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Financial Integration Strategies and Performance Impacts in Holding-Type Mergers and Acquisitions: A Case Study of Guangdong Hongda Blasting Co., Ltd's Acquisition of Xinjiang Xuefeng Sci-Tech(group)Co., Ltd

Chenyue Yang

School of International Education, Wuhan University of Technology, Wuhan, China
352369@whut.edu.cn

Abstract. In recent years, the scale of enterprise mergers and acquisitions in China has continued to grow, but the failure rate of integration remains high. Cultural conflicts and strategic disconnections often lead to "similarity in appearance but not in essence" in mergers and acquisitions. Currently, there are relatively few research cases on the failure of mergers and acquisitions, and insufficient attention is paid to the financing and integration processes as well as their outcomes. It is challenging to identify the key factors that influence integration failure. Therefore, further exploration is urgently needed. This article selects the typical case of Guangdong Hongda Blasting Co., Ltd's Acquisition of Xinjiang Xuefeng Sci-Tech (group) Co., Ltd (the integration failed). By combining the financial data of the case enterprise one year before and after the acquisition, this study adopts a 'short-term-long-term' dual-dimensional analysis method to sort out the integration process and its impact on market results, and analyzes the influence of various data factors on the success or failure of the integration. The research conclusion of this article not only enriches empirical evidence in the field of acquisition performance but also provides practical references for enterprises to formulate acquisition strategies, and at the same time provides a decision-making basis for regulatory authorities to guide rational acquisitions.

Keywords: Mergers and acquisitions, industry integration, performance analysis, cumulative abnormal returns, return on equity.

1. Introduction

Under the current circumstances of continuously improving regulatory policies and sustained economic growth, the China Securities Regulatory Commission vigorously advocates promoting mergers and acquisitions activities by listed companies. During this process, efforts should be made to implement the "Six Rules for Mergers and Acquisitions" and the management measures for major asset restructurings. This helps to encourage enterprises to accelerate the process of reorganization and empowerment, and enhance their efficiency [1]. The exploration of this process and related issues holds significant research value. Previous studies mostly used the "event study method" to

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calculate the impact of mergers and acquisitions of financial listed companies on cumulative abnormal returns (CAR) and other numerical values such as event-induced variance (EIV) [2]. However, they did not break down the specific process of how the announcement of the merger and acquisition affects changes in investors' expectations and ultimately leads to market value fluctuations. They did not analyze the core driving factors behind the rise or fall in stock prices, and thus were unable to provide precise references and suggestions for other listed companies' "market value management" during the merger and acquisition period.

The subject of this study is the merger and acquisition reorganization event where Guangdong Hongda Blasting Co., Ltd. achieved control by acquiring a portion of the equity of Xinjiang Xuefeng Sci-Tech (group) Co., Ltd. (21%). Selecting this case can fill the "fragmented scenario gap" in existing merger and acquisition research: Currently, academic research on merger and acquisition reorganization mainly focuses on "full acquisition" or "reorganization listing", while paying insufficient attention to "partial equity acquisition to achieve control". Therefore, this case, where a company acquires a portion of another company's equity to make it a subsidiary and then manages it can better illustrate the relevant issues and phenomena [3]. During this process, financial integration is the key to realizing the value of this major asset reorganization. The core objective of the merger and acquisition is to achieve synergy effects, such as cost reduction and revenue increase. To achieve these goals only by unifying financial accounting and fund management can the resources of both parties be efficiently linked, and the expected value be realized. After an enterprise completes the merger and acquisition, problems such as distorted financial information and liability risk loopholes may arise. Through financial integration, these risks can be quickly identified and controlled, avoiding getting into a financial crisis after the merger and acquisition [4]. Completing financial integration is necessary to lay the foundation for management. A unified financial system, reporting framework, and control process are the prerequisites for subsequent strategic synergy, business integration, and personnel allocation [5]. Without financial-level uniformity, other integrations cannot be discussed. This is a crucial move that determines the success of the merger and acquisition activities. Therefore, this article will mainly focus on the design of the financing structure (the ratio of own funds, debt financing, and equity financing), the process of financial integration after acquisition, and the short-term market reaction and long-term financial performance (Return on Equity (ROE), debt-to-asset ratio, etc.) of Guangdong Hongda Blasting Co., Ltd. as a result of the merger. Based on the case, this article will provide specific explanations from different perspectives, such as resource analysis, personnel status, environmental analysis, and listing evaluation analysis. It will more comprehensively verify whether the merger and acquisition achieves "1+1>2" financial synergy from two aspects: "short-term market expectations" (event study method) and "long-term financial performance" (consolidated financial statement indicators). Thus, it can confirm the success of this merger and acquisition reorganization and reveal the important influencing factors of success in the merger and acquisition process.

2. Case introduction

2.1. Overview of the two parties involved in merger and acquisition

As a fundamental industry of the country, the civil explosives industry has broad market prospects. The continuous release of coal production capacity in Xinjiang drives the rapid growth of the civil explosives market. Moreover, with the support of industry policies for mergers and acquisitions, the industry's concentration will further increase in the future. Guangdong Hongda Blasting Co., Ltd. (A-share code: 002683, hereinafter referred to as "Guangdong Hongda") mainly focuses on mining

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engineering services, production and sales of civilian explosive materials, and defense equipment. It is a large enterprise dedicated to the production of civil explosives, engineering services, and mining operations, with strong capabilities in industry resource integration. Xinjiang Xuefeng Sci-Tech (group) Co., Ltd. (A-share code: 603227, hereinafter referred to as "Xuefeng Sci-Tech") mainly engages in the manufacturing of civilian explosive materials and engineering blasting services, as well as the production of melamine, ammonium nitrate, etc., under the natural gas chemical circular economy industry chain model.

2.2. Mergers and acquisitions motivations and processes

Guangdong Hongda plans to acquire 225,055,465 shares of Xuefeng Sci-Tech held by Xinjiang Agriculture and Animal Husbandry Investment (Group) Co., Ltd. (accounting for 21.00% of Xuefeng Sci-Tech's total issued shares) using its own funds and self-raised funds. The price per share is 9.80 yuan, and the total transaction amount is 2,205,543,557 yuan. Through this acquisition, the company aims to expand its market share and enhance its industry competitiveness. It has a complete industrial chain layout in the civil explosives industry, providing a favorable foundation for subsequent financial integration and facilitating resource complementarity and synergy. This transaction helps expand and consolidate Guangdong Hongda's civil explosives strategic layout in Xinjiang, which is beneficial for enhancing market competitiveness and strengthening the company's sustainable operating capabilities.

As of December 31, 2024, the high liquidity available funds of Guangdong Hongda amounted to 507,399.40 million yuan. These funds can be used first for the transaction price of this acquisition. This indicates that Guangdong Hongda Company itself has certain financial guarantee capabilities. Meanwhile, the listed company raised funds through bank mergers and acquisition loans. It is expected that after the merger and acquisition, loans are received, the previous self-funded capital will be replaced, and the company's asset liquidity will be improved. This provides sufficient financial guarantees and avoids related financing risks. According to the Guangdong Hongda Mergers and Acquisitions plan, the loan amount for this merger and acquisition is expected to be no more than 60% of the transaction price of this deal, which is no more than 13.23 billion yuan. This indicates that this financing meets the quality requirements and is relatively successful. This merger and acquisition transaction is also more feasible. After the transaction is completed, the listed company needs to repay the principal and interest of this loan [6]. This process will lead to an increase in the company's debt scale and an increase in financial expenses. According to the data in Table 1, the overall debt-to-asset ratios of the listed companies and the target companies before the acquisition were relatively reasonable, which could avoid a considerable amount of integration risks in the merger and acquisition process. However, if the synergy effect cannot be achieved in a short period after the transaction to improve the capital structure, the short-term debt repayment ability, subsequent debt financing ability, and overall profitability of the listed company may be adversely affected. Therefore, company managers need to pay close attention to and consider this related risk. After deciding to carry out a merger and acquisition, they should attach importance to the financial integration strategy during the acquisition and the subsequent impact on performance [7].

Table 1. The debt-to-asset ratio in the years prior to the acquisition

	At the end of 2022	At the end of 2023	At the end of July 2024
Guangdong Hongda Blasting Co.,Ltd.	53.51%	51.14%	52.98%
Xinjiang Xuefeng Sci-Tech(group)Co.,Ltd.	45.13%	30.80%	28.91%

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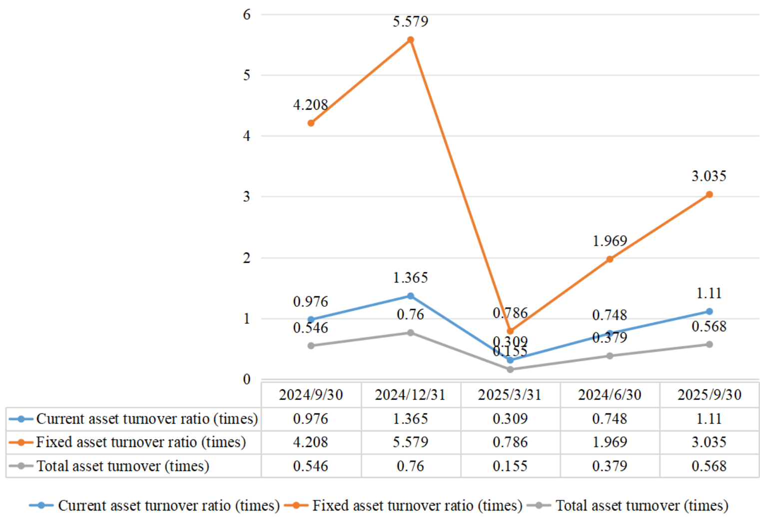
3. Evaluation of the impact on financial performance after merger

Guangdong Hongda announced its merger and reorganization activities on January 11, 2025. Therefore, the financial statements of the company around the end of 2024 can be selected for comparative analysis of the process before and after financial integration. The data in Figure 1 shows that after the merger and reorganization activities, in the financial statements on December 31, 2024 and March 31, 2025, several indicators measuring the company's operational capabilities - current assets, fixed assets, and total asset turnover rate - all show a rapid downward trend. This indicates that the financial integration situation in the early stage of the merger and reorganization was not good. After the merger, the asset structure became more complex, and it took time to adjust and adapt. By querying relevant data, it was found that the inventory turnover rate also decreased during this stage, reflecting that the coordination and unification of the supply chain and the integrated sales operation channels between the two parties were still in the process of improvement. Moreover, to promote integration, Guangdong Hongda arranged a series of management departments and systems to promote the connection and transformation of related business after the merger and reorganization, which required certain costs and time. In the short term, it could not contribute direct revenue, resulting in a decline in the asset turnover rate. However, since the end of March 2025, all the data indicators in the chart show an upward trend, indicating the effectiveness and completion degree of the previous work. After the company's merger and reorganization, it gradually resumed normal operations. The inefficient assets acquired through the merger are clear, and the asset structure is improved. Business synergy is also further implemented.



	2024/9/30	2024/12/31	2025/3/31	2024/6/30	2025/9/30
Current asset turnover ratio (times)	0.976	1.365	0.309	0.748	1.11
Fixed asset turnover ratio (times)	4.208	5.579	0.786	1.969	3.035
Total asset turnover (times)	0.546	0.76	0.155	0.379	0.568

Figure 1. The operational capacity indicators of Guangdong Hongda Holdings Group Co., Ltd (picture credit: original)

3.1. T-test analysis based on annual interest rate

Next, by selecting the annual interest rates and other representative data from the financial statements of Guangdong Hongda in September 2024 and 2025 as reference data before and after the acquisition, a T-test analysis was conducted. The final result is shown in Table 2, and the obtained P-value is 0.1955. Since this data is greater than 0.05, cannot conclude a significant difference. Therefore, the integration of the profit improvement effect has not been significantly demonstrated.

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Therefore, during the post-merger integration stage, although there was a continuous upward improvement trend in the later period, it still did not reach the stable profit level of the previous assets, and did not achieve the expected goals. For example, in the acquisition plan of Guangdong Hongda, the preset rate of non-performing asset disposal was 95%, but the actual rate was only 80% on September 30, 2025. This indicates that the disposal was not thorough and the integration efficiency was too low. Although the total profit increased with the expansion of the industrial scale, the net profit margin did not reach the expected level, which is also worth noting. Continuous attention is still needed to make better adjustment and integration measures [8-10]. At the current stage, the major asset reorganization activity of Guangdong Daheng has not yet demonstrated a good synergy effect.

Table 2. The T-test data before and after the merger and acquisition

	One year before the merger (September 30, 2024)	One year after the merger (September 30, 2025)
Asset Turnover Ratio (Times)	0.546	0.568
Annual Net Profit Margin (%)	7.009	4.49
Asset-liability Ratio (%))	56.605	53.671
Total assets of the year (in ten thousand yuan)	1769008.95	3156413.17
		T=0.195502189

3.2. Event study method

Taking the closing price of the CSI 300 as the market index benchmark, the cumulative abnormal return rate (CAR) of Guangdong Hongda over the past eleven days before and after the acquisition announcement is calculated. As shown in Table 3, the result was approximately 0.006, indicating that over the eleven days before and after the acquisition announcement, this stock accumulated an abnormal return of 0.6%. The market showed a positive response to the acquisition. It can be concluded that the short-term market effect of this Guangdong Daoguang acquisition was good [2].

Table 3. Cumulative excess return before and after the merger

DATE	Closing price of stocks (yuan)	Closing price of the market index (based on the CSI 300)	Rit	Rmt	ARit
2025/1/6	25.57	3768.97			
2025/1/7	25.65	3796.11	0.003128666	0.007200906	-0.00407224
2025/1/8	25.73	3789.22	0.003118908	-0.001815016	0.004933924
2025/1/9	25.7	3779.88	-0.001165954	-0.002464887	0.001298933
2025/1/10	25.81	3732.48	0.004280156	-0.012540081	0.016820236

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Table 3. (continued)

2025/1/11(announcement date)					0
2025/1/12(shares suspension)					
2025/1/13	25.66	3722.51			
2025/1/14	26.05	3820.54	0.015198753	0.026334382	-0.011135629
2025/1/15	25.64	3796.03	-0.015738964	-0.006415323	-0.00932364
2025/1/16	25.47	3800.38	-0.006630265	0.001145934	-0.007776199
2025/1/17	25.94	3812.34	0.018453082	0.003147054	0.015306028
				CAR= 0.006051414	

3.3. Long-term financial performance indicators changes

Table 4. Long-term financial performance indicators of the company before and after the merger and acquisition

		2024-09-30	2025-09-30
Profitability indicators	ROE(%)	10.3	10.35
	Net profit ratio(%)	7.009	4.49
Debt repayment risk indicator	Debt-to-asset ratio(%)	56.605	53.671
	Liquidity ratio	1.585	1.53

From the data comparison before and after the acquisition in Table 4 of Guangdong Hongda, in terms of long-term market benefits, the debt risk indicators before and after the acquisition do not change much and remain at the original level. However, in terms of profitability indicators, the relevant interest rate data all decrease, indicating that in the long term, the merger and reorganization lead to a decrease in the profit level compared to before the reorganization.

4. Conclusion

Overall, Guangdong Hongda implemented a series of measures for this merger and reorganization. There were no problems in the risk assessment. After the merger, the capital structure operated normally, and the asset integration after the merger was effective. From the perspective of short-term market benefits, the market responded positively to its merger and reorganization activities. But in terms of long-term performance, it failed to meet expectations. In the year after the reorganization, although the profitability indicators of Guangdong Hongda began to decline, they improved after taking financial integration measures and continued to rise. However, they still could not return to the level before the merger, indicating that the market was optimistic in the short term, but the integration failed. It is recommended to further optimize the business process, reasonably allocate

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talents and funds. This study adopted the 'short-term-long-term' dual-dimensional analysis framework for merger and acquisition performance research, while previous studies mostly focused on a single dimension.

This paper, by combining the event study method with the panel data model, more comprehensively revealed the dynamic impact of mergers and acquisitions on enterprise value. The practical implications for enterprises include: First, before initiating a merger and acquisition, enterprises should prioritize choosing those with higher business relevance or simpler asset structures to reduce the difficulty of integration (for example, for horizontal mergers, the technical or channel complementarity of the target needs to be carefully evaluated); Second, after the merger and acquisition, 'cultural integration' and 'financial control' should be carried out simultaneously. This can be achieved by establishing cross-enterprise joint working groups, setting contingent liabilities guarantees, etc., to reduce integration risks.

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