

Analysis of Risks in Corporate M&A: Evidence from Gree Electric Appliances Acquiring Yinlong New Energy

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Abstract. Since the onset of the 21st century, amidst rising industry competition, dominant enterprises across various sectors have entered the market with substantial capital, in search of new market opportunities. They have implemented diversified growth strategies, engaging in cross-industry mergers and acquisitions. Nevertheless, mergers and acquisitions can be fraught with risks as well as rewards. On this basis, this study examines the case of Gree Electric Appliances' acquisition of Zhuhai Yinlong New Energy, detailing the acquisition process, and providing financial analysis of both entities. Based on the evaluations, it identifies and examines potential risks and their underlying causes during the acquisition. Reflecting the present circumstances, the paper draws conclusions and offers recommendations according to the analysis, presenting a pragmatic research approach for cross-industry mergers and acquisitions and assisting investors in predicting the future trajectory of the acquired company more accurately. These results shed light on guiding further exploration of corporation M&A.

Keywords: Diversification strategy, cross-border M&A, M&A motivation, M&A risk, new energy vehicles.

1. Introduction

With the growing severity of climate change, many countries have begun to take action to reduce their dependence on fossil fuels and move towards carbon neutrality. This trend has driven the transformation of the global energy system, resulting in the rising use of renewable energy, while promoting the development of emerging technologies such as electric vehicles and smart grids. Since the beginning of 2016, the new energy automobile industry has won widespread attention by virtue of its fast-growing production and sales, and the subsequent "double carbon" strategy has further elevated the development of the new energy automobile industry to the height of the national strategy, and set off the trend of cross-border car-making in the capital market. The sales of new energy automobiles have continued to rise, and have already broken through the growth dilemma [1]. The development of new energy vehicles in the context of the low-carbon economy, in the policy of the government to rely on, in the concept of consumer support [2], China's new energy development has been effective. Leading companies in various industries have entered the field with huge amounts of money. In 2016, Gree Electric began the first round of diversification and transformation, attempting to cross the border of new energy automobile industry through the merger and acquisition of Zhuhai Yinlong New Energy Co, Ltd, which encountered small After the unanimous opposition of the shareholders, the chairman of Gree Electric Electric Appliances took a stake in Zhuhai Yinlong in his personal name. After five years of a series of events such as the exposure of performance problems, the outbreak of the problem of misappropriation by major shareholders, and the suspension of the listing, Gree Electric still chose to merge and acquire Zhuhai Yinlong as a subsidiary in the case of its performance losses and credit decline.

Gree Electric's merger and acquisition of Zhuhai Yinlong of both events have attracted widespread attention and discussion. Scholars think that Gree unique vision, the development of the good; some people think that Gree on the development of new energy technology is too idealized, the prospect is worrying. Since the 1960s, diversification strategy began to be commonly adopted by western countries, and Chinese enterprises also began to diversify in the 1990s, scholars have conducted rich

research on the way enterprises implement diversification strategy. Some scholars have suggested that, in terms of market forces, the purpose of enterprises' diversification strategy is to find new market opportunities to expand scale and create value [3]. It has also been argued that compared with endogenous independent innovation, traditional enterprises can break through the development bottleneck and improve operational efficiency faster through mergers and acquisitions [4].

Previous research results on the motivation of mergers and acquisitions are also more fruitful. Some scholars believe that the motivation of M&A mainly comes from the realization of synergistic effect, that is, M&A can realize the long-term synergistic development of the two companies, and play the positive effect of $1+1>2$ [5]. There is also the view that the degree of self-confidence of the managers is significantly positively correlated with the occurrence of M&A, and the management's over-confidence is one of the important motivations of M&A [6], and the main reason of M&A is to satisfy their own needs of strengthening and enlarging, and to obtain a broader market competition. market competition to achieve broader development space [7]. In summary, scholars' research results on diversification strategy and M&A motivation are more fruitful, but there is still room for supplementation, such as scholars' agreement on some of the M&A motivation, and few researches on M&A motivation with Chinese characteristics.

This paper analyzes the strategic choice of Gree Electric's two mergers and acquisitions of new energy automobile enterprises, explores the influencing factors of traditional enterprises' cross-border mergers and acquisitions of emerging enterprises, finds out the real motives of mergers and acquisitions, and analyzes the expected effects and risks of mergers and acquisitions, which can help to enrich the theory of diversified mergers and acquisitions and also provide realistic research ideas for the study of mergers and acquisitions. This paper provides ideas for investors to analyze Gree Electric's reacquisition of Zhuhai Yinlong, a much-anticipated takeover case, by comprehensively combing the events and analyzing them from multiple perspectives, and also depicts the behavioral patterns of enterprises in the capital market, so that investors can analyze the enterprises more thoroughly and judge the future development.

2. Methodology

Mergers and acquisitions are generally divided into mergers and acquisitions. A merger is a company that absorbs the merger of one or more companies so that the merger put to increase the registered capital, the target company capital write-off. Acquisition generally refers to a company absorbing the purchase of another company or many companies or assets, to obtain the ownership of the acquired part or to obtain control of the company. Mergers and acquisitions can be divided from some perspectives, business combinations can be divided into horizontal mergers, vertical mergers, and mixed mergers according to the different industries of the target mergers and acquisitions. In this paper, the acquisition of Zhuhai Yinlong by Gree Electric belongs to mixed mergers and acquisitions, which are mergers and acquisitions between enterprises in different fields and unrelated to each other, usually to disperse risks and realize synergies [8-10].

Motivation is caused by demand, people usually to achieve the desired goal will convert demand into action. Gree Electric and Yinlong New Energy Vehicle are located in two different industries, to improve the competitiveness of the industry of Greeley Electric Appliances, the pursuit of economies of scale through mergers and acquisitions to realize the strategic development of enterprise diversification. Risk diversification is a way of enterprise risk management. Through the adjustment of the enterprise asset structure, as large as possible to achieve security and reduce losses. Gree through the acquisition of Zhuhai Yinlong, into the new energy track, realized the risk of different industries hedge, to achieve the effect of risk diversification. The synergy effect means that enterprises use the resources they have at this stage to support each other, so that the net cash flow exceeds the sum of the expected cash flow of the two companies, and the competitiveness of the enterprises after the merger and acquisition is strengthened, to achieve the maximization of earnings. The value of the synergistic effect is mainly reflected through the three aspects of operation,

management, and finance, which is specifically manifested in the increase of sales after acquisition, complementary resources, technology transfer, and sharing of business activities [11].

Through the Knowledge Network Literature Database, Elsevier and other major network platforms collect and organize enterprise-related information, to have a more in-depth understanding of the case of corporate mergers and acquisitions. Through research and investigation, combing the cause of the event through the results at the same time combined with relevant theories to analyze the success or failure of Gree M&A Yinlong case and put forward comments [12-14].

3. Merger and Acquisition

3.1. Basic Descriptions

Gree Electric Appliances is a research and development, production, sales, and service integration of international home appliance enterprises, was founded in 1991, and successfully listed in 1996. 2005, Gree air conditioning hit the world's first sales for five consecutive years of notable achievements. 2016 Gree Electric Appliances began to gradually from a specialized air conditioning enterprise transition into the era of diversification. It has been involved in air-conditioning communication equipment, new energy vehicles, communication equipment, living appliances, and other fields before and after. To further expand its business in the new energy industry, on August 3, 2021, Gree Electric Appliances auctioned 30.47% of the shares of Zhuhai Yinlong for 1.828 billion yuan through the judicial network auction platform, and then changed its name to "Gree Titanium New Energy Company Limited". The profits of Gree Electric Appliances from 2020 to 2022 were respectively 22.279 billion yuan, 22.831 billion yuan, and 23.011 billion yuan, net profit is a growing trend. As shown in Fig. 1 and Fig. 2, the 2022 air conditioning industry as a whole is not a good environment, although it is not easy to achieve growth, Gree Electric's profitability in the past three years is low compared with the leading enterprises in the same industry. Zhuhai Yinlong is the main research hybrid, pure electric vehicle power total and related areas of the enterprise, with lithium titanate battery technology as the core technology leading the international. In 2021 after the acquisition of Gree electric appliances renamed "Gree titanium new energy Co. Gree titanium was acquired when the net profit has been negative, the cumulative debt of 22.428 billion yuan, the operating situation is not good.

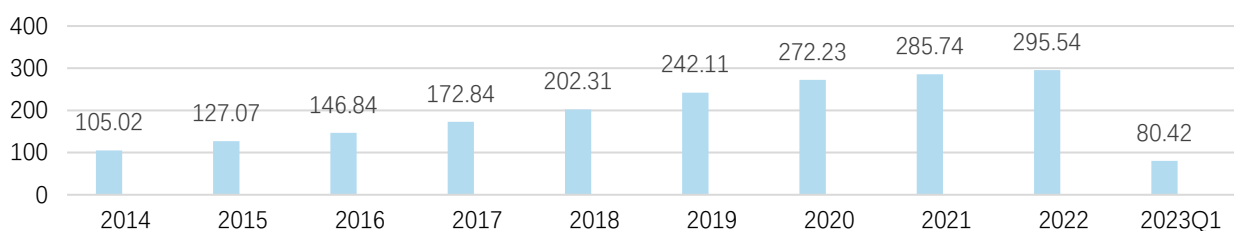


Figure 1. Media Group's Net Income from Normalization 2014-2023Q1

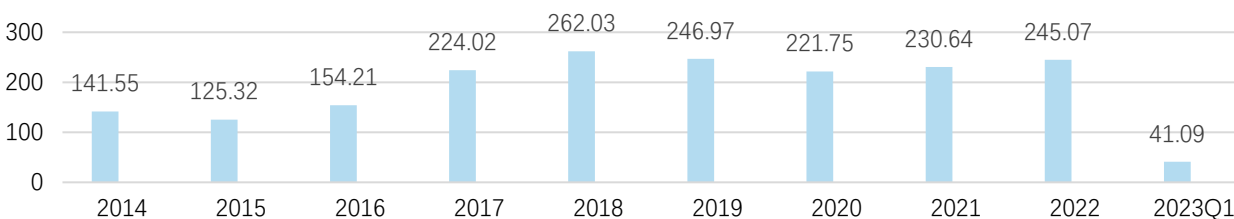


Figure 2. Gree Electric's net Income from Normalization, 2014-2023Q1

3.2. M&A Process

In August 2016, Gree Electric acquired Zhuhai Yinlong as a subsidiary by issuing 13 billion shares in the form of an asset reorganization, while raising approximately 9.7 billion yuan from the group's

board of directors. After the release of the program, the shareholders rejected it because Gree's additional price was too low, Zhuhai Yinlong's valuation was too high, and the share price would continue to go down, harming the interests of small and medium-sized shareholders. The acquisition In August 2021, Zhuhai Yinlong suffered losses for two consecutive years due to events such as misappropriation by major shareholders and the flight of the founder, and net profit fell from 140 million in 2017 to -763 million in 2021. Subsequently, 30.47% of shares held by the major shareholders were auctioned. The form of this acquisition is a connected transaction, does not involve a major asset reorganization, and does not require board approval, so the acquisition was successful. Currently, Gree Electric holds 47.93% of the shares of Zhuhai Yinlong, of which 30.47% is the proceeds of the auction and 17.46 is held by Dong Mingzhu, the chairman of Gree Electric. It formally became a company under Gree Electric, and has since been renamed "Gree Titanium".

3.3. Motivation Analysis

With the gradual consensus on the sustainability of new energy development, the government has put forward a corresponding strategic approach to promote the rapid development of the new energy industry. Nowadays, the government strongly advocates low-carbon development and carbon neutral "dual-carbon strategy", which responds to all kinds of global environmental problems and promotes economic transformation at the same time. The government has put forward a large number of supportive policies to encourage a large number of enterprises to transform from traditional industries to environmental protection industries, subsidize the new energy industry, and open up green channels. At the same time, enterprises have also injected ESG into the "Carbon Neutral" initiative, expecting to comprehensively implement ESG into their future planning, and seek breakthroughs in the environmental, social, and governance fields, to contribute to the power of carbon reduction for the society and deepen the green cause. Therefore, Gree Electric began to try to enter the new energy industry in 2016 and is confident in the prospects of the industry.

M&A activities are conducive to the enhancement of corporate competitiveness, share price, and performance. With the intensification of market competition, Gree Electric was caught in a development bottleneck, market competitiveness weakened, and the share price continued to go down, and in 2015 Gree Electric's operating income fell by 28.14% in just one year. In the case of the market situation is not optimistic, Gree Electric decided to challenge the new track, looking for a new profit growth point. This merger and acquisition behavior, in the eyes of investors, will be regarded as the enterprise has enough money, while finding a new profit opportunity, optimistic about the future performance of the enterprise growth can bring more income for them, greatly improving the confidence of investors in the capital market, thus enhancing the share price. On August 31, 2021, Gree Electric again announced the acquisition of Zhuhai Yinlong when the market immediately gave a positive response, then there was a share price red, followed by three days up. It can be seen from Fig. 3 that the acquisition behavior can make the stock price rise to a new inflection point.



Figure 3. Share price changes before and after Gree Electric's two acquisitions of Zhuhai Yinlong.

Gree Electric has focused on the air conditioning field for many years, obtaining exquisite technology and realizing economies of scale. At the same time, Gree Electric has a perfect offline sales channel and achieved a large market share in the early days. However, with the rise of emerging industries, the development of the e-commerce industry has transformed the traditional offline sales channels into online, and Gree Electric has lost its unique advantages, facing disadvantages such as insufficient online and overseas sales, and a long-term decline in share price. Gree Electric realizes that it should make strategic adjustments in response to changes in the market, adopts a combination of stabilization strategy and diversification strategy, and attaches importance to the further improvement of the upstream and downstream industrial chain, the reform of sales channels, and diversification attempts in various fields. Gree Electric is precisely the Zhuhai Yinlong lithium titanate battery technology, the future of the energy storage industry and new energy automobile industry expectations, and expects that the technology can become Gree's core strength.

Gree Electric's acquisition of Zhuhai Yinlong can realize the situation of "1+1>2". In terms of technology, Gree and Yinlong can benefit from each other and realize a win-win situation. Zhuhai Yinlong's lithium titanate technology can help Gree Electric improve product safety and environmental protection, so lithium titanate technology will also become a key element in the success of Gree's "photovoltaic + energy storage" integration strategy. The vehicle air conditioning technology mastered by Gree Electric can also be used in Yinlong New Energy's products, complementing each other's strengths. It can be seen that Gree Electric and Zhuhai Yinlong in manufacturing technology, new energy management and control technology, energy storage technology, and other aspects have a strong synergistic effect, so that the overall product quality improves, and reduce production costs.

In the early stage of the development of the new energy automobile industry, the government introduced a series of policies to promote the supply and demand balance between buyers and sellers. Under the government's subsidy policy, buyers can reduce the acquisition cost of cars and increase the market penetration rate of new energy vehicles. Besides, it also provides subsidies for manufacturers to enhance their R&D and investment in new energy products, which promotes the rapid development of the industry. With the further high-quality development of the new-energy vehicle industry, most enterprises have become competitive in the market. The government believes that the development of the industry has been able to make a smooth transition, and therefore the financial subsidies for new energy vehicles have been gradually withdrawn from the market. In the short term, this policy had a large impact on its revenue. Hence, to be able to smoothly pass the transition period, it decided to join hands with Gree to give full play to the synergy effect, realize economies of scale, reduce production costs and enhance market competitiveness (seen from Fig. 4).

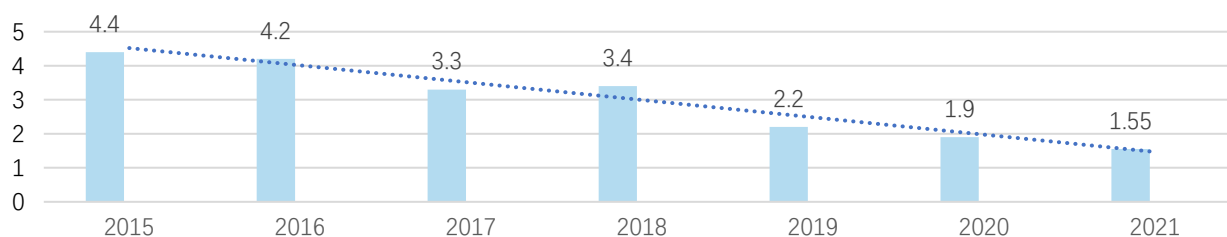


Figure 4. China's pure electric vehicle minimum range subsidy, 2015-2021

In terms of finance, Zhuhai Yinlong's capital turnover is slow, Gree helps Yinlong raise funds through its good financing ability, providing financial support and soothing the pressure of debt. 2021 Gree promises to provide guarantees for Gree Titanium and to pay the full amount of the purchase price in the relevant transaction. In terms of management, the business merger is conducive to improving the overall management efficiency, and the acquirer makes targeted adjustments based on the management deficiencies of the acquired party, introduces Gree's mature management system, and transforms the management mode and business philosophy. Since the merger and acquisition, the

management of Yinlong has been replaced twice in four months, and the management scale and concept are gradually close to Gree, to realize the management synergy effect.

4. Risk Description and Analysis

4.1. Governance Risk

In the complex acquisition process of publicly listed companies, potential conflicts and competitive interests may arise among sellers of control rights, buyers, and top executives. All parties may exploit their privileged positions to the detriment of minority shareholders. It was finalized through a targeted share issuance, priced at 15.57 yuan per share, issuing shares to 21 entities, including Yintong Investment Group and Sunshine Life. Excluding the impact of supportive fundraising, Gree Electric's share capital pre-transaction was 601,573.09 million shares. Following the transaction, this increased to 685,066.99 million shares, diluting Gree's approximately 6 billion shares by 13.9%. The acquisition's predetermined fundraising amount was 10 billion yuan, and the post-transaction share capital reached 749,293.06 million shares, further diluting the 6 billion shares by 10.6%. Both dilutions led to a 25% increase in Gree's share capital, while Zhuhai Yinlong's profits over the next three years are projected to represent less than 10% of Gree's net profits, failing to offset the decrease in earnings/dividends per share for Gree's existing shareholders, the principal cause of opposition from numerous small and medium shareholders. The results are listed in Table. 1. In 2015, a decline in both earnings per share and return on net assets, along with a 12.38% year-on-year drop in earnings per share before the execution of the supportive financing plan, culminated in a further substantial decrease of 20% after completion. In effect, the plan to finalize the acquisition by issuing new shares through targeted placement conspicuously diluted shareholder equity. The equity of small and medium shareholders will be diluted, leading to financial losses, and also impacting control rights.

Table 1. Statement of Changes in Equity of Gree Electric

	2014	2015	2016 Pre-trade	2016 After transaction	Considering supporting financing
Total share capital at the end of the period (10000 shares)	601,573.09	601,573.09	601,573.09	685,066.99	749,293.06
Net profit (10000 yuan)	1,425,295.48	1,262,373.26	1,262,373.26	1,262,373.26	1,262,373.26
Earnings per share (yuan/share)	2.37	2.10	2.10	1.84	1.68
Net assets	4,513,145.10	4,856,660.86	4,600,130.18	4,600,130.18	4,600,130.18
ROE	31.58%	25.99%	27.44%	27.44%	27.44%

Table 2. Composition of Gree Electric's operating revenue in the first half of 2021

	This reporting period		Same period last year		Annual variation
	Amount of money	Proportion in operating revenue	Amount of money	Proportion in operating revenue	
Total operating income	91,052,071,946.13	100%	69,502,322,369.94	100%	31.01%
Product division					
Air-conditioning	67,193,507,541.72	73.79%	41,333,283,400.83	59.48%	62.47%
Household appliances	2,210,197,452.17	2.43%	2,218,690,301.80	3.19%	-0.08%
Intelligent equipment	197,26,310.19	0.22%	209,211,056.99	0.30%	-5.44%
Other main businesses	1,330,477,358.00	1.46%	5,950,669,381.43	8.56%	-77.64%
Other business	20,120,063,284.05	22.10%	19,790,468,228.89	28.47%	1.67%

4.2. Business Risk

Gree Electric unveiled its semi-annual report on August 22, 2021. The data given in Fig. 5 revealed a revenue of 910.52 billion yuan during the reporting period, marking a year-on-year increase of 31.01%, with a net profit of 94.57 billion yuan, a 48.64% boost compared to the previous year. In terms of products, Gree Electric's dependency on its air conditioning business escalated, generating an income of 671.94 billion yuan and comprising 73.79% of revenue, compared to 59.48% during the same period last year. Additionally, household appliances and intelligent equipment yielded revenue of 22.10 billion yuan and 1.98 billion yuan, contributing to 2.43% and 0.22% of the total revenue, respectively, while other principal and secondary businesses realized 13.31 billion yuan and 201.2 billion yuan, or 1.46% and 22.1% of revenue (seen from Table. 2). In the new energy sector, Gree Electric's investment has been primarily channeled into developing photovoltaic air conditioning products and industrial energy storage system products. In the realm of new energy vehicles, it has only entered strategic partnerships with certain firms to supply new energy vehicle parts, without the capacity to spearhead this business segment. Yinlong New Energy's expertise does not lie in the passenger car segment but in commercial vehicles. Data from the Forward Industry Research Institute indicates that in 2020, the sales volume of new energy vehicles reached 1.367 million units. Out of this, passenger car sales were 1.246 million units, or 91.15% of total sales, while commercial vehicle sales were 121,000 units, making up 8.85%.

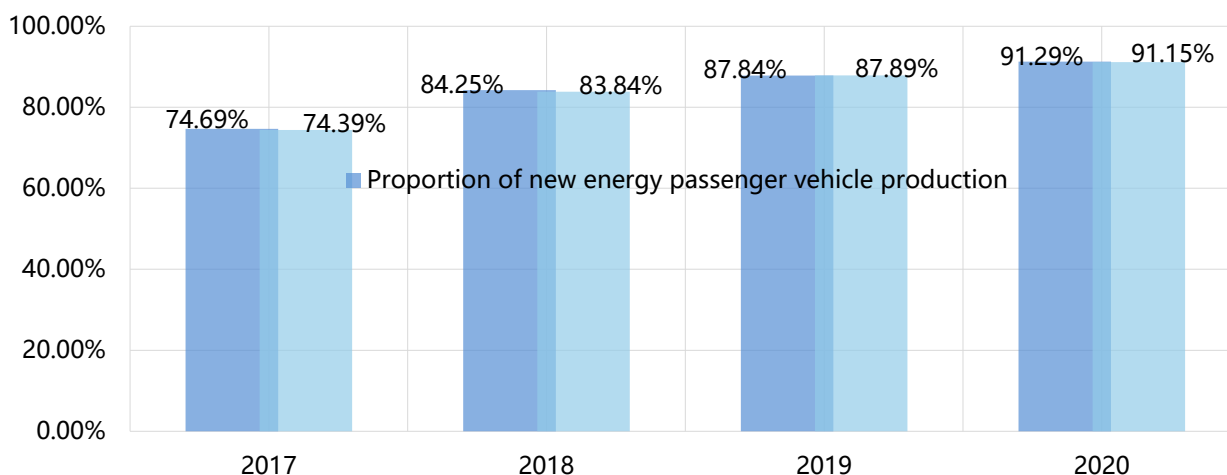


Figure 5. The proportion of production and sales rate of new energy passenger vehicles in China from 2017 to 2020.

Through the practical implementation of photovoltaic air conditioning, Gree Electric aspires to foster innovative progress in air conditioning technology via the acquisition of Zhuhai Yinlong. Concurrently, Gree Electric perceives a specific complementarity between its products and the utilization scenarios and user demographics of new energy vehicles. The acquisition of Zhuhai Yinlong is aimed at establishing fresh growth avenues for the company and crafting a more comprehensive new energy industry ecosystem. However, given Zhuhai Yinlong's unripe technological advancement and the ensuing necessity for considerable R&D investment, this places significant demands on Gree Electric's financial and human resources, resulting in circumscribed synergy between Zhuhai Yinlong and Gree Electric.

4.3. Value Risk

The new energy vehicle industry faces unresolved technical challenges, and the instability in national subsidy policies contributes to an overall industry uncertainty. First, the drawbacks of lithium titanate batteries are conspicuous, and their benefits remain underdeveloped, creating significant ambiguity for future business expansion. Second, Zhuhai Yinlong's status as a high-tech enterprise attracts various preferential policies, yet this also exposes it to high susceptibility to policy shifts. If future regulations are reduced, the company may experience intensified competition and weakened

operational stability. Furthermore, in an effort to facilitate the acquisition, the target company might suppress detrimental information, resulting in information disparities. Consequently, Gree Electric's appraisal of Zhuhai Yinlong, guided by the latter's audit report, could lead to an overvaluation. Zhuhai Yinlong's chief business emphasizes large buses and similar vehicles, utilizing eco-friendly and safer lithium titanate batteries. Nevertheless, current technological constraints such as restricted endurance and low energy density hinder market acceptance. The inherent expense of lithium titanate batteries, coupled with high maintenance costs, deter the automotive industry from endorsing the growth prospects of this technology. Gree Electric's internal technological division shares these reservations. The acquisition of Zhuhai Yinlong means that Gree Electric must allocate significant resources for research in this technological domain.

4.4. Financial Risks

Despite the acquisition of Zhuhai Yinlong costing Gree Electric only RMB 1.8 billion, the former is laden with extensive debts. Its considerable size contrasts with poor performance, reflecting the capital-intensive and burgeoning nature of the new energy vehicle industry. Gree Electric is faced with the necessity to invest heavily to administer the business and exploit market potentials. Seen from Table. 3, as per financial records, prior to the takeover, Yinlong New Energy amassed a revenue of RMB 43.3 billion, incurred a loss of RMB 6.9 billion, and accumulated debts exceeding RMB 20 billion, with accounts receivable of RMB 2.7 billion. The debt-to-asset ratio soared to 83.8%. Previous operational flaws led to a chain of debt conflicts, obliging parent company Gree Electric to settle these liabilities.

Table 3. Zhuhai Yinlong's identifiable assets and liabilities statement on the purchase date

Project	Gree Titanium New Energy Co., Ltd	
	Fair value on purchase date	Book value on purchase date
Subtotal of assets	26,768,191,487.43	24,897,522,681.71
Subtotal of liabilities	22,428,661,111.91	22,428,661,111.91
Net assets	4,339,530,375.52	2,468,861,569.80

In terms of its core business, Zhuhai Yinlong's cumulative investment in new industrial parks nationwide surpasses RMB 80 billion. Rampant factory construction has triggered overcapacity and a significant surge in fixed costs, imposing a tremendous strain. Whether seeking to establish itself in emergent industries or to back its subsidiary, Gree Electric is bound to inject substantial subsequent capital, thereby incurring particular financial risks. Gree Electric and Zhuhai Yinlong operate in diverse industrial sectors, and there exists a marked discrepancy in scale and financial processing volume between the two. Disparities in management philosophies and fiscal standards further complicate the situation. The post-acquisition financial integration risks are not to be underestimated. Zhuhai Yinlong's fiscal structure and system remain undeveloped, harboring numerous challenges and concealed risks. When aligned with Gree Electric's more refined and stable financial practices, numerous inconsistencies and conflicts may emerge. Simultaneously, the formation of parent-subsidiary relationships and the proliferation of corporate entities introduce an additional layer of complexity to Gree Electric's financial management.

5. Conclusion

To sum up, this study analyzes the internal and external drivers and risks of Gree Electric's M&A case by combing the literature on the drivers of diversification and transformation and the drivers of corporate mergers and acquisitions, and draws the following conclusions after completing the study: Gree's merger and acquisition of Yinlong New Energy has an important impact on the development of Gree Electric, and Gree, as a leading enterprise of China's electrical appliances, has the financial strength and management experience to carry out a merger and acquisition in line with the needs of the times and the company's development strategy. Development strategy needs of mergers and

acquisitions, but Gree titanium 2022 net loss of up to 1.905 billion yuan, which shows that the merger and acquisition is likely to be in a short period of time cannot bring profit to Gree, the long-term development of other new energy companies will also be squeezed by the competition, which also brings a certain amount of risk to the Gree Electric Appliances, the need to make strategic, operational and other aspects of the planning, in order to achieve the expected goals of the merger and acquisition. Due to the problem of data access rights, this paper also has certain limitations, not the latest Gree's financial situation is listed and analyzed, and secondly, due to time constraints, the acquisition of the years is not enough to carry out a long-term detailed analysis of the implementation of mergers and acquisitions. In the future, we need to pay attention to the situation of Gree Electric Company and tracking analysis, to explore the long-term impact of mergers and acquisitions on its development.

Taking into account the interests of all shareholders, including controlling shareholders, company executives and small and medium-sized shareholders, and winning the greatest support is a prerequisite for the smooth implementation of M&A. Representatives of small and medium-sized shareholders can be sent as one of the leaders to participate in the M&A proposal team to ensure the interests and psychological feelings of small and medium-sized shareholders, as well as their participation in M&A activities, planning and decision-making. Cross-border mergers and acquisitions focus on preventing failure and avoiding excessive industry span. Enterprise diversification transformation cross-border mergers and acquisitions, should do a good job of their own resources assessment and the subject enterprise investigation and other preparatory work, to develop a complete and detailed merger and acquisition plan, maintain a prudent attitude, first select the industry with high relevance, and then cross-border mergers and acquisitions, step-by-step completion of the enterprise transformation, focusing on the prevention of failure of the mergers and acquisitions. Scientific selection of M&A targets, pay attention to potential risks. Gree Electric, in its merger and acquisition of Zhuhai Yinlong, caused a series of problems due to the neglect of its operational vulnerabilities. Enterprises in the choice of M&A target, but also need to do a good job of background investigation to prevent the emergence of information asymmetry risk, pay attention to the potential risks of the target enterprise.

Cross-border high-tech industry priority selection of companies with technological advantages, to prevent integration risks. The core of the development of high-tech industry is the level of technology, mergers and acquisitions can choose each other with core technology advantages of the industry, complementary to their own products, signed a cooperation agreement, investment in each other with special value of the technology, to create opportunities for optimization and upgrading of the product structure, avoiding the integration risk brought about by rapid mergers and acquisitions, but also for the future of the in-depth cooperation to lay the foundation. This paper explores the motives and influencing factors of Gree Electric's reacquisition of Zhuhai Yinlong, and explores the expected effects and risks of its mergers and acquisitions. The research has certain theoretical and practical significance, which helps to enrich the theory of diversified mergers and acquisitions and provides ideas for mergers and acquisitions research, and facilitates investors to analyze the enterprise and judge the future development in a more thorough way.

Author Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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