

Research on the Optimization of Vanke Group's Capital Structure

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Abstract: The issue of capital is a core concern for the survival and development of modern enterprises. Optimizing a company's capital structure can not only reduce its costs and increase its profits but also standardize its operations, thereby enhancing its competitiveness, promoting its development, and ultimately realizing the maximization of its value. Therefore, capital structure optimization is a key issue in modern corporate decision-making, directly affecting the survival and growth of enterprises. Currently, the real estate industry generally faces problems such as high asset-liability ratios, limited financing channels, and excessive concentration of equity. This paper takes Vanke Group as the research subject and, based on relevant domestic and international theories on capital structure.

Keywords: Capital structure; Static Optimization; Dynamic optimization.

1. Introduction

Vanke Co., Ltd. was established in 1984. After forty years of development, it has become a leading urban and rural construction and life service provider in China. The company's business focuses on the three most dynamic economic zones nationwide and key cities in the central and western regions. Since first entering the Fortune Global 500 in 2016, Vanke Co., Ltd. has appeared on the list for nine consecutive years, ranking 206th in 2024.

2. Analysis of the Current Business Operations

2.1. Debt-paying Ability

The debt-paying ability indicators of Vanke Group for 2022–2024 are shown in the table. The current ratio and debt-to-asset ratio are two important indicators reflecting a company's ability to repay debts. The size of the current ratio can represent a company's liquidity ability. Generally, the higher this indicator, the stronger the company's short-term debt-paying ability. According to the "2024 Comprehensive Strength TOP 500 Real Estate Developers Evaluation Report" published by China Real Estate Network, the average current ratio of the TOP 500 real estate companies in 2023 was 1.74. Analyzing the data in Table 2-2, it can be seen that from 2022 to 2024, Vanke Group's current ratio was lower than that of high-quality peers, indicating that Vanke Group's short-term debt-paying ability is relatively weak within the industry and measures need to be taken to improve it. From a horizontal perspective, compared with similar companies, Vanke Group's debt-to-asset ratio is much higher than the industry average, and there is also a significant gap compared with outstanding companies in the industry. This indicates that Vanke Group has a relatively high level of debt.

Table 2-1. Vanke Group and Industry Peers' Debt-to-Asset Ratio

Annual	2022	2023	2024
China Resources Land	68.40%	67.75%	55.6%
China Overseas Property	68.5%	57.5%	56.1%
Vanke Group	76.95%	73.22%	73.66%

Table 2-2. Current Ratio Comparison of Vanke Group and Other Leading Companies in the Industry

Annual	2022	2023	2024
China Resources Land	1.35	1.34	1.41
China Overseas Property	1.34	1.35	1.3
Vanke Group	1.31	1.40	1.28

2.2. Profitability

The profitability indicators of Vanke Group for 2022–2024 are shown in the table. Return on total assets is one of the key indicators of a company's profitability. The higher the return on total assets, the better the company's asset operation and the stronger its management capabilities. Analysis of the data in the table shows that from 2022 to 2024, both the return on total assets and the net profit margin of Vanke Group are declining. The trend of this indicator reflects the level of asset input and output and the efficiency of using the company's own funds, indicating serious issues in Vanke Group's overall management and capital utilization.

Table 2-3. Net Profit Margin of Vanke Group and Other Leading Companies in the Industry

Annual	2022	2023	2024
China Resources Land	15.6%	14.9%	9.12%
China Overseas Property	12.9%	-	5.57%
Vanke Group	4.49%	-	-14.42%

Table 2-4. Return on Total Assets of Vanke Group and Other Leading Companies in the Industry

Annual	2022	2023	2024
China Resources Land	3.1%	3.3%	3.0%
China Overseas Property	-	-	3.0%
Vanke Group	2.04%	1.25%	-1.2%

3. Analysis of Vanke Group's Capital Structure

3.1. Debt Ratio Analysis

This article selects the debt ratios from 2022 to 2024 for analysis, as shown in Table 3-1. The debt-to-asset ratio refers to the percentage of total liabilities divided by total assets and

is an important indicator in corporate financial management. It reflects the relationship between a company's debt and assets, as well as its debt repayment ability and operational risk. The equity ratio is the ratio of liabilities to owners' equity. When the equity ratio is high, it means that the proportion of the company's own capital in total assets is low, indicating weaker debt repayment ability. From Table 3-1, it can be seen that Vanke Group's average debt-to-asset ratio from 2022 to 2024 is 74.61%, and the average equity ratio is 2.95. According to the "2024 Comprehensive Strength TOP500 Real Estate Development Enterprises Evaluation Report"

published by China Real Estate Network, the average debt-to-asset ratio of the top 500 real estate enterprises in 2023 was 63.84%, with an average equity ratio of 2.68. Vanke Group's debt-to-asset ratio and equity ratio are both higher than the industry average. Although Vanke Group has been trying to reduce these two indicators in 2023, its debt-to-asset ratio and equity ratio from 2022 to 2024 remain relatively high, still above the industry average. This indicates that Vanke Group still needs to adjust its capital structure to prevent financial risks caused by excessive debt.

Table 3-1. Vanke Group Debt Ratio Data

Annual	Total Assets (Trillions)	Total Debt (Trillions)	Owner's Equity (Trillions)	Debt-to-asset ratio	Equity Ratio
2022	1.76	1.35	0.41	76.95%	3.33
2023	1.50	1.10	0.40	73.22%	2.73
2024	1.29	0.95	0.34	73.66%	2.79

3.2. Analysis of Debt Structure

The debt structure of Vanke Group from 2022 to 2024 is shown in Table 3-2. Liabilities can be divided into current liabilities and non-current liabilities. Current liabilities refer to debts that the company needs to repay within one year or within one operating cycle exceeding one year. A high current liability ratio indicates insufficient short-term debt repayment capacity. In case of operational difficulties or market changes, the company may be unable to repay its debts on time, increasing financial risk. From Table 3-2, it can be seen that

Vanke Group's current liability ratio remained above 75% from 2022 to 2024. Although the current liability ratio decreased slightly from 2022 to 2023, it generally remained at a high level. Current liabilities are characterized by high flexibility and low borrowing difficulty, allowing the company to meet its funding needs in a short period. However, excessive current liabilities can also increase operational risk. Vanke Group needs to reasonably balance the proportion of current and non-current liabilities to ensure the healthy and stable development of the company.

Table 3-2. Debt Structure Analysis of Vanke Group

Annual	Current Liabilities (trillions)	Non-current liabilities (trillions)	Debt (trillions)	Current liability ratio
2022	1.08	0.27	1.35	80%
2023	0.82	0.28	1.1	75%
2024	0.72	0.23	0.95	76%

3.3. Analysis of Shareholding Concentration

Table 3-3 compares the equity concentration of Vanke Group with five other leading companies in the same industry in 2024. Since the shareholding percentages of the largest shareholders of these five companies have not changed significantly in the past five years, only the largest shareholder's shareholding ratio in 2024 is used for comparison. From Table 3-3, it can be seen that, excluding

Vanke Group, the largest shareholders of the remaining four companies hold 55.35% of shares, while Vanke Group's largest shareholder holds only slightly more than half of the average of the other four companies. This indicates that Vanke Group's equity concentration is relatively low within the industry. Excessively low equity concentration may lead to unstable corporate governance. When a company's equity is dispersed, conflicts of interest among shareholders may arise, resulting in less effective corporate governance.

Table 3-3. Comparison of Vanke Group's Shareholding Concentration

Annual	Vanke Group	Poly Developments	Lujiazui	China Merchants Shekou	Zhangjiang Hi-Tech	The average of the other four, excluding Vanke
2024	27.2%	37.69%	55.28%	55.35%	50.75%	49.77%

4. Questions and Suggestions

4.1. Problems in the Capital Structure of Vanke Group

This study is based on the internship practice at the Fucheng District Tax Bureau of the Mianyang Municipal Tax Service of the State Taxation Administration, focusing on in-depth analysis of the accounting treatment of corporate social responsibility fulfillment and issues in tax regulation.

Through theoretical review, status surveys, case analysis, and strategy construction, the following core conclusions are drawn.

High asset-liability ratio. From 2022 to 2024, Vanke Group's asset-liability ratios were 76.95%, 73.22%, and 73.66%, respectively, exceeding the regulatory red line of 70%, indicating relatively high financial risk. Although the company has been actively working to control the rise in its asset-liability ratio since 2022, compared to the industry average, Vanke still remains at a relatively high level. The absolute amount of liabilities continues to increase, with the

average growth rate exceeding that of net profit. Even after implementing control measures, the asset-liability ratio remains higher than the industry average.

High short-term debt repayment pressure. Within Vanke Group's liabilities, the proportion of current liabilities is relatively high, with an average current liability ratio of 77%. A high current liability ratio implies significant short-term debt repayment pressure and increased operational risk. Vanke Group's current ratio is lower than the industry average, and its return on total assets has even plummeted to negative values. This shows that Vanke Group's profitability is not particularly strong, while its current liability ratio is very high, resulting in substantial short-term debt repayment pressure.

Low equity concentration. Excessively high equity concentration may lead to a situation where major shareholders have overriding control, potentially infringing on the rights of minority shareholders. Conversely, too low an equity concentration can make it difficult for the company's management to implement a consistent development strategy, respond rapidly to market changes, affect operational efficiency, and hinder market value growth, all of which are unfavorable for the company's development. Compared with leading companies in the same industry, Vanke Group's equity concentration is far from the average proportion held by the largest shareholders of other peers.

4.2. Suggestion

(1) Optimize the Debt Financing Structure

Vanke Group has a relatively high debt-to-asset ratio, which means the company faces significant debt repayment pressure and financial risks. High levels of debt may adversely affect business operations and increase financing costs. In addition, a high debt ratio may reduce the company's market value and affect its long-term development. To optimize the capital structure, Vanke Group should lower its debt-to-asset ratio and determine a reasonable level of debt. At the same time, the company should adjust the proportion

of long-term and short-term debt, reasonably allocate financing terms, and avoid the problem of "short-term borrowing for long-term investment."

(2) Increase Equity Concentration

Vanke Group currently has a low equity concentration and should appropriately increase it. This can be achieved through equity incentives and employee stock ownership plans, allowing executives and employees to jointly hold company shares. This approach will not only make Vanke Group's equity more cohesive but also motivate executives and employees to work more effectively, improving overall operational efficiency.

(3) Enhance the Company's Profitability

As a leading company in the industry, Vanke Group's return on total assets and net profit margin have been declining for years. This not only increases operational risks but also reduces investor confidence. Vanke Group needs to take measures, such as digital transformation and improving asset turnover, to continuously enhance its profitability.

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