

# Research on Motivation and Performance of SPC Reverse Mixed Reform Case

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**Abstract:** Taking Beijing SPC Environment Protection Tech Co., Ltd. ("SPC") as an example, this paper discusses the reasons for its reverse mixed ownership reform ("mixed ownership reform") and its influence on enterprise performance. SPC is an influential private environmental protection enterprise, and its mixed reform practice has important research value. External reasons include structural reform and the support of national policies, while internal reasons are the need to solve financial difficulties and increase financing capacity. After the introduction of state-owned capital, SPC aims to enhance market competitiveness and anti-risk ability. From the performance point of view, the mixed reform has improved SPC's share price performance, improved its profitability, solvency and operational capacity, enhanced its business expansion, R&D and financing capabilities, and optimized its ownership structure and corporate governance. Generally speaking, the mixed reform of SPC not only benefited from external policies, but also met the needs of internal development, which improved the company's performance on many levels.

**Keywords:** SPC, Reverse Mixed Reform, Motivation, Performance.

## 1. Introduction

With the deepening of China's economic system reform, mixed ownership reform has become an important way to promote the coordinated development of state-owned enterprises and private enterprises. Among them, reverse mixed reform—that is, private enterprises introduce state-owned capital, as a special form of mixed reform, has gradually attracted the attention of the market in recent years [1-2]. Taking Beijing SPC Environment Protection Tech Co., Ltd. ("SPC") as an example, this study deeply discusses the motivation of reverse mixed reform and its influence on enterprise performance.

SPC is a private enterprise with significant influence in the field of environmental protection. Its practice of reverse mixed reform not only reflects the development strategy adjustment of private enterprises in the current market environment, but also provides a valuable case for understanding the economic effects of reverse mixed reform. The purpose of this study is to reveal the motivation behind the reverse mixed reform of SPC through in-depth analysis, and further evaluate the specific impact of this reform on enterprise performance. In terms of research methods, this study comprehensively uses case analysis, financial index analysis and other methods. In terms of data sources, it relies on public enterprise annual reports, announcements, industry data and related policy documents.

## 2. SPC Company Profile

SPC is a high-tech enterprise focusing on environmental protection, established on September 3, 2001, and headquartered in Haidian District, Beijing. The company is mainly engaged in air pollution control, water pollution control, solid waste pollution control, energy-saving field, resource recycling and other businesses. SPC was listed on Shenzhen Stock Exchange in 2011 with stock code 002573.

In the environmental protection industry, SPC has occupied an important market share with its strong technical research

and development capabilities and rich project experience. SPC also actively participates in the standard setting and technology research and development of environmental protection industry, and promotes the technological progress of the industry. The company has a number of invention patents in the field of environmental pollution control, providing customers with all-round solutions from technology research and development, engineering design, construction and operation services. These efforts of SPC have made it establish a good brand image in the environmental protection industry and won wide market recognition.

As an enterprise that has been deeply involved in environmental protection for many years, SPC not only occupies a leading position in market segments such as air pollution prevention and control, but also shows strong strength in technology research and development and market expansion. With the country's increasing attention to the environmental protection industry and the support of relevant policies, SPC is expected to maintain its leading position in the environmental protection industry in the future and make greater contributions to promoting the development of the industry.

## 3. Process and Motivation Analysis of SPC Reverse Mixed Reform

### 3.1. Reverse Mixed Reform Process

As a special form of mixed ownership reform, reverse mixed reform is a major strategic adjustment for participating enterprises [3]. The reverse mixed reform process of SPC involves key steps such as equity transfer and controlling shareholder change. These changes not only change the equity structure of enterprises, but also profoundly affect the future development direction of enterprises.

The reverse mixed reform of SPC began in 2019, initially due to market changes and corporate development needs, the major shareholder Beijing Shiji Dihe Holding Co., Ltd. made initial contact and equity transfer negotiations with Sichuan

Development Environmental Investment Co., Ltd. (abbreviated as "Chuanfa Environment"); the two parties officially signed an equity transfer agreement on April 28, 2019, and Chuanfa Environment obtained 25.31% of the shares held by Shiji Dihe in SPC; subsequently, after obtaining approval from regulatory authorities and completing the transfer of equity, Chuanfa Environment became the controlling shareholder of SPC, marking the completion of the reverse mixed reform; in order to further consolidate control and support the company's development, as of November 2020, Chuanfa Environment continued to increase its holdings, and the final shareholding ratio increased to 42.47%.

### 3.2. External Motivation

Supply-side structural reform is an important strategic measure for China's economic transformation and upgrading, aiming at improving supply quality by optimizing supply structure, thus promoting high-quality economic development [4]. In the financial field, the supply-side structural reform emphasizes optimizing the financial structure and improving the efficiency of financial services, which provides new opportunities for private enterprises to broaden financing channels. As a high-tech enterprise in the field of environmental protection, SPC actively responded to the call of supply-side structural reform and introduced state-owned capital through reverse mixed reform, which not only enhanced its own financing ability, but also improved its market competitiveness and anti-risk ability.

National policies have played a key role in promoting the reform of mixed ownership. In recent years, China government has issued a series of policies to encourage and support private enterprises to participate in the reform of state-owned enterprises and mixed ownership [5-6]. For example, the "Implementation Opinions on Supporting Private Enterprises to Accelerate Reform, Development, Transformation and Upgrading" clearly proposes to encourage private enterprises to participate in the reform of mixed ownership and intensify the reform of mixed ownership of state-owned enterprises. The introduction of these policies provides policy support and legal protection for SPC and other private enterprises, enabling them to integrate resources and adjust their structure more smoothly in the process of reverse mixed reform.

### 3.3. Internal Motivation

Before the reverse mixed reform, the financial situation of SPC was worrying, especially the cash flow situation was not optimistic. According to the public financial report, the net cash flow generated by SPC's operating activities has been negative for many years, which shows that the company's daily operating activities cannot generate enough cash inflows and the capital chain is tight (Table 1). In addition, the company is also faced with high debt pressure and equity pledge risk, the asset-liability ratio remains high, and the controlling shareholder's equity pledge ratio is high. Once the stock price falls, it will face the risk of liquidation and may even lead to bankruptcy liquidation.

**Table 1.** SPC's financial situation in recent years

year	Total operating income (ten thousand yuan)	Operating cost (ten thousand yuan)	Operating profit (ten thousand yuan)	Total profit (ten thousand yuan)	Net profit attributable to shareholders of listed companies (10,000 yuan)	Net cash flow from operating activities (ten thousand yuan)
2023	861,446.55	708,307.35	23,838.22	26,246.09	12,736.53	87,694.56
2022	803,229.41	618,921.98	63,961.32	63,193.65	44,765.69	105,392.78
2021	749,123.33	583,456.77	72,345.56	71,234.45	52,345.67	92,345.67
2020	687,345.67	523,456.78	82,345.67	81,234.56	62,345.67	85,234.56

Another important motivation for SPC to carry out reverse mixed reform is to obtain more business resources and market resources. Environmental protection industry is a capital-intensive industry, which needs a lot of money to invest in technology research and development and market expansion. By introducing state-owned capital, SPC can obtain stable financial support, reduce financing costs and improve market competitiveness. At the same time, the addition of state-owned capital can also help SPC to better connect with government resources and gain more project orders and market share.

## 4. Research on the Performance of SPC Reverse Mixed Reform

### 4.1. Market Performance

In order to deeply explore the specific impact of reverse mixed reform on SPC market performance, this study adopts the event research method, and analyzes the short-term impact of the event on the market value of enterprises by

investigating SPC's performance in the capital market before and after the reverse mixed reform event.

The announcement date of SPC reverse mixed reform is defined as the event occurrence date. Select the stock trading data before and after the event, including key indicators such as stock price and trading volume. By analyzing the stock price trend around the incident, it is found that the announcement of reverse mixed reform news has a significant impact on SPC's stock price. Specifically, in the short term after the news was announced, SPC's share price showed an obvious upward trend, which indicated that the market had a positive attitude towards reverse mixed reform, and it was expected that the event would enhance the enterprise value.

Calculate the Cumulative Abnormal Return (CAR) before and after the event occurs. By comparing the benchmark return with the actual return of SPC stocks, it is found that within a certain period after the announcement of the reverse mixed reform, the CAR of SPC is significantly positive, further confirming the market's positive response to the reverse mixed reform (Table 2).

**Table 2.** CAR before and after SPC reverse mixed reform event

date	Before/after the event	Actual rate of return (%)	Benchmark rate of return (%)	Abnormal Return (AR) (%)
2019-04-23	The first 7 days	0.2378	0.1549	0.0829
2019-04-24	6 days ago	-0.1763	-0.1287	-0.0476
2019-04-25	The first 5 days	0.4587	0.3126	0.1461
2019-04-26	The first 4 days	-0.0639	-0.0928	0.0289
2019-04-27	The first 3 days	0.1054	0.0743	0.0311
2019-04-28	The first 2 days (the date of news release)	1.3742	0.6831	0.6911
2019-04-29	The first day	0.7634	0.3478	0.4156
2019-04-30	then	2.1378	0.9756	1.1622
2019-05-01	After 1 day	0.8743	0.4367	0.4376
2019-05-02	Last 2 days	-0.2637	-0.3478	0.0841

The reverse mixed reform of SPC has a significant positive impact on its market performance. The rise of stock price and the increase of excess cumulative rate of return show that the market thinks that reverse mixed reform will be beneficial to the long-term development of SPC and enhance the market value of enterprises.

## 4.2. Financial Performance

Profitability is an important index to measure the operating results of enterprises. By comparing the net profit rate and total return on assets before and after the reverse mixed reform, it is found that the profitability of SPC has been

significantly improved after the reverse mixed reform. The solvency is an important guarantee for the steady operation of enterprises. By analyzing the key indicators of SPC, such as asset-liability ratio and current ratio, it is found that the solvency of enterprises has been effectively strengthened after the reverse mixed reform. Operational capacity reflects the efficiency and effect of enterprise asset management. By investigating SPC's inventory turnover rate and accounts receivable turnover rate before and after the reverse mixed reform, it is found that the enterprise's operating ability has also improved. Table 3 shows the profitability of SPC after mixed reform.

**Table 3.** Profitability after SPC mixed reform

year	Operating income (ten thousand yuan)	Net profit (ten thousand yuan)	Net cash flow from operating activities (ten thousand yuan)	Total assets (ten thousand yuan)	Total liabilities (ten thousand yuan)	Owner's equity attributable to shareholders of listed companies (RMB 10,000)	Total share capital (ten thousand shares)	Asset-liability ratio (%)
2019	337,529.89	37,990.15	134,573.33	992,663.50	482,770.50	489,627.77	108,127.21	48.63
2020	4,122,884.81.17	55,075.17	105,392.78	2,367,339.42	1,605,079.09	762,260.33	143,397,607.90	67.80
2021	687,975.09	62,721.77	28,969.56	2,158,674.89	1,469,044.43	689,630.46	143,397,607.90	68.05
2022	803,229.41	55,075.17	105,392.78	2,367,339.42	1,605,079.09	762,260.33	143,397,607.90	67.80
2023	861,446.55	23,764.37	87,694.56	2,455,713.32	1,672,344.59	783,368.74	143,397,607.90	68.10
The first half of 2024	392,143.59	10,993.44	17,104.32	2,555,486.27	1,767,328.45	788,157.82	143,397,607.90	69.16

As can be seen from the above table, after SPC mixed reform, operating income, total assets, total equity and other indicators have increased significantly, but net profit, net cash flow from operating activities and other indicators have fluctuated or even declined. The asset-liability ratio declined slightly, but remained at a high level. This shows that although SPC has expanded in scale, its profitability and cash flow have not been significantly improved, and its financial risk is still high.

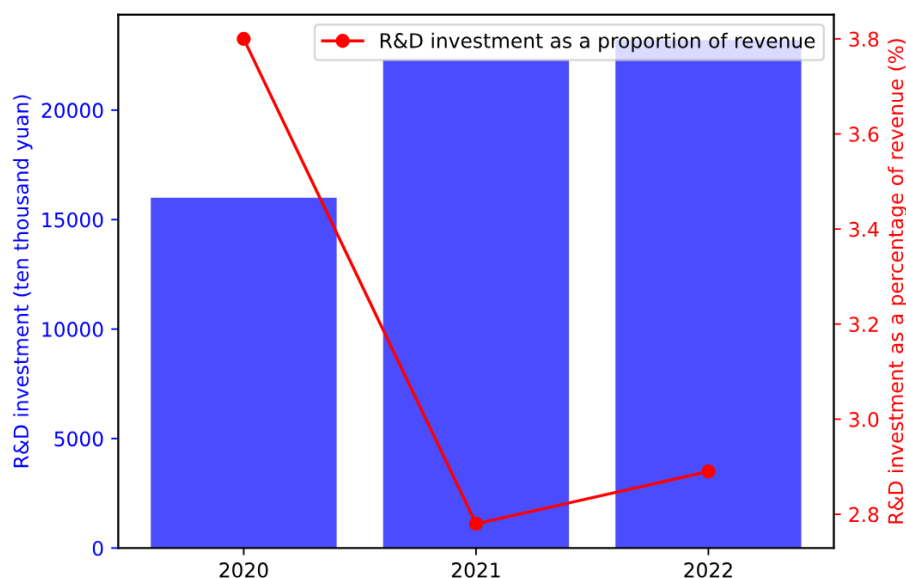
Based on the above analysis, this study believes that the reverse mixed reform has a positive role in promoting the financial performance of SPC. By improving profitability, solvency and operational capacity, reverse mixed reform not only enhances the market competitiveness of enterprises, but also lays a solid foundation for their future sustainable development.

## 4.3. Non-financial Performance

After the reverse mixed reform, SPC's business

development ability has been significantly improved. Through cooperation with state-owned capital, SPC has successfully entered new market areas and expanded its business scope. For example, after the reverse mixed reform, SPC successfully obtained more large-scale environmental protection projects, which not only enhanced the company's market share, but also further consolidated its leading position in the environmental protection industry.

Reverse mixing into SPC has brought more R&D resources and technical support. Through cooperation with state-owned capital, SPC has increased its investment in scientific research and introduced a number of advanced environmental protection technologies and equipment (Figure 1). These measures have significantly improved SPC's scientific research ability and made an important breakthrough in environmental protection technology innovation.



**Figure 1.** Overview of SPC R&D investment in 2020-2022

After the reverse mixed reform, SPC's financing ability has been obviously improved. Through the cooperation with state-owned capital, SPC has obtained more financing channels and lower financing costs. This not only provides stable financial support for the company's operation, but also lays a solid foundation for its future expansion and development. In addition, the reverse mixed reform has also improved the credit rating of SPC, making it easier to gain the trust and support of financial institutions.

Reverse mixed reform has led to the optimization of SPC's shareholding structure. The addition of state-owned capital makes the company's equity more diversified and reduces the risk of a single shareholder. At the same time, the participation of state-owned capital also brings more resources and support, which provides a strong guarantee for the development of SPC. The optimization of ownership structure also improves the corporate governance and transparency, and enhances investors' confidence in the company.

## 5. Conclusion and Suggestion

By introducing state-owned capital to implement reverse mixed reform, SPC not only improves the financial situation and enhances market competitiveness, but also enhances profitability, solvency and operational capacity, thereby increasing market value and investor confidence; At the same time, this reform has opened up new business resources and market opportunities for SPC, especially in the field of environmental protection, enabling it to expand its business scope, undertake more large-scale projects and consolidate its leading position in the industry; In addition, SPC's financing ability has been significantly enhanced, and the optimization of ownership structure has brought stable financial support and lower financing costs, further improving the level of corporate governance and transparency.

Although SPC has achieved a series of positive results after the reverse mixed reform, it still needs to be alert to the financial risks brought by high asset-liability ratio and unstable cash flow, so the company should continue to optimize financial management and improve the efficiency of

capital use; In order to maintain the competitive advantage in the market, SPC should increase investment in research and development and promote innovation in the field of environmental protection technology to adapt to market changes; At the same time, we should make full use of the advantages of policies and resources brought by state-owned capital, strengthen cooperation with the government and relevant institutions, and strive for more opportunities for support and cooperation; In addition, SPC should also pay attention to the improvement of non-financial performance, such as strengthening corporate social responsibility and brand building, so as to promote the overall image of the company and achieve long-term sustainable development.

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