"A Small Leak Will Sink A Great Ship": *ST Poten's "Butterfly Effect" of Mandatory Delisting Due to Financial Fraud

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Abstract: This paper scrutinizes the financial fraud perpetrated by Poten Environment, delving into the consequential impact of financial information quality on market ecology. Upon going public, Poten Environment was coerced into sustaining its listing status and fulfilling financial obligations, which precipitated not only pronounced legal repercussions for the company but also a "butterfly effect" across myriad stakeholders. The investigation reveals that the company's deceptive practices led to a diminished excess return rate for enterprises within the same sector, engendered negative investor sentiment, depreciated corporate value, and induced skepticism regarding the integrity of auditing firms. This case serves as a salient reference for comprehending the market reactions and ramifications stemming from financial fraud in listed entities. Listed companies are imperatively required to refine their governance structures and bolster internal controls, while regulatory bodies must amplify their oversight endeavors and augment the efficacy of law enforcement; moreover, investors are exhorted to heighten their risk consciousness to safeguard the robust development of the capital market.

Keywords: Financial Fraud; Butterfly Effect; Investor Behavior; Audit Institutions; Capital Market Regulation.

1. Introduction

In April 2024, the China Securities Regulatory Commission promulgated the "Opinions on Strictly Implementing the Delisting System". The updated regulations chose to reduce the threshold for delisting due to significant violations arising from financial fraud within a two-year period. The regulations also incorporated instances of severe fraud within one year and prolonged fraud across multiple years. Concurrently, the standards for delisting were fortified. Alongside raw financial fraud data, a company's capital management and internal control practices have been deemed crucial factors in determining delisting. The primary objective of these revised delisting rules is to bolster the market's survival of the fittest mechanism, ensure the quality of listed companies, and safeguard the legitimate rights and interests of investors.

Poten Environment Group Co., Ltd., once a prominent entity in the environmental protection industry, experienced a smooth initial public offering (IPO). However, intense competition within the industry, coupled with the company's extensive investments and frequent acquisitions during its expansion phase, led to financial strain and elevated financial leverage, thereby resulting in a scale dilemma. To meet performance expectations, sustain stock price stability, and circumvent the risk of delisting, Botenor Environmental Group ultimately resorted to financial fraud, which subsequently triggered mandatory delisting.

The financial misconduct of Poten Environment is multifaceted and clandestine. The company artificially boosts revenue and earnings by creating fictitious business transactions, such as overstating accounts receivable and fabricating project advancements. Concurrently, there are substantial irregularities in accounting practices, including a failure to perform timely accounting treatments and an inadequacy in provisioning for bad debts based on actual circumstances. These breaches significantly contravene accounting standards and information disclosure regulations. Such practices, which have persisted over an extended period and involve substantial sums of money, have grossly misled investors, regulatory bodies, and other stakeholders.

The financial fraud perpetrated by Poten Environment has had a significant and

far-reaching impact on the market, analogous to the knock-on effect of a domino. This event holds substantial theoretical and practical implications for publicly listed companies in terms of enhancing their governance structures and bolstering internal control mechanisms. Furthermore, it offers valuable insights for regulatory authorities to augment their oversight efforts, refine the delisting system, and for investors to heighten their risk awareness and optimize investment decisions. The incident also provides invaluable lessons in the prevention and combat of financial fraud.

2. Literature Review

Research on corporate financial fraud has always been a hotspot and frontier issue in the academic world, with numerous studies attempting to identify and detect signs of corporate malfeasance and manipulation.

In terms of financial fraud methods, inflating revenue, inflating profits, and recognizing revenue in advance are relatively common means [1] (Li and Gao, 2022). Both kabwe [2] (2023) and Hossein et al. [3] (2022) found that related party transactions are used to achieve multiple objectives, such as tunneling of companies by actual controllers and window-dressing financial statements for listing, which are also "hard hit areas" for fraud. Zahra et al. (2023) proposed the method of adjusting notes to financial statements, that is, concealing and misstating situations [4]. In addition, Andrada et al. (2024) believe that failure of corporate governance and chaotic internal control may also lead to the occurrence of fraud [5].

In the aspect of motivations for financial fraud, scholars have explored from various perspectives. Huang et al. (2024) found that operational pressure and management's opportunistic motivation are the reasons for the financial fraud in Kangmei Pharmaceutical [6]. Sun and Chang (2024) analyzed the motivations for financial fraud in KaiLe Technology from four GONE perspectives, including inadequate internal and external supervision, low exposure risk costs, etc [7]. Gandhi (2024) examined the earnings management issues of enterprises in financial distress [8]. Jiang (2022) took the financial fraud cases of Toshiba and Luckin Coffee as research objects, compared the reasons for fraud from the aspects of pressure and opportunity, and found that corporate cultural issues and the influence of the internet economy also provide opportunities for the occurrence of fraud [9].

To guard against financial fraud in listed companies, scholars have proposed various measures. Ding (2024) emphasized the importance of cultivating a moral corporate culture, strengthening risk management, and ensuring robust internal control to prevent fraudulent incidents in multinational companies [10]. Maryam et al. (2024) examined the impact of improving audit quality on reducing financial statement fraud [11]. Chen and Wu (2022) proposed a financial reporting fraud identification model for Chinese listed companies based on the superposition algorithm, providing investors, regulators, and management with a simple and effective method to detect fraud [12]. Li and Chen (2023) put forward suggestions from two perspectives of internal and external governance of the company based on the longitudinal view of the “triangle theory”, thus guiding the development of enterprises and promoting the sustained stability of the capital market [13].

In conclusion, the extant literature offers comprehensive and meticulous research on financial fraud issues associated with listed companies. This body of work provides a robust theoretical foundation and practical insights for devising preventive strategies against such frauds. Nevertheless, there remains an imperative for more nuanced research to develop a more efficacious prevention mechanism, thereby ensuring the sustainable health of the capital market.

3. Methods

This paper scrutinizes the episode surrounding the forced delisting of Poten Environment as a consequence of financial fraud. The discussion elucidates the methods, processes, and underlying reasons of the company's financial malfeasance before exploring the ensuing chain reactions. These reactions reverberated across multiple facets including the company, investors, the industry, and auditing institutions - a phenomenon appropriately dubbed the butterfly effect.

3.1 Case Selection Basis

The exploration into the financial fraud case of Poten Environment primarily hinges on two factors: First, Poten Environment holds a significant role in the environmental protection sector, and its fraudulent activities have had a broad impact. By selecting such a prominent enterprise for case study, we can more thoroughly illustrate the far-reaching effects of financial information quality issues within the market ecosystem. Second, the deceptive strategies employed in this case are multifaceted, concealed, and enduring. The temporal span and systematic nature of this case offer abundant insights for examining the genesis of financial fraud, the internal management vulnerabilities of corporations, and the challenges faced by external oversight bodies.

3.2 Case Overview

Poten Environment, established in January 1995, is among the pioneering wastewater treatment enterprises in China's environmental sector. It was publicly traded on the main board of the Shanghai Stock Exchange on February 17, 2017. However, subsequent developments led the company into a financial fraud controversy, ultimately triggering the mandatory delisting mechanism and drawing significant societal attention.On October 8, 2019, New Century Ratings assigned a negative observation to the Poten Environment's AA- level corporate credit rating, following the company's first annual loss since its public listing at the close of the year. In August 2022, the Ministry of Finance identified several discrepancies in the financial information provided by Poten Environment. Although the company issued a corrective announcement in late March 2023, detailing accounting errors and retrospective adjustments from 2017 to 2021, it was still subject to an investigation by the China Securities Regulatory Commission (CSRC) in April. The CSRC's Beijing regulatory bureau subsequently revealed years of financial misrepresentation, causing significant disruption to the securities market. In 2024, Poten Environment received several communications from the CSRC's Beijing office, including the "Administrative Penalty Decision," "Market Ban Decision," and "Administrative Supervision Measure Decision." On March 19, 2024, the Shanghai Stock Exchange enforced its own regulatory decision to delist Poten Environment's stock. (refer to Figure 1).

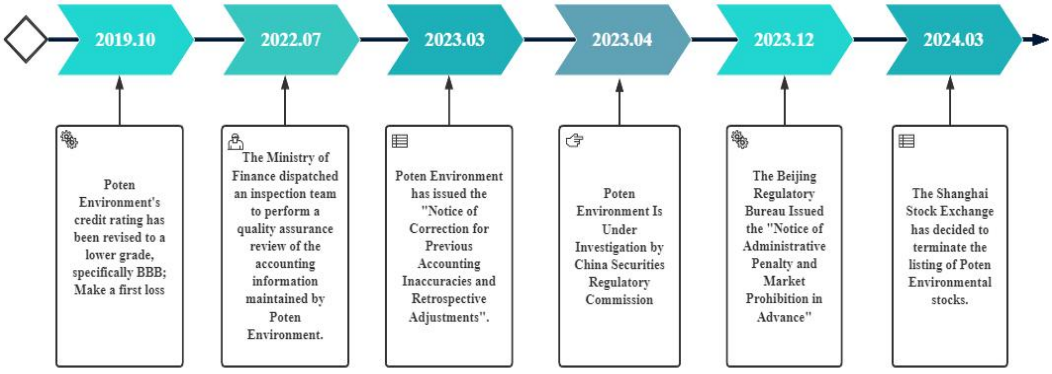


Figure 1. Timeline of the Financial Fraud Incident at Poten Environment

4. Results

Poten Environmental, in an effort to retain its listing status and meet profit requirements, was implicated in a multi-year financial fraud scheme. The revelation of this fraud significantly impacted the quality of its financial information, sending shockwaves throughout the market ecosystem. Consequences included legal proceedings, regulatory sanctions, and the eventual delisting of its stock. Furthermore, the scandal eroded market confidence in the environmental protection sector, adversely affecting the excess returns of comparable companies, investor sentiment, corporate valuations, and the credibility of auditing firms. This underscores the profound "butterfly effect" that issues of financial information quality can have on the broader market ecosystem.

4.1 The Impact on the Excess Returns of Peers

4.1.1 Definition of events and windows

The Event Study Method (ESM), also referred to as the Excess Return Method, is employed

in this analysis. Specifically, the "Notice of Administrative Penalty and Market Ban in Advance" ((2023) No. 20), issued by the Beijing Regulatory Bureau on December 8, 2023, is designated as the event day, denoted as t=0. This study meticulously calculates and scrutinizes the variations in Abnormol Returns (AR) and Cumulative Abnormol Returns (CAR) for Poten Environmental and its peer companies (N77: Ecological Protection and Environmental Management) over an identical period preceding and following that day.

4.1.2 Measurement and Analysis of AR and CAR

(1) Determination of estimation window and event window

The estimation window for this case is [-110, -11], signifying the 100 trading days spanning from 110 to 11 trading days before the announcement. The purpose of the event window is to examine the abnormal fluctuations in stock prices post-event, thereby gauging the comprehensive impact of the stock repurchase event on stock prices. This paper designates "Notice of Administrative Penalty and Market Ban in Advance" ((2023) No. 20), issued by the Beijing Regulatory Bureau on December 8, 2023, as the event day, denoted as t=0. The selected event window is [-10, 10], encompassing 10 trading days both before and after the event day, culminating in a total of 20 trading days.

(2) Calculate the normal returns of the individual stock window [-10,10]

According to the market model method, using the data from the estimation window [-110, -11] as a sample, with the market index return rate as the explanatory variable, and the individual stock return rate as the explained variable, the following regression model is established:

$$R_{it(est)} = \alpha_i + \beta_i R_{mt(est)} + \varepsilon_{it} \quad (1)$$

Where $R_{it(est)}$ represents the actual return rate of stock i on the t-th day during the estimation period; $R_{mt(est)}$ represents the actual return rate of the market portfolio on the t-th day during the estimation period, and this paper uses the return rate of the CSI 300 Index as the market portfolio return rate; the estimation of α_i and β_i adopts the least squares method; ε_{it} represents the regression residual.

Upon constructing a regression model with the data from the estimation period, we can utilize the market return rate $R_{mt(event)}$ for each day within the window period to estimate the normal return rate for individual stocks, which is represented as $E[R_{it(event)}]$.

$$E[R_{it(event)}] = \alpha_i + \beta_i R_{mt(event)} + \varepsilon_{it} \quad (2)$$

(3) Calculate individual stock abnormol returns (ARi,t), average abnormol returns (AARi,t), and cumulative average abnormol returns (CARi,t).

$$AR_{it} = R_{it(event)} - E[R_{it(event)}] \quad (3)$$

$$CAR_{(t1-t2)} = \sum_{i=t1}^{t2} AR_t \quad (4)$$

Among them, AR_{it} represents the abnormol return rate of the i-th sample on the t-th day; $CAR_{(t1-t2)}$ represents the cumulative abnormol return rate of n samples from the t1-th day to the t2-th day.

(4) Calculate the average abnormol return (AAR_t) and cumulative average abnormol return (CAAR) of individual stocks in the same industry.

(5) Following the exclusion of the research subjects, a total of 78 enterprises remain within the same industry (N77: Ecological Protection and Environmental Management) as Poten Environment. The annual average is calculated to determine the individual stock's average abnormol return (AAR_t) and cumulative average abnormol return ($CAAR$) for these industry peers.

$$AAR_t = \frac{1}{n}\sum_{i=1}^{n} AR_{it} \quad (5)$$

$$CAR_{(t1-t2)} = \sum_{i=t1}^{t2} AAR_t \quad (6)$$

Utilizing the methodologies for calculating abnormal returns (AR) and cumulative abnormal returns (CAR), we computed the AR and CAR values for Poten Environmental and its peer enterprises. The influence of the event day on these peer enterprises was subsequently analyzed based on the obtained results.

As illustrated in Table 1 and Fig. 2, Poten Environmental's cumulative abnormol return experienced a sharp decline in the time frame t= [0,+10] following the day the financial fraud was exposed. A similar downward trend was observed in the cumulative excess returns of comparable companies post-event. This

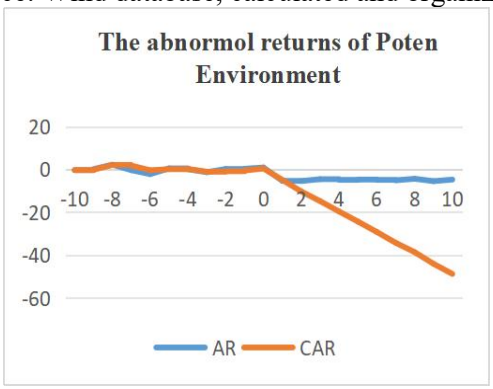
suggests that the market performance of these peer enterprises relative to the market benchmark was impaired after the revelation of Poten Environmental's financial malfeasance. Consequently, the increase in their stock prices was less than anticipated or the decrease exceeded expectations, thereby affecting the overall rate of return on investment.

The financial misconduct of Poten Environmental has eroded investors' confidence in the whole environmental protection industry. Skepticism has arisen regarding the veracity of financial data and operational integrity of other firms within this industry, with concerns that such malfeasance could be prevalent elsewhere. This heightened skepticism has led to more conservative investment strategies, diminished capital inflows into the environmental protection sector, and downward pressure on the stock prices of peer companies, subsequently leading to a decrease in excess returns.

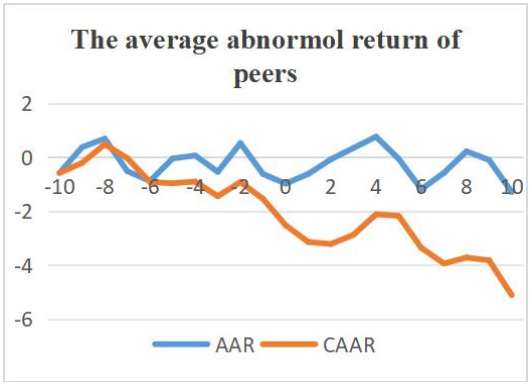
Table 1. Comparison of Abnormol Return on Stock Between Poten Environmental and Peers

Event Window	Poten Environment		Peers	
	AR(%)	CAR(%)	AAR(%)	CAAR(%)
-10	-0.2895	-0.2895	-0.5821	-0.5821
-9	0.1705	-0.1190	0.3738	-0.2083
-8	2.2397	2.1207	0.6886	0.4803
-7	-0.3116	1.8090	-0.5173	-0.0370
-6	-2.1704	-0.3614	-0.8810	-0.9180
-5	0.5128	0.1514	-0.0483	-0.9663
-4	0.0957	0.2471	0.0639	-0.9023
-3	-1.2804	-1.0332	-0.5407	-1.4430
-2	0.2243	-0.8089	0.5233	-0.9197
-1	0.3329	-0.4760	-0.6224	-1.5421
0	0.9270	0.4511	-0.9771	-2.5192
1	-5.3262	-4.8752	-0.6179	-3.1371
2	-5.3907	-10.2659	-0.0778	-3.2149
3	-4.5249	-14.7908	0.3418	-2.8731
4	-4.8388	-19.6296	0.7600	-2.1132
5	-4.7101	-24.3397	-0.0589	-2.1721
6	-4.8614	-29.2011	-1.1855	-3.3576
7	-5.0589	-34.2600	-0.5784	-3.9361
8	-4.3394	-38.5994	0.2201	-3.7159
9	-5.4593	-44.0587	-0.1027	-3.8187
10	-4.7258	-48.7845	-1.2887	-5.1073

Source: Wind database, calculated and organized by the author.



(a) The abnormol returns of Poten Environmental



(b) The average abnormol return of peers

Figure 2. The Abnormol Return of Poten Environmental and Peers in the Industry

Source: Wind database, calculated and organized by the author.

4.2 The Influence on Investor Sentiment of Peers

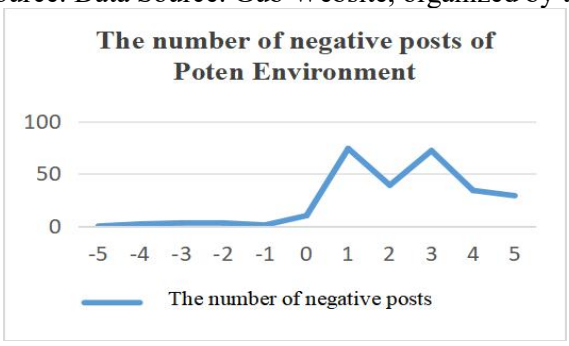
Eastmoney, a highly trafficked and influential financial securities portal in China, has been utilized as a data source in numerous studies (Hong et al., 2014). Employing web crawler techniques, we gathered discussion data from investors concerning listed companies on Eastmoney's Gub during the event window period [-5,5] of December 8, 2023. In line with the methodologies adopted by Yang (2021) and Shi (2023), we classified the posts from this event window period into negative, positive, and neutral categories. Investor pessimism was gauged by the volume of negative posts on the gub, enabling us to assess shifts in investor sentiment within the same industry following the mandatory delisting event.

As illustrated in Table 2 and Fig. 3, a significant surge in the number of negative posts about Poten Environment was observed in the aftermath of the company's financial fraud exposure. Specifically, in the time frame of t=[0,+5], there was a substantial increase in negative comments directed at the company. Notably, the same trend was evident within the industry on the day of the event, followed by a decline. However, compared to the period prior to the event, there was an overall increase in the number of negative posts. This suggests that the revelation of Poten Environment's financial malfeasance led to a contagion effect, with investors' negative sentiments extending to other firms within the sector, consequently tarnishing the reputation of the environmental protection industry in the capital market.

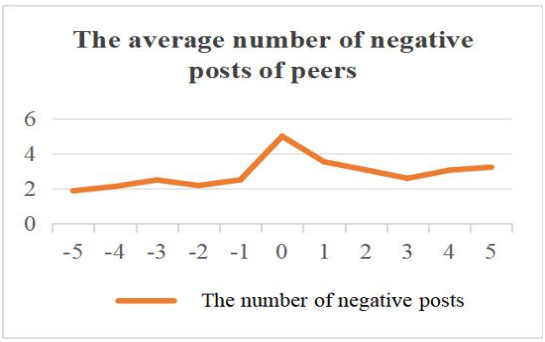
Table 2. The Number of Negative Posts During the Event Window Between Poten Environment and Peers

Event Window	The number of negative posts of Poten Environment (Piece)	The average number of negative posts of peers (Piece)
-5	0	1.89
-4	2	2.14
-3	3	2.51
-2	3	2.19
-1	1	2.51
0	10	5.01
1	74	3.55
2	39	3.09
3	72	2.60
4	34	3.07
5	29	3.24

Source: Data Source: Gub Website, organized by the author.



(a) The Number of Negative Posts of Poten Environment



(b) The Average Number of Negative Posts of Peers

Figure 3. The Number of Negative Posts of Poten Environment and Peers

4.3 Impact on the Enterprise Value of Peers

Market Capitalization (Market Cap) is defined as the aggregate value of a company's outstanding shares at a specific time, computed by multiplying the total share count by the prevailing share price. This figure epitomizes the collective market worth of the company's equity. Notably, market cap provides insights into the company's current asset base, profitability, and market sentiment

regarding its prospective growth. Conversely, Circulation Market Value quantifies the worth of a company's tradable shares at a designated moment, derived by multiplying the count of tradable shares by the ongoing share price. This metric captures the value of the segment of the company's equity that is genuinely subject to market trading. The magnitude of the free-float market value serves as an indicator of the trading volume of the company's shares and the extent of investor interest.

As illustrated in Table 3 and Fig. 4, both the total and circulating market values of Poten Environmental exhibited a decline in the immediate aftermath of the financial fraud revelation, specifically within the t=[0,+10] timeframe. Notably, the average total and circulating market values of other enterprises within the same industry also followed suit, suggesting that the financial malfeasance of Poten Environmental precipitated a broader crisis of confidence within the sector. This underscores a pronounced erosion of investor trust extending across the environmental protection industry at large.

4.4 Impact on Auditors' Reputation

In late March 2023, Poten Environmental issued an "Announcement on the Correction of Previous Accounting Errors and Retrospective Adjustments". The company proactively undertook retrospective adjustments to its consolidated financial statements and those of its parent company spanning 2017 to 2021. Such actions indicate potential inaccuracies in Poten Environmental's historical financial data and suggest audit failures. Upon investigating, it was revealed that Poten Environmental engaged domestic audit firms—Ruihua Certified Public Accountants, ShineWing, and Zhongxingcai Guanghua certified public accountants LLP—from 2016 to 2022. Notably, during this seven-year audit period, Wang Zhenwei and Zhang Hang consistently served as auditors (refer to Table 4). This raises concerns about their potential lack of independence and implicates them in facilitating financial malfeasance on behalf of Poten Environmental.

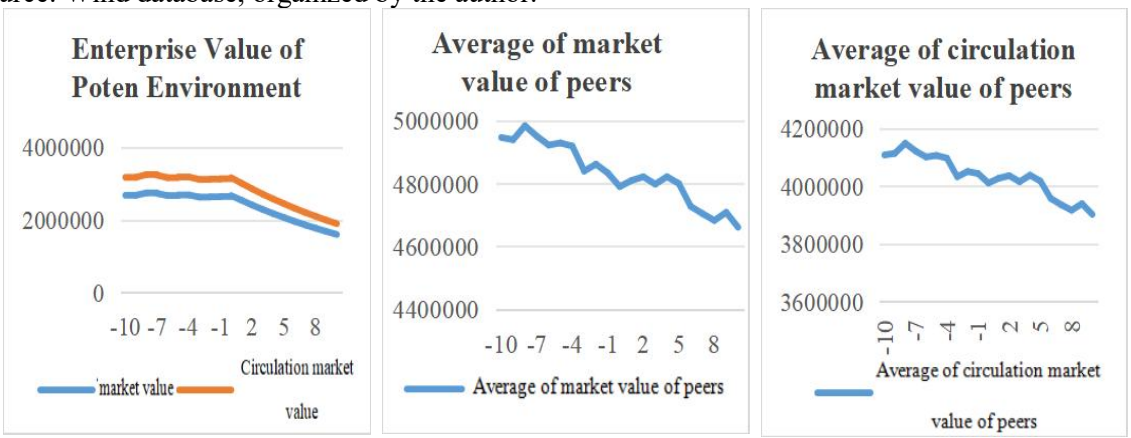
The data presented in Table 5 and Figure 5 illustrates an upward trajectory in the growth of ShineWing and Zhongxingcai Guanghua certified public accountants LLP from 2013 to 2022. However, a decrease in their annual business volume was observed in 2023. This suggests that the financial fraud incident involving Poten Environment has eroded market confidence in these two auditing institutions, subsequently impacting their business volume for the year 2023.

Table 3. Enterprise Value During the Event Window of Poten Environmental and Peers

Event Window	Poten Environment		Peers	
	Market Value (RMB '000)	Circulation Market Value (RMB '000)	Market Value (RMB '000)	Circulation Market Value (RMB '000)
-10	2681540.13	3176666.23	2681540.13	3176666.23
-9	2681540.13	3176666.23	2681540.13	3176666.23
-8	2746943.55	3254145.89	2746943.55	3254145.89
-7	2730592.69	3234775.98	2730592.69	3234775.98
-6	2673364.70	3166981.27	2673364.70	3166981.27
-5	2689715.56	3186351.19	2689715.56	3186351.19
-4	2689715.56	3186351.19	2689715.56	3186351.19
-3	2632487.57	3118556.48	2632487.57	3118556.48
-2	2640663.00	3128241.44	2640663.00	3128241.44
-1	2648838.42	3137926.40	2648838.42	3137926.40
0	2673364.70	3166981.27	2673364.70	3166981.27
1	2542557.87	3012021.94	2542557.87	3012021.94
2	2411751.03	2857062.61	2411751.03	2857062.61
3	2289119.62	2711788.24	2289119.62	2711788.24
4	2174663.64	2576198.83	2174663.64	2576198.83
5	2068383.09	2450294.38	2068383.09	2450294.38
6	1962102.54	2324389.92	1962102.54	2324389.92
7	1863997.41	2208170.43	1863997.41	2208170.43

8	1774067.71	2101635.89	1774067.71	2101635.89
9	1684138.01	1995101.35	1684138.01	1995101.35
10	1602383.74	1898251.77	1602383.74	1898251.77

Source: Wind database, organized by the author.



(a) Enterprise Value of Poten Environment **(b) Average of market value of Peers** **(c) Average of circulation market value of Peers**

Figure 4. Enterprise Value during the Event Window of Poten Environmental and Peers

Table 4. Basic Information of the Firms Hired by Poten Environment from 2016-2022

Year	Auditor	Domestic audit firm
2016	Zhu Haiwu, Wang Zhenwei	Ruihua Certified Public Accountants
2017	Zhu Haiwu, Wang Zhenwei	Ruihua Certified Public Accountants
2018	Shi Yuchun, Zhang Hang	Ruihua Certified Public Accountants
2019	Song Gang, Zhang Hang	ShineWing
2020	Wang Zhenwei, Zhang Xuefu	Zhongxingcai Guanghua certified public accountants LLP
2021	Wang Zhenwei, Zhang Xuefu	Zhongxingcai Guanghua certified public accountants LLP
2022	Wang Zhenwei, Yin Xin	Zhongxingcai Guanghua certified public accountants LLP

Data Source: Wind Database, organized by the author.

Table 5. Annual Business Volume Statistics of Accounting Firms

Year	Annual business volume (pcs)	
	Shine Wing	Zhongxingcai Guanghua certified public accountants LLP
2013	154	9
2014	153	8
2015	168	14
2016	189	22
2017	219	33
2018	233	41
2019	298	55
2020	344	69
2021	356	76
2022	366	91
2023	364	89

Data Source: Wind Database, organized by the author.

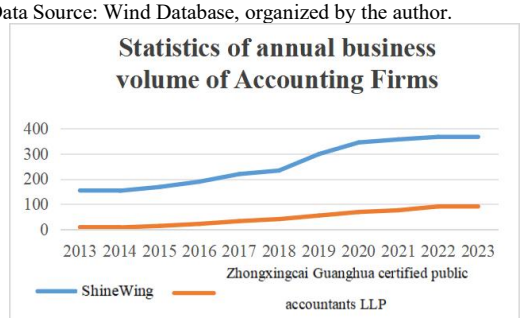


Figure 5. Annual Business Volume Statistics of Accounting Firms

5. Conclusions and Recommendations

5.1 Case Conclusion

The Poten Environment case, which involved a company that was once a rising star in the industry but later had to delist due to financial fraud, holds significant cautionary implications. When viewed from a market ecology perspective, the widespread and profound "butterfly effect" of this financial fraud incident is apparent. Following the incident, other enterprises within the same

industry experienced a substantial decrease in their excess return rate, and investor sentiment was notably negatively impacted. Consequently, these enterprises suffered a crisis of market trust, leading to a decline in enterprise value. This suggests that the financial misconduct of an individual enterprise can spark a crisis of investor confidence across the entire industry, thereby affecting the market performance and development prospects of other enterprises within that sector. Concurrently, the reputation of auditing institutions has been seriously compromised. The business volume of firms involved in auditing the Poten Environment declined following the incident, underscoring the crucial role of auditing institutions in ensuring the quality of corporate financial information and the potential market trust crisis they may face if they fail to fulfill their duties.

5.2 Relevant Recommendations

5.2.1 Enhancing the structure of corporate governance and fortifying internal control

Strengthen corporate governance by ensuring the independence and effectiveness of both the board of directors and the supervisory board. This can be achieved by increasing the proportion of independent directors, augmenting their professionalism and independence, thereby enabling them to play a more practical supervisory role. Furthermore, it is important to enhance the construction of internal control systems and improve the internal audit system. This will facilitate comprehensive monitoring of finance and business affairs, timely correction of errors, and the regular assessment and improvement of these systems to ensure effective internal control.

5.2.2 Strengthen regulatory efforts and improve law enforcement efficiency

Increase the intensity of daily supervision of listed companies, establish a strict financial review mechanism, and conduct in-depth verification of financial statements regularly and irregularly to ensure the authenticity and accuracy of financial information. For example, increase the frequency of reviews for key industries and high-risk enterprises, and timely inquire and investigate companies with abnormal fluctuations in financial data. At the same time, enhance regulatory technical means, utilize big data, artificial intelligence, and other technologies to build an intelligent regulatory system, monitor transaction data, financial indicators, etc. of listed companies in real-time, promptly discover potential financial fraud clues, and improve the timeliness and effectiveness of supervision.

For financial fraud, strict punishment should be imposed according to the law to increase the cost of violation, form a deterrent, and eliminate the lucky mentality of enterprises. Considerations can be made to increase the amount of fines, extend the market ban period, and even pursue criminal liability and other measures.

5.2.3 Enhancing risk awareness and strengthening investment decision-making ability

Investors must acknowledge the intricacy and inherent risks associated with the capital market, particularly the significance of high-quality financial information in informing investment decisions. Decision-making should not be based exclusively on the financial statements presented by a company. Instead, it is imperative to undertake comprehensive analysis and research into financial data. This includes assessing the plausibility and accuracy of financial indicators, as well as comparing them with those of other firms within the same sector.

Acquire a foundational understanding of financial and investment analysis methodologies to enhance your investment decision-making capabilities. Concurrently, consider factors such as the company's fundamentals, industry outlook, and corporate governance. Perform thorough evaluations to mitigate investment risks.

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