Research on Country Garden's Financial Resilience

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Abstract: Financial resilience has become a core capability for property firms in coping with profound industry adjustments and mitigating liquidity risks. Accordingly, this paper takes Country Garden Holdings Co., Ltd. as a case study, drawing on the characteristics of the property sector's highly leveraged operations and sensitivity to policy changes. Building upon an analysis of the company's development history and current financial status, a financial resilience evaluation framework is constructed across three dimensions–affordability, recovery capacity and development capacity–and the entropy method is employed to comprehensively measure its financial resilience from 2021 to 2025. The research findings indicate that, during this period, Country Garden's financial resilience exhibited an overall trend of continuous deterioration, with its composite score falling from 0.948 to 0.263. Finally, recommendations are put forward to enhance Country Garden's financial resilience through three key areas: optimising the debt structure, improving operating cash flow, and rebuilding core profitability.

Keywords: country garden; financial resilience; real estate enterprises; resilience evaluation

1. Introduction

Since the second half of 2021, with the full implementation of regulatory policies such as the 'three red lines' financing controls and the 'two centralisations' land supply mechanism, China's property sector has entered a period of profound adjustment. Persistent declines in market sales, frequent credit risk incidents and a sharp contraction in financing channels have left property firms–which have long relied on high-leverage operations–facing unprecedented liquidity pressures. Against this backdrop, financial resilience–that is, an organization's ability to withstand, recover from and adapt to financial shocks–is gradually becoming a key metric for assessing whether property firms can survive and achieve sustainable development in a turbulent environment.

Organisational resilience refers to an organisation's ability to absorb, respond to and recover from internal and external shocks or disturbances, and even to transform them into new opportunities for growth. The theoretical origins of this academic concept can be traced back to the field of ecology. In 1973, Holling first introduced the concept of 'resilience' into ecosystem research to describe a system's ability to return to a state of equilibrium following a disturbance [1]. Subsequently, this concept gradually extended into the fields of psychology, sociology and even management [2,3]. Based on a systematic review of the existing literature, the academic community defines organisational resilience as a multifaceted and dynamic capability that spans the entire crisis cycle—before, during and after a crisis. It encompasses pre-crisis forecasting, early warning and proactive preparation [4,5]; agile response and effective defence during a crisis [6]; and rapid recovery and stable rebound after a crisis [7,8]. Furthermore, it emphasises the dynamic evolutionary process through which organisations achieve surpassing improvement via adaptive adjustments and learning in their continuous interaction with the environment [9,10]. From this perspective, organisational resilience is not merely a defensive mechanism for passively responding to shocks, but rather a strategic capability for proactively turning crises into opportunities.

This paper takes Country Garden Holdings Co., Ltd. (hereinafter referred to as 'Country Garden') as its case study. Based on a three-dimensional evaluation framework for financial resilience, it employs the entropy method to comprehensively measure the company's level of financial resilience from 2021 to 2025, systematically examines the evolution of its financial resilience and the characteristics of changes across each dimension, and proposes targeted governance recommendations. The study aims to provide a theoretical basis and practical guidance for property enterprises to identify financial risks and cultivate financial resilience during a period of profound industry adjustment, whilst also contributing empirical evidence to the application of organisational resilience theory in the financial dimension.

2. Background to the Country Garden Case Study

2.1. Introduction to Country Garden

Country Garden Holdings Co., Ltd. (Stock Code: 02007.HK) was established in 1992 and listed on the Main Board of the Hong Kong Stock Exchange in 2007. It is headquartered in Foshan, Guangdong Province. As a leading private property developer in China's real estate sector, Country Garden focuses on property development as its core business, with operations spanning property development, construction and installation, fit-out, property management, property investment, and hotel development and management. In recent years, the company has actively expanded into emerging business sectors such as smart construction, robotics technology and modern agriculture. Country Garden has featured on the Fortune Global 500 list for several consecutive years, ranking 460th in 2025.

Country Garden initially built its foundation on construction contracting and, amidst an industry crisis, was compelled to transition from a building contractor to a property developer. Over the subsequent decade or so, the company focused intensively on the Pearl River Delta market, demonstrating the replicability of its business model through a standardised product system and its ability to control costs across the entire industrial chain, thereby gradually establishing a unique competitive advantage during the industry's rapid growth phase. Following its listing on the Hong Kong Stock Exchange in 2007, the company launched a national strategic expansion, extending its business footprint from the Pearl River Delta to major regional markets across the country, whilst continuously increasing its scale and influence within the industry. With the rapid development of urbanisation in China, Country Garden kept pace with the times, adopting the '456 Model' to expand rapidly, with sales surging from the 100-billion-yuan level to the 500-billion-yuan level, thereby establishing its position as an industry leader. Although the company subsequently pursued a brief strategy of non-related diversification, spinning off its property services division in 2018 to enable capitalised operations whilst expanding into construction technology and modern agriculture–it fell into a liquidity crisis and defaulted on its offshore debt in 2023, due to policy adjustments in the property sector and a severe market downturn. Following nearly two years of risk resolution, the company completed a systematic restructuring of its overseas debt by the end of 2025. It proactively implemented a strategic retrenchment, gradually establishing a light-asset development model centred on construction management services and the operation of existing assets, whilst exploring new pathways to sustainable development during a period of profound industry adjustment.

2.2 Country Garden's current financial situation

2.2.1 Operating revenue and profitability analysis

During the industry's downturn, Country Garden's revenue and profit levels both deteriorated significantly. Between 2018 and 2019, Country Garden implemented its '456' high-turnover model and capitalised on the monetised resettlement policies for shantytown redevelopment in third-tier and fourth-tier cities, maintaining revenue at over 350 billion yuan. Following the introduction of the 'Three Red Lines' financing regulatory policies in 2020, the rapid expansion of the previous period failed to generate sufficient cash inflows during the downturn. To alleviate cash flow pressures, Country Garden converted part of its real estate assets into debt settlements, thereby reducing short-term cash payment requirements. Following the default on its offshore debt in August 2023, issues such as project suspensions and delivery delays eroded consumer confidence in property purchases, causing revenue growth rates for 2024 and 2025 to fall to -36.97 percent and -38.72 percent respectively (as shown in Figure 1). Country Garden's net profit attributable to shareholders rose from 34.618 billion yuan in 2018 to 35.022 billion yuan in 2020 (as shown in Figure 2). The company began to report losses in 2022, with a net loss attributable to shareholders reaching 178.4 billion yuan in 2023. Although book profits recovered between 2024 and 2025, this was primarily due to Country Garden's overseas debt restructuring and the disposal of non-core assets, which enabled the company to return to profitability on the books; the profitability of its core business has not yet substantively recovered.

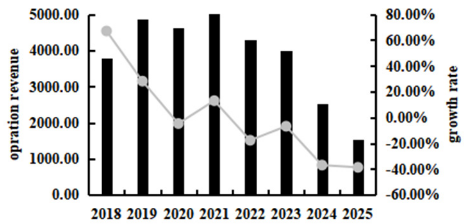

Figure 1. Changes in Country Garden's revenue and growth rates for 2018–2025 (Unit: 100 million yuan).

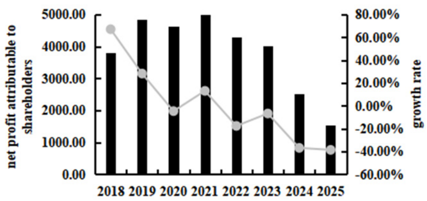

Figure 2. Changes in Country Garden's net profit attributable to shareholders for 2018–2025 (Unit: 100 million yuan).

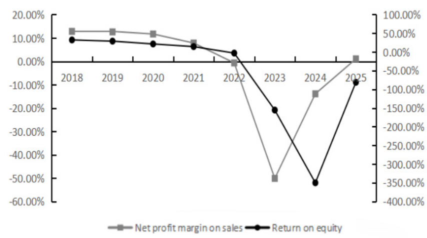

Figure 3. Changes in Country Garden's Core Profitability Indicators for 2018–2025.

As shown in Figure 3, an analysis of changes in key profitability indicators reveals that fluctuations in the net profit margin are closely correlated with the timing of the recognition of non-recurring gains and losses. From 2019 to 2021, the sustained decline in the net profit margin on sales primarily reflected a deterioration in the profitability of the core business; the sharp drop in the net profit margin on sales in 2023 was attributable to substantial asset impairments; whilst the return to positive territory in 2025 was not driven by an improvement in the core business, but rather by non-recurring gains such as those arising from debt restructuring, highlighting the fragility of the company's earnings quality. The return on equity (ROE) fell sharply between 2018 and 2023, before rebounding to 1.42 percent in 2025; however, this improvement was primarily due to a reduction in net assets resulting from debt restructuring, and the profitability of the company's own capital did not see a substantive improvement.

2.2.2. Analysis of debt position and solvency

Country Garden's interest-bearing debt fell from 326.50 billion yuan in 2020 to 147.96 billion yuan in 2025, a decrease of more than 54 percent. Whilst this trend appears to reflect the company's proactive efforts to deleverage, the reduction in debt levels did not stem from an improvement in operating cash flow, but rather resulted from a passive reduction following debt restructuring and asset disposals. In 2024, demands from creditors for early repayment led to a temporary rebound in interest-bearing debt. By the end of 2025, following the reclassification of certain overdue debts and adjustments to debt classifications during the restructuring process, the year-end level of interest-bearing debt was ultimately fixed at 147.96 billion yuan. Furthermore, bank and other loans have consistently been Country Garden's most significant source of external financing. At the onset of the industry downturn, the company's reliance on bank and other loans gradually decreased; however, following the outbreak of the liquidity crisis in 2023, the position of banks as the primary creditors was, in fact, further strengthened. An analysis of this shift reveals that private property developers' financing channels in the bond market have been significantly restricted, leaving them with no choice but to rely more heavily on support from the banking system. Further analysis of the bank loans obtained by Country Garden reveals that a substantial portion consists of project-level development loans secured by land and construction-in-progress. Against the backdrop of a profound industry adjustment, the sustainability of these loans faces significant pressure. Regarding Country Garden's debt maturity profile, the proportion of short-term interest-bearing liabilities remained within manageable limits prior to 2023. In 2023, a large volume of long-term debt was required to be repaid early, by which time the company's cash reserves had fallen to an extremely low level. In 2025, some short-term debt was refinanced as medium- to long-term debt, temporarily optimising the maturity structure; however, this debt rollover merely bought time rather than addressing the underlying issues, and the company's debt-repayment capacity did not undergo any fundamental improvement.

The changes in Country Garden's debt-servicing capacity indicators are shown in Table 1. For property developers, it is generally considered that maintaining a current ratio above 1.2 provides a relatively safe liquidity buffer. Between 2019 and 2022, Country Garden's current ratio remained largely between 1.17 and 1.25, indicating that its short-term assets' ability to cover current liabilities had long been below the industry's safety threshold, and that signs of debt-servicing risks had already emerged prior to the outbreak of the crisis. Following Country Garden's default on its offshore debt in 2023, liquidity risks came to the fore. Creditors demanded early repayment of some of the company's long-term debt, leading to a passive expansion in the scale of current liabilities within a short period. Furthermore, the company made substantial provisions for inventory write-downs and bad debt losses on trade receivables, which further eroded the book value of current assets. By 2024, the current ratio had fallen to 0.97, indicating a severe shortfall in the ability of current assets to cover current liabilities. In 2025, as debt restructuring facilitated the conversion of some current liabilities into non-current liabilities, the current ratio rebounded slightly to 1.01; however, short-term debt repayment pressures remained severe. The quick ratio remained consistently below the industry average during the sector's downturn. In 2023, a significant lengthening of the project sales cycle led to a decline in the book value of inventories, causing the quick ratio to fall from 0.48 in 2022 to 0.37 in 2023. The fact that the quick ratio has remained below 0.35 for the past two years clearly demonstrates that, excluding inventories, Country Garden has a severe shortage of effective assets available to repay short-term debt, and its ability to meet short-term debt obligations has essentially been lost. The cash ratio has continued to decline over the observation period, and as it has fallen significantly below 0.3, it is considered that the company lacks sufficient cash-equivalent assets that can be utilised immediately. In 2023, Country Garden's cash ratio fell sharply and remained at an extremely low level; it has failed to recover effectively in the subsequent period. This implies that, on average, for every 100 yuan of current liabilities, Country Garden has less than 1 yuan in cash and cash equivalents, meaning the company has lost its basic ability to make immediate payments.

From the perspective of long-term indicators, the 'Three Red Lines' policy has had a positive impact on long-term debt, encouraging the company to use long-term debt to replace short-term debt in a targeted manner. An analysis of Country Garden's debt-to-asset ratio reveals that it fell by 5 percent between 2020 and 2022, reflecting the positive effect of the policy on the company's long-term debt. However, in 2023, it rebounded to 93.15 percent; subsequently, Country Garden's debt-to-asset ratio has remained at around 95 percent, approaching the threshold for insolvency. Its liquidity crisis has intensified, and its long-term debt-repayment capacity is severely inadequate.

Table 1. Country garden's debt repayment capacity indicators for 2019–2025.

	2019	2020	2021	2022	2023	2024	2025
Current ratio	1.17	1.17	1.24	1.25	1.03	0.97	1.01
Quick ratio	0.55	0.47	0.47	0.48	0.37	0.35	0.33
Cash ratio	0.18	0.11	0.11	0.10	0.01	0.01	0.01
Debt-to-asset ratio	89.36 %	87.25 %	84.57 %	82.25 %	93.15 %	95.05 %	94.55 %

2.2.3. Cash flow status

The cash flow statement reflects a company's sources and uses of cash over a given period, objectively revealing the level of liquidity security for property firms during a downturn in the sector. Cash flows from operating activities recorded two instances of substantial net outflows in 2020 and 2023, indicating that the ‘cash-generating’ capacity of the core business was severely compromised due to factors such as sales receipts. It was not until 2025 that these flows returned to positive net inflows, albeit at a scale still far below previous levels; Country Garden’s net cash flow from investing activities turned to consecutive net inflows from 2022 onwards, indicating that, under liquidity pressure, the company proactively scaled back capital expenditure to control cash outflows from investing activities. However, the core issue of low cash inflows from investing activities remains unresolved, as the company has failed to recoup funds through new effective investments or the optimisation of existing assets. This ‘cost-cutting’ strategy has merely postponed the risks without improving the company’s ability to ‘generate new revenue’; it is not directly linked to the root causes of the company’s cash flow problems and cannot reverse the trend of increasing risk of a cash flow breakdown. Country Garden’s net cash flow from financing activities has remained negative since 2020, indicating that the company faces significant debt repayment pressures and struggles to raise sufficient funds to meet its day-to-day needs. The specific details of Country Garden’s cash flows for each year are shown in Table 2. Overall, whilst Country Garden’s crisis has been alleviated in the short term, in the long term it must continue to prioritise its cash flow position to prevent a recurrence of a cash flow breakdown.

Table 2. Country garden cash flow statement for 2019–2025 (unit: 100 million yuan).

	2019	2020	2021	2022	2023	2024	2025
Net cash flow from investing activities	-190.91	-59.17	-180.42	44.06	95.43	60.52	16.54
Net cash flow from financing activities	252.57	-541.36	-129.04	-586.88	-544.4	-37.28	-37.28
Net cash flow from operating activities	146.66	-216.31	108.55	356.21	-761.33	-32.8	15.34

3. Country Garden Financial Resilience Measurement

3.1. Financial Resilience Measurement Dimensions and Methods

The evaluation framework and indicator system for Country Garden’s financial resilience are structured around three dimensions: affordability, recovery capacity and development capacity. In terms of specific indicators, the following are used for affordability: quick ratio, cash ratio and Debt-to-asset ratio; for recovery capacity: net profit-to-cash ratio, current asset turnover ratio and net profit margin on sales; and for development capacity: revenue growth rate, operating profit growth rate and capital preservation and appreciation rate, totalling nine indicators. The evaluation method employs the entropy method for objective weighting and comprehensive scoring.

3.2. Financial Resilience Measurement Result

Judging by the composite score, Country Garden’s financial resilience was at a relatively high level in 2021, but declined year on year thereafter during the sample period; by 2023, its financial resilience score was already significantly lower than in previous periods, and by 2025 it had fallen further to an even lower level of 0.263. This trend indicates that, as the industry’s downturn deepens, Country Garden’s financial resilience has been severely weakened.

When examined by individual dimensions, the greatest decline was observed in affordability. In 2021 and 2022, affordability scores stood at 0.427 and 0.453 respectively, remaining relatively stable; however, they plummeted to 0.119 in 2023 and fell further to 0.007 in 2025, effectively eliminating the company’s financial buffer to withstand shocks. This aligns with the continuous deterioration of Country Garden’s current ratio, quick ratio and cash ratio over the same period, reflecting that the company’s short-term debt repayment resources have become extremely scarce. The recovery capacity score fluctuated relatively little during the sample period, but remained at a low level overall. It stood at 0.217 in 2021, fell to 0.113 in 2022, and fluctuated between 0.130 and 0.146 from 2023 to 2025. This indicates that, although Country Garden maintained some cash flow from operating activities through measures such as debt restructuring and asset disposals, the ability of its core business to achieve financial self-recovery has never truly improved. Development capacity declined steadily from 0.304 in 2021 to 0.095 in 2023; although it rebounded slightly to 0.099 and 0.125 in 2024 and 2025 respectively, it remained significantly below previous levels. This indicates that, in terms of operating profit, operating revenue and capital preservation and appreciation, Country Garden’s growth momentum and capital accumulation capacity have both been significantly constrained.

Overall, Country Garden’s financial resilience was relatively strong in 2021, but began to decline markedly from 2022 onwards, remaining at a low level from 2023 onwards. Although certain indicators did not deteriorate further between 2024 and 2025, overall financial resilience did not genuinely improve; the company continues to face significant liquidity risks and pressure regarding its ability to continue as a going concern. Country Garden’s scores across the various dimensions of financial resilience, as well as its composite score, are shown in Table 3.

Table 3. Country garden's financial resilience.

Primary Indicator	2021	2022	2023	2024	2025
affordability	0.427	0.453	0.119	0.031	0.007
recovery capacity	0.217	0.113	0.146	0.145	0.130
development capacity	0.304	0.197	0.095	0.099	0.125
Comprehensive Assessment of Financial Resilience	0.948	0.763	0.360	0.274	0.263

3.3. Research Conclusions and Future Directions

3.3.1. Research conclusions

Against the backdrop of profound adjustments in China's property sector, this paper takes Country Garden Holdings Co., Ltd.—a leading private property developer that has encountered financial difficulties—as its case study. Taking into account the sector's operational characteristics of high leverage and high sensitivity to policy changes, constructs an evaluation framework for the financial resilience of property firms across three dimensions—financial capacity, recovery capacity and development capacity—and employs the entropy method to conduct a quantitative assessment and dynamic analysis of the firm's financial resilience levels from 2021 to 2025. Overall, the findings of this paper can be summarised in the following key conclusions:

Firstly, during the industry's downturn, Country Garden's financial resilience has shown a sustained decline. The analysis indicates that, over the sample period, Country Garden's composite financial resilience score fell from 0.948 in 2021 to 0.263 in 2025, reflecting a significant overall deterioration. The company has achieved temporary risk mitigation through the restructuring of offshore debt, the disposal of non-core assets and the scaling back of its business strategy; however, such measures are essentially reactive responses to risk and have not fundamentally restored the company's intrinsic financial resilience. The company continues to face significant liquidity risks and uncertainty regarding its ability to continue as a going concern.

Secondly, the evolution of the three dimensions of financial resilience exhibits divergent characteristics, with the depletion of financial capacity being the dominant factor in the deterioration of resilience. During the sample period, the financial resilience score fell sharply from 0.427 to 0.007, whilst liquidity indicators such as the cash ratio and quick ratio continued to deviate from safe thresholds, indicating that enterprises' buffer resources for withstanding external financial shocks had been largely exhausted; recovery capacity remained at a low level for an extended period, with the temporary recovery of book profits relying on non-recurring gains such as those from debt restructuring, whilst the core business had not effectively established its ability to generate its own cash flow; Although development capacity showed a slight rebound in 2024–2025, improvements in core indicators such as revenue growth and capital accumulation were limited, and the company's long-term value growth momentum remains insufficient.

3.3.2. Limitations of the study

Firstly, the generalisability of single-case studies needs to be expanded. This paper selects Country Garden as its sole subject of study; whilst the company, as a leading private property developer facing financial difficulties, is highly typical and representative, there is significant heterogeneity amongst enterprises in the property sector in terms of ownership structure, scale, regional footprint and business structure. As the trajectories and driving factors of financial resilience vary across different enterprises, the conclusions drawn from a single-case study cannot fully capture the characteristics of the sector as a whole.

Secondly, the evaluation framework for financial resilience has its limitations. The nine evaluation indicators selected in this paper are all derived from traditional financial statements, focusing primarily on on-balance-sheet measures of debt-repayment capacity, profitability and growth potential. They do not incorporate off-balance-sheet financing, contingent liabilities, supply chain finance and other implicit liability factors into the evaluation framework; consequently, the portrayal of financial resilience is not comprehensive enough, and there is room for improvement in the completeness of the evaluation results.

Thirdly, there are limitations to the representativeness of the sample period. The observation window for this paper spans 2021–2025; the lack of a longitudinal comparison covering a full industry cycle makes it difficult to fully reflect the patterns of change in firms' financial resilience at different stages of the industry cycle.

3.3.2. Future research prospects

Firstly, the scope of the sample should be expanded to conduct multi-case comparisons and large-sample empirical research. In future, property firms of different ownership structures, sizes and business models could be selected as research samples; through horizontal comparisons across multiple cases, the heterogeneous characteristics of financial resilience among various types of property firms could be revealed. Alternatively, large-sample empirical analyses based on industry panel data could be carried out to examine the common factors influencing the financial resilience of property firms, thereby enhancing the generalisability of the research conclusions and their value as a reference for the industry.

Secondly, the evaluation framework should be refined to enrich the dimensions of financial resilience assessment. In future, implicit debt repayment pressures-such as off-balance-sheet liabilities, perpetual bonds and supply chain payables-could be incorporated into the evaluation indicators. This would enable the construction of a multi-dimensional financial resilience evaluation framework better aligned with the operational characteristics of the property sector, thereby providing a more comprehensive portrayal of enterprises' financial resilience levels.

Thirdly, research perspectives should be broadened and the research timeframe extended. On the one hand, by integrating external contexts such as macroeconomic policy cycles, the response mechanisms and heterogeneous performance of property firms' financial resilience under different conditions could be explored; on the other hand, extending the research timeframe to cover the industry's entire development cycle would enable a more systematic revelation of the long-term evolutionary patterns of financial resilience in property firms. Furthermore, research could be conducted into the logic underlying the restructuring of financial resilience in property firms under new business models-such as the transition to a light-asset model, construction management services and the operation of existing assets-thereby providing more forward-looking theoretical support and practical guidance for financial management and resilience-building during the industry's period of transformation.

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