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## Introduction

This book is a comprehensive empirical study analysing the implementation of China's corporate reorganisation law, which is at the heart of China's first rescue-oriented bankruptcy statute, the China Enterprise Bankruptcy Law 2006 (the EBL 2006), which was promulgated on 27 August 2006 and took effect from 1 June 2007.<sup>1</sup>

As the second largest economy at present and probably the largest in the very near future,<sup>2</sup> China plays a growing economic role at the world stage.<sup>3</sup> Its economic weight calls for a close examination of how Chinese businesses interact with the state in enforcing contracts, and how and to what extent creditors are protected by the state when things go wrong. More importantly, what happens in implementing China's corporate reorganisation law may provide a unique angle through which the Chinese business environment can be better understood.

Before outlining the structure of this book, this chapter provides some contextual background at first. Section 1.1 describes the brief history of bankruptcy law in China. Section 1.2 sheds light on the making of the latest bankruptcy legislation, the EBL 2006. Section 1.3 considers the main features of the reorganisation chapter of the EBL 2006. Section 1.4 describes the structure of the book and what is covered in each chapter. Section 1.5 explains the methodology, especially on the data sources of this study.

<sup>1</sup> See the English version of the EBL 2006, which was translated by the Bankruptcy Law and Restructuring Research Centre, directed by Professor Li Shugang, at the China University of Political Science and Law, cited generally in 'Enterprise Bankruptcy Law of the People's Republic of China' (2008) 17 *International Insolvency Review* 33, 35.

<sup>2</sup> Some predict that China may overtake the USA as the largest economy in 2021. See 'What China Wants; China and the World' *The Economist* (London, 23 August 2014).

<sup>3</sup> See John Knight and Sai Ding, *China's Remarkable Economic Growth* (Oxford University Press 2012) chapter 2 especially.

### 1.1 The Recent History of Bankruptcy Law in China

China's first bankruptcy law was adopted in 1906,<sup>4</sup> during the era of the Qing Dynasty under the feudal system. The 1906 law applies to both businesses and individuals, and adopts *pari passu* between creditors. Due to strong resistance from business communities, this law was annulled one year later in 1907,<sup>5</sup> and the Qing royal court considered amending this law and integrating it into the prospective commercial code.<sup>6</sup> Unfortunately, the government was overthrown by the republic rebellion in 1911,<sup>7</sup> and the bankruptcy law reforms were buried along with the last royal dynasty in China.

Following the collapse of the Qing Dynasty, China was mired in civil war for many years. In 1935, the Kuomintang republic administration enacted the bankruptcy law of 1935, which borrowed many principles from the bankruptcy laws of the United Kingdom and France. The law was acclaimed as a paragon of consolidating international legal norms with local custom.<sup>8</sup> The 1935 law regulates the bankruptcy of both individuals and businesses and establishes a court-centred bankruptcy system.<sup>9</sup> Again, unfortunately, when the Communist Party won the civil war in 1949, the new revolutionary government abolished all laws enacted by the previous regime; inevitably, the bankruptcy law of 1935 was on the abolition list and disappeared from China afterwards.<sup>10</sup> This law, however, is still in effect in Taiwan, an island to which the Kuomintang government retreated.<sup>11</sup>

<sup>4</sup> Chang Nieh-Yun, *Translation of the Chinese Bankruptcy Code of 1905* (The American Presbyterian Mission Press 1907) 1. See also Ronald Winston Harmer, 'Insolvency Law and Reform in the People's Republic of China' (1996) 64 *Fordham Law Review* 2563, 2567.

<sup>5</sup> Motono Eiichi, 'Sino-British Disputes over Collecting Debts in Shanghai before the 1911 Revolution: An Analysis of Several Civil Cases Just after "the Rubber Stock Financial Crisis"' (2004) 357 *The Waseda Journal of Political Science and Economics* 55, 56.

<sup>6</sup> Lizhi Xu, 'Commercial Law Reforms in the Late Qing Dynasty' (Working Paper, the China Academy of Social Science Institute of Law) [www.iolaw.org.cn/shownews.asp?id=2367](http://www.iolaw.org.cn/shownews.asp?id=2367) accessed 14 September 2017.

<sup>7</sup> See David Strand, *An Unfinished Republic: Leading by Word and Deed in Modern China* (University of California Press 2011) chapter 2 especially.

<sup>8</sup> Xiahong Chen, 'The Modern China's Bankruptcy Laws and Their Fates' (2010) 28 *Tribune of Political Science and Law* 57, 60.

<sup>9</sup> The China Bankruptcy Law of 1935, Articles 2 and 3.

<sup>10</sup> See generally Suzanne Pepper, *Civil War in China: The Political Struggle, 1945–1949* (2nd edn., Rowman & Littlefield 1999) 385.

<sup>11</sup> The bankruptcy law of 1935 can be accessed from the parliament of Taiwan, the Legislative Yuan at [www.lis.ly.gov.tw](http://www.lis.ly.gov.tw).

After 1949, the Chinese Communist government adopted a Soviet-style planned economy,<sup>12</sup> which seems to be incompatible with a market-based bankruptcy law. Thus, China did not have a bankruptcy law until the ruling class realised, in the 1980s, that a sustainable economy needs a bankruptcy law to deal with business failures even for state-owned enterprises (SOEs).<sup>13</sup> The efforts of the reformers led to the promulgation of the China Enterprise Bankruptcy Law 1986 (the EBL 1986).<sup>14</sup>

It is fair to say that the EBL 1986 was not made to serve creditors as a collective forum to tackle business bankruptcies; instead, the Chinese government expected to use this law to warn SOEs of the consequence of bankruptcy if they could not operate their businesses efficiently.<sup>15</sup> This law only applies for the bankruptcy of SOEs.<sup>16</sup> Years later, in 1991, a chapter on bankruptcy for private enterprises was inserted into the China Civil Procedure Law 1991 so as to provide a bankruptcy solution for all enterprises.

Under the Chinese Communist government, there is no bankruptcy law for individuals, mainly because of communism's political ideology,<sup>17</sup> although repeated efforts have been made to draft a personal bankruptcy law to address the debt problems of individuals.<sup>18</sup> Before 2006, the EBL 1986 and the China Civil Procedure Law 1991 chapter 19 on Bankruptcy were predominately used by the Chinese government to close down inefficient SOEs.<sup>19</sup> Then the rapid growth of China's private economy in recent decades and especially China's accession to the World Trade Organization (WTO) in 2001 demanded a new bankruptcy law to protect creditors.<sup>20</sup>

<sup>12</sup> See generally Frank Dikotter, *The Tragedy of Liberation: A History of the Chinese Revolution 1945–1957* (Bloomsbury Publishing 2013) 225.

<sup>13</sup> Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping* (Princeton University Press 1994) 39.

<sup>14</sup> For an excellent essay on the establishment of the EBL 1986 in China, see Siyuan Cao, 'My Personal Efforts to Make China's First Enterprise Bankruptcy Law (Part 2)' (1998) 1 *Enterprise Marketing* 24, 27.

<sup>15</sup> See Wang Weiguo and Charles Booth, 'Study on Alternative Approaches for Debt Restructuring of Enterprises in China' (A Report for the Project on Debt Restructuring of Enterprises from the State Economy and Trade Commission of China) [www.iiglobal.org](http://www.iiglobal.org) accessed 18 June 2013.

<sup>16</sup> The Enterprise Bankruptcy Law 1986, Article 2.

<sup>17</sup> See Liming Wang, 'Several Issues of Making the China Bankruptcy Law' (2002) 5 *China Legal Science* 78, 79.

<sup>18</sup> See Shuguang Li, 'Some Problems of Drafting the China New Bankruptcy Law' (2002a) 7 *The Journal of Accounting* 55, 56.

<sup>19</sup> See Shuguang Li, 'Bankruptcy Law in China: Lessons of the Past Twelve Years' (2001) 4 *Harvard Asia Quarterly* 1.

<sup>20</sup> 'China's Economy and the WTO: All Change' *The Economist* (London, 10 December 2011) [www.economist.com/node/21541448](http://www.economist.com/node/21541448) accessed 14 September 2017.

## 1.2 The Making of the China Enterprise Bankruptcy Law 2006

In fact, shortly after the EBL 1986 took effect, in 1994, the China People's Congress, the legislative body, began to amend the fragmented bankruptcy legislation.<sup>21</sup> A drafting team was then formed by the China People's Congress Financial and Economic Committee, and in March 1995, the draftsmen studied Chapter 11 of the American Bankruptcy Code,<sup>22</sup> and decided to add a chapter on reorganisation in the hopes of having a rescue-oriented bankruptcy law.<sup>23</sup>

In September 1995, the final draft was submitted to the China People's Congress Standing Committee, the chamber making the final decision, for deliberation, but this draft was shelved.<sup>24</sup> It is believed that the Congress halted this process for fear that a vigorously implemented bankruptcy law might lead to devastating social consequences,<sup>25</sup> because almost all then SOEs in China were technically bankrupt.<sup>26</sup>

Three years later, in 1998, efforts to amend the bankruptcy law resumed, probably because at that time China was in intense negotiations with the members of the WTO for the accession of its membership, which demanded that China have an effective bankruptcy system to protect creditors.<sup>27</sup> In January 2001, a draft entitled 'the China Enterprise Bankruptcy and Reorganisation Law' was sent to the China People's Congress Financial and Economic Committee for consideration, but again there was no formal response to this draft; the second round of amendment efforts also came to an abrupt end.<sup>28</sup>

<sup>21</sup> Roman Tomasic and Margaret Wang, 'Reforming China's Corporate Bankruptcy Laws' (2005) 18 *Australian Journal of Corporate Law* 220, 222.

<sup>22</sup> See Philip Boer and Yu Tan, 'An Analysis of Chapter 11 of American Bankruptcy Code 1978' (1993) 30 *Peking University Law Journal* 59.

<sup>23</sup> Changyin Han, 'The Legislative Evolution of the Bankruptcy Enterprise Law in China and Its Lessons' (2009) 7 *Citizenship and Law* 2, 3.

<sup>24</sup> *Ibid.*

<sup>25</sup> See Terence C. Halliday, 'The Making of China's Corporate Bankruptcy Law' (The Foundation for Law, Justice and Society) 1, 3.

<sup>26</sup> Jingxia Shi, 'Bankruptcy Law Reform in China' (The Second Forum for Asian Insolvency Reform, Bangkok Thailand, 16–17 December 2006) 2; See also Yaobing Yan, 'Incubated for Ten Years, a New Bankruptcy Law will be Passed in the Congress Soon' (2004) 42 *China Economy Weekly* 1.

<sup>27</sup> See Mathieu Remond, 'The EU's Refusal to Grant China 'Market Economy Status (MES)'' (2007) 5 *Asian Europe Journal* 345.

<sup>28</sup> Weijing Wu, 'Commencement of Bankruptcy in China: Key Issues in the Proposed New Enterprise Bankruptcy and Reorganisation Law' (2004) 35 *Victoria University Wellington Law Review* 239, 244.

Two years later, in 2003, the China People's Congress Financial and Economic Committee formed a new drafting team. This led to a draft finalised on 21 June 2004 that was passed on to the Congress Standing Committee for deliberation;<sup>29</sup> in the following two years, the Standing Committee debated this draft in three ad hoc panel meetings, and finally, the rocky journey reached a happy end: the EBL 2006 was passed at the Congress Standing Committee on 17 August 2006 and became law.<sup>30</sup>

Arguably, two contentious issues posed significant hurdles for the new bankruptcy law to gain acceptance politically, leading to the delayed promulgation of the EBL 2006. The first issue addresses the bankruptcy standard for SOEs. The new unified bankruptcy law requires all enterprises, state-owned and private, to be treated equally, but the problem is that if SOEs were subject to the usual bankruptcy tests (involving cash flow and balance sheets) probably the majority of them would be put into bankruptcy. This concept is legally sound but politically dangerous; the drafting team cannot reach an agreement as to whether a separate bankruptcy law should be tailored for SOEs or whether the new EBL should not apply to SOEs.<sup>31</sup>

The second issue is whether employee claims should be given priority over securities in corporate bankruptcy. Apparently, the national leaders disagree with each other. The liberals assert that labour protection should be strengthened outside the bankruptcy law. There are concerns that employee priority over securities may considerably undermine China's financial system, in which most banks rely on collaterals to extend credit. However, the conservatives insist that worker rights prevail over anything else, probably because of communism ideology.<sup>32</sup>

Certain concessions are made in the EBL 2006 to satisfy both sides. The EBL 2006 has three main bankruptcy procedures: chapter 8 on reorganisation, chapter 9 on conciliation, and chapter 10 on liquidation. The order

<sup>29</sup> Zhijie Jia, 'Explanation of the Bankruptcy Law Draft' (2006) 7 *Gazette of the China People's Congress Standing Committee* 575.

<sup>30</sup> See Charles D. Booth, 'The 2006 PRC Enterprise Bankruptcy Law: The Wait Is Finally Over' (2008) 20 *Singapore Academy of Law Journal* 275; see also Ravi Bendapudi, 'People's Republic of China Bankruptcy Law' (2008) 6 *Santa Clara Journal of International Law* 205, 211–12.

<sup>31</sup> Shi, 'Bankruptcy Law Reform in China'.

<sup>32</sup> Bruce G. Carruthers and Terence C. Halliday, 'Negotiating Globalization: Global Scripts and Intermediation in the Construction of Asian Insolvency Regimes' (2006) 31 *Law & Social Inquiry* 521, 568.

of these three chapters somewhat reflects the lawmakers' intention to promote the use of reorganisation.<sup>33</sup>

### 1.3 The Main Features of the Reorganisation Chapter in the EBL 2006

Despite the absence of a personal bankruptcy law, by Chinese standards, the EBL 2006 is a unified corporate bankruptcy law, because it is the first single piece of bankruptcy legislation applying to both state-owned and private companies. More precisely, all companies incorporated in China are subject to this law. As noted before, some pro-rescue mechanisms used in Chapter 11 of the American Bankruptcy Code are integrated into the EBL 2006, which results in many positive comments.<sup>34</sup> The EBL 2006 seems to be pro-rescue on a number of fronts.

First, the reorganisation procedure is open to any companies experiencing difficulty. Under the EBL 2006 Article 2, an enterprise that has an independent legal status is eligible to enter into the reorganisation procedure, and given that, under the China Companies Law 2005 Article 3, which automatically grants independent legal status to all companies incorporated under this law, the reorganisation chapter of the EBL 2006 can be invoked by any companies for a judicial restructuring. The difference between state-owned and private companies is not a matter of concern.

Second, under the EBL 2006 Article 2, if a company files for reorganisation, it does not need to show evidence of bankruptcy. When applying for reorganisation, a company does not need to pass the bankruptcy tests. This may considerably encourage early filings before it is too late.<sup>35</sup>

Third, debtor-in-possession is also introduced into the China corporate reorganisation law. Under the EBL 2006 Article 13, an administrator will be appointed immediately by the court at a time when reorganisation is commenced. However, Article 73 authorises the debtor to apply for debtor-in-possession status during reorganisation. If approved by the court, the debtor will regain full control, with the administrator retained

<sup>33</sup> Hailin Zou, 'An Analysis of the China Corporate Rescue Law' (2007) 25 *Journal of China University of Political Science and Law* 48, 51.

<sup>34</sup> See John J. Rapisardi and Binghao Zhao, 'A Legal Analysis and Practical Application of the PRC Enterprise Bankruptcy Law' (2010) 11 *Business Law International* 49, 50. See also Rebecca Parry and Haizheng Zhang, 'China's New Corporate Rescue Laws: Perspectives and Principles' (2008) 8 *Journal of Corporate Law Studies* 113, 126–7.

<sup>35</sup> See Liming Wang, 'Problems of Amending the Bankruptcy Law' (2005a) 3 *Legal Science* 3, 11.

as a supervisor only. Although the circumstances appear to be conditional, some believe that the use of debtor-in-possession should be a norm rather than an exception under China's new corporate reorganisation law.<sup>36</sup>

Fourth, to make rescue more achievable, the EBL 2006 Article 69 allows the administrator or the debtor-in-possession to borrow unsecured loans to fund reorganisation. Article 75 goes a step further, allowing secured borrowing by creating a charge on the debtor's unencumbered assets. Under the EBL 2006 Article 42, an unsecured loan will be treated as a common-interest debt, a kind of reorganisation cost, and will be given priority over all pre-petition unsecured claims. Administrators are given these powerful leverages to make a reorganisation more viable.

Fifth, the flexibility of value distribution rules may provide much leeway for affected parties to negotiate, because the EBL 2006 Article 87, it seems, treats *pari passu* and absolute priority as default rules, which means flexibility will not damage legal certainty in reorganisations. If a consensus can be reached between affected parties, the law does not intervene; however, if an agreement on value distribution cannot be made, *pari passu* and absolute priority must be complied with.

Sixth, to prevent a feasible reorganisation plan from being spoiled by some uncooperative stakeholders, under the EBL 2006 Article 87, a cram-down approval can be requested to clear unjustifiable obstacles; the court may forcibly confirm a non-consensual reorganisation plan if certain statutory tests are passed. However, some are worried that given the less-developed judicial system in China, courts might abuse this power often at the detriment of third parties.<sup>37</sup>

Seventh, in the light of China's role in global trade and investment, under the EBL 2006 Article 5, the new reorganisation law embraces universalism. In other words, a Chinese court reorganisation ruling can bind assets situated anywhere in the world. Similarly, a foreign reorganisation/bankruptcy ruling can also take effect over assets located in China, subject to the judicial recognition by a Chinese court at first. The concern here is that, under Article 5, if a foreign reorganisation order seeks recognition in China, there must be a judicial recognition treaty between China and the host country or the applicant must be able to prove the existence of reciprocity between the two nations. Despite these conditions, China's

<sup>36</sup> Hailing Zou, 'China's Corporate Rehabilitation System – Theories and Practice' (2007) 25 *Journal of China University of Political Science and Law* 48, 56.

<sup>37</sup> Weijian Tang, 'Several Problems of the Proposed Bill of the Enterprise Bankruptcy Law on Reorganisation' (2005) 2 *Jurists* 33, 36.



new reorganisation law in principle adopts universalism, which would make cross-border reorganisation easier.

Overall, many pro-rescue mechanisms are found in the text of the EBL 2006. The key question is how these mechanisms can be translated from the statutory books into practice. This is what this book aims to investigate.

#### 1.4 The Structure of This Book

This book is composed of eight substantial chapters. Chapter 1 covers the history and development of China's bankruptcy and reorganisation law, incorporating details from the author's comprehensive study of bankruptcy proceedings in China. Chapter 2 examines how to commence a reorganisation procedure under the new reorganisation law, providing a broad picture of the general use of this law in China as a whole during the first eight-year implementation, followed by an investigation on the reorganisation entry tests, reorganisation applicants and on court jurisdictions over these cases.

Chapter 3 sheds light on which party is really in control of the existing corporate reorganisations. In particular, this Chapter explores the extent to which debtor-in-possession is applied, and tests whether the lawmakers' intention on this pro-rescue tool has been fulfilled.

Chapter 4 is focused on reorganisation financing, paying attention on how administrators/debtors obtain loans, unsecured and secured, during reorganisation so as to enhance the likelihood of a successful reorganisation. Apart from reorganisation loans, the other practical sources of reorganisation financing will also be reported and analysed.

Chapter 5 is on the application of two fundamental value distribution norms, *pari passu* and absolute priority, investigating how a balance between flexibility and legal certainty has been sought over the use of these two norms.

Chapter 6 concentrates on court approvals of reorganisation plans, throws light on the criteria used by Chinese courts in approving consensual reorganisation plans, and shows how courts use cram-down approvals to clear ways for non-consensual ones.

Chapter 7 is devoted to cross-border reorganisations in China. Particular care is taken on how a Chinese reorganisation order is recognised abroad and vice versa.

Chapter 8 concludes the book and offers some policy recommendations for the future improvement of Chinese corporate reorganisation law.



### 1.5 Methodology of Collecting the Data

All the 722 reorganisation cases reported in this book were collected manually from China's *People's Court Daily* (the Daily), a newspaper published in Beijing and managed by the China Supreme People's Court.<sup>38</sup> The Daily is published seven days a week, and has designated pages for public notices on corporate bankruptcies on most days of the week; the China Supreme People's Court orders that all court public notices must be advertised in the Daily.<sup>39</sup> This book takes advantage of this monopoly, although this monopoly is commercially controversial in China.<sup>40</sup>

To collect the reorganisation cases accepted by the Chinese courts nationally between 1 June 2007 and 31 May 2015, the hard copies of the Daily newspapers published between 1 June 2007 and 31 July 2015 were examined each at two stages. During the first stage, in the summer of 2014, the author travelled back to China and inspected and took photos of the archived copies of the Daily ranging from 1 June 2007 to 31 December 2010 at the Zhejiang Provincial State Library, a wonderful modern public library with caring staff. At the second stage, the author purchased condensed Daily copies published between 1 January 2011 and 31 July 2015 from the newspaper's Beijing headquarters and then checked page after page in Singapore in the late summer of 2015. Because the size of these condensed newspapers was reduced to about one-fifth the original size, the author had to use a glass magnifier to read them. The process was physically difficult but academically enjoyable.

The date of the inspected newspapers was extended to 31 July 2015 because usually a public notice is advertised days or weeks after the reorganisation case is accepted. Technically, if a reorganisation case was accepted before 31 May 2015, but its public notice was advertised after 31 July 2015, the case may be excluded from this book's data collection, although the likelihood of such an occurrence is slim.

<sup>38</sup> 'This Newspaper is Managed by the China Supreme People's Court' *The China People's Court Daily* (Beijing, China, 19 February 2016) 1.

<sup>39</sup> See Sihai He, 'Media Choice of Court Public Notices in China' (2008) 29 *Journal of Hunan University of Science and Engineering* 140 (comprehensively examining the practice of publishing court public notices in China and critiquing the monopoly practice of China's *People's Court Daily* with respect to such notices).

<sup>40</sup> Dashen, 'The Fraud of The China People's Court Daily's Advertising Business on Court Public Notices' *Tianya* (a public blog in China, 5 February 2013) <http://bbs.tianya.cn/post-law-562279-1.shtml> accessed 19 February 2016 (criticizing the *People's Court Daily* for their monopoly of court public notices).

The strength of data collection from the Daily is that all cases are verifiable. One may ask why not use government statistics, which should be accurate and reliable, but the key problem is that there are no official statistics available. Even the annual figures of bankruptcy cases, it seems, are treated as sensitive in China; the China Supreme People's Court appears to hesitate to fully disclose these cases in a timely and transparent manner. Since 1 August 2016, however, the China Supreme People's Court ambitiously opened a database website<sup>41</sup> on the disclosure of corporate reorganisation cases nationally.<sup>42</sup> This website, however, covers only a small portion of the cases collected for this book.<sup>43</sup> More importantly, the information from this website is incomplete. Hopefully, in the new future, this website will be better fed.

The copies of the Daily were inspected only to identify which reorganisation case was accepted by a court in China, and the following steps involved searching for more information about a particular case, mainly using the popular internet search engine, Google; occasionally the Chinese search engine Baidu was also used. In general, the majority of secondary information was from the newspaper reports, national and local. This was made possible mainly because almost all newspapers in China have their online versions. In addition, some information was collected from the news bulletins of law courts, law firms and accounting firms. It is worth noting that, because many reorganisation cases are for Chinese listed companies, the official listed company information disclosure website [www.cninfo.com.cn](http://www.cninfo.com.cn) was visited regularly to download reorganisation materials of public companies.

There is an inherent weakness: Although the information from these aforementioned sources is among the most comprehensive for existing studies in and outside of China, the information is not complete. This is because many materials, especially those of private company reorganisations, are not publicly available. Thus, the corresponding analysis will be affected. To address this concern, when examining this data, the reader will be reminded of the exact number of collected cases on which each analysis is based.

<sup>41</sup> See <http://pccz.court.gov.cn/pcajxxw/index/xxwsy> accessed 15 September 2017.

<sup>42</sup> Sha Luo, 'A Bespoke Database Website on Corporate Reorganisations Was Opened by the China Supreme People's Court Today' *Xinhua News* (Beijing, China, 1 August 2016) [http://news.xinhuanet.com/legal/2016-08/01/c\\_1119316200.htm](http://news.xinhuanet.com/legal/2016-08/01/c_1119316200.htm) accessed 15 September 2017.

<sup>43</sup> For example, the public notice on the reorganisation of Nantong Colour Steel Limited, Jiangsu Province, concluded on 14 May 2010, is available on page 7 of the Daily's 14 June 2010 edn. but the notice is not available on the China Supreme People's Court website. See <http://pccz.court.gov.cn/pcajxxw/index/xxwsy> accessed 15 September 2017.

Apart from the data collected from the Daily and the internet sources, the fieldwork part of the author's PhD study at Durham University was carried out early in 2012 in the Zhejiang Province, China after obtaining fieldwork ethics approval from Durham Law School in November 2011; the author interviewed twenty insolvency practitioners, including lawyers, accountants and judges, and was generously given the photocopied reorganisation plans of the cases taking place in Zhejiang Province by these interviewees. To avoid unnecessary inconvenience, all interviewees in this book are anonymised.

The next chapter starts to report and analyse what happened on the ground with the implementation of this law.