

Trust as Resolution Infrastructure

Value Preservation, Creditor Coordination, and Bankruptcy Service Trusts in China

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Abstract

Bankruptcy service trusts have become an increasingly common component of large corporate restructurings in China. Among the 144 listed companies whose reorganization plans were approved by courts between 2007 and 2025, the share of plans repaying creditors with trust beneficial interests rose from 4 percent over 2019–2022 to 36 percent in 2024 and 40 percent in 2025. Yet the economic contribution of these trusts is easily misstated: restructuring plans may treat trust units as debt satisfaction while underlying assets remain unmonetized, whereas evaluations based only on immediate cash ignore the value of avoiding forced sales. This paper first develops a two-period model of deferred disposition in which the fire-sale discount, expected asset recoverability, and governance-dependent agency costs jointly determine when a service trust preserves value; four hypotheses follow as comparative statics, including a net-effect boundary for asset complexity. It then combines a census-based sampling frame compiled from public plan records and professional annual reports, a source-graded audit of 20 cases, a focal positive mechanism analysis of the Founder Group restructuring, and a structured comparison of the 2024 listed-company cohort. Of the 20 audited cases, 12 have a verified plan, seven a verified establishment, and only two provide case-level monetary evidence meeting the audit threshold: Bohai Steel reports cumulative cash distributions, while HNA Group's trust units are reported at a Level 3 fair-value carrying amount in affiliated companies' audited financial statements. Because realized trust distributions remain sparse, the paper specifies a package-level market-implied recovery measure and an exploratory roadmap of three prospective research designs built on the 2023 trust-business classification reform, the 2024 Supreme People's Court and CSRC Minutes, and within-case creditor-class variation, stating explicitly the conditions under which each would support causal inference. The evidence to date supports an institutional conclusion: where viable operations can be separated from difficult but potentially recoverable assets, a service trust preserves contingent creditor rights and allows the core restructuring to close without a forced sale. Whether it raises discounted recovery is the empirical hypothesis this design makes testable and auditable.

1. Introduction

Corporate restructuring faces a basic timing problem. Courts and creditors need a plan that can be approved and executed within a bounded period, but distressed assets often require more time to verify, disentangle, operate, or sell. A rapid disposition may close the case while destroying value. A prolonged proceeding may preserve optionality but impose administrative costs, uncertainty, and continued creditor conflict. Bankruptcy service trusts have emerged in China as an institutional response to this mismatch between the legal clock and the economic clock.

The mechanism is straightforward in form but ambiguous in economic effect. A debtor or restructuring platform places designated assets or equity interests into a trust. Creditors receive trust units, and the trustee and beneficiary governance bodies administer the assets beyond the formal restructuring period. This arrangement can separate viable operations from historically encumbered assets, prevent fragmented enforcement, and retain the upside from later recovery. It can also postpone loss recognition: a trust unit may legally satisfy a claim even when its eventual cash value is uncertain or negligible. The same structure can therefore represent either resolution infrastructure or deferred disappointment.

The phenomenon is no longer marginal. Regulators formally recognized risk-disposal service trusts, including enterprise bankruptcy service trusts, in the trust-business classification reform effective June 2023 (CBIRC, 2023). More than thirty trust companies now conduct this business, with an outstanding scale reported above RMB 1.5 trillion (Sina Finance, 2025). Among listed companies, 144 court-approved reorganization plans have accumulated since the Enterprise Bankruptcy Law took effect in 2007; only two of the 49 plans approved during 2019–2022 used trust beneficial interests to repay creditors, but adoption appeared in five of 15 plans in 2023 — a year straddling the June 2023 reform — four of 11 plans in 2024, and six of 15 in 2025 (AllBright Law Offices, 2025, 2026). Adoption is accelerating precisely as the Supreme People’s Court and the China Securities Regulatory Commission tighten standards for plan feasibility and execution (SPC & CSRC, 2024; CSRC, 2025).

This paper asks: when do bankruptcy service trusts preserve recoverable value, rather than merely delay the recognition of losses? The question matters for three reasons. First, the risk-disposal service-trust market is already large enough to affect the architecture of major restructurings. Second, the conventional plan-level recovery rate is not an adequate performance measure when it combines cash, equity, retained debt, and trust units at face or assessed values. Third, China remains short of micro-level evidence on bankruptcy recovery and post-plan execution, a gap emphasized by Hotchkiss et al. (2023).

The paper makes four contributions. First, it develops a simple two-period model of deferred disposition that nests the two rival interpretations — resolution infrastructure and deferred disappointment — as regions of the same parameter space, and derives four hypotheses as comparative statics. Second, it defines a case-level evidence chain, anchored in a census of court-approved listed-company reorganizations, that prevents proposed trusts, established trusts, and distributing trusts from being treated as equivalent observations. Third, it develops the Founder Group restructuring as a focal positive mechanism case and compares its logic with recent listed-company restructurings. Founder is not used to prove that trust distributions were high. It is used to show how a trust can allow a complex restructuring to close while preserving residual asset claims that would otherwise be abandoned or sold under pressure. Fourth, it specifies a measurement and research-design strategy — package-level market-implied recovery from defaulted-bond and debt-repayment share prices, combined with an exploratory roadmap of institutional variation from the 2023 classification reform, the 2024 Minutes, and within-case creditor-class assignment — that converts the framework from a research agenda into a testable design whose identifying assumptions are stated, and flagged where they are not yet satisfied.

The paper advances a bounded positive interpretation. Service trusts cannot repair an asset that lacks economic value, and delay can conceal weak execution. Their plausible contribution is greatest when rapid sale would

create a material discount, the assets retain credible operating or recovery value, and governance rules make post-plan administration accountable. The model makes this boundary explicit, and the empirical design makes it testable.

2. Literature and analytical foundations

2.1 Liquidation value and forced-sale discounts

Shleifer and Vishny (1992) show that liquidation value depends on who can buy an asset when its owner is distressed. Natural buyers are often firms in the same industry, yet those buyers may also be financially constrained during a sector downturn. Pulvino (1998, 1999) identifies distressed-sale discounts in commercial aircraft transactions, while Maksimovic and Phillips (1998), Strömberg (2000), and Bernstein, Colonnelli, and Iverson (2019b) show that bankruptcy reallocates assets across owners and uses rather than merely converts them into cash. The service-trust rationale is therefore strongest when a thin market, buyer constraints, title defects, or incomplete asset verification prevent competitive disposition at the plan date.

Delay nevertheless has two sides. Andrade and Kaplan (1998) document the economic costs associated with severe distress, and Bris, Welch, and Zhu (2006) show that procedure, duration, and cost vary materially across bankruptcy cases. Benmelech and Bergman (2011) further demonstrate that bankruptcy can depress collateral values outside the debtor itself. A trust creates an option to wait, but the option is valuable only when the expected improvement in net realizable value exceeds financing, administration, deterioration, and agency costs. The relevant benchmark is discounted net distribution from disciplined disposition, not face-value trust units versus immediate cash.

2.2 Creditor coordination and governance

Distress also creates collective-action and control problems. Creditors differ in priority, information, liquidity needs, and litigation strategy. Ayotte and Morrison (2009) find pervasive creditor control in Chapter 11, while Ivashina, Iverson, and Smith (2016) show that claim ownership and trading reshape creditor concentration. Iverson (2018) demonstrates that institutional congestion changes restructuring outcomes. A service trust can reduce fragmentation by transforming bilateral enforcement claims into beneficial interests in a common vehicle, but it cannot remove distributive conflict; it relocates that conflict into the vehicle's governance rules.

Post-reorganization evidence reinforces the need for accountability. Hotchkiss (1995) links governance turnover to post-bankruptcy performance, and Hotchkiss and Mooradian (1997) show that specialized distressed investors can contribute monitoring and control. Bankruptcy can also create local spillovers (Bernstein, Colonnelli, Giroud, & Iverson, 2019a). Beneficiaries therefore require verifiable asset schedules, valuation bases, trustee and manager duties, voting and removal rights, periodic cash-flow reporting, distribution rules, and a credible end date. Without these controls, the same structure that centralizes recovery may become an opaque warehouse for difficult assets.

2.3 Bankruptcy resolution in China

China's formal bankruptcy system has expanded alongside corporate debt and bond defaults, but implementation remains uneven. Jiang (2014) and E. Lee (2011) identify judicial discretion, government involvement, and limited institutional familiarity as constraints on reorganization practice. Using case-level evidence, Li and Ponticelli (2022) find that specialized bankruptcy courts shorten case duration and affect insolvency outcomes; Hotchkiss et al. (2023) synthesize the continuing enforcement frictions and scarcity of detailed recovery data. Comparative evidence also shows that court capacity and the design of reorganization and liquidation rules affect finance and investment (Ponticelli & Alencar, 2016; Rodano, Serrano-Velarde, &

Tarantino, 2016). Service trusts should thus be viewed as complements to adjudication: a post-plan organizational form for assets that cannot be fully disposed of inside the judicial timetable, not a substitute for court quality or legal enforcement.

2.4 Chinese trust law: property segregation and fiduciary accountability

The legal case for service trusts rests on asset partitioning as well as contractual flexibility. Organizational-law scholarship treats the separation of an asset pool from the personal creditors of its controllers as a distinct legal technology (Hansmann & Kraakman, 2000). Articles 15–18 of China’s Trust Law distinguish trust property from the settlor’s and trustee’s other property and restrict enforcement against the trust fund, while Articles 25–29 impose duties of loyalty, prudence, and effective management and require the trustee to manage trust property separately from its own property and from other trusts. Yet the transplantation of the trust into a civil-law setting produced continuing uncertainty over title, beneficiary rights, and the relationship between contract and property (Tan, 2001; Qu, 2003; R. Lee, 2009; Foster, 2010).

Accordingly, “trust property independence” should not be treated as an automatic label. Valid transfer, registration, separate management, third-party effects, and statutory exceptions must be established transaction by transaction (Ho, 2003; Ho, Lee, & Jin, 2013; Lyu, 2015; Jing, 2024). The agency-cost account of trust law also makes clear that segregation without fiduciary accountability is incomplete (Sitkoff, 2004). For bankruptcy service trusts, creditor value depends on loyalty, prudence, reporting, beneficiary remedies, and continuing oversight after plan completion (J. Lee, 2021; Tian, 2021; Dong, 2025). Governance and disclosure are therefore components of the value-preservation mechanism, not procedural decoration.

3. Institutional setting

3.1 Regulatory recognition and market scale

China’s trust-business classification reform, effective June 1, 2023, formally recognizes risk-disposal service trusts as one of five categories of asset service trusts, and distinguishes market-oriented restructuring trusts from enterprise bankruptcy service trusts established for debtors undergoing court-supervised reorganization, composition, or liquidation (CBIRC, 2023). In a bankruptcy service trust, the trust company serves as trustee for assets designated under a court-approved plan, while creditors become beneficiaries through allocated trust units. The trust may hold equity in an asset platform, residual claims, receivables, real estate, litigation rights, or interests in operating subsidiaries. By early 2025, more than thirty trust companies conducted risk-disposal service-trust business with a reported outstanding scale above RMB 1.5 trillion (Sina Finance, 2025).

Two regulatory developments frame the sample period. The classification reform is a supply-side event: it legitimized and standardized the product, lowering the institutional cost of including a trust in a plan. The Minutes of the work symposium on the adjudication of listed-company bankruptcy reorganization cases, issued jointly by the Supreme People’s Court and the CSRC on December 31, 2024 (Fa [2024] No. 309), together with the CSRC’s companion Guideline No. 11, are a demand-side event: they tighten requirements for plan feasibility, disclosure, and execution standards, including explicit completion criteria and extended supervision when plans are not fully executed (SPC & CSRC, 2024; CSRC, 2025). Both events inform the research designs in Section 5.3.

3.2 Adoption among listed companies

Court-approved reorganization plans of listed companies provide a census-based sampling frame compiled from public plan records and professional annual reports; the author’s independent case-by-case re-verification of the full list is part of the census extension described in Section 5. From the Enterprise Bankruptcy Law’s

entry into force in 2007 through the end of 2025, 144 listed companies had reorganization plans approved by courts, including six in 2019, 13 in 2020, 19 in 2021, 11 in 2022, 15 in 2023, 11 in 2024, and 15 in 2025 (AllBright Law Offices, 2026). Trust beneficial interests as a repayment instrument were rare before the June 2023 classification reform — two of the 49 plans approved during 2019–2022 — but appeared in five of 15 plans in 2023, a year that straddles the reform’s June 1 effective date, four of 11 in 2024, and six of 15 in 2025 (AllBright Law Offices, 2025, 2026). Relative to the 2019–2022 pre-reform baseline of roughly 4 percent, adoption among approved plans has risen by an order of magnitude, which both motivates the research question and supplies the variation the research designs examine. Because 2023 mixes pre- and post-reform approvals, all reform-based comparisons assign cases by each plan’s approval date rather than by calendar year.

3.3 Service-trust forms

Table 1 summarizes the main structural forms observed in practice.

Table 1. Service-trust forms, functions, and principal risks

Form	Typical asset position	Primary economic function	Principal risk
Sale-style	Non-core or difficult assets left after viable assets are sold	Separate residual assets and preserve supplementary recovery	Residual pool may have little realizable value
Going-concern	Operating businesses retained within the trust structure	Maintain operations and allow later strategic disposition	Operating losses and governance complexity
Asset-holding	Specific properties, equity stakes, receivables, or claims	Avoid forced-sale discount and complete title or recovery work	Delay, carrying costs, and weak liquidity
Hybrid	Cash, equity, retained debt, and trust units combined	Balance creditor liquidity and debtor feasibility	Nominal recovery may obscure economic recovery

The forms share one feature: the trust separates the formal completion of the restructuring plan from the economic completion of asset recovery. That separation is the source of both its value and its measurement problem.

4. Model, evaluation framework, and hypotheses

4.1 A two-period model of deferred disposition

A parsimonious two-period comparison makes the boundary between resolution infrastructure and deferred disappointment explicit. The model is in the spirit of the investment-timing literature (McDonald & Siegel, 1986; Dixit & Pindyck, 1994) but is deliberately not a full real-option model: deferral leads to disposition with certainty one period later, and no post-deferral stopping decision is modeled. This keeps the mechanism transparent; an optimal-stopping extension in which the trustee observes the realized state before choosing between sale and continued holding is left for the econometric companion. At the plan date, a reorganizing debtor holds a residual asset pool with fundamental value A and retained operations with going-concern value V . Immediate disposition of the pool realizes $(1 - \delta)A$, where $\delta \in [0, 1]$ is a fire-sale discount that increases with buyer financial constraints, market thinness, unresolved title defects, and incomplete verification (Shleifer & Vishny, 1992; Pulvino, 1998).

A service trust defers disposition by one period. The pool then realizes $\tilde{\theta}A$, where $\tilde{\theta}$ has mean $\hat{\theta} \leq 1$ reflecting the probability that title cure, litigation recovery, and orderly marketing restore value, net of deterioration.

Deferral costs $\kappa(g)A$, comprising financing, administration, and agency costs, where g indexes governance and disclosure quality with $\kappa'(g) < 0$: stronger beneficiary voting, reporting, and termination rules reduce the agency component (Sitkoff, 2004). Creditors discount delayed, illiquid recoveries at rate r . In addition, immediate disposition is not instantaneous: it must be executed inside the reorganized perimeter over a disposition window of marketing, auction, and title-transfer procedures. During that window the unresolved pool imposes a one-time contamination cost cV on retained operations — blocked transfers, continued enforcement, and impaired investor entry — so c measures the transaction loss that forced in-perimeter disposition inflicts on going-concern value. The trust avoids this loss by moving the pool outside the perimeter at the plan date, before disposition work begins. Retaining the pool within the reorganized entity constitutes a third alternative whose ranking depends jointly on the duration of contamination, expected recovery, and governance costs; it is therefore left to an extension of the model, and the analysis proceeds on the binary comparison.

The two complete payoffs can now be stated. Under immediate disposition, the estate realizes the fire-sale proceeds while retained operations bear the contamination cost:

$$W_I = (1 - c)V + (1 - \delta)A.$$

Under the trust, retained operations are immediately freed of contamination, and the pool is realized one period later net of deferral costs:

$$W_T = V + \frac{[\dot{\theta} - \kappa(g)]A}{1 + r}.$$

The trust weakly dominates immediate disposition, $W_T \geq W_I$, if and only if

$$\frac{\dot{\theta} - \kappa(g)}{1 + r} + \frac{cV}{A} \geq 1 - \delta. (1)$$

The term cV/A thus has a concrete timing interpretation: it is the contamination cost avoided at the plan date, expressed per yuan of residual assets, and it enters undiscounted because the separation benefit accrues immediately while the recovery payoff arrives one period later.

A final clarification concerns whose value W measures. W_I and W_T are the total value available for distribution under the plan, not creditor recovery directly. If creditors capture a fraction $\lambda \in (0, 1]$ of going-concern value through plan instruments such as shares and retained debt, while pool proceeds accrue to them in full, the creditor-value ranking replaces cV with $c\lambda V$ in condition (1) and is otherwise unchanged. The model therefore speaks to creditor recovery under the maintained assumption that λ is invariant to the disposition mode; where a plan changes λ itself — for example, through dilution of creditor equity — the mapping from preserved enterprise value to creditor recovery is an empirical question, which is what the measurement rules of Section 4.3 are designed to address.

Condition (1) partitions the parameter space into the two rival interpretations. When the fire-sale discount δ is large, expected recoverability $\dot{\theta}$ is high, governance keeps κ low, and separation protects substantial operating value cV , the trust is resolution infrastructure. When δ is small or $\dot{\theta}$ is low — the pool is simply worthless — deferral only postpones recognition, and weak governance (high κ) makes the region of deferred disappointment larger. Because $\tilde{\theta}$ is realized only through disposition and distribution, condition (1) also implies that nominal trust units carry no information about which region a case occupies; only realized, dated cash flows or market prices do.

4.2 Five-layer evaluation framework

Consistent with the model, a service trust should be evaluated on five layers rather than a single plan recovery rate (Table 2).

Table 2. Five-layer evaluation framework

Layer	Measure	Expected service-trust effect
Immediate liquidity	Cash paid at or shortly after approval	Lower or neutral because recovery is deferred
Realized recovery	Discounted cash distributions and verifiable disposition proceeds	Positive only if value preservation exceeds delay costs
Continuity	Plan completion, survival, listing status, employment, operating recovery	Positive when separation protects viable operations
Coordination	Execution time, plan acceptance, litigation, centralized asset control	Positive in fragmented and complex creditor structures
Accountability	Asset, valuation, governance, reporting and distribution disclosure	Determines whether delay remains disciplined

4.3 Measuring discounted realized recovery

At a common observation date T , package-level discounted realized recovery is $DRR(T;r) = [C_0 + \sum_{0 \leq t \leq T} D_t / (1+r)^t + MT / (1+r)^T] / Q$. C_0 is immediate cash; D_t is cash actually distributed by the trust; MT is the verifiable cash-equivalent value of disposed property, freely tradable equity, or retained debt at T ; and Q is the full confirmed claim principal exchanged for the recovery package. If the analysis isolates the trust sleeve, both numerator and denominator must be restricted consistently to the claim portion assigned to trust interests. Unmonetized or legally unresolved assets remain economically related to Q but are excluded from the numerator. Their appraised value is disclosed separately with valuation date, basis, encumbrances, and haircut scenarios; it is not labeled realized recovery.

The discount rate r represents the creditor's opportunity cost for a delayed, illiquid, and risky recovery. Because no single rate is institutionally privileged, the study pre-specifies a scenario grid rather than presenting one rate as an estimate. The 3% case is a low-risk time-value benchmark; 8% is the intermediate reference case for an illiquid corporate-credit claim; and 15% is a severe distress and illiquidity hurdle. These are transparent sensitivity anchors, not estimates of a debtor's weighted average cost of capital or a contemporaneous distressed-debt yield. Case-specific analysis will additionally report a duration-matched sovereign yield plus a pre-specified credit and illiquidity spread. Undiscounted cash is shown alongside all DRR estimates, and rates are not selected after observing outcomes. The observation horizon T is fixed across compared cases. If C_0 , D_t , Q , or timing is unavailable, DRR is reported as not estimable rather than imputed from trust-unit face value. Zero distributions and missing disclosure are coded separately.

4.4 Hypotheses

The four hypotheses follow from the comparative statics of condition (1).

Hypothesis 1 (fire-sale discount, from $\partial/\partial\delta$). When forced-sale discounts are material and governance is adequate, service trusts are expected to lower or leave unchanged immediate liquidity but improve discounted cumulative recovery relative to immediate disposition. Evidence status: model-derived; not yet tested in the present sample.

Hypothesis 2 (complexity as a net effect, from the joint dependence of δ , θ , and κ on asset conditions). Asset heterogeneity, unresolved title or litigation, and temporarily constrained natural buyers raise the fire-sale discount δ , which favors the trust; but the same conditions may simultaneously lower expected recoverability θ and raise administration and litigation costs κ , which oppose it. The trust's relative advantage therefore increases only when the discount effect dominates the recoverability and cost effects: complexity creates a net-effect boundary, not an unconditional benefit. Evidence status: mechanism-consistent case evidence; the sign of the net effect is an empirical question rather than a model implication.

Hypothesis 3 (separation, from the contamination term cV). Separating residual assets from retained operations is expected to be associated with plan completion and operating continuity. Evidence status: descriptive association only; investor capital, debt-to-equity conversion, court coordination, and accounting effects are co-interventions.

Hypothesis 4 (governance, from $\kappa(g)$). Because $\kappa'(g) < 0$, stronger beneficiary governance and post-establishment disclosure enlarge the region in which condition (1) holds and increase the likelihood that preserved option value is converted into realized creditor recovery. Governance is not a necessary condition in the model: a sufficiently large δ or cV/A can satisfy condition (1) even under weak governance. Evidence status: model-derived and testable; current evidence is insufficient for outcome validation.

5. Evidence and method

5.1 Sampling frame and case construction

The sampling frame combines two populations. For listed companies, the census of 144 court-approved reorganization plans (Section 3.2) identifies every plan and every trust adoption, eliminating selection on discoverability. For unlisted enterprise groups, candidates are located through the National Enterprise Bankruptcy Reorganization Case Information Network, court-approved plans, trustee recruitment and establishment notices, company annual reports, and trustee disclosures. Professional and legal commentary is used to locate documents, not as the sole source of monetary outcomes.

The present audit covers 20 candidate restructurings from 2018–2026, with an audit cut-off of August 18, 2026 for all case-level statements. The 20-case audit is a pilot evidence audit rather than a subsample of the census: it combines the trust-adopting listed-company plans identified in the census with major unlisted group restructurings located through the public sources above. The census defines the sampling frame for the next-stage listed-company analysis; the pilot audit establishes the evidence-grading protocol that the census extension will apply to all 144 plans. A case enters the performance sample only after three stages are distinguished: (1) the approved plan confirms a service-trust arrangement; (2) establishment or effective registration is verified; and (3) at least one post-establishment observation is available, such as an asset disposition, distribution, annual-report valuation, extension, or termination event. Proposed trusts and ongoing trustee recruitments remain in a prospective sample.

Table 3 reports the evidence funnel at the audit cut-off. Stages are cumulative; the grade is a separate evidence-quality label and should not be read as a lifecycle stage.

Table 3. Evidence funnel at the audit cut-off (August 18, 2026)

Evidence gate	Cases	Share of candidates	Interpretation
Candidate universe	20	100%	Located from public court, exchange, company, trustee, and professional sources

Evidence gate	Cases	Share of candidates	Interpretation
Approved plan verified	12	60%	Authoritative plan confirms a service-trust arrangement
Establishment verified	7	35%	Effective establishment or equivalent registration is documented
Post-establishment observation	7	35%	At least one operation, disposition, valuation, extension, or termination observation
Observable monetary evidence	2	10%	A recovery-relevant realized distribution or disposition-proceeds amount (A1), or a fair-value carrying amount reported in audited financial statements (A2), is observable

Table 4 provides the grade-to-stage crosswalk. P, E, O, and M denote verified plan, verified establishment, post-establishment observation, and observable monetary evidence. “NV” means not verified at the audit cut-off. Grade D is an exclusion override: a case that is only proposed, recruiting a trustee, explicitly not established, or otherwise ineligible remains D even if a plan document is available.

Table 4. Grade-to-stage crosswalk

Grade	Stage pattern P/E/O/M	Reproducible inclusion rule	Cases
A1	1 / 1 / 1 / 1	All three lifecycle gates verified and a cumulative or otherwise recovery-relevant realized distribution or disposition-proceeds amount sufficient to evaluate recovery performance is observable	1
A2	1 / 1 / 1 / 1	All three lifecycle gates verified and a carrying or fair-value amount for trust units reported in audited financial statements is the principal monetary evidence, without a disclosed cumulative recovery total; an isolated annual cash receipt does not by itself constitute cumulative recovery evidence	1
B1	1 / 1 / 1 / 0	Trust established and post-establishment evidence available, but no qualifying observable monetary evidence	5
B2	1 / NV / NV / 0	Plan architecture verified; establishment or later execution remains unverified; not subject to the D override	4

Grade	Stage pattern P/E/O/M	Reproducible inclusion rule	Cases
C	NV / NV / NV / 0	Credible case-level or secondary evidence, but the authoritative plan has not yet been verified	7
D	Override	Proposed, recruiting, explicitly not established, or otherwise ineligible for performance analysis	2

The crosswalk reconciles every total. A (2) plus B1 (5) gives the seven established and post-establishment cases. Adding B2 (4) and the one D case with a verified plan gives 12 plan-verified cases. Only the two A cases contain observable monetary evidence, they can be named, and their evidence differs in kind. The A1 case is the Bohai Steel Group restructuring: professional public sources report that the property trust established in January 2020 (CCB Trust “Caidie No. 1”) completed distributions of collected management, operating, and disposition proceeds totaling RMB 812,002,121.16 by December 31, 2021 (Yanglee Trust Net, n.d.). The underlying trustee report has not yet been publicly traced, so the amount is graded as professionally reported cumulative cash distributions rather than an independently audited figure; tracing the trustee or administrator source document is a task of the census extension. The A2 case is the HNA Group consolidated restructuring of 321 companies: units of the HNA bankruptcy-reorganization special service trust are reported at Level 3 fair-value carrying amounts — measurements based on unobservable inputs — in the audited financial statements of affiliated listed companies; for example, Gongxiao Daji reports a year-end 2024 carrying value of RMB 8.958 billion for its trust units, classified as fair value through profit or loss, while noting that no valuation report for the trust was obtained for 2024 (Gongxiao Daji Group, 2025). The same report records a trust distribution of RMB 9.4879 million received in 2024; under the A1 rule this isolated annual cash receipt corroborates that the trust is operating but does not by itself constitute cumulative recovery evidence, so the case remains A2. A Level 3 fair-value carrying amount reported in audited financial statements is a valuation, not a realized recovery, and the two cases are not pooled in any performance statement. The remaining coding decisions follow the written protocol described in the Declarations and will become independently reproducible when the source index is released with the case-level dataset. The published headline grade remains $A/B/C/D = 2/9/7/2$, with $A = A1 + A2$ and $B = B1 + B2$. The current performance core is therefore $A + B1 =$ seven cases; B2 and C support architecture or disclosure analysis only, and D is excluded.

5.2 Market-implied recovery

Sparse trust distributions do not make recovery unobservable, because markets price the instruments creditors receive. Three price sources complement the DRR rules of Section 4.3. First, many debtors in the sample have defaulted exchange- or interbank-market bonds that continue to trade; the bond price immediately after plan approval is a market-implied valuation of the entire recovery package (Jankowitsch, Nagler, & Subrahmanyam, 2014). Subtracting the value of the package’s cash and equity components does not, however, isolate the trust-unit sleeve: the residual also reflects seniority and collateral differences, enforcement delay and litigation risk, liquidity discounts, taxes and trustee fees, and plan-execution risk. Absent an explicit decomposition and strong assumptions, the measure is therefore reported as package-level market-implied recovery, not as a trust-specific valuation. Second, plans that repay claims with shares specify an explicit debt-repayment conversion price; the post-lockup market price of those shares yields a realized value for the equity component, narrowing — but not eliminating — the residual attributable to trust interests and the other unpriced factors. Third, transfer prices in the claims-trading market, where distressed-asset managers purchase claims after plan approval, provide a transaction-based valuation (Ivashina, Iverson, & Smith, 2016), although

such transfers are frequently unobserved. Each source is dated, verifiable, and independent of trust-unit face values. Coverage is itself an empirical question: defaulted bonds do not always trade continuously and claims-trading prices are often private. The census extension will therefore begin with a coverage audit table reporting, for each of the 144 companies, whether defaulted-bond prices, debt-repayment share prices, and claims-trading prices are observable, so that symmetry between trust and non-trust plans is demonstrated rather than assumed.

5.3 Comparative designs and an exploratory identification roadmap

Adoption is endogenous. Large, opaque, and heavily indebted groups are more likely to use service trusts. A raw comparison with simpler restructurings would therefore load case severity onto the trust indicator. Three sources of institutional variation are candidates for addressing this problem. Together they constitute an exploratory identification roadmap, subject to the coverage and statistical-power audits described below, rather than a committed causal design; none is treated as established identification at this stage.

First, the June 2023 classification reform (Section 3.1) is a supply-side event, but it is a nationwide policy with no untreated group. Exposure can be measured as the pre-reform presence of trust companies active in risk-disposal business in the debtor's province and court district, yielding a continuous-treatment-intensity design rather than a canonical difference-in-differences (Callaway & Sant'Anna, 2021; Goodman-Bacon, 2021; Callaway, Goodman-Bacon, & Sant'Anna, 2024). The exposure measure is itself endogenous: it may proxy for bankruptcy-court capacity, regional financial development, the local weight of state-owned and large enterprises, and the maturity of the special-assets market. The design is therefore a heterogeneous-exposure design whose validity must be established, requiring at minimum an exposure variable frozen at a pre-reform date, evidence of parallel pre-reform adoption trends, controls for bankruptcy-court specialization, regional financial development, debt scale, and ownership type, and placebo tests using pseudo-reform years and alternative exposure measures. The nationwide reform itself is not treated as an exogenous instrument. Two further constraints keep this design exploratory. Because trust companies operate nationally, local pre-reform presence may capture relationship networks or regional deal flow rather than a binding supply constraint, so the exposure audit will report both province-level and business-relationship-based measures. And with only two trust adoptions among the 49 pre-reform plans, pre-trend evidence and statistical power are necessarily limited; the design's feasibility will be reported before any estimate is. Consistent with the approval-date assignment rule in Section 3.2, the pre-reform baseline is the 49 plans approved during 2019–2022 with two trust adoptions, not the 2019–2023 window, because 2023 straddles the reform's effective date.

Second, the December 2024 Minutes and the companion CSRC guideline tightened plan-execution and disclosure standards for listed companies (SPC & CSRC, 2024; CSRC, 2025). Because the Minutes were issued on December 31, 2024, they cannot have shaped the design of the 11 plans approved during 2024, and the post-treatment window currently contains essentially a single annual cohort (2025). Comparing trust-plan disclosure quality and execution behavior around this demand-side event is therefore an interrupted institutional comparison, or post-reform cohort analysis, rather than a quasi-experiment; it bears on Hypothesis 4 descriptively and will gain identifying content only as later cohorts accumulate and as the rules' transition provisions, acceptance dates, and scope boundaries generate sharper treatment and exemption groups.

Third, within-case creditor-class variation holds case-level severity fixed but does not by itself isolate the trust component. Within a single plan, small claims typically receive full cash while claims above a threshold receive mixed packages of shares and trust units; the classes therefore differ by construction in legal treatment and package composition, and case fixed effects cannot separate small-claim protection policy, claim size, claim type and collateral status, and the bundling of shares with trust units. The comparison is accordingly reported as a within-case descriptive valuation comparison, not as identification of the valuation of trust interests. Where a plan specifies a strict monetary threshold, a local comparison of claims just below and just

above the threshold can approach identification, provided the threshold is non-manipulable, claims on either side are otherwise comparable, creditor-level market or realized recovery is observable, and the treatment change at the threshold is not confounded by multiple simultaneous instruments.

Where cross-case comparison is still required, the design combines within-case liquidation benchmarks, matched non-trust restructurings, and common observation horizons; entropy balancing and doubly robust adjustment will be used when the expanded sample supports them. Until then, results are described as structured comparative evidence, not causal treatment effects.

5.4 Present evidentiary limits

The evidence presently supports a mixed-method paper. Plan architecture and continuity outcomes are observable across several cases, whereas actual trust distributions are sparse. This asymmetry is itself substantively important: the trust may help a restructuring become legally executable while remaining economically unresolved for beneficiaries.

6. Founder Group: a focal positive mechanism case

Evidence and independence protocol. All case facts in Sections 6.1–6.3 are drawn solely from cited public court, company, investor, trustee, legal, or news materials. Statements labeled “Public-record fact” report those materials; statements labeled “Analytical inference” are the author’s interpretation. No confidential institutional, client, beneficiary, trustee, or transaction information is used. The analysis represents the author’s personal and independent academic views only and is unrelated to, and does not represent, the views of the author’s former employer, Ping An Trust, or any other project participant.

6.1 Why the case is informative

Public-record fact. Founder Group and four affiliated companies entered substantive consolidated restructuring. Public materials report approximately RMB 62.2 billion in assets, RMB 146.9 billion in liabilities, and RMB 130.9 billion in court-confirmed claims, including about RMB 116.0 billion in ordinary claims; the group included information technology, healthcare, finance, urban development, and other businesses, including interests connected to six listed companies (Yicai, 2021; JunZeJun Law Offices, 2025).

Analytical inference. The case is informative because the restructuring problem was not only aggregate insolvency. It also involved a timing and perimeter problem: potentially viable operating platforms had to be transferred or rehabilitated while disputed, weak, off-book, or title-imperfect assets could not be fully resolved within the court timetable. This inference is based on the disclosed asset classification and plan architecture, not on internal experience.

6.2 Separation of operating value and residual uncertainty

Public-record fact. The restructuring used a sale-style architecture. Retained assets were used to form New Founder and business platforms. Public legal materials identify Zhuhai Huafa, Ping An (implemented through Ping An Life), and Shenzhen Tefa/related entities as investors and report a cash investment range of approximately RMB 53.725–73.3 billion, depending on the acquired equity percentage (JunZeJun Law Offices, 2025; CICC, n.d.). Residual assets — including some title-defective, litigation-pending, or off-book assets — remained in the old restructuring entities. Public reports state that Ping An Trust participated in the design of a third-party property trust for clearing, confirming, managing, and disposing of those assets, with net proceeds available for supplementary creditor distributions (Yicai, 2021; JunZeJun Law Offices, 2025).

Analytical inference. The trust's defensible positive contribution was architectural: it prevented residual uncertainty from blocking the transfer and rehabilitation of retained operations while preserving creditors' contingent upside. This does not imply that every residual asset had positive value. Some were publicly reported with an appraised value of zero (JunZeJun Law Offices, 2025). The trust is therefore interpreted as a bridge between legal completion and economic completion, not as evidence that the residual pool was worth its nominal claim allocation. In terms of condition (1), the disclosed facts — thin markets for disputed and title-imperfect assets, residual uncertainty obstructing investor entry into the retained platforms, and a governed deferral structure — are qualitatively consistent with a high fire-sale discount δ and material contamination costs cV , but neither parameter is estimated here. On that qualitative reading, the case sits in the region where the model predicts the trust is resolution infrastructure.

6.3 Time, option value, and governance

Public-record fact. The disclosed trust term was 36 months, with a further 36-month extension possible if the governance bodies did not adopt a termination decision. Creditors not paid in full received beneficial interests in the residual pool, and later net proceeds were designated for supplementary distribution (Yicai, 2021; JunZeJun Law Offices, 2025).

Analytical inference. The term converted an immediate-disposition problem into a governed recovery option. Its value depends on subsequent title resolution, litigation recovery, asset sales, operating cash flow, expenses, and distributions. Founder is accordingly a positive mechanism case, not a completed recovery-rate success case. It shows how a highly complex restructuring may isolate historical problems and preserve supplementary recovery rights; this paper will not attribute a high realized return to the trust until public distribution evidence is available. The main comparative conclusions will also be reported after excluding Founder.

7. Comparative evidence from recent listed companies

The 2024 listed-company cohort illustrates how service trusts operate inside hybrid recovery packages. The cases differ in cash thresholds, stock allocations, trust-unit design, and residual asset quality, but share a common objective: complete the restructuring and separate difficult assets without requiring an immediate sale. Case facts are drawn from the court-approved reorganization plans and subsequent exchange filings (Helytai, 2024; Orient Landscape, 2024; Aonong Biology, 2024; Flower King, 2024; Zhongli Group, 2024).

Table 5. Institutional contribution and financial outcome in the 2024 cohort

Case	Institutional contribution (0–2)	Company-level financial outcome (0–2)	Attribution boundary
Helytai	2 — verified residual-asset trust within a cash/equity/trust package	1 — net assets returned positive and delisting-risk warning was removed	Company outcome reflects the entire plan; trust cash distributions remain unobserved
Orient Landscape	2 — non-retained assets separated; claims above RMB 100,000 combine shares and trust interests	1 — risk warnings were later removed	Plan reports a 26.82% liquidation benchmark, but trust interests are not realized cash
Aonong Biology	2 — divested subsidiary equity placed behind trust units for the largest claims	1 — year-end net assets returned positive	Plan expressly states that trust-unit quantity does not equal final cash distribution

Case	Institutional contribution (0–2)	Company-level financial outcome (0–2)	Attribution boundary
Flower King	1 — hybrid trust architecture verified at plan level; establishment chain incomplete	1 — plan completed and restructuring-related delisting warning removed	Other risk warnings remained; continuity is not full recovery
Zhongli Group	1 — non-retained assets assigned to a service-trust structure at plan level	0 — post-plan outcome not yet verified	Insufficient evidence for a positive performance claim

Scores separate two concepts. Institutional contribution is coded 0 = no verified trust role, 1 = verified plan architecture, and 2 = verified separation or governance mechanism. Company-level financial outcome is coded 0 = unavailable or adverse, 1 = favorable company-level outcome within a multi-instrument plan, and 2 = trust-specific realized cash or disposition proceeds. No listed-company case currently receives a 2 on the financial-outcome dimension. The table therefore does not treat removal of a delisting-risk warning as a trust outcome. In the econometric companion design of Section 5, these ordinal codes are replaced by continuous outcomes — market-implied package values, dated distributions, and execution durations — so that the scoring serves only as a descriptive bridge.

The interim finding is institutional. Service trusts appear to expand the feasible set of restructuring packages by separating difficult assets and centralizing residual creditor rights. Favorable balance-sheet or listing outcomes occur alongside investor capital, debt-to-equity conversion, court coordination, and accounting effects and cannot be attributed solely to the trust. The stronger recovery claim remains subject to actual distributions and common-horizon DRR estimates.

8. Discussion and policy implications

8.1 What service trusts positively accomplish

Service trusts create value chiefly by changing organization and timing. They can isolate assets that are difficult to sell, aggregate creditors' residual rights, allow viable operations to emerge without historical contamination, and preserve an orderly route to later recovery. These functions are particularly valuable for enterprise groups with numerous subsidiaries, mixed asset quality, extensive guarantees, and uncertain title chains.

8.2 What they do not accomplish

The trust form does not eliminate underlying economic losses. Assigning one trust unit for one yuan of adjusted debt is a legal allocation rule, not a valuation result. Nor does the completion of the restructuring plan prove that the trust has completed its work. Regulators, courts, and researchers should avoid describing nominal trust interests as realized recovery.

8.3 A disclosure architecture

A minimum disclosure regime should include: a dated schedule of trust assets; valuation methods and assumptions; title, pledge, freeze, and litigation status; trustee and asset-manager responsibilities; annual operating and disposition reports; cash receipts and expenses; beneficiary distributions; extensions and their rationale; and a final comparison of plan-implied and realized recovery. These disclosures would make the “time for value” claim auditable and reduce the risk that service trusts become opaque repositories for losses. They would also allow market prices to discipline the structure: with a dated asset schedule and cash waterfall,

the market-implied valuations of Section 5.2 can be reconciled against reported net asset values, making divergence itself an early-warning signal.

Table 6. Minimum disclosure blocks and their evaluation use

Disclosure block	Minimum fields	Evaluation use
Asset perimeter	Asset identifier, ownership chain, valuation date/method, encumbrances, litigation, related-party status	Tests whether valuable and difficult assets were actually transferred
Governance	Trustee and manager duties, beneficiary voting, committee authority, conflicts, fee rules, removal and replacement	Tests accountability and agency-cost controls
Cash waterfall	Opening cash, receipts by asset, operating costs, fees, taxes, reserves, distributions by beneficiary class	Separates gross realization from net creditor recovery
Time and status	Establishment date, milestones, unsold assets, extensions, reason for delay, termination trigger	Measures whether “time for value” remains disciplined
Outcome reconciliation	Claim denominator, plan-implied value by instrument, actual cash dates, equity value, DRR sensitivity	Makes nominal-versus-realized recovery auditable

9. Conclusion

Bankruptcy service trusts should be judged neither by immediate cash alone nor by nominal trust units. Their economic role is to reconcile the compressed legal timetable of restructuring with the longer period needed to verify, operate, and dispose of complex assets. The model in Section 4 makes the boundary precise: the trust preserves value when the avoided fire-sale discount and protected operating value exceed governance-dependent deferral costs. The present evidence supports a positive institutional interpretation: Founder and several listed-company plans show how a trust can separate difficult assets, centralize residual creditor rights, and prevent unresolved property from obstructing rehabilitation.

The evidence does not yet establish a positive recovery effect. Only seven of 20 candidate cases have a verified post-establishment observation, and only two provide case-level monetary evidence meeting the audit threshold — one as professionally reported cumulative cash distributions, the other as a Level 3 fair-value carrying amount reported in audited financial statements. Founder remains a mechanism case, and listed-company balance-sheet or listing outcomes arise from the whole restructuring package. The next empirical step is specified rather than merely promised: extend the audit to the full census of 144 court-approved listed-company plans, collect package-level market-implied recovery from defaulted-bond, share, and claims-trading prices, and evaluate whether the exploratory designs in Section 5.3 — the 2023 classification reform exposure design, the post-Minutes cohort comparison, and within-case creditor-class variation — can estimate the effect of trust adoption under the DRR rules, coverage and power audits, and validity conditions defined here. If governance and disclosure convert preserved optionality into transparent distributions, service trusts can mature into credible resolution infrastructure; if not, they risk becoming vehicles for deferred loss recognition.

Declarations

Author independence and conflict of interest. This paper expresses the author's personal and independent academic views only. It is unrelated to, and does not represent, the views of the author's former employer, Ping An Trust Co., Ltd., or any other institution or transaction participant. The author was previously affiliated with Ping An Trust, which participated in the Founder Group restructuring discussed as a focal case. The study relies solely on publicly available materials and does not use confidential client, beneficiary, trustee, or transaction information. Public-record facts and analytical inferences are separately labeled in the focal-case section. Three safeguards address the potential conflict: all coding decisions follow a written protocol, and a public source index will be released with the case-level dataset so that the coding can be independently reproduced; comparative results will be reported with Founder excluded in the subsequent full-sample analysis; and independent replication of the case coding is expressly invited.

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Data availability. The case-level dataset is being constructed from publicly available court, exchange, company, and trustee disclosures. A source-indexed version will accompany a later manuscript version to the extent permitted by source access and redistribution rules.

Author contribution. Fuli Yang: Conceptualization, Methodology, Investigation, Data curation, Formal analysis, Writing – original draft, Writing – review and editing.

AI assistance for this version. AI tools assisted with editorial organization, language editing and document formatting. The author remains responsible for the manuscript.

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