

VI. Conclusion

The turnaround and reorganization proceeding is a process for the stakeholders of the debtor company to reach an agreement on the settlement of debts and the distribution of bankruptcy estate. It is also a process to balance the interests of the stakeholders. In practice, the debtor company and its stakeholders should pay attention to restructuring, which is a mechanism to save a distressed company outside the courtroom. A prepackaged reorganization system in the United States is a model that China may refer to. The mechanism of prepackaged reorganization is yet to be recognized by the U.S. bankruptcy law but has been accepted by the U.S. courts. Prepackaged reorganization is a mechanism under which the debtor company prepares a reorganization plan and negotiates the terms of the plan with some of the creditors before submitting the reorganization petition to the court to increase the chance that the reorganization plan may be approved. Under the prepackaged reorganization, the parties do not need to worry about the time limit for insolvency proceedings, and is able to settle the debts outside of courtroom.

Although turnaround management has been used in the merger and acquisition, and the restructuring of some Chinese companies, this mechanism needs to adapt to the current legal and investment environment in China before it can be successfully applied to save distressed companies.

Turnaround management is a useful mechanism; however, it does not always play its magic on the companies in financial distress. History has proved that successful turnaround management and reorganization must be implemented by the right people, at the right time and in the right place. For those distressed companies that have little or very slim chance of survival, the most practical approach for them is probably to enter into bankruptcy liquidation and sell their assets to maximize the interests of their stakeholders.



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PLAYERS AND STRATEGIES IN CORPORATE REORGANIZATION

By Zheng Zhibin and Zhang Ting

China's new *Bankruptcy Law* is a groundbreaking piece of legislation that modernizes China's insolvency system and introduces the reorganization process, opening the door to myriad opportunities. The first chapter of the book opens by introducing the cast of players in this new system, their intertwining relationships and roles. The creditors, the debtor company, the shareholders, the management, the administrator, strategic investors, and the bankruptcy court each have unique and important positions within the new law, which are explored in this chapter.

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