# An Empirical Study on the Impact of Asset Sales on Financial Performance of Listed Companies under the Background of Information Asymmetry

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**Abstract:** The company's asset sale, like the company's M & A, is the means of the company's capital operation and the way for the company to adjust its business boundary or scale. As an important way of contractive capital operation, asset sale has been widely used in China's listed companies. However, there are few relevant studies and consensus on whether the capital sale behavior of China's listed companies can effectively improve the company's operating performance. This paper uses the financial indicators of the latest quarter after 678 asset sales events of 399 listed companies in Shanghai and Shenzhen stock markets from 2011 to 2021 as the research data, draws lessons from the research methods of Matthew J. Clayton and nazaliareisel (2013), takes earnings per share (EPS) and return on assets (ROA) as the explanatory variables, selects relative transaction value (RTV) as the key explanatory variable, and the greater the value of relative transaction value (RTV), It indicates that the larger the relative scale of asset sale, and the company's leverage ratio (Lev), net cash flow from operating activities per share (OCFPS) and asset liquidity are added(cur) and total asset turnover (TAT) as explanatory variables, this paper investigates the impact of asset sales on the company's short-term financial performance. The study finds that asset sales can improve the company's performance in the short term, and the degree of improvement increases with the expansion of relative transaction scale.

**Key words:** Asset Sale;Corporate FinancialPerformance ;Relative Transaction Value

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## Introduction

As early as the end of the 19th century and the beginning of the 20th century, the theory and practice of asset sale in western countries had sprouted. In the 1960s, the management of most group

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companies in western countries carried out large-scale merger and expansion in order to build a company with diversified market business. As a result, the situation of excessive diversification of the company was formed, resulting in a series of problems, such as excessive burden on the company, unreasonable resource allocation, lack of core competitiveness, increased business risk, decline of business performance and so on. It was not until the 1970s that executives in western countries realized that in order to change this situation, they must develop a new set of capital operation strategy, and then smart managers used asset sales as a means of capital operation in practice. Through the application of asset sale theory, we can sell non-performing assets and improve the core competitiveness of the company. Therefore, asset sale has become an effective management tool for companies in western countries to adjust their development strategies. It is widely used in corporate restructuring activities, which makes the development of asset sale theory more mature and systematic.

In China, asset sale began in 1993. At this time, asset sale is not a strict means of corporate capital operation, but a non operating asset sale dominated by government behavior and supplemented by corporate behavior with the joint-stock reform of state-owned companies. During this period, most of China's companies were produced by the restructuring of state-owned enterprises. The restructuring of these companies was incomplete and the blindness of diversified expansion, resulting in too many non-performing assets in these companies, which hindered the development of the company's business and the improvement of the company's business performance. Therefore, the company needed to sell some non-performing assets to improve the company's operation, but until 2000, Asset sale has been widely promoted and applied in China's listed companies, and has become an important part of the development strategy and operation management of China's listed companies and an effective tool for the company's strategic adjustment. The theoretical research results of asset sale are also increasing day by day, but the research enthusiasm of domestic scholars for corporate asset sale is far lower than that of corporate M & A. At the same time, the impact of asset sale on corporate performance is not so clear in China, although the mainstream view of western scholars believes that asset sale can increase corporate value. Due to the late development of China's capital market, there are still many immature and imperfect places. China's capital market is very different from western developed countries in terms of environment and supervision. Therefore, many meaningful practical problems still need to be carefully analyzed in combination with the situation of China's capital market.

## 1、Literature Review

### 1.1 Review of research on short-term performance of asset sale

In the relatively mature foreign capital market, the research method of asset sale performance is mainly the event research method. Boudreaux (1975) of the United States used the event research method to study the impact of asset sale on the company's stock price for the first time. His research shows that during the window period based on the occurrence of asset sale event, the stock price of the sample company shows an upward trend, that is, the asset sale improves the company's market performance. Since then, many scholars at home and abroad have studied the market performance of asset sales.

Heart &Zaima (1984) took 66 companies that first announced divestiture from 1979 to 1981 as a sample, and used the market model method to calculate the difference of stock excess return in several days before and after divestiture. The study found that asset divestiture can significantly improve the company's short-term market performance, indicating that asset divestiture has a great positive impact on shareholders' wealth. The author also studies the factors affecting the performance of asset divestiture companies. The author finds that companies with better financial conditions can obtain more excess returns through asset divestiture, and companies with larger divestiture can obtain more excess returns through asset divestiture. Gadad& Thomas (2001) selected 74 listed companies that had divested their assets from 1982 to 1994 as research samples. Using the market model and the market adjusted model, this paper calculates the stock cumulative excess return (car) in the window period, and studies whether shareholders get excess returns before and after the asset divestiture event. The research on the two models shows that the company can get significant positive market performance on the date of the asset divestiture event. Boudreaux, heart &Zaima, gadad& Thomas and other foreign scholars used the asset divestiture events of Listed Companies in their respective countries as the research object, which fully proved that asset divestiture can significantly improve the company's short-term market performance. At the same time, some foreign scholars have analyzed the source of short-term market performance of asset divestiture. It is worth our attention that the most commonly used explanation is the reduction of the degree of diversification of the parent company, which is different from the solution of agency theory and management efficiency hypothesis. The release coincided. Haynes (2002) studied the financial performance of asset divestiture by taking 132 companies that carried out asset divestiture from 1985 to 1993 as the research sample and taking the return on assets as the index to measure the company's performance. The research results found that asset divestiture can significantly improve the company's short-term financial performance.

Generally speaking, most foreign scholars basically agree on the research of asset divestiture, that is, in the short term, the company can obtain significant positive market performance or financial performance. Then, some domestic scholars mainly used the event research method to make an empirical study on the short-term market performance of the company that carried out the asset sale event.

### 1.2 Review of research on long-term performance of asset sale

Montgomery and Thomas (1988) used the financial analysis method to study the corporate performance after asset divestiture for the first time, taking 43 companies that divested their assets in 1984 as the research sample. They also selected the three indicators of earnings per share, current ratio and asset liability ratio as the descriptive statistical indicators of the company's financial performance. They not only compared the changes of these three financial indicators in the three years before and after the divestiture, but also compared the performance of Companies in the same industry without divestiture. The study found that before the divestiture, the performance of companies with asset divestiture events was lower than those without asset divestiture, During in-depth research, they also found that the impact of various asset divestiture methods on the company's performance is basically the same, and the long-term operating performance of most companies has been improved after asset divestiture.

Woo et al. (1992) calculated the values of various financial indicators of 5L companies in the three years before and after the asset divestiture. By comparing the financial indicators in the three years before and after the asset divestiture, the author found that after the divestiture, except one indicator showed an upward trend as a whole, other indicators did not show a significant upward trend after the divestiture. The study also found that if the divestiture part was within the main business scope of the company, Then asset divestiture will lead to the deterioration of the company's long-term financial performance. John and Ofek (1995) took 321 companies that sold assets from 1986 to 1988 as research samples to measure whether the business concentration of the company has been improved after selling assets by investigating the number of products and HHI index. The author selects the index EBITDA minus the average performance of the same type of Companies in the same period as the index to describe the financial performance of asset sales. The study found that asset divestiture can significantly improve the company's long-term financial performance. At the same time, they also found that after the divestiture, the long-term improvement of the company's performance has a significant positive correlation with the improvement of the company's business concentration.

## 2、 Research hypothesis

Although asset sale is a contraction strategy, it is also one of the strategies adopted by the company for development, and it is also a means used by the company to enter the benign development track. This paper uses the relative value of asset sales to measure the strength of this means. The relative transaction value refers to the ratio of the value of the consideration obtained by the company through asset sales to the total assets of the company. The greater the relative transaction value, the greater the impact of asset sales on the operating performance of the company. Alexarldrou et al. (2001) found that when the relative value of the assets sold by the company is greater, the company will get better performance. In order to test the effectiveness of the strategic means of asset sale and the relationship between this effectiveness and the relative transaction value of asset sale, this paper puts forward hypothesis 1:

**Hypothesis 1:** in the short term, the company can improve its financial performance through asset sales, and the higher the relative transaction value, the more obvious the improvement of the company's financial performance.

In the study of Matthew J. Clayton and Natalia reisel (2013) on the asset sale behavior of American companies, they concluded that companies with high leverage ratio will use the funds obtained from the asset sale for debt repayment, so as to improve the company's capital structure and finally have a positive impact on the company's financial performance. Therefore, they believe that after the asset sale of companies with high leverage ratio, It can better improve the company's short-term financial performance. However, the sample they investigated is in the relatively mature capital market of the United States, and the object of this paper is in China's capital market. Compared with the United States, China's capital market is still relatively backward in terms of management system and development degree, and the punishment for companies in debt default is not severe enough. Because of the difference of research environment, this paper puts forward hypothesis 2:

**Hypothesis 2:** for China's listed companies, the lower the leverage ratio of the company selling assets, the more obvious the improvement of short-term financial performance.

There are many motives for asset sales, and the relative transaction value can reflect the motives of the company for asset sales to a certain extent (Zhao Linlin, 2010). Therefore, this paper proposes to classify the relative transaction value of asset sales according to the size, and put forward hypothesis 3:

**Hypothesis 3:** within a certain range of relative transaction value, the company's short-term financial performance is negatively correlated with the relative transaction value of asset sales.

Because there are differences in the nature of Companies in different industries, in order to investigate whether this difference has an impact on the results of asset sales, and for the purpose of testing the robustness of the regression results, this paper puts forward Hypothesis 4:

**Hypothesis 4:** no matter whether the company's industry is industrial or non industrial, the impact of asset sales on their short-term financial performance is the same.

Foreign scholar Haynes (2002) and domestic scholar Li Xindan et al. (2003) Wu Xiaojing (2010), sun Chunxiao and Li Chunyan (2014) respectively used different methods to investigate the long-term financial performance of the company's asset sales and reached different conclusions. In order to enrich the research on the long-term financial performance of asset sales, this paper puts forward hypothesis 5:

**Hypothesis 5:** compared with the year when the asset sale event occurs, the company can not obtain good financial performance in the first and second years after the asset sale.

## 3、 Empirical research and conclusion on the impact of asset sale on the company's short-term financial performance

### 3.1 Research design

#### 3.1.1 Sample selection and data source

This paper selects asset sale as the research object for the following reasons: (1) asset sale is a way for the company to sell part of the company's assets to the asset acquirer, realize the transfer of asset control and obtain the consideration of asset sale. In the event of asset divestiture of Listed Companies in China, asset sales account for more than half. The sufficient data can make our research conclusion more scientific. (2) The company's asset sale behavior has obvious characteristics. If it is not distinguished, it will affect the research effect and results to confuse the asset stripping behavior including various types of asset restructuring. (3) Asset sale is a major strategic decision of the company, and its quantity and scale are increasing year by year. It is not only related to the future development direction of the company, but also related to the optimal allocation of resources in the whole macro-economy. Therefore, the research on asset sale events in China is particularly important.

This paper selects the listed companies that have carried out asset sales in Shanghai and Shenzhen as the sample, and takes the financial indicators of the sample companies in the latest quarter after asset sales as the sample observation value. The principles and sources of sample selection are as follows:

(1) Taking the listed companies in Shanghai and Shenzhen as the total sample, 713 asset sales events with trading time between 2011 and 2021 are selected as the initial research sample. (2) The samples of asset sales with other types of restructuring events in the same period of asset sales shall be eliminated. Because if there are many different types of restructuring events in the short term, it will interact with the original asset sale event and affect the empirical results. The impact of uncertainty. To sum up, this paper excludes the sample companies with different types of asset restructuring in the year of asset sale. (3) The lower limit of the sale amount is set at 10 million yuan. If the sale amount is too small, the relevant indicators. It is difficult to make a strong explanation for the company's asset sales. (4) The samples of asset sales events belonging to related party transactions are excluded, because in related party transactions, the management or major shareholders may sell the company's assets to units closely related to the seller's company at a price lower or higher than the market, so as to whitewash the financial data and attract investors. Both cases will make the sample data distorted and have an uncertain impact on the empirical results. Therefore, this paper excludes related party transactions.

Through the above sample screening conditions, this paper screens the original research samples. Finally, this paper selects 678 asset sales events from 2011 to 2021 as samples, and makes an empirical study based on the company's financial data in the latest quarter after the completion of each asset sales transaction. The asset sales event samples are from Sina Finance and economics database; The financial data of listed companies come from guotai'an database and Ruisi database; The industry classification standard of listed companies comes from guotai'an China stock market trading database.

**Table 1 Variable definition of regression model**

| variable | Variable name | variable symbol | variable-definition |
|---|---|---|---|
| dependent variable | per-share earnings<br>return on assets | EPS<br>ROA | The ratio of profit to total share capital is used to measure the company's financial performance |
| independent variable | Relative transaction value | RTV | Ratio of transaction value of assets to total assets |
| | leverage ratio | Lev | Ratio of liabilities to liabilities plus total assets |
| | Net cash flow per operating activities per | OCFPS | The ratio of the net cash flow generated from operating activities to the total share capital |
| | Asset flow rate | Cur | The ratio of current assets to total assets |
| | turnover of total capital | TAT | Ratio of income to total assets |

### 3.1.2 Model setting

In order to make the research conclusions of this paper comparable with those of foreign scholars, we also adopt the basic performance evaluation model of asset sale of Matthew J. Clayton and Natalia reisei (2013), namely the following model (1):

$$EPS = \alpha_0 + \alpha_1 RTV + \alpha_2 Lev + \alpha_3 OCFPS + \alpha_4 Cur + \alpha_5 TAT + \varepsilon \quad (1)$$

In addition, in order to verify whether the different industries of the companies in which the assets are sold have an impact on the company's financial performance, we add the dummy variable (ind) distinguishing industries on the basis of the basic model (1), that is, model (2) to test whether the asset sales of Companies in different industries have different effects on the company's short-term financial performance. Model (2) is as follows:

$$EPS = \alpha_0 + \alpha_1 RTV + \alpha_2 Lev + \alpha_3 OCFPS + \alpha_4 Cur + \alpha_5 TAT + \alpha_6 Ind + \varepsilon \quad (2)$$

In addition to EPS, the main indicators to evaluate the company's financial performance are ROA and roe. In order to ensure the robustness of the research conclusion, this paper selects ROA as the dependent variable to establish the model (3) to test the robustness of the empirical results of model (1) and model (2). Model (3) is as follows:

$$ROA = \alpha_0 + \alpha_1 RTV + \alpha_2 Lev + \alpha_3 OCFPS + \alpha_4 Cur + \alpha_5 TAT + \varepsilon \quad (3)$$

### 3.1.3 Descriptive statistics and correlation test of variables

**Table 2 Full sample descriptive statistics**

| | average | mid-value | maximum | minimum | standard | sample |
|---|---|---|---|---|---|---|
| EPS | 0.1130 | 0.0700 | 1.4300 | -0.6900 | 0.2299 | 678 |
| ROA | 0.0186 | 0.0100 | 0.4300 | -0.4200 | 0.0500 | 678 |
| RTV | 0.0775 | 0.0400 | 1.8000 | 0.0005 | 0.1372 | 678 |
| Lev | 0.3541 | 0.3700 | 0.7200 | 0.0035 | 0.1052 | 678 |
| OCFPS | 0.2292 | 0.1000 | 2.3300 | -0.4300 | 0.3353 | 678 |
| Cur | 0.5289 | 0.5300 | 1.0000 | 0.0000 | 0.2144 | 678 |
| TAT | 0.2865 | 0.2200 | 2.9300 | -1.5000 | 0.4309 | 678 |

Through the descriptive statistical analysis in Table 2, we can find that the average value of the explained variable EPS is 0.1130, the minimum value is - 0.6900, the maximum value is 14300, and the average value of the explained variable ROA is 0.0186, the minimum value is - 0.4200, and the maximum value is 0.4300, which can reflect that the asset sales of Listed Companies in China have a positive impact on the company's short-term financial performance to a certain extent. The average value of the key variable RTV is 0.0775, the maximum value is 1.8000, the minimum value is 0.0005, and the standard deviation is 0.1372, which can reflect the relatively large fluctuation of the relative transaction value of asset sales. Therefore, in the later paper, this paper divides the cross-sectional data into two parts according to the size of the index RTV, regresses them separately, and draws the corresponding conclusions. It can be observed that there is a sample with an RTV value of 1.8000. The author can see from the annual report of the sample company that the ST company stripped off all its assets and liabilities in that year, resulting in only one empty shell of the ST company. However, since the company completed the reorganization and was able to operate normally in that year, this paper studies such events as major asset sales of the company. The indicator Lev reflects the company's debt ratio, with an average of 0.3541, a maximum of 0.7200 and a minimum of 0.0035, indicating that the debt ratio of companies selling assets in China is generally high. There are great differences in net cash flow from operating activities (OCFPS) and total asset turnover (TAT) per share. The average value of net cash flow from operating activities per share is 0.2292, the median value is 0.1000, the maximum value is 2.3300, and the minimum value is only 0.4300; The average value of total asset turnover is 0.2865, the median value is 0.2200, the maximum value is 2.9300 and the minimum value is- 1.5000.

**Table 3 correlation test among variables**

| | EPS | ROA | RTV | Lev | OCFPS | Cur | TAT |
|---|---|---|---|---|---|---|---|
| EPS | 1 | | | | | | |
| ROA | 0.4483 | 1 | | | | | |
| RTV | 0.0579 | 0.1434 | 1 | | | | |
| Lev | -0.0640 | -0.0397 | 0.0982 | 1 | | | |
| OCFPS | 0.0555 | -0.0002 | -0.0541 | -0.0255 | 1 | | |
| Cur | 0.0074 | -0.0126 | -0.0149 | 0.1266 | 0.0056 | 1 | |
| TAT | 0.2077 | 0.0603 | -0.0162 | 0.1182 | -0.0776 | -0.0152 | 1 |

In the current academic research, correlation analysis is mainly used to measure the strength of linear correlation between variables. Among a variety of correlation test methods, Pearson correlation coefficient analysis is the most commonly used. Therefore, before regression analysis, this paper uses Pearson correlation analysis to investigate the correlation coefficient between variables to test whether there is multicollinearity between variables.Table 3 shows the Pearson correlation coefficients between the variables. According to the research conclusion of Lind et al. (2002), this paper believes that if the correlation coefficient between variables is less than 0.7, the linear correlation between variables is not significant. As can be seen from table 3, the correlation coefficients between these variables are less than 0.7, so the collinearity between these seven variables is not strong. Therefore, the relevant indicators selected in this paper are more scientific, and then the cross-sectional data can be used for regression analysis.

### 3.2 An empirical test of the impact of asset sales on the company's short-term financial performance

**Table 4 regression results of the impact of asset sales on financial performance of Listed Companies in China under the full sample**

| dependent variable | EPS model( 1) | ROA model( 3) |
|---|---|---|
| RTV | 0.127** | 0.0551"* |
| | (2-01) | (3-95) |
| Lev | -0.216"* | -0.0295" |
| | (-2.60) | (-2.31) |
| OCFPS | 0.0511** | 0.00178 |
| | (1-99) | (0.31) |
| Cur | 0.0258 | -0.000330 |
| | (0.64) | (-0.04) |
| TAT | 0.121*" | 0.00824* |
| | (6.01) | (1.85) |
| Cons | 0.119*** | 0.0222"* |
| | (3.35) | (2.82) |
| *N* | 678 | 678 |
| adj. $R^2$ | 0.055 | 0.021 |

Note: the "* * *", "* *" and "*" in the table indicate that they are significant at the level of 1%, 5% and 10% respectively

Table 4 shows the regression results of model (1) on the total sample. From the regression results of the total sample, we can see that there is a significant positive correlation between earnings per share (EPS) and return on assets (r0a) and the relative transaction value (RTV) of asset sale (significant at the level of 5% and 1% respectively), which shows that asset sale can improve the company's financial performance in the short term. It also shows that within a certain range, the greater the transaction value (RTV) of asset sales, the more obvious the improvement of the company's financial performance. This conclusion verifies hypothesis 1. These two conclusions also support the research of Matthew J. Clayton and Natalia reisel (2013), LuoLiangzhong et al. (2006), Wang Jing et al. (2015).

For these two conclusions, there may be the following reasons:

1. The company sells the non-performing assets with poor operating performance in a short time, which can not only make the company get rid of the original operating difficulties, but also bring new cash flow to the company's operation with the funds after asset sales, so that the company can obtain good financial performance in a short time; In terms of corporate management, according to the management efficiency hypothesis, the company can not only enhance the business concentration of the company by selling non core departments, but also make more potential investment by using the funds obtained from

asset sales. Both results can maintain the management efficiency of the company at a high level and finally improve the financial performance of the company; In terms of cost, according to the agency theory, the company can reduce the agency cost by selling assets, so as to improve the financial performance of the company; From the perspective of improving the business concentration of enterprises, through asset sales, companies with high diversification can better return to their main business and make the limited resources of the company more efficient allocation, the company's operating performance is improved, which is the same as the research conclusion of John &Ofek (1995).

2. According to the "Refocusing" theory of enterprises, in general, the greater the relative transaction value of asset sales, the greater the asset sales consideration it obtains, the more capital to strengthen the company's core business, and the improvement of the company's core competitiveness will be more obvious, so that the company's financial performance will be improved. According to agency theory, the greater the relative transaction value of asset sale, the lower the agency cost of the company. Therefore, within a certain range, the response of the company's asset sale behavior to the company's short-term financial performance is positive.

The regression results in Table 4 can also verify hypothesis 2, that is, earnings per share (EPS) and return on assets (ROA) are significantly negatively correlated with the company's leverage ratio (Lev) (significantly at the level of 1% and 5% respectively). This conclusion is contrary to the research conclusion of foreign scholars Matthew J. Clayton and Natalia reisel (2013) on the asset sales of American companies. Their conclusion is that high leverage companies use the funds obtained from asset sales for debt repayment, so as to improve the company's capital structure and achieve the purpose of improving the company's financial performance. Therefore, they believe that after the asset sales of companies with high debt level, It can better improve the company's short-term financial performance. However, the sample they investigated is in the relatively mature capital market of the United States, and the object of this paper is in China's capital market. Compared with the United States, China's capital market is relatively backward in terms of management system and development degree, and the punishment for debt default companies is not severe enough. Because of the differences of research environment at home and abroad, this paper draws the opposite conclusion.

The specific reason for the company's high leverage ratio is that the government does not pay enough attention to the debt repayment rate of the company, but the lack of confidence of the company's capital structure, Not only did it not reduce the debt operation risk of the company, but also increased the operation risk faced by the company, which eventually led to the difficulty of such highly leveraged companies to achieve better financial performance. The research results of domestic scholars Ma Hui (2008), Wang Dihua and Zhang Qing (2015) can support this view. While the diversification degree of low leverage companies is relatively low (Wu canglan, 2006), the funds obtained after asset sales can be used for main business development, so as to better improve the company's financial performance.

**Table 5 regression results grouped by transaction size**

| | | | | |
|---|---|---|---|---|
| RTV | -3.926… (-4.25) | 0.190*" | -0.231" | 0.0738"， |
| | | (2-71) | (-2-24) | (4.21) |
| Lev | -0.378*** | -0.0650 | -0.0505" | -0.00335 |
| | (-2.99) | (-0.62) | *(-197)* | (-0.13) |
| OCFPS | 0.0747** | 0.00713 | 0.00191 | -0.000488 |
| | (2.31) | (0.17) | (0.29) | (-0.05) |
| Cur | 0.0123 | 0.0760 | -0.0154 | 0.0180 |
| | (0.22) | (133) | (-1.36) | (1-26) |
| TAT | 0.0935… | 0.167… | -0.00150 | 0.0258*" |
| | (3.80) | (4.77) | (-0.30) | (2-96) |
| Cons | 0.277"* | 0.0126 | 0.0499*** | -0.00866 |
| | (5.32) | (0.25) | (4.72) | (-0.69) |
| *N* | 394 | 284 | 394 | 284 |
| adj./?$^2$ | 0.092 | 0.093 | 0.012 | 0.081 |

Table 5 divides the sample companies into small-scale Trading Group (rtvw0.4) and large-scale trading group (RTV > 0.4) according to the relative transaction value, and then uses model (1) and model (3) for regression respectively. From the regression results, we can see that when the relative transaction value is low, the earnings per share (EPS) and return on assets (ROA) representing the company's financial performance have a significant negative correlation with the relative transaction value (RTV) of asset sale (significant at the level of 1% and 5% respectively), which verifies the hypothesis that when the relative transaction value of 3O is high, Earnings per share (EPS) and return on assets (r0a), which represent the company's financial performance, have a significant positive correlation with the relative transaction value (RTV) of asset sales (both significant at the 1% level), which is the same as the conclusion of regression on the total sample. For these two opposite conclusions, on the one hand, it may be that companies with low relative value are in a relatively good business environment before asset sales, and such companies sell small-scale assets for the motivation of small-scale company operation structure adjustment or earnings management (Zhao Linlin, 2010). Therefore, in such companies with relatively low transaction scale, the lower the relative transaction value, the better the short-term financial performance of asset sales. On the other hand, the relatively large-scale companies selling assets generally sell all the control rights of some departments or subsidiaries of the company on a large scale with the motivation of returning to the main business. According to the "Refocusing" theory of enterprises, such companies have more capital to strengthen their core business, and their core competitiveness has been better strengthened, so as to achieve the purpose of improving the company's financial performance.

## 4. Conclusion

The regression results of the whole sample show that asset sales can significantly improve the company's short-term financial performance, but the positive effect on the company's long-term financial performance is not very significant; In China, the lower the leverage ratio of the company, the better the short-term financial performance created by asset sales for the company; The larger the relative transaction scale of asset sale, the better the company's short-term financial performance; The financial performance of the company before the sale of assets is generally poor.

The classification of samples shows that, within a certain range, the higher the relative transaction value in the event group of large-scale asset sales, the better the company's short-term financial performance. However, in the event group of small-scale asset sale, the lower the relative transaction value of asset sale, the better the company's short-term financial performance. For these two opposite results, it may be caused by different motives of asset sale. The study also found that in the sample of small-scale asset sale, the lower the leverage ratio, the better the company's financial performance; In the sample of large-scale asset sales, leverage ratio has no significant impact on the company's financial performance. At the same time, according to the different industries of the company, this paper divides the sample companies into industrial companies and non industrial companies. The research shows that the creation of short-term financial performance by asset sales does not have obvious industry characteristics. For industrial companies, the greater the relative transaction value, the better the company's performance.

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