



The growth of the Chinese economy has been very slow in recent years, and rumors abound about the possible bankruptcy situation of some industries.

Since last years' "Solar Energy Production Industry" bankruptcy crisis, coupled with the current shortage of money supply by the major banks of China, signs of bankruptcy are appearing in nine major industries of China: the Ship Building Industry, the Steel Industry, the LED Lighting Industry, the furniture market, the shipping business, the Trust Industry, the Third-party Financial Industry, and Private Equity (PE), which might lead to massive waves of overall bankruptcies.

## □□ **Ship Building Industry**

Chinese central enterprises and private enterprises all rushed into the Shipbuilding Industry in 2007. With low labor costs in China, it experienced a period of leap-frog development. However, because they ignored rational planning and long-term development for the entire industry, the Chinese Ship Building Industry has been struggling while merging. Since 2008 the industry experienced a significant decline, and orders for the industry kept on shrinking.

There occurred two consecutive events in "RongSheng Heavy Industries" in which the contract workers of the company blocked the company's gate on July 1 and July 2 to pursue their salaries as the company failed to pay them on time. Even though "RongSheng Heavy industries" relied much on the huge subsidies provided by the Chinese government as it is the Chinese largest private shipping company, it still can't escape its fate, as it is facing many challenges: the shortage of cash flow; the tightening of bank loans; the prolonging of the shipowners' payment cycle; increased cases of orders cancellation; delays in deliveries etc. There are constant rumours about the bankruptcy of this big company. Only recently, "RongSheng Heavy Industry" had to lay-off 40% of its workers and stopped its stock trading in Hong Kong.

## □□ **The Steel Industry**

The second industry that is oversupplied and affected by the economic downturn in China would

undoubtedly be the steel industry. Some insiders point out that because the tightening of bank loans to the steel enterprises, many of them are in need of cash and are forced to stop production or to close down.

The first one bankrupted is the “Jiangxi Ping Special Steel Co. Ltd” of Pingxiang, Jiangxi province, which was forced to stop production for lack of funding on June 24; more than 200 staff members didn’t receive their salary. According to a media disclosure, the chairman and managing director of this company, Mr Dong Jianwu fraudulently acquired 200 million Yuan and ran overseas.

It is reported that the crude steel production of China reached a capacity of at least 900 million tons annually, but the equity for the steel sector was reduced by 98%, and the announced deficit in the year of 2012 reached 289.24 billion Yuan. Many steel mills are losing profit. However, the annual profits for the steel industry reached 800 billion to 2000 billion from 2009 to 2011. Where did the money go?

### LED Lightning Industry

After several years of leap-frog development, the LED lightning industry experienced its export trough at the second half of last year. From 2011 to 2012, some CEO’s and managing directors of those LED companies, such as “Xu Rui Opto-electronic Co. Ltd” of Foshan, “Shenzhen Sino Light”, “Shenzhen HiBo Led”, “Andy Opto-electronic Technology Co. Ltd” of Ning Bo all committed fraud, and they led their own company to bankruptcy.

At the end of 2011, there were more than 80 LED lightning companies bankrupted in Shenzhen, while the competition in the LED market is also very acute. Some industry experts predict that more than 60% of Chinese LED lightning companies would have to close down or restructure.

### Furniture markets

Influenced by the bubbles of the real estate market, the Chinese furniture market is also under severe attack. Many retail shops of the biggest, best and the most famous furniture market companies of China, including “The Oriental Home Building Materials Supermarket” were forced to close down at the end of 2012; the latter formally applied for bankruptcy in January 2013.

The second largest building materials retailer of US “Home Depot” also announced the closure of all its retailers in China.

### Small and Medium Real Estate Companies

The Chinese Real Estate Association expects that nearly 30% of real estate companies in mainland China will be eliminated in the next three years. The total number of real estate companies of mainland China would decrease from the current 50,000 to 35,000. The small and medium real estate companies would face acute competition and the main problem of them would be instability with the availability of capital.

## ☐☐ **Shipping Business**

Owing to excessive capacity, the shipping industry has been decimated. Though as a central enterprise, China COSCO could survive with government assistance; other companies would not be so lucky.

The chairman of the board of directors of the “Hebei Ocean Shipping Co. Ltd”, Mr Gao Yanming said: “The Chinese Shipping industry is experiencing the greatest depression in 100 years and had two rare heavy losses across the whole industry in the last two years; the Chinese shipping business is now facing possible bankruptcy of the whole sector.”

## ☐☐ **The Trust Industry**

The risk of the Trust Industry has gradually come to be of concern to the public since the bankruptcy of “Qingdao Hyatt Capital Trust Center Loan Scheme”, the bad credit of the “CITIC Trust Loans” and the loss of “Bernd Bell Trust of Shandong”. All those trust industries evolved into a typical Ponzi scheme. According to a spokesperson from the Trust Industry, after several years of abnormal development, now is the time for the Chinese Trust Industry to repay its debts. All the risks that accumulated by the trust industry is now facing the test of bankruptcy.

It is said that The Financial Institution Bankruptcy Ordinance has been searching feedback from the Chinese Banking Regulatory Commission (CBRC); once promulgated many Trust companies would bear the brunt.

## ☐☐ **The Third Party Financial Management**

It is undoubtedly that once the Trust Industry suffers a crisis, the Third Party Financial Management which is closely connected with the Trust Industry would also be in danger. Insiders of the Chinese Third Party Financial Management, relying on the availability of funds, may collapse at any time without the support from private equity and the funds of the shareholders.

## ☐☐ **Private Equity (PE)**

The once popular PE now came to be a scary topic for the Chinese, because many companies and persons who, backed by famous celebrities or high officials, for the sake of personal investment, are charged with illegal fund-raising activities which turned out to be scams, promising high returns. Many investors got involved in these kinds of “Ponzi Schemes.”

According to a research report released by some mainstream research institutions of the Chinese Private Equity Investment Industries in 2012, it is revealed that 90% of Chinese domestic PE investment institutions would face closure or face the crisis of restructuring.