Research on BG Group Financial Risk Evaluation and Control Countermeasures

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Abstract: The real estate industry is a pillar of China's economic development, characterized by large investment scale, long cycles, and high fixed costs. It is closely linked to the development of people's livelihoods and the stable operation of the economy. Therefore, ensuring the robust development of the real estate sector is of significant importance for safeguarding the property safety of the citizens and the continuous and healthy development of the national economy. In recent years, the business environment for real estate companies in China has become increasingly challenging, with financial risks becoming increasingly prominent. This paper selects BG Group as the research subject and, based on financial indicators from 2018 to 2022, identifies and analyzes financial risks from four aspects: financing, investment, operation, and growth. It employs the Z-model for a comprehensive evaluation of its financial risks. On this basis, the paper proposes Countermeasures and recommendations for risk control, aiming to provide a reference for BG Group and other real estate enterprises to reduce financial risks.

Keywords: Financial Risk; BG Group; Risk Identification; Risk Management

1. Introduction

The real estate industry holds a significant position in China's economic system. It is not only at the core of the national residential demand but also a pillar industry of the national economy, closely related to China's economic development. Since the reform and opening up, China's real estate industry has developed rapidly. The period from 2008 to 2018 is known as the "Golden Decade" of the real estate industry. During this time, many real estate companies have flourished with the political dividend, and their sales have repeatedly reached new highs. However, this trend has reversed in recent years. According to the statistics bureau, the number of real estate companies in China has exceeded 100,000 in 2021, and the market is close to saturation, with competition becoming increasingly fierce. At the same time, the government's regulation of the real estate industry, with "housing is for living, not for speculation" as the core, has gradually tightened. The implementation of measures such as the "Three Red Lines" aims to curb the unregulated expansion of the industry and further restrict the profit margins of real estate companies, leading to a financial crisis for most real estate companies. BG Group was once a star enterprise in China's real estate industry, and its total sales performance has been ranked first in the industry for five consecutive years from 2017 to 2021, but it experienced a "financial explosion" in 2023. Due to high debt and high turnover, the scale of BG Group continued to expand. However, with the rapid expansion of the company's scale, a series of problems gradually emerged, including the financing model of high turnover rate, high land procurement costs, and the complexity of project quality control. These issues have gradually exacerbated the financial risks faced by the company. Therefore, this paper takes BG Group as a case study to analyze the causes of risk from four aspects: financing, investment, operation, and growth, and proposes effective risk prevention measures. It seeks strategies for BG Group to reduce risks and provides beneficial guidance for other real estate companies to reduce financial risks.

2. BG Group Financial Risk Identification

2.1 BG Group Introduction

BG Group is a large-scale new urbanization residential developer in China, founded in 1992 and headquartered in Shunde District, Foshan City, Guangdong Province. The company operates a centralized and standardized business model, with business activities that include urban redevelopment, property investment, hotel development, and operations. It was listed on the Main Board of The Stock Exchange in 2007. In 2017, the company achieved a revenue of 550.8 billion yuan RMB, positioning itself as an industry leader. Its sales performance continued to climb, and from 2017 to 2020, BG Group consecutively secured the top revenue position among real estate companies for four years. In 2021, it was ranked 139th on the Fortune Global 500 list, marking a steady rise over five years. However, in 2022, BG Group saw a negative growth in sales revenue, and in 2023, it encountered debt default issues, followed by a series of financial crisis events, exposing its severe financial risks.

2.2 BG Group Financial Risk Identification

2.2.1 Fundraising risk identification

To achieve rapid expansion, BG Group has engaged in several rounds of financing through a variety of channels, such as preferred notes, bonds, and ABS financing [1]. The subsequent analysis will assess BG Group's short-term and long-term solvency to evaluate its risks associated with fundraising activities.

(1) Short-term solvency

Short-term solvency is the ability of a company to settle its current liabilities with its current assets, demonstrating the company's capacity to manage financial risks in the immediate term. It reflects the company's capability to maintain adequate liquidity to handle short-term debts that arise from regular business operations. The metrics that indicate short-term solvency include the current ratio, acid-test ratio, and cash ratio, as illustrated in Table1.

Table 1. BG Group's Short-term Solvency Ratios from 2018 to 2022

Ratio	2018	2019	2020	2021	2022
Current Ratio	1.1278	1.1479	1.1664	1.1669	1.243
Quick Ratio	0.6171	0.5902	0.546	0.4334	0.4712
Cash Ratio (%)	0.1782	0.1873	0.178	0.112	0.1066

Data Source: Eastmoney

From Table 1, it can be observed that the current ratio of BG Group maintained a stable growth trend from 2018 to 2022, but the growth rate was not significant. From 2018 to 2021, the growth rate of this indicator was only 3.91%, indicating that although BG Group's asset liquidity has been enhanced, the increase is limited. The quick ratio of BG Group has declined during this period, and the gap between it and the current ratio is also widening. Quick assets are more liquid than current assets and can better reflect the cash flow of the enterprise. Therefore, the decline in the quick ratio indicates that BG Group's short-term debt-paying ability has not improved but has decreased. In addition, the cash ratio of BG Group increased between 2018 and 2019, but then continued to decline. This is not only affected by the impact of the epidemic on the industry environment but is also related to the high turnover mode under which the group continues to invest funds to expand business scale, leading to a continuous reduction in cash reserves. These factors together have weakened BG Group's short-term debt-paying ability.

(2) Long-term debt-paying ability

Long-term debt-paying ability refers to the capacity of an enterprise to repay long-term debts with long-term assets, reflecting the enterprise's ability to maintain long-term financial stability and sustainable development. Enterprises with strong long-term debt-paying ability can better cope with long-term financial risks, win the trust of investors and creditors, and achieve continuous and healthy development. The main indicators of long-term debt-paying ability include the debt-to-asset ratio and the equity multiplier. The long-term debt-paying ability indicators of BG Group from 2018 to 2022 are shown in Table 2.

Table 2. BG Group's Long-term Debt-paying Ability Indicators from 2018 to 2022

Ratio	2018	2019	2020	2021	2022
Debt-to-Asset Ratio (%)	89.36	88.54	87.25	84.57	82.25
Equity Multiplier (times)	11.21	13.43	12.55	11.51	5.64

Data Source: Eastmoney

The data in Table 2 indicates that BG Group's debt-to-asset ratio peaked at 89.36% in 2018 and has been on a downward trend since, reaching 82.25% by 2022, yet it remains excessively high overall. In line with the

"Three Red Lines" policy, real estate companies should keep their debt-to-asset ratio under 70% to evade stringent limitations on the scale of interest-bearing debt. Despite BG Group's recent efforts to lower the debt-to-asset ratio, there is still a considerable gap from the 70% benchmark. BG Group's equity multiplier has exhibited a trend of initial increase followed by a decrease, peaking in 2019, mirroring the movement of the debt-to-asset ratio. During 2018 to 2019, as China's real estate market thrived, BG Group pursued an active expansion strategy, acquiring substantial land and enlarging the scale of project investments, which consequently led to an increase in the company's leverage ratio, and the equity multiplier rose accordingly. However, with the evolution of the real estate market environment and BG Group's endeavors to manage its debt levels, the equity multiplier has since declined. Although it dropped to 5.64 in 2022, this figure is still deemed excessively high, indicating that BG Group's debt level remains high and its long-term solvency is comparatively weak. Consequently, BG Group must persist in its endeavors to refine its capital structure and mitigate financial risks.

2.2.2 Investment risk identification

The business model of quick land acquisition, swift sales, and prompt write-offs has rapidly expanded the scale of BG Group, but it has also generated substantial investment risks. The subsequent analysis will delve into the cash flow and profitability of BG Group's investment activities to evaluate its investment risks [2].

(1) Cash flow from investing activities

The cash flow from investing activities indicates the cash inflow and outflow resulting from a company's investments, reflecting the company's investment in long-term assets and the associated returns. As illustrated in Table 3, BG Group has consistently maintained a substantial scale of investment in recent years. In 2019, the cash outflow from its investing activities peaked at 49.199 billion yuan, and even in 2020, when the investment pace decelerated due to the pandemic and other factors, the expenditure on investment still reached 33.734 billion yuan. Conversely, the cash inflow from BG Group's investing activities has been on a declining trend year-over-year, dropping from 30.31 billion yuan in 2018 to 11.719 billion yuan in 2022. This inflow is primarily derived from the group's disposal of financial assets measured at fair value, with variations accounted for in the current period's income statement. The net cash flow from BG Group's investing activities has been highly volatile. Over the past five years, the net cash flow from the group's investing activities has been negative for four years, signifying an overall expansion in the scale of investment. While this investment strategy aids in the group's long-term growth, it also potentially amplifies investment risks.

Table 3. BG Group's Cash Flow from Investing Activities from 2018 to 2022 (Unit: Billion Yuan)

Ratio	2018	2019	2020	2021	2022
Cash Inflows from Investing Activities	303.1	301.08	278.17	185.21	117.19
Cash Outflows from Investing Activities	425.79	491.99	337.34	356.63	73.13
Net Cash Flow from Investing Activities	-122.69	-190.91	-59.17	-180.42	44.06

Data Source: Eastmoney

(2) Profitability

Investment risk and profitability are interconnected; high levels of risk may offer the potential for high returns, but they also pose the possibility of losses. Enterprises must prudently evaluate risks and develop sound investment strategies to achieve the maximization of profits [3]. Profitability indicators include the gross profit margin, net profit margin, and return on equity, as illustrated in Table 4:

Table 4. BG Group's Profitability Indicators from 2018 to 2022

Ratio	2018	2019	2020	2021	2022
Gross Profit Margin (%)	27.03	26.06	21.80	17.74	7.64
Net Profit Margin (%)	12.81	12.60	11.69	7.84	-0.69
Return on Equity (%)	32.20	28.95	21.42	14.34	-3.01

Data Source: Eastmoney

Table 4 indicates that BG Group's profitability has experienced a declining trend from 2018 to 2022. In comparison to 2018, the gross profit margin and net profit margin of BG Group in 2022 have seen reductions of 19.39% and 13.5%, respectively. This decline is attributed to the effects of the pandemic on the real estate industry and the challenges posed by the high-turnover model. The high-turnover model necessitates an increase in the scale of financing, acceleration in the pace of project construction, and the assurance of sales revenue generation capabilities. To fulfill these demands, BG Group was compelled to opt for financing options with higher interest rates and to lower housing prices, thereby increasing costs and expenditures. Moreover, the return on equity, a key indicator of the DuPont financial analysis framework, provides a comprehensive reflection of an enterprise's profitability level. However, BG Group's return on equity has persistently declined in recent years, plummeting from a peak of 32.20% in 2018 to -3.01% in 2022. This shift is primarily due to the growth in total assets coupled with a decrease in net profit influenced by the escalation of sales costs, marketing expenses, and financial expenses, signifying a weakening of the group's profitability and a gradual increase in investment risk.

2.2.3 Operational risk identification

Operational risk is the risk that emerges during a company's operations due to the intricacies and shifts in the external environment, coupled with the finite understanding and adaptability of the entity to such conditions. This may lead to the capital chain bearing excessive stress when facilitating the procurement, production, and sales cycle, potentially even leading to the risk of a capital chain break. Indicators that reflect operational performance include the accounts receivable turnover ratio, inventory turnover ratio, current asset turnover ratio, and total asset turnover ratio.

Table 5 indicates that BG Group's accounts receivable turnover ratio has shown a fluctuating trend over the past five years, consistently falling below the real estate industry average of 3.8. Within this period, the inventory turnover ratio has dropped from 0.53 in 2018 to 0.4 in 2022, the current asset turnover ratio has declined from 0.33 in 2018 to 0.26 in 2022, and the total asset turnover ratio has decreased from 0.28 in 2018 to 0.23 in 2022. These declines are influenced not only by the macroeconomic conditions but also by the implementation of policies such as purchase restrictions and credit constraints in various regions, which have affected its sales volume. In conclusion, based on these four indicators, BG Group is exposed to considerable operational risks.

Table 5. BG Group's Operational Efficiency Indicators from 2018 to 2022

Ratio	2018	2019	2020	2021	2022
Accounts Receivable Turnover Ratio (times)	1.08	1.12	1.09	1.28	1.09
Inventory Turnover Ratio (times)	0.53	0.46	0.38	0.41	0.4
Current Asset Turnover Ratio (times)	0.33	0.32	0.27	0.3	0.26
Total Asset Turnover Ratio (times)	0.28	0.27	0.24	0.26	0.23

Data Source: Eastmoney

2.2.4 Growth risk identification

Growth capability denotes the potential of a company to expand its operations and strengthen its capabilities to secure larger profits, encapsulating the comprehensive indicators of a company's future development trajectory and pace. Indicators that reflect growth capability include the operating revenue growth rate, the operating profit growth rate, and the capital preservation and appreciation rate.

Table 6. BG Group's Growth Capability Indicators from 2018 to 2022

Ratio	2018	2019	2020	2021	2022
Capital Preservation and Appreciation Rate (%)	1.49	1.26	1.18	1.17	1.03
Operating Revenue Growth Rate (%)	67.07	28.18	-4.74	13.01	-17.72
Operating Profit Growth Rate (%)	76.65	20.31	-22.33	-16.07	-92.22

Data Source: Eastmoney

Table 6 indicates that BG Group saw positive growth in operating income in 2018 and 2019, but experienced a steep decline in 2020. During the period from 2020 to 2022, the growth rates of both operating income and operating profit were predominantly negative. This suggests that BG Group enjoyed good sales performance and minimal inventory backlog in 2018 and 2019, with a positive development trend. However, since 2020, BG

Group's sales performance has been consistently low, indicating significant fluctuations in operating income. Such instability could potentially jeopardize the company's financial health and heighten financial risks. In conclusion, the future growth outlook for BG Group appears pessimistic, a situation that may further intensify the financial risks it confronts.

3. Financial Risk Assessment of BG Group

3.1 Selection of Financial Risk Assessment Model

It is apparent from the previous analysis that BG Group is confronted with a degree of financial risk. However, given that the analysis was based on individual indicators that lack strong interrelations, there is a need for a more scientifically robust and rational model to systematically measure its financial risk. This approach will assist in ascertaining the financial risk status of BG Group [4]. This section chooses the Z-score model to provide an integrated assessment of the financial risk of BG Group.

In 1968, Edward Altman established the Z-score model. By examining a multitude of manufacturing companies in the United States, he selected sample data and performed mathematical statistical screenings to identify five variables. He then synthesized these variables to formulate the Z-Score model (hereinafter referred to as the Z-value model). Owing to its derivation from extensive empirical calculations, the model possesses a high level of accuracy and has been broadly utilized in numerous countries. To apply the Z-value model, one begins by extracting the pertinent data from a company's financial statements, inputs it into the formula, and computes the final Z-value. The resulting Z-value signifies the company's current risk zone. At its core, the Z-value model is a formula associated with a multivariate linear function and stands as a classic model for assessing the financial risk of enterprises.

3.2 BG Group Financial Risk Assessment

3.2.1 Sample composition

This section selects the financial data of BG Group from 2018 to 2022 for a five-year analysis and calculation, as shown in Table 7. The data is sourced from Eastmoney, which can truly and accurately reflect the current financial condition of the company.

Table 7. Selected Financial Statement Data of BG Group from 2018 to 2022 (Unit: 10,000 Yuan)

Year	2018	2019	2020	2021	2022
Current Assets	14000	6320	7420	7140	5370
Current Liabilities	12190	13990	14930	13790	12310
Total Assets	16300	19070	20160	19480	17440
Retained Earnings	852	1097	1262	1373	1293
Profit Before Tax	795.6	989.4	855.3	689.5	53.61
Interest Expense	0	0	0	3.27	83.79
Earnings Before Interest and Taxes	795.6	989.4	855.3	692.77	137.4
Market Value of Shareholders' Equity	1734	2186	2570	3006	3096
Book Value of Total Liabilities	14560	16890	17590	16480	14350
Sales Revenue	3791	4859	4629	5231	4304

Data Source: Eastmoney

3.2.2 Using the Z-score model for financial risk assessment

The Z-score model is utilized for financial risk assessment and is calculated using the formula: $Z=1.2X_1+1.4X_2+3.3X_3+0.6X_4+0.99X_5$

Where: Z signifies the discriminant function; X_1=(Current Assets−Current Liabilities)/ Total Assets; X_2=Retained Earnings / Total Assets; X_3=(Financial Expenses+Profit)/ Total Assets; X_4=Market Value of Equity/ Total Liabilities; X_5=Sales Revenue/ Total Assets.

In the Z-score model, the research emphasis is on: (1) Capital Scale; (2) Liquidity; (3) Profitability; (4) Capital Structure; (5) Asset Utilization Efficiency. These five perspectives comprehensively reflect the financial condition of a company, offering an effective early warning for the company's financial health. The discriminating threshold values for the presence or absence of financial risk are 1.81 and 2.675, respectively, with the judgment criteria detailed in Table 8.

Table 8. Z-Score Result Interpretation Criteria

Z-Score Range	Z≥2.675	1.81<Z< 2.675	Z≤1.81
Discriminant Range	Safe Zone	Grey Zone or Caution Zone	Bankruptcy Zone
Result Evaluation or Outcome Assessment	Extremely Low Financial Risk	Moderate Financial Risk	Extremely High Financial Risk, Possibility of Bankruptcy

Using the financial statement data from 2018 to 2022, the results in Table 9 have been derived. Over this five-year period, the Z-scores calculated from the financial statements of BG Group were consistently below 1.81, suggesting that the company is in the bankruptcy zone and confronting a grave financial crisis.

Table 9. Z-Score Model Calculation Table

Year	2018	2019	2020	2021	2022
X_1	0.111043	0.122181	0.123512	0.171971	0.175459
X_2	0.05227	0.057525	0.062599	0.070483	0.07414
X_3	0.04881	0.051883	0.042426	0.035395	0.003074
X_4	0.119093	0.129426	0.146106	0.182403	0.215749
X_5	0.232577	0.254798	0.229613	0.268532	0.246789
Z	0.669209	0.728271	0.690838	0.797134	0.698261

4. BG Group Financial Risk Control Countermeasures

4.1 Financing Risk Control Countermeasures

4.1.1 Optimize capital structure

(1) Control the scale of liabilities

The previous analysis suggests that BG Group has a high financial leverage ratio, indicating there is room to optimize this ratio and to take measures to reduce the debt amount. Thus, BG Group can focus on improving the efficiency of capital utilization and adopting asset securitization strategies to manage the scale of liabilities.

(2) Enhance cost and accounts receivable management to boost the efficiency of capital usage

Given the significant proportion of inventory and surplus capacity, BG Group must stimulate market demand by moderately reducing prices and promoting sales to expedite the return of funds. It is also essential to address the supply side by facilitating the de-stocking of real estate and by decreasing the scale of new housing projects. The high ratio of BG Group's accounts receivable within its current assets could lead to shortages in working capital, adversely affecting the capital operations of other business activities and diminishing operational efficiency and profitability. Consequently, BG Group should reinforce the internal control of accounts receivable, emphasize credit risk management, and ensure the stability and sustainable growth of its financial position.

4.1.2 Diversify funding sources

BG Group mainly relies on debt financing, with bank loans as the primary means, which makes the company face considerable financial risks due to this singular financing structure. Therefore, the company should actively broaden its financing channels to optimize its capital structure and specifically consider employing trust investments [5]. In trust investments, the grantor and the trust company enter into a trust agreement, establishing a community of shared interests. Throughout the contract term, the trust company holds the grantor's trust property in its own name and manages the grantor's legitimate assets. Trust investments offer more flexibility in financing compared to traditional bank financing, enabling adjustments in the use of funds as required, which helps to lower the overall financing costs for real estate firms. Moreover, BG Group could also contemplate joint development projects with other reputable real estate companies domestically to diversify its funding sources and mitigate financial risks. Presently, the government has explicit regulations on the bank loan conditions for developers, including capital adequacy ratios. Joint development can effectively ease the financing burden on developers and decrease the risk of a capital chain breakdown.

4.2 Investment Risk Control Strategies

4.2.1 In-depth preliminary research and feasibility assessments

The real estate sector is distinguished by lengthy project implementation cycles, significant capital flows, and immovable locations, which confer upon it higher investment risks compared to other industries. Consequently, a feasibility assessment is essential prior to making investment decisions for any project. Feasibility research is carried out by dedicated financial teams using specialized data and techniques, encompassing rigorous due diligence, meticulous calculations, and systematic studies to support informed decision-making. The precision of the information gathered and the targeted measures implemented significantly influence a project's profitability. It has been discovered through investigation that BG Group made errors in preliminary research, resulting in blind investment in expansion projects. Consequently, prior to investing in a real estate project, BG Group ought to undertake a thorough analysis and research initiative, enlist experts who can precisely discern the national real estate industry's developmental trends, and assemble a comprehensive team to execute systematic analysis and research. Additionally, it is imperative to institute a scientific and precise research protocol and to conduct rigorous scrutiny and analysis of feasibility study reports. By leveraging big data platforms to meticulously assess the target customers' needs, including demographics, preferences, and geographical locations, as well as examining factors that influence purchasing power, the feasibility studies will be empowered to accurately forecast and evaluate the project's financial risks. Subsequently, devising suitable plans will be essential to reduce the likelihood of unsuitable investments to the lowest possible extent.

4.2.2 Control the scale and pace of growth

Between 2018 and 2022, BG Group vigorously expanded its business sectors, investing a substantial amount of cash for these endeavors. The majority of the group's borrowed funds were channeled into growth and expansion, yet the development pace was underwhelming, with relatively low profit margins, high financing costs, and considerable pressure, resulting in a heightened overall risk associated with financing. Consequently, BG Group requires a fundamental readjustment of its development strategy and the need to properly manage the scale and velocity of its growth. Firstly, there is a need for a shift in business philosophy, moving away from excessive expansion of "land reserves" while ensuring a sufficient land reserve is maintained. Additionally, it is imperative to adjust the development strategy flexibly in accordance with the actual operational and financial status of the company, aligned with policy guidelines and market conditions. Rigorous control over the costs associated with investment and expansion is mandatory.

4.3 Operational Risk Control Countermeasures

4.3.1 Focus on project development and enhance management standards

To ensure the stability of the company's cash flow and synchronize it with the pace of business expansion, it is essential to focus on enhancing the management of project funds. Comprehensive assessments should be conducted for each new project, with specific individuals assigned to oversee project support, reporting, and case management. The guiding principles should be "reduce inventory, improve efficiency, lower costs, eliminate defects, and ensure continuous growth," to strengthen the basics and remove any shortcomings. Concurrently, efforts should be directed towards key projects, optimizing organizational structures and management systems, and further perfecting internal management practices. Furthermore, it is imperative to continuously improve operational efficiency, quality, and effectiveness, adopt a prudent development strategy, reinforce projects, boost business capabilities, advance the corporate brand, encourage the cultivation of outstanding teams, and enhance the company's core competitive strength.

4.3.2 Innovate operational techniques and accelerate turnover speed

To boost sales performance, BG Group should further expand its marketing tactics on top of the current sales framework. Specifically, it could consider incorporating the reputation of well-regarded partners as a unique selling proposition within the overall promotional strategy. Moreover, precision marketing in areas with dense foot traffic or popular tourist spots can help more accurately target the customer base and enhance marketing outcomes. Considering that the internet has become the emblem of new media in the 21st century, integrating online media with VR technology can offer customers an immersive experience of viewing and purchasing homes online, fully leveraging the distinctive advantages of online marketing and social media platforms. Additionally, resource sharing with raw material suppliers is an innovative sales method that can aid in broadening sales channels and reducing inventory backlog. By implementing these measures, the company will effectively improve operational capabilities, reduce operational risks, and achieve more robust and sustainable growth.

4.4 Growth Risk Control Countermeasures

4.4.1 Establish a risk management framework centered on financial risk prevention and control

The essence of constructing a risk management framework is centered on the prevention and control of financial risks [6]. The first step is to perform an in-depth analysis and precise evaluation of financial risks to ensure a thorough awareness of potential risks. Following that, based on the assessment outcomes, formulate specialized strategies for risk prevention and control. This includes refining internal controls and processes to bolster the rigor and transparency of financial operations. Concurrently, a risk monitoring and early warning system should be established to monitor risk fluctuations in real time, ensuring that responses to risks are both prompt and precise. The development of this framework relies heavily on the keen attention of top management and the active engagement of all staff, collaborating to foster a proactive risk management culture, and guaranteeing that the company's financial risks are effectively managed and mitigated [7].

4.4.2 Strengthen the construction of a lean asset operation model for enterprises

BG Group should enhance the development of a lean asset operational model [8]. Precisely positioning within the industry chain is key. In the vertical expansion of the industry chain, BG Group could focus on the tertiary sector, conducting in-depth research in home decoration, real estate, and leasing, and utilizing internet big data technology to develop smart communities, thus enhancing consumer service experiences. Regarding the horizontal growth of the industry chain, BG Group could broaden its operations in finance, education, healthcare, cultural tourism, logistics, technology, and other sectors, to expand the industrial scale and diversify its business scope. By deeply integrating with the three major industries, BG Group will readjust its revenue structure, widen profit margins, and increase company profitability [9]. Furthermore, BG Group should invigorate its substantial assets. For example, by divesting from the hotel business and transitioning into a specialized hotel brand operator. Additionally, BG Group could transform its construction projects into a construction and management model, outsourcing the labor-intensive construction process to partners, while maintaining supervisory rights to ensure the sustainable development of project quality and brand strength. This model will not only effectively reduce the company's operational costs but also markedly improve the efficiency and standard of large-scale project construction [10].

5. Conclusion

This paper first employs financial indicator analysis methods to identify risks in BG Group's financing, investment, and operational activities, with a focus on the key issues it encounters. These include a singular method of fundraising, a large and poorly structured debt scale, inadequate inventory, an imbalance between investment and output, and unstable business revenue. Following this, the Z-model is used to provide a comprehensive assessment of BG Group's financial risk status. The computational findings suggest that the group is in the bankruptcy zone, confronting a grave financial crisis. In conclusion, based on the assessment outcomes, control countermeasures are suggested. Regarding financing risk, BG Group should refine its capital structure and diversify its financing channels; for investment risk, it should perform feasibility studies and manage the scale and rate of growth; concerning operational risk, it should concentrate on project development, improve management standards, and innovate in operational techniques to quicken turnover; for growth risk, BG Group should construct a risk management framework with a focus on financial risk prevention and control, and enhance the development of a lean asset operation model.

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