

# From Shell Preservation to Value Reconstruction: Based Analysis of Bankruptcy Reorganization in Delisted Private Firms

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## Abstract

With the rapid development of China's capital market, a large number of private enterprises have achieved listing and promoted national economic growth. However, under the background of economic transformation and industrial structure adjustment, many listed companies have fallen into operational difficulties due to internal governance problems and market changes, and eventually face delisting. In order to protect investors' rights and rescue valuable delisted enterprises, China promulgated the Enterprise Bankruptcy Law of the People's Republic of China in 2007, introducing the bankruptcy reorganization system. At present, only three enterprises have successfully re-listed after delisting and reorganization, indicating that the bankruptcy reorganization system of delisted companies is still imperfect, with low application frequency and insufficient academic research. As a large private listed enterprise engaged in cable materials, Jiangsu Dewei New Materials Co., Ltd. has large-scale assets, numerous creditors and stakeholders, and has typical research value. This paper takes Dewei New Materials as a case, adopts literature analysis, case analysis and a combination of qualitative and quantitative methods, systematically combs the bankruptcy background, reorganization motivation, model selection, implementation process and effect of the company, and reveals how high-quality enterprises can achieve rebirth through the bankruptcy reorganization system. The study finds that Dewei New Materials has got out of the financial crisis and achieved legal rebirth by introducing social capital as strategic investors, implementing share consolidation, debt restructuring and other measures. This case provides important reference for the bankruptcy reorganization practice of China's delisted private enterprises.

**Keywords:** Healthy Lifestyle; Family Socioeconomic Status; Health Literacy; College Students; Mediation

## 1. Introduction

Against the backdrop of China's continuous economic development and industrial restructuring, many listed companies have been unable to adapt to the rapidly changing market environment, fallen into serious financial crisis, and eventually been forced to delist. Among them, traditional material listed enterprises are facing greater operational pressure. On the one hand, the market saturation of building materials and power industries has led to the continuous decline in the revenue of traditional metal and rubber material enterprises; on the other hand, the rise of emerging semiconductor material enterprises has further squeezed the survival space of traditional material enterprises. Most traditional material enterprises choose to restructure or transform. Dewei New Materials, as a representative of traditional material enterprises, fell into a capital chain break and serious financial difficulties due to the blind expansion and improper governance of the former actual controller, and was eventually forced to delist.

Before the promulgation of the *Enterprise Bankruptcy Law of the People's Republic of China* in 2007, Chinese enterprises facing bankruptcy risks only had two ways: liquidation and reconciliation. Once an enterprise went bankrupt and liquidated, it would bring irreparable losses to investors and even have a negative impact on the regional economy. The implementation of the new bankruptcy law introduced bankruptcy reorganization, a third institutional tool, which can minimize losses and rescue high-quality delisted enterprises with operational value as much as possible. However, in practice, the application of the bankruptcy reorganization system in delisted private enterprises is facing many obstacles, such as imperfect legal rules, difficult implementation, ambiguous judicial compulsory confirmation boundaries, etc., resulting in a low success rate of reorganization and few successful cases. At the same time, domestic academic research on the bankruptcy reorganization of delisted private enterprises is relatively insufficient, lacking in-depth mechanism analysis and typical case verification.

This paper takes Dewei New Materials as the research object, and focuses on solving three core issues: first, what internal and external factors lead to the bankruptcy and delisting of private enterprises, and what is the realistic motivation for initiating reorganization; second, what mechanisms are included in the design and implementation of the reorganization plan of delisted private enterprises, and how to balance the interests of creditors, shareholders, investors and other subjects; third, what effects have been achieved after reorganization, what problems still exist, and what theoretical and practical implications can be brought. Through the systematic analysis of this case, this paper aims to enrich the theoretical research of bankruptcy reorganization, provide practical experience for the reorganization of other delisted private enterprises, and provide a reference for the improvement of relevant systems.

## 2. Literature Review

### 2.1. Stakeholder Motivation and Interest Balance in Bankruptcy Reorganization

The existing literature has fully discussed the motivation of different subjects in the reorganization of listed companies and the importance of interest balance. He (2020) took Chongqing Iron & Steel as an example and found that the motivations of stakeholders in

reorganization are significantly different: industrial investors participate in reorganization to obtain low-cost control and achieve industrial expansion; creditors actively promote reorganization to avoid low repayment rate in liquidation; original controlling shareholders and small and medium-sized shareholders participate in reorganization to retain the residual value of equity; local governments promote reorganization for the purposes of maintaining stability, ensuring employment and promoting regional economy. The study points out that effectively balancing the interests of all parties is the foundation for the success of reorganization.

Lü (2023) believes that the fundamental reason for the poor effect of listed company reorganization lies in the impure and short-sighted motivation. Many enterprises take “shell preservation” as the core goal, rather than fundamentally solving operational difficulties and realizing long-term development. This kind of short-sighted behavior leads to the lack of prudence in the selection of reorganization investors, the introduction of single financial investors lacking industrial synergy, and the neglect of the improvement of operational capacity and corporate governance. The study warns that “pseudo-reorganization” centered on shell preservation is difficult to sustain and may even fall into a vicious circle.

## **2.2. Reorganization Model and Debt Restructuring Innovation**

With the deepening of research, scholars have gradually shifted their focus from legal procedures to the design of reorganization models. Li (2025) took Kangmei Pharmaceutical as an example and found that the innovative model of “trust scheme + debt-for-equity swap” can effectively deal with huge debt disputes, balance the interests of small and medium-sized investors, creditors and new investors, and promote the smooth passage and implementation of the reorganization plan. This kind of innovative model breaks through the limitations of traditional cash repayment and simple debt-for-equity swap, and provides a new idea for solving complex debt problems.

Existing studies have shown that there is no unified model for enterprise reorganization. For enterprises in different industries and with different crisis causes, it is necessary to design differentiated debt repayment schemes and investor introduction mechanisms according to their actual conditions. The selection of reorganization investors is particularly critical. Introducing strategic investors with industrial background and resource endowment is more conducive to the long-term development of enterprises than single financial investors.

## **2.3. Institutional Defects and Judicial Enforcement Dilemma**

Scholars have found that China’s bankruptcy reorganization system still has obvious defects in the application of delisted enterprises. Zou (2013) pointed out that the uncertainty of the court’s compulsory approval of the reorganization plan stems from the lack of rules and the absence of interest balance mechanism. Xu (2026) also emphasized that improving the approval and implementation rules of the reorganization plan is the key to rescuing high-quality difficult enterprises.

Specifically, the institutional dilemmas mainly include: first, legal defects, such as not distinguishing the causes of reorganization and liquidation, lacking clear rules for investor equity adjustment, and unclear priority of reorganization financing; second, implementation difficulties,

such as complex creditor-debt relationships, difficult recovery of illegal assets of original controllers, and serious interest conflicts among small and medium-sized shareholders; third, the boundary of judicial compulsory confirmation is blurred, and the discretion space of the court is too large. These problems jointly lead to the low success rate of reorganization of delisted companies and great resistance in the process.

### **3. Relevant Concepts**

#### **3.1. Concept of Bankruptcy Reorganization**

In 1986, China promulgated the *Enterprise Bankruptcy Law of the People's Republic of China (for Trial Implementation)*, which only stipulated two ways for enterprise bankruptcy: liquidation and reconciliation. The concept of “bankruptcy reorganization” was first formally established in the *Enterprise Bankruptcy Law of the People's Republic of China* promulgated in 2007. Chapter 8 of the law stipulates the application scope, period, formulation of reorganization plan and other contents, but does not directly define it.

Academic circles have continuously enriched the definition of bankruptcy reorganization. Wang (1996) believed that bankruptcy reorganization is a system that protects the continued operation of difficult enterprises through legal procedures, realizes debt restructuring and enterprise relief, and balances private rights and social interests. Fan and Wang (2009) regarded reorganization as a bankruptcy prevention mechanism, which aims at debtors with reorganization reasons and ability, sorts out creditor-debt relationships under the supervision of the court, adjusts the operation mode, and helps enterprises get out of difficulties. Jia (2011) pointed out that the bankruptcy reorganization system is a special legal procedure for enterprises with bankruptcy risks but revival prospects to carry out operational restructuring and creditor-debt relationship adjustment under the supervision of the court.

Although the bankruptcy reorganization system has been established, it still has obvious limitations in the application of delisted private enterprises, including legal defects, implementation difficulties and ambiguous judicial compulsory confirmation boundaries, which restrict the rescue effect of valuable delisted enterprises.

### **4. Background and Implementation of Bankruptcy Reorganization of Dewei New Materials**

#### **4.1. Basic Situation of the Company**

Jiangsu Dewei New Materials Co., Ltd. (Stock Code: 300325) was established in December 1995 and listed on the Shenzhen Stock Exchange ChiNext in June 2012. It is a leading enterprise in the field of cable polymer materials in China. During the 2015 bull market, the company's stock price once reached about 43.8 yuan, with a market value of more than 4 billion yuan.

However, the former actual controller Zhou Jianming blindly promoted the hydrogen energy transformation, provided a large number of illegal guarantees and misappropriated funds, leading to the break of the company's capital chain, continuous losses and negative net assets. In June

2022, the company was officially delisted from the Shenzhen Stock Exchange, becoming a typical case of delisting caused by poor corporate governance and blind expansion.

## 4.2. Operational Status Before Reorganization

Before reorganization, the company's operating conditions deteriorated sharply. The asset-liability ratio exceeded 100%, it was insolvent, the current ratio was far below the safety level, the gross profit margin continued to decline, the main business lost the ability to make profits and generate cash flow, and the company was on the verge of bankruptcy.

**Table 1. Profitability, Operational and Solvency Indicators of Dewei New Materials (2021–2022)**

Financial Indicator	2021-6-30	2021-9-30	2021-12-31	2022-3-31	2022-6-30
Operating Revenue (RMB 10,000)	26805.73	29846.14	30568.06	27892.59	26908.38
Net Profit (RMB 10,000)	-2616.45	-4405.49	-41084.66	-2845.48	-6965.65
Asset-Liability Ratio (%)	94.92	96.47	112.47	113.18	—
Net Asset Value Per Share (RMB)	-0.03	-0.08	-0.49	-0.52	—
Current Ratio	0.65	0.64	0.57	0.59	—
Gross Profit Margin (%)	19.2	13.77	7.64	8.79	3.75

Source: Compiled by the author

## 4.3. Causes of Bankruptcy and Reorganization Process

The direct causes of Dewei New Materials' crisis are blind expansion, illegal guarantees and fund misappropriation. In 2016, the former actual controller blindly entered the hydrogen fuel cell project unrelated to the main business, consuming a lot of capital; at the same time, a large number of illegal guarantees and fund misappropriation seriously damaged the company's assets. The main business revenue declined, unable to repay the due debts, resulting in a comprehensive capital chain break.

In June 2023, the Taicang People's Court ruled to accept the company's reorganization application; in August 2023, the first creditors' meeting was held; in November 2023, the shareholders' meeting voted against the equity adjustment plan for the first time; in February 2024, the second vote was passed; in November 2024, the court formally approved the reorganization plan. By the end of 2024 and the beginning of 2025, the reorganization plan was fully implemented, and the company was out of the reorganization procedure.

## 4.4. Reorganization Plan and Implementation

### 4.4.1. Share Consolidation and Capital Reserve Conversion

The reorganization plan implemented a drastic share consolidation: 100 shares were merged into 25 shares, and the reduced part was included in the capital reserve. The capital reserve was used for capital increase, debt-for-equity swap and transfer to strategic investors. Existing

shareholders were greatly diluted and basically lost control. This is an extreme but necessary adjustment under the condition of unclear institutional rules.

#### 4.4.2. Debt Settlement Scheme

The debt settlement adopted the principle of “protecting small creditors and taking care of large creditors”: claims below 100,000 yuan were fully repaid in cash; claims above 100,000 yuan were repaid by “cash + shares” in installments. This arrangement alleviated the company’s short-term capital pressure and realized debt reduction.

The share consolidation plan was strongly opposed by small and medium-sized shareholders. With the court’s mediation and compulsory approval expectation, the plan was finally passed. This reflects the bottom-line role of the judicial compulsory confirmation system, but also exposes the lack of institutionalization and standardization.

### 5. Effect Analysis of Bankruptcy Reorganization of Dewei New Materials

#### 5.1. Financial Capability Analysis

After reorganization, the company’s asset-liability ratio dropped sharply from 333.95% to 38.08%, and the short-term solvency was greatly improved. The net profit turned positive, benefiting from debt restructuring gains. However, the net profit after deducting non-recurring gains and losses was still negative, the operating income shrank, and the main business profitability had not been fundamentally repaired.

**Table 2. Cash Flow Structure Changes of Dewei New Materials (2023–2025)**

Cash Flow Item	2023-12-31	2024-12-31	2025-6-30
Net Cash Flow From Operating Activities (RMB 10,000)	4963.14	-3266.36	-871.83
Net Cash Flow From Investing Activities (RMB 10,000)	12361.36	-382.12	4503.33
Net Cash Flow From Financing Activities (RMB 10,000)	-27376.11	3390.13	-3783.96
Net Increase in Cash and Cash Equivalents (RMB 10,000)	-10223.02	-246.45	-152.46

Source: Compiled by the author

**Table 3. Profitability and Solvency Indicators After Reorganization**

Item	2025-06-30	2024-12-31	2024-06-30
Net Profit (RMB)	3170260	17488018	-15092200
Debt-to-equity ratio (%)	38.08	58.44	333.95
Current ratio	1.45	0.87	0.17
Net asset value per share (RMB)	0.34	0.3	-1.87

Source: Compiled by the author

## 5.2. Experience and Enlightenment of Reorganization

First, financial investors transformed into strategic investors, providing real gold and silver capital injection and industrial resources, which is the prerequisite for the success of reorganization. Second, the drastic share consolidation created space for debt settlement and investor entry. Third, the coordination and compulsory confirmation of the court broke the deadlock of shareholder voting. Fourth, technical cooperation with the Chinese Academy of Sciences laid a foundation for sustainable development.

## 6. Research Conclusions and Theoretical Contributions

### 6.1. Research Conclusions

The reorganization practice of Dewei New Materials confirms that the bankruptcy reorganization system can effectively rescue delisted private enterprises with main business value. Through the equity adjustment mechanism of “share consolidation + capital reserve conversion” and the debt restructuring model of “introducing strategic investors + debt-for-equity swap”, the company has realized the balance of interests of all parties, resolved the insolvency crisis, and achieved financial rebirth.

However, the case also reveals a structural contradiction: the current profit mainly depends on non-recurring gains such as debt restructuring, the main business profitability is still weak, and it has not completed the transformation from “financial recovery” to “operational revival”. This shows that bankruptcy reorganization is only the beginning of enterprise relief, and long-term development still needs to rely on the improvement of main business capacity and corporate governance.

### 6.2. Theoretical Contributions

Based on **stakeholder theory** and **institutional theory**, this paper makes three theoretical contributions:

- (1) Expanding the research scope of bankruptcy reorganization from listed companies to delisted private enterprises, enriching the theoretical framework of bankruptcy reorganization.
- (2) Revealing the mechanism of judicial coordination breaking the reorganization deadlock, and supplementing the research on the enforcement of bankruptcy reorganization system.
- (3) Distinguishing between “shell preservation” and “value reconstruction”, emphasizing that the core of enterprise relief is to restore operational capacity rather than simple financial adjustment.

### 6.3. Research Outlook

Future research can further focus on the long-term governance mechanism and main business recovery path of delisted enterprises after reorganization, explore the optimization strategy of strategic investor selection, and carry out quantitative analysis on the long-term effect of different

reorganization models, so as to provide more sufficient theoretical support and policy suggestions for the improvement of China's delisted enterprise reorganization system.

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### **Conflict of Interest:**

The author declare no conflict of interest.

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