

Financial Risk Analysis of FAW Hongqi Automobile Company

Dongxu Qin*

School of Management, Xi'an Polytechnic University, Xi'an, Shaanxi, 710600, China

*Corresponding author: Dongxu Qin, 15637098752@163.com

Copyright: 2026 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY-NC 4.0), permitting distribution and reproduction in any medium, provided the original author and source are credited, and explicitly prohibiting its use for commercial purposes.

Abstract: Amid intensifying market competition in China, the automotive manufacturing industry, as a capital-intensive pillar sector, harbors various financial risks throughout the entire operational process. Inadequate risk control may lead to capital chain rupture, profitability decline, and even operational crises. Based on the financial data of FAW Hongqi Automobile Company from 2019 to 2023, this paper employs literature review and financial indicator analysis to identify Hong qi's financial risks across three dimensions: financing, investment, and operations. Using quantitative metrics including current ratio, debt-to-asset ratio, asset turnover efficiency, and profitability indicators, this study identifies four core financial issues: significant short-term solvency pressure, weak period expense management, low returns on internal investment, and decelerating capital turnover. Accordingly, four control strategies are proposed: optimizing the structure of long-term and short-term debt, strictly controlling period expenses, improving investment feasibility assessments, and enhancing the efficiency of working capital turnover. This study provides a reference for the financial risk management of Hongqi and other domestic independent car brands.

Keywords: Financial Risk; Financing Risk; Operational Risk; Risk Control

Published: Sep 2, 2026

DOI: <https://doi.org/10.62177/apemr.v3i4.1689>

1. Introduction

With the continuous opening of China's domestic market economy, local automobile companies not only face competition from domestic peers but also challenges from international automotive giants. The increasingly complex and ever-changing business environment continues to amplify various operational and financial risks. The automobile manufacturing industry is characterized by capital and asset intensity, manifested in a high proportion of fixed assets, significant investment in R&D, and a large amount of funds long tied up in inventory and accounts receivable, making the likelihood of financial risks significantly higher. If risk management is insufficient, it will severely restrict enterprise development and may even lead to a rupture of the capital chain, operational crises, or bankruptcy. Therefore, the identification and prevention of financial risks in automobile enterprises is of significant research importance.^[2]

As a high-end domestic automobile brand with national significance, Hongqi has accelerated its transformation toward new energy and intelligent technology in recent years, expanded its product matrix, and actively explored overseas markets. In this process, the company has continuously increased investments in research and development, production lines, and sales channels, resulting in substantial capital expenditures, while also increasing financing, investment, and operational pressures. Based on Hongqi's financial data from 2019 to 2023, this paper identifies financial risks from the three dimensions of financing, investment, and operations through literature review and financial indicator analysis, analyzes the root causes of

these risks, and proposes targeted risk control strategies.

In theory, this paper enriches the research on financial risks in automobile manufacturing companies. In practice, the findings can help Hongqi optimize its financial management system and improve its risk control capabilities, while also providing a reference for financial risk management for other domestic independent car brands. A review of existing domestic and international literature shows that current research mainly focuses on general financial risk assessment models, while there is still room for improvement in studies on specialized risk management solutions for high-end independent car companies. This paper conducts an empirical analysis based on Hongqi's actual operations to fill this gap in existing research.

2. Enterprise Overview and Current Status of Hongqi Automobile

2.1 Enterprise Overview

The Hongqi brand was established in 1958. In November 2016, FAW Hongqi officially began independent operations, establishing its position as a high-end domestic automobile brand with national heritage. It has long served as the official vehicle supplier for major national-level events. The company continuously increases investment in technological research and development; in 2021, FAW Group's R&D investment reached 21.42 billion yuan, with 4,757 patent applications filed throughout the year, achieving breakthroughs in 63 core automotive technologies.

2.2 Current Operational Status

Hongqi Automobile has established three sub-brand lineups: "Golden Sunflower," "New Energy," and "Energy-Saving Vehicles," while simultaneously advancing intelligent and electrification transformation and continuously expanding into the domestic premium passenger vehicle and overseas markets. However, at the industry level, declining domestic automotive consumption demand in 2022, rising component procurement costs driven by commodity inflation, and the impact of price wars among new energy vehicle manufacturers have collectively exerted pressure on Hongqi's revenue, profits, and asset turnover. The contradiction between capital investment driven by expansion and declining profitability has gradually highlighted financial risks.

3. Identification of Financial Risks in Hongqi Automobile

3.1 Financing Risk Identification

3.1.1 Current Ratio Analysis

Table 3-1 Current Ratio Data of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Current assets	599.41	463.87	499.27	350.03	423.15
Current liabilities	494.44	384.81	385.67	278.63	365.49
Current ratio	1.21	1.33	1.29	1.26	1.16

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

The threshold value for the current liquidity ratio according to industry standards is 2. The current liquidity ratio of the company "Hongqiu" remained below this key level for five years, generally showing a trend of first increasing and then steadily decreasing, reaching 1.16 by 2023. This indicates a continued weakening of short-term solvency. In 2020 and 2022, the decrease in current assets was significantly greater than the decrease in current liabilities: in 2020, current assets fell by 13.554 billion yuan compared to the previous year, while current liabilities only dropped by 10.963 billion. In 2022, against the backdrop of declining market demand and the impact of inflation, current assets dropped sharply, while current liabilities decreased only slightly, directly reducing the current liquidity ratio and continuously shrinking the buffer for short-term solvency.

3.1.2 Quick Ratio

Table 3-2 Quick Ratio of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Current assets	599.41	463.87	499.27	350.03	423.15
Inventory	196.91	199.63	92.68	63.83	92.11
Current liabilities	494.44	384.81	385.67	278.63	365.49
Quick ratio	0.81	0.69	1.05	1.03	0.90

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

Usually, a quick ratio around 1:1 is considered normal. The data shows that the quick ratio dropped from 0.80 in 2019 to 0.74 in 2020. It went up to 1.03 in 2021 but then started to decline over the next two years. Overall, the fluctuations are moderate, but the downward trend is clear. In 2019, 2020, and 2023, the quick ratio was below 1, which shows that Red Flag faced significant short-term debt pressure in those years and had to use other ways to pay off short-term liabilities. Analysis indicates that changes in high-liquidity assets were mainly driven by fluctuations in inventory levels.

3.1.3 Cash Ratio

Table 3-3 Cash Ratio of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Cash and cash equivalents	243.34	186.61	307.61	210.41	229.21
Current liabilities	494.44	384.81	385.67	278.63	365.49
Inventory	196.91	199.63	92.68	63.83	92.11
Cash ratio	0.49	0.49	0.80	0.76	0.63

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

As shown in Table 3-3, the cash ratio was relatively low during 2019–2020. During this period, inventory made up the largest portion of current assets, and a large amount of inventory tied up funds, causing liquidity to drop sharply and available cash to decrease. By 2021, the significant reduction in inventory turned into available cash, pushing the cash ratio up from 0.49 to 0.80. However, after this noticeable improvement in 2021, the cash ratio started to decline again. The drop in the cash ratio indicates that Hongqi's cash flow is gradually decreasing, mainly due to excessive current liabilities.

To better understand the factors affecting the cash ratio, the following analysis will discuss the main components of current liabilities:

Table 3-4 Major Components of Current Liabilities (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Notes payable	82.33	38.78	130.63	91.99	117.70
Accounts payable	230.81	153.16	145.65	100.34	164.96
Employee compensation payable	3.66	3.38	3.64	4.37	4.02
Taxes payable	11.84	3.68	1.74	3.01	1.30

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

Between 2019 and 2020, in terms of current liabilities, notes payable and accounts payable stayed at relatively high levels, while total current liabilities reached the highest point in five years, which also explains why liquidity ratios were lower during these two years. The increase in the liquidity ratio in 2021 was mainly due to a significant rise in cash that year, even though current liabilities remained the same as in 2020. The subsequent downward trend was related to a decrease in cash and a higher proportion of current liabilities. In 2022, the growth in current liabilities was mainly reflected in employee wages and taxes payable, which together increased by about 200 million RMB compared to 2021. In 2023, notes payable and accounts payable increased by around 9 billion RMB, while other current liability items remained relatively stable. The relative increase in current liabilities has, correspondingly, lowered the cash ratio.

3.1.4 Debt-to-Asset Ratio

Table 3-5 Debt-to-Asset Ratio of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Total assets	825.52	642.38	697.66	567.93	658.73
Total liabilities	540.75	396.78	435.24	330.73	413.87
Debt-to-asset ratio	0.66	0.62	0.62	0.58	0.63

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

As shown in Table 3-5, over the past five years, Hongqi Company's debt-to-asset ratio has fluctuated moderately, with an overall level around 0.6, which is within a safe range. This indicates that Hongqi Company is relatively stable in terms of long-term debt-paying ability, and there are no insurmountable long-term debt issues in its business operations.

To better understand Hongqi's long-term debt-paying ability, here is a further analysis of its assets and liabilities:

Table 3-6 Asset and Liability Position of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Current assets	599.41	463.87	499.27	350.03	423.15
Non-current assets	22.64	17.85	19.84	21.77	23.56
Current liabilities	494.44	384.81	385.67	278.63	365.49
Non-current liabilities	46.31	47.96	49.58	51.89	48.38

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

As shown in Table 3-6, Hongqi's current assets have remained higher than its short-term liabilities throughout the five-year period, which suggests that some of the current assets could be used to pay off long-term debt. Non-current assets and non-current liabilities have generally fluctuated little, showing Hongqi's stability in managing non-current items. Both indicators have stayed at a stable and safe ratio relative to total assets and total liabilities. Most long-term liabilities are backed by non-current assets when they are incurred, and the scale of the collateral assets determines the company's ability to repay long-term debt. Hongqi's stable non-current asset base means its ability to repay long-term liabilities is also relatively stable.

3.2 Investment Risk Identification

3.2.1 Internal Investment

Table 3-7 Internal Investment Items of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Item/Year	2019	2020	2021	2022	2023
Inventory	196.91	199.63	92.68	63.83	92.11
Accounts receivable	18.04	7.76	12.80	8.67	19.90
Fixed assets	126.46	79.67	92.37	96.13	113.80
Patent rights	0.52	0	0	0	2.71
Non-patented technology	3.43	1.66	1.15	0.64	1.69
Construction in progress	6.61	7.15	9.66	19.02	8.16
R&D expenditure	2.15	0	0	0	1.10
Total	354.12	295.87	208.66	188.29	239.47

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

Based on the data in Table 3-7 and the cash ratio analysis, Hongqi has high inventory and accounts receivable, while its cash liquidity is relatively weak. As a result, most of the company's capital is tied up, using up funds that could have been available for other operations and investment activities. This shows the company's inefficiency in managing inventory and accounts receivable.

Rising inventory and accounts receivable levels might eat up the company's cash flow and affect liquidity. If they can't be sold or collected quickly, it could put pressure on the company's financial situation and indirectly influence investors' decisions. Fixed assets increased from 7.967 billion yuan in 2020 to 11.38 billion yuan in 2023, growing year by year, and construction in progress also showed an upward trend from 2019 to 2022. While the growth in fixed assets and construction in progress might suggest expanding production capacity, these assets can also tie up a lot of the company's capital, reducing investment in other areas and limiting diversified development.

As shown in Table 3-7, patents, non-patent technologies, and R&D expenses make up a small part of the company's capital allocation. It's worth noting that there was almost no spending on patents and R&D from 2020 to 2022, which suggests underinvestment in these areas. While this reduces the risks investors face from these intangible assets, it could also mean underinvestment in innovation opportunities.

3.2.2 External Investment

Table 3-8 Investment Income of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Investment income	5.16	8.51	7.35	2.37	2.82

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

Table 3-9 Long-Term Equity Investment of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Investment/Year	2019	2020	2021	2022	2023
Investment in subsidiaries	0.94	210.31	210.86	211.10	210.84
Investment in associates and joint ventures	36.58	43.30	45.55	44.71	45.10
Total	37.52	253.61	256.41	255.81	255.94

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

From the data in Table 3-9, we can see that Hongqi's long-term investments are mainly focused on its subsidiaries and are relatively small in scale. Investment in subsidiaries increased sharply in 2020 and then leveled off. The main reason for these changes is that in 2020, Hongqi sold some of its existing subsidiaries and reallocated a large amount of funds to FAW Jiefang. From 2020 to 2023, the company's total external investment stayed at a relatively stable level of around 25.5 billion RMB, which shows that the company has been sticking to a consistent external investment strategy. Long-term equity investments seem to bring the expected returns without needing to boost returns through expansion.

3.2.3 Profitability

Table 3-10 Profitability Indicators of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Operating revenue	1,064.47	1,136.87	987.51	383.31	639.05
Total costs and expenses	1,029.50	1,101.88	951.25	403.91	642.33
Total profit	22.01	34.88	41.09	1.83	4.15
Operating profit	20.78	34.80	40.81	0.55	2.41
Net profit	19.73	26.41	38.99	3.67	7.63
Average total assets	825.82	734.10	670.01	632.79	658.73
Sales profit margin (%)	2.0	3.1	4.2	0.5	0.6
Operating profit margin (%)	1.9	3.1	4.1	0.14	0.38
Return on total assets (%)	2.4	3.5	5.8	0.58	0.37

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

As shown in Table 3-10, the net profit margin on sales, operating profit margin, and return on total assets all peaked in 2021 and declined sharply thereafter. This deterioration in profitability elevates the enterprise's potential financing risks.

From 2022 to 2023, all three indicators plummeted precipitously. According to Hongqi's 2022 industry disclosures, 2022 marked a downturn for the commercial vehicle sector, with reduced demand in the domestic automotive market. Compounded by global systemic inflation and rising raw material and component costs, overall market demand fell short of expectations. These factors drove a substantial decline in Hongqi's sales profit and operating profit, pushing the net profit margin on sales and operating profit margin to unprecedented lows. The extremely low sales profit margin indicates that the company has effectively lost its profit-generating capacity, which inevitably gives rise to earnings risk.

To better understand the dynamics of these profitability indicators, the following analysis examines changes in period expenses from 2019 to 2023:

Table 3-11 Period Expenses of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Expense/Year	2019	2020	2021	2022	2023
Finance expenses	-7.07	-12.38	-12.21	-10.53	-9.15
R&D expenses	25.94	28.36	33.29	28.96	29.82
Administrative expenses	34.78	27.16	24.54	20.40	19.31
Selling expenses	64.44	26.54	17.54	12.56	16.05

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

Cost and expenses remained relatively stable in the first three years, while profits gradually increased, driving the upward trend in all three profitability indicators during this period. In 2022, operating profit dropped to a low of 55 million yuan, yet period expenses showed no significant reduction compared with previous years. This indicates operational inefficiencies and an inadequate cost control mechanism. In 2023, increases in selling expenses and R&D expenses drove up total costs, while profit growth remained marginal, resulting in minimal changes in the three profitability indicators for that year.

3.3 Operational Risk Identification

3.3.1 Accounts Receivable Turnover

Table 3-13 Accounts Receivable Turnover of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Net revenue from principal operations	1,060.82	1,132.28	984.29	382.00	637.32
Average accounts receivable	14.27	12.72	10.28	10.74	14.28
Accounts receivable turnover (times/year)	74.34	89.02	95.75	35.57	44.63

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

As shown in Table 3-13, the accounts receivable turnover ratio increased from 74.34 in 2019 to 95.75 in 2021, then declined to 35.57. Although it recovered to 44.63 in 2023, it remained below the levels of preceding years. The peak in 2021 was driven by the lowest average accounts receivable balance of the five-year period, at only 1.028 billion yuan. While Hongqi's average accounts receivable balance has remained relatively stable with minor fluctuations, the net revenue from principal operations declined sharply in 2022 due to market conditions, reaching a five-year low of 3.557 billion yuan, which caused the accounts receivable turnover ratio to plummet that year. To some extent, this decline exacerbates the adverse impact of the already low current ratio.

3.3.2 Inventory Turnover

Table 3-14 Inventory Turnover of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Average inventory balance	196.92	198.27	146.15	78.25	77.97
Cost of sales	911.42	1,032.20	888.09	352.52	586.30
Inventory turnover (times/year)	4.63	5.21	6.07	4.51	7.52

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

Inventory turnover first increased and then declined, reaching a low of 4.51 times in 2022. The declining inventory turnover may reflect low sales efficiency and potential inventory accumulation that cannot be sold in a timely manner, resulting in a large proportion of corporate capital being tied up in inventory form.

To further analyze the factors influencing inventory turnover, the following examination focuses on specific inventory items from 2019 to 2023:

Table 3-15 Major Inventory Components of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Inventory item/Year	2019	2020	2021	2022	2023
Raw materials	1.42	2.97	3.79	3.52	3.46
Finished goods	31.56	181.94	58.65	32.81	62.21
Work in progress and semi-finished products	7.72	4.73	6.76	5.64	4.49

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

The average inventory turnover ratio for the automotive industry in 2023 was 5.5 times per year. As indicated in Table 3-15, raw materials, work-in-progress, and semi-finished goods have fluctuated moderately with limited overall change over the five years, while finished goods inventory has exhibited more variability. In 2020, despite finished goods inventory reaching as high as 18.194 billion yuan, the cost of goods sold that year was also the highest of the five-year period, at 103.22 billion yuan, which prevented the inventory turnover ratio from falling too low. In 2022, the average inventory balance was only 7.825 billion yuan, with finished goods inventory at just 3.281 billion yuan. However, affected by market conditions, the cost of goods sold dropped precipitously to 35.252 billion yuan. The simultaneous decline in both inventory and cost of goods sold explains the extremely low inventory turnover ratio that year. Hongqi's 2022 inventory turnover was significantly below the industry average. Although the ratio improved in 2023, it is difficult to determine whether this improvement stemmed from recovery in demand following the 2022 sales slump, limiting the reference value of the 2023 figure.

3.3.3 Current Asset Turnover

Table 3-16 Current Asset Turnover Indicators of Hongqi Automobile, 2019–2023 (Unit: RMB 100 million)

Indicator/Year	2019	2020	2021	2022	2023
Net sales revenue	975.48	968.45	858.58	410.10	596.20
Average current assets	599.41	531.64	481.57	424.65	386.59
Current asset turnover (times/year)	1.63	1.82	1.78	0.97	1.54

(Source: Hongqi Automobile Annual Financial Statements, 2019–2023)

As shown in Table 3-16, Hongqi's current asset turnover increased from 1.63 times per year in 2019 to 1.82 times in 2020, and then continuously dropped to 0.97 times in 2022. From 2019 to 2020, net sales revenue basically stayed the same, while current assets decreased in 2020—mainly due to higher inventory levels that year. The sharp drop to 0.97 times in 2022 was because net sales revenue fell by 44.848 billion RMB compared to the previous year, while the average balance of current assets remained about the same. Also, the low accounts receivable turnover in 2022 contributed to the decline in current asset turnover that year.

4. Core Financial Risk Issues of Hongqi Automobile

4.1 Excessive Short-Term Liability Risk and Imbalanced Capital Structure

Hongqi's current ratio, quick ratio, and cash ratio have remained below safety thresholds for consecutive years. Notes payable, accounts payable, and short-term borrowings constitute the principal components of current liabilities. With concentrated maturity of short-term debt, the company's monetary funds and quickly realizable assets are insufficient to cover short-term repayment obligations. The proportion of long-term liabilities is relatively low, resulting in an imbalanced mix of long-term and short-term debt with concentrated repayment schedules, which can easily trigger periodic capital chain tightness. Although long-term solvency indicators remain stable, short-term solvency pressure constitutes the enterprise's primary financial hazard.

4.2 Inadequate Period Expense Control and Sustained Profit Margin Compression

Selling expenses and administrative expenses remain rigid and substantial. In 2022, total costs and expenses even exceeded operating revenue, and no standardized budget control mechanism has been established for various expense categories ^[4]. During industry downturns, revenue contracts while expenses fail to decline proportionally, directly driving sharp reductions in net profit margin and operating profit margin. The weakened self-financing capacity further amplifies both financing and investment risks.

4.3 Blind Expansion of Internal Investment Scale and Insufficient Investment Returns

The enterprise has continuously increased investment in fixed assets and construction in progress to expand production capacity. However, amid cyclical downturns in market demand, newly added capacity cannot be fully utilized. Inventory and accounts receivable continuously tie up working capital, while R&D investment is intermittent and insufficient in scale. Overall, internal investment exhibits an input-output imbalance, with substantial capital precipitation failing to convert into revenue and profits. The cost of internal investment is excessive while returns remain inadequate.

4.4 Insufficient Working Capital Turnover Efficiency and Slow Capital Recirculation

Accounts receivable turnover, inventory turnover, and current asset turnover all declined sharply in 2022. Inventory buildup and extended sales collection cycles have resulted in substantial capital being tied up in inventory and receivables, slowing capital liquidity and recirculation. The shortage of freely disposable working capital constrains daily operations, R&D funding, and debt servicing arrangements.

5. Financial Risk Control Strategies for Hongqi Automobile

5.1 Optimize Debt Structure and Scientifically Utilize Long-Term Liabilities

Adjust the ratio of long-term and short-term liabilities, moderately increasing the proportion of long-term loans and long-term bond financing to spread out debt maturities and avoid concentrated short-term repayment pressure. Use the company's fixed assets, plants, and equipment as collateral for medium- and long-term financing, instead of relying on tight short-term accounts payable and short-term loans. Set up a dynamic maturity management monitoring system and plan repayment funds in advance to prevent the risk of short-term cash flow interruptions.

5.2 Establish a Full-Process Budget System and Strictly Control Period Expenditures

Set up annual and quarterly sales, management, and financial budgets, set estimated spending targets for each department, and have strict approval processes for any overspending. Optimize sales channels to reduce ineffective advertising and channel discount expenses, and use digital marketing to cut sales costs. Create an expense adjustment mechanism linked to revenue, so that during industry downturns, non-essential management expenses can be cut proportionally to maintain stable profit margins.

5.3 Improve Investment Feasibility Assessment and Control Internal Investment Costs

Before any capacity expansion, equipment purchase, or R&D investment, first assess the market conditions, profitability, and cash flow, and set a minimum threshold for return on investment. Slow down inefficient construction and fixed asset expansion, and adjust capacity based on market sales to reduce capital tied up in idle assets. Maintain stable and continuous R&D investments, and evenly distribute funds between new energy and smart technology development to increase the value of intangible asset investments. Moderately expand diversified external equity investments to spread the risk of individual investments.

5.4 Optimize Working Capital Management and Comprehensively Enhance Capital Turnover

Accounts Receivable Management: Set up a customer credit rating system, extend credit terms for high-rated customers as needed, and require prepayment for low-rated customers. Establish a regular collection routine to shorten the payment cycle and boost accounts receivable turnover. **Inventory Management:** Use a make-to-order approach, dynamically adjust raw material and finished goods stock, set safety stock levels, and cut down on excess inventory through discounts and promotions to improve turnover. Coordinate the allocation of current assets to reduce idle funds, speed up overall asset turnover, and keep operating cash flow steady.

Conclusion

Based on Hongqi's comprehensive financial data from 2019 to 2023, this article takes a quantitative look at financing, investment, and operations, and identifies four major financial risks: high short-term debt pressure, weak management of cyclical expenses, insufficient returns on internal investments, and slow working capital turnover. Currently, Hongqi is in a stage of expanding its electric vehicle line and updating its high-end brand, with capital investment continuing to rise. If these financial risks aren't kept in check over the long term, they could limit the brand's sustainable growth.

Companies should optimize their debt capital structure, cut inefficient spending, standardize investment decision processes, and make the most of existing working capital to create an organized financial risk monitoring system. As the automotive industry, policies, and technology markets continue to evolve, new financial risks will keep emerging. Future research should dynamically update risk identification indicators, improve early warning and response mechanisms, and keep working to reduce financial losses.

Funding

No

Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

Reference

- [1] Zhao, J. (2021). Research on enterprise financial risk control — A case study of Company H. *Modern Business*.
- [2] Dong, J. (2019). Financial research on the new energy vehicle industry — A case study of King Long Motor. *Commercial Accounting*, (13).
- [3] Li, Y. (2019). Research on financial risk evaluation and control of Foton Motor [Master's thesis, Hebei University of Economics and Business].
- [4] Fu, H. (2020). Research on financial risk control in manufacturing enterprises. *Finance and Accounting Learning*, (1).
- [5] Luo, Y. (2021). Financial risk management and control of SMEs — A case study of Company A. *China Management Informationization*, 24(22).
- [6] Ni, Y. (2021). Research on financial risk evaluation and control of Company H [Master's thesis, Xi'an University of Technology].
- [7] Ye, C., Yang, L., Guan, X., Wang, Y., & Wang, L. (2020). Financial risk management strategies for contemporary SMEs in China — A case study of Company A. *Finance and Accounting for International Commerce*, (6).