

LEGAL

# Special steel maker files for bankruptcy

Rest of industry was profitable last year, but the Dalian-based firm took on too much debt

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Dongbei Special Steel Group Co Ltd, a State-owned steelmaker in northeastern China, started bankruptcy proceedings on Monday.

It is the first steel company to go bankrupt in the endeavor to restructure the country's iron and steel industry, according to a statement made by the company's listed subsidiary Fushun Special Steel Co Ltd.

So far, Dongbei Special Steel, which is based in Dalian, Liaoning province, has defaulted nine times. The principal loss has amounted to 5.8 billion yuan (\$865 million).

Dongbei Special Steel was formed in 2004. Dongbei Special Steel is the controlling shareholder of Fushun Special Steel, listed on the Shanghai Stock Exchange, which made the bankruptcy announcement.

About 496.9 million shares of Fushun Special Steel, or 38.22 percent of its total shares, held by Dongbei Special Steel were frozen by the court on Monday.

The bankruptcy is the result of the company's creditors' application to the court. It has nine months to come up with a restructuring plan.

Dongbei Special Steel's products have been exported to more than 20 countries

“It's rare for State-owned companies to go bankrupt.”

Liu Xinwei, an analyst at chem99.com, a bulk commodity information and consultancy website

496.9 million

number of shares in Fushun Special Steel held by Dongbei Special Steel that were frozen by the Dalian court

and regions, including carbon structural steel, alloy steel, tool steel, stainless steel and bearing steel.

“It's rare for State-owned companies to go bankrupt. But, the government won't pay too much to bail it out,” said Liu Xinwei, an analyst at chem99.com, a bulk commodity information and consultancy website.

Liu said that eliminating problematic assets is actually a good thing for the industry. The government also would like to see more market forces involved in the industry to get rid of the outdated capacity.

According to Liu, special steel normally has high profit margin. One of the direct causes for the default is that the company has invested in some projects in Dalian,

which has caused a heavy burden on its cash flow.

“Last year, profits of Chinese steelmakers were generally quite good. The default of Dongbei Special Steel is mainly because it has raised too much debt,” said Liu.

According to Xu Jisheng, deputy director of the State-owned Assets Supervision and Administration Commission of Liaoning Province, the provincial government has mobilized a lot of resources to help the company pay back the debt. Now, the company is able to sustain normal production even though the debt is not being repaid.

Dongbei Special Steel had tried a debt-to-equity plan, but met resistance from its creditors.

The company's chairman, Yang Hua, committed suicide in March 2016, days before the first default. The company has not made public any financial reports since September 2015, defying persistent demands from its creditors.

Another State-owned steelmaker mired in debt crisis is Bohai Steel Group based in Tianjin, whose debts stand at 192 billion yuan. It began debt restructuring in March.

A restructuring plan, including issuing corporate bonds, was finalized for Bohai Steel in late September.

The slimming down of Chinese steel smelters, with a purpose of shedding crude steel capacity by 100 to 150 million metric tons in five years starting in 2016, has seen consolidation previously take place by mergers.

AUTO



A worker carries a windshield after inspecting it for flaws at the Fuyao Glass America plant, on Friday in Moraine, Ohio. JOHN MINCHILLO / AP

# Fuyao commits to \$1b US investment

By PAUL WELITZKIN  
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Chinese investments in the United States automotive industry continues to grow with a subsidiary of Fuyao Glass Industry Group, the world's leading automotive glass manufacturing company, planning to invest \$1 billion in facilities there.

Fuyao celebrated the grand opening of its newest US plant in Moraine, Ohio, on Friday, and also unveiled plans to transform a building in Plymouth, Michigan, into an automotive glass plant and research and development center.

“Today's grand opening in Moraine is the culmination of a monumental undertaking by Fuyao and our partners,” Chairman Cho Tak Wong of Fuyao said in a statement. “We are proud of our work in Ohio,

in the heart of the US auto corridor, and are highly committed to supporting the growth of the North American automotive market,” he said.

Upon completion, the 47-hectare Moraine facility, which is housed in a former General Motors' assembly plant near Dayton, Ohio, will be the largest glass fabrication plant in the world with the capacity to produce 4 million automotive car sets and 4 million automotive replacement glass windshields each year. Currently employing 2,000, Fuyao expects this to grow to 2,300 – 2,500 by the end of 2017.

In the Detroit suburb of Plymouth, Fuyao will remodel a 4.9-hectare plant and expects to create about 450 jobs there within two years and about 950 within three years as it consolidates research and development operations, said John Buzuvis, community development

2,000

number of jobs already created by Fuyao Glass America

director for Plymouth.

The Plymouth plant will be used for the final processing of automotive glass, such as windshields, from Fuyao plants in Ohio and Canada.

“Fuyao started its American journey in Michigan in 2009, near Detroit. There are a lot of great automotive companies coming from China to North America. They recognize that the center of the North American automotive industry, and the greatest concentration of automotive talent, is in Michigan. (The state) is a place these Chinese automotive players need to be as they enter the US,” Brian Connors, executive director of the Michigan-China Innovation Center in Detroit said in an email.

“(This is) another example of a Chinese company that is eager to expand, invest more and create new jobs and opportunities in our region, after once building a footprint in southeast Michigan,” Jerry Xu, president of the Detroit Chinese Business Association said in an email.

Connors is hopeful that Chinese investment in Michigan's auto sector can be duplicated in other segments of the state's economy.

“As more Chinese companies find success and happiness in Michigan, they will tell their friends, and more may wish to come. Already we're seeing great Chinese investments in insurance, education, real estate, and other sectors,” Connors said.

“Fuyao's goal is to provide the highest-quality products and outstanding service to our customers,” said John Gauthier, president of Fuyao Glass America said.

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**International Education Column**

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