

## FINANCE, ACCOUNTING & CONTROL

Case collection update –June 2007

### WANBO TECHNOLOGY CO, LTD

<b>ECCH Reference No.</b>	107-037-1
<b>Teaching Note</b>	
<b>Author</b>	Jenster, V. Per; Cheng Yiting
<b>Setting</b>	Beijing, China; Distribution, IT (information technology) components; 50 employees; January 2007
<b>Topic</b>	Distributor; Growth; Strategy; Finance; HR (human resources) management; IT (information technology) components; Entrepreneurship
<b>Pub. Year</b>	2007
<b>Length</b>	7 page(s)
<b>Source</b>	FIELD
<b>Abstract</b>	Headquartered in Beijing, Wanbo is a distributor of computer components in Northern China. It supplies a variety of products to computer assemblers and retailers in small and medium-sized cities. Wanbo had been growing rapidly, from RMB3 million annual sales in 2001 to RMB100 million in 2006. It projected another 50% growth rate in 2007, but the high growth rate had left little time for the management to properly develop the organisation and formulate policies. The incapacity of the finance department and HR (human resources) management were the major issues hindering Wanbo's long-term growth. The case poses questions about the strategy and the financial viability of the future growth plans.

### IDENTIFYING AND COPING WITH BALANCE SHEET DIFFERENCES: A COMPARATIVE ANALYSIS OF US, CHINESE AND FRENCH OIL AND GAS FIRMS USING THE 'STATEMENT OF FINANCIAL STRUCTURE'

<b>ECCH Reference No.</b>	107-025-1
<b>Teaching Note</b>	107-025-8 (16 pages)
<b>Author</b>	Ding, Yuan; Entwistle, Gary; Stolowy, Herve

**Setting** US, China, France; Oil and gas; Multinational; 2005

**Topic** Accounting; Financial statement analysis; International comparison; Balance sheet; Oil and gas industry; USA; China; France

**Pub. Year** 2007

**Length** 14 page(s)

**Source** FIELD

**Abstract** In a globalised business world it is often necessary to compare companies across national boundaries. This comparison often includes an examination of financial statements. While the process of internationalisation - or harmonisation - of accounting standards continues to progress, there still remain differences in how accounting information is reported between companies located in different countries, especially with regard to the format used to present the balance sheet. It is consequently important that students be able to both identify these differences, and have a method for coping with them. Using three oil and gas firms from three different countries: Exxon in the United States, Sinopec in China, and Total from France, this paper provides a setting for students to identify differences in balance sheet formats across countries. The paper then introduces a standardising model, the 'Statement of Financial Structure', which enables students to cope with these differences. In working with this Statement, the concept of working capital is also reinforced for students. Financial analysis skills are also developed, as is the importance of understanding the local business environment in order to interpret the numbers and ratios within the proper context.

#### **CHINA NATIONAL OFFSHORE OIL CORPORATION LIMITED: OVERSEAS IPO (A)**

**ECCH Reference No.** 105-075-1

**Author** Liu, Shengjun

**Setting** 2001 Oil China 2000 employees

**Topic** China; Oil industry; IPO (initial public offering); Roadshow; Pricing; State-owned assets

**Pub. Year** 2005

**Length** 22 page(s)

**Source** FIELD

**Abstract** This is the first of a two-case series (105-075-1 and 105-076-1). China National Offshore Oil Corporation, one of the big three oil companies in China, planned to make an initial public offering (IPO) in Hong Kong and the New York Stock Exchange in 1999, shortly after the Asian Financial Crisis. Despite its high efficiency, profitability and competent management team, its shares were undersubscribed due to inappropriate roadshow strategy, high pricing, unfavourable market situation and slumping oil price. Should the company stage a comeback? If so, how should it revise its promotion strategy? How should it price appropriately? What other factors should be taken into consideration in order to

ensure a successful IPO? The case is prepared to illustrate how to manage the IPO process. There is a case (305-297-1), 'China National Offshore Oil Corporation', which can be used as a background case to this case series.

#### **CHINA NATIONAL OFFSHORE OIL CORPORATION LIMITED: OVERSEAS IPO (B)**

<b>ECCH Reference No.</b>	105-076-1
<b>Author</b>	Liu, Shengjun
<b>Setting</b>	2001 Oil China 2000 employees
<b>Topic</b>	China; Oil industry; IPO (initial public offering); Roadshow; Pricing; State-owned assets
<b>Pub. Year</b>	2005
<b>Length</b>	11 page(s)
<b>Source</b>	FIELD
<b>Abstract</b>	This is the second of a two-case series (105-075-1 and 105-076-1).China National Offshore Oil Corporation, one of the big three oil companies in China, planned to make an initial public offering (IPO) in Hong Kong and New York Stock Exchange in 1999, shortly after the Asian Financial Crisis. Despite its high efficiency, profitability and competent management team, its shares were undersubscribed due to inappropriate road show strategy, high pricing, unfavourable market situation and slumping oil price. Should the company stage a comeback? If so, how should it revise its promotion strategy? How should it price appropriately? What other factors should be taken into consideration in order to ensure a successful IPO? The case is prepared to illustrate how to manage the IPO process. There is a case (305-297-1), 'China National Offshore Oil Corporation', which can be used as a background case to this case series.

#### **YANJING CONVERTIBLE BOND**

<b>ECCH Reference No.</b>	105-038-1
<b>Author</b>	Zhu, Honghui
<b>Setting</b>	October 2002 Brewery China 235,000 employees
<b>Topic</b>	China; Capital market; Convertible bond
<b>Pub. Year</b>	2005
<b>Length</b>	12 page(s)
<b>Source</b>	LIBRARY
<b>Abstract</b>	In October 2002, YANJING BREWERY CO., LTD. issued RMB 700 million convertible bond in China capital market. Eventually, the underwriters bought RMB 370 million. Apparently, the issuance was not successful. This case briefs the terms of the bond and introduces the company as well as the competitive China beer market. The case also provides some information about China Stock market and the development of China convertible market. It can be used to discuss the financial selection of company: why Yanjing issued convertible bond, whether

Yanjing's financing selection was proper and whether the terms were well designed. Based on the understanding of the company's selection, student can further price the convertible bond.

### **THE FIRST ACQUISITION BY FOREIGN CAPITAL IN CHINA'S BANKING SECTOR**

<b>ECCH Reference No.</b>	105-019-1
<b>Teaching Note</b>	105-019-8 (9 pages)
<b>Author</b>	Liu, Shengjun
<b>Setting</b>	2002-2004 Banking Shenzhen, China
<b>Topic</b>	China; Banking sector; Pricing; Negotiation; Government
<b>Pub. Year</b>	2005
<b>Length</b>	34 page(s)
<b>Source</b>	LIBRARY
<b>Abstract</b>	Newbridge Capital focused its business on financial investments in emerging markets and won fame through the acquisition of the Korea First Bank. After China's accession into the World Trade Organization in 2001, China had quickened the process of banking reform. Shenzhen Development Bank (SDB) was the first listed bank in China. Disappointed with SDB's performance, the Shenzhen government, the controlling shareholder of SDB, decided to sell its stake to foreign investors. For Newbridge, this was a good opportunity to make profits through restructuring problem banks. However, it was difficult to price the targeted shares which were non-negotiable. Generally, non-negotiable shares were traded at a price much lower than that in the secondary market. Though the market-to-book ratio could serve as a pricing method, there was often much dispute over the premium above net asset per share. While Shenzhen government was worried about being blamed on selling too cheaply, Newbridge felt anxious for SDB's non-performance assets.

### **GUOTAI JINYING GROWTH SECURITIES INVESTMENT FUND**

<b>ECCH Reference No.</b>	103-035-1
<b>Author</b>	Liu, Shengjun
<b>Setting</b>	Shanghai, China; Finance; 95 employees; 2002
<b>Topic</b>	Open-ended fund ; Asset allocation ; Stocks ; Bonds
<b>Pub. Year</b>	2003
<b>Length</b>	26 page(s)
<b>Source</b>	FIELD
<b>Abstract</b>	Jingying Fund was a newly established open-ended fund in China, specialized in investments in stocks and bonds. Due to a wrong judgment of the stock market fluctuation, Jinying Fund performed very badly in October 2002. China's stock market was premature and had a significant systematic risk. In addition, most funds

took similar investment strategy. Moreover, there were no financial derivatives and sell-short mechanisms for China's funds. As a result, it was crucial to decide the reasonable ratio among stocks, bonds and cashes. Pushed by institutional shareholders, the company ordered the management team of Jingying Fund to make sound asset allocations to improve its performance. Thus, the team had to analyze the macro economy, stock market, bond market and international market to act in the right direction. The case is useful in discussing asset allocation.