen the management of accounts receivable<sup>[9]</sup>.

#### 4.2. Analysis of Operating Capacity

The analysis of operating capacity is a crucial method for evaluating an enterprise's asset management and operational efficiency. By analyzing key indicators such as inventory turnover rate, accounts receivable turnover rate, and total asset turnover rate, we can gain in-depth insights into the enterprise's operational efficiency and asset utilization effectiveness. This section conducts an in-depth analysis of Shanghai Guijiu's operating capacity to identify existing problems and potential areas for improvement.

Over the past five years, Shanghai Guijiu's inventory turnover rate has shown a trend of first decreasing, then increasing, and finally stabilizing. The overall range of change was small, and the rate has consistently remained below the industry average, with a significant gap from the average. This indicates that Shanghai Guijiu's inventory turnover rate ranks poorly within the industry. The baijiu industry has unique characteristics: the implementation of the "aged baijiu strategy" requires the storage of large quantities of raw materials and base baijiu in inventory, which is likely the main reason for Shanghai Guijiu's low inventory turnover rate.

A further analysis of data from 2016 to 2020 shows that Shanghai Guijiu's inventory turnover rate hit its lowest point (0.19) in 2017. Although it increased significantly in 2018, it still remained at a low level overall. A low inventory turnover rate means poor liquidity of inventory, which may squeeze the company's profitability and affect its debt-servicing capacity. Therefore, Shanghai Guijiu should take effective measures to accelerate inventory turnover and improve asset utilization efficiency.

Shanghai Guijiu's accounts receivable turnover rate decreased year by year from 2016 to 2019, showing a clear downward trend. Particularly in 2017, the company's capital increase in the joint-stock Sichuan Tianma Glass Co., Ltd. led to a 200% year-on-year growth in accounts receivable, resulting in a sharp decline in the accounts receivable turnover rate. Compared with four other comparable enterprises, Shanghai Guijiu has a larger amount of accounts receivable, but the turnover efficiency is unsatisfactory. This indicates that the company needs to adopt more effective measures to strengthen the management of accounts receivable.

Although Shanghai Guijiu's total asset turnover rate increased year by year from 2016 to 2019, it still fell below the industry average. This is mainly due to the high proportion of inventory, which has significantly undermined the operational efficiency of total assets. To improve the total asset turnover rate, the company should further optimize its asset structure and accelerate the turnover of inventory and accounts receivable.

#### 4.3. Analysis of Debt-Servicing Capacity

Debt-servicing capacity is a key indicator for measuring an enterprise's operational stability and financial risks. Through an in-depth analysis of Shanghai Guijiu's financial statements, we can conduct a comprehensive evaluation of its debt-servicing capacity. This section examines Shanghai Guijiu's debt-servicing capacity in detail from multiple perspectives, including asset-liability ratio, current ratio, and quick ratio.

The asset-liability ratio is the ratio of an enterprise's total liabilities to its total assets, reflecting the enterprise's asset structure and long-term debt-servicing capacity. According to Table 3.3, Shanghai Guijiu's asset-liability ratio has exceeded the industry average over the past five years, remaining at around 40%. This indicates that Shanghai Guijiu has a relatively high debt level and faces certain financial risks.

A further analysis of Shanghai GuiJiu's asset and liability structure reveals that the proportion of current liabilities has consistently accounted for over 95% of total liabilities, with short-term loans accounting for approximately 33.3%. On the asset side, current assets have accounted for over 70% of total assets in the past five years, with inventory and monetary funds accounting for a relatively high proportion. This shows that Shanghai GuiJiu's liability structure is dominated by short-term liabilities, while its asset structure is dominated by current assets. Such an asset-liability structure exposes the company to significant short-term debt-servicing pressure.

The current ratio and quick ratio are important indicators for measuring an enterprise's short-term debt-servicing capacity. According to Table 3.3, Shanghai GuiJiu's current ratio and quick ratio fluctuated to a certain extent over the five years but remained consistently below the industry average. This indicates that Shanghai GuiJiu's short-term debt-servicing capacity is relatively weak.

## 5. Conclusion

Shanghai Gujiu distinguishes itself through a modern, urban-centric brand philosophy that redefines traditional Chinese liquor (baijiu) culture. Unlike conventional baijiu brands rooted in heritage and rural origins, Shanghai Gujiu positions itself as a symbol of cosmopolitan sophistication, aligning with the values of urban professionals and younger consumers. By integrating international design aesthetics, contemporary marketing narratives, and city-based cultural elements, it has successfully carved out a unique niche in a highly competitive and tradition-bound industry.

The company excels in digital branding and consumer engagement. Leveraging social media platform, influencer collaborations, and experiential marketing campaigns, Shanghai Gujiu has built strong emotional resonance with millennials and Gen Z audiences. Its use of data-driven customer insights enables precise targeting, dynamic pricing strategies, and personalized product offerings, significantly enhancing brand loyalty and conversion rates.

As part of the larger Kwek Group ecosystem, Shanghai Gujiu benefits from cross-industry synergies in finance, real estate, and cultural industries. This diversified backing provides financial stability, risk resilience, and access to high-end distribution channels (e.g., luxury hotels, private clubs, business gifting networks).

Shanghai Gujiu demonstrates forward-thinking commitment to environmental, social, and governance (ESG) principles. It adopts sustainable packaging solutions, promotes responsible drinking campaigns, and invests in community development initiatives. This holistic approach not only strengthens stakeholder trust but also future-proofs the brand amid rising regulatory and consumer demands for ethical business practices.

In conclusion, Shanghai Gujiu's comprehensive competitiveness lies at the intersection of cultural reinvention, digital agility, product excellence, strategic synergy, and sustainable vision. It is not merely competing on taste or price, but reshaping the very identity of baijiu in modern China—transforming a centuries-old category into a dynamic, aspirational lifestyle brand with global potential.

## Acknowledgments

Supported by The Innovation Fund of Postgraduate, Sichuan University of Science & Engineering.

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