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The Administrative Measures for the Initial Public Offering and Listing

首次公开发行股票并上市管理办法

Issued By **China Securities Regulatory Commission**
Subject **Initial Public Offering (IPO)**
Promulgated on **May 17th 2006**
Effective from **May 18th 2006**
Source **www.csrc.gov.cn**

Discussions regarding Initial Public Offerings (“IPO”) have been restarted by the China Securities Regulatory Commission (“CSRC”) after a pause of more than a year. On May 17th 2006, the CSRC promulgated the Administrative Measures for the Initial Public Offering and Listing (the “Measures”) in line with the provisions of the PRC Securities Law and the PRC Company Law. The Measures stipulate that the approval by the CSRC on an IPO should not be understood as a confirmation or estimation of any profits or investment values of such stocks. Investors should be liable for their own investments.

The Measures strengthen the requirements on qualifications and independence of IPO issuers and embody the spirit of encouraging such listings. The Measures reinforce the responsibilities of prudential supervision for the agencies. Serious punishments shall be imposed on any fake recordation, material omissions, misleading statements or the like. The IPO issuers should conduct prior disclosure of related documents so that investors may get to know the company in advance and have sufficient time to take decisions on making investments. The Measures stipulate the time, venue and contents of such prior disclosure obligation. In respect of the connected transaction, no specific number or ratio limits are imposed. Instead, stricter requirements on disclosure have been imposed on the issuers, obliging them to disclose the details of transactions with controlling shareholders and actual controllers.

According to the No. 9 Guidelines for Contents and Formats of Information Disclosure of the Initial Public Offering Companies (Revised 2006), which were aligned with the Measures and the PRC Securities Law, the application files for the IPO should include specifications of raising capital and issuing public notices, the approvals obtained by the issuers, accountant’s documents related to the IPO, lawyer’s documents related to such IPO and legal opinions, the incorporation documents of the issuers, financial reports and the related, main contracts and agreements that related to the IPO, and the like.

The Working Guidelines for Due Diligence of Sponsor

保荐人尽职调查工作准则

Issued By	China Securities Regulatory Commission
Subject	Due Diligence, Sponsor
Promulgated on	May 29th 2006
Effective from	May 29th 2006
Source	www.csrc.gov.cn

The Working Guidelines for Due Diligence of Sponsor (the “Guidelines”) have been promulgated by the China Securities Regulatory Commission in order to instruct, guide and improve the quality of due diligence work conducted by sponsors. The sponsor system is commonly believed came from Hong Kong. The Guidelines are aimed at improving and facilitating initial public offerings (IPO). The concept of “due diligence” as used in the Guidelines refers to the full investigation on business operations, risks and problems that conducted by the sponsors on the IPO issuers. The Guidelines are only to be referred as general requirements on sponsors. Sponsors should implement the due diligence fully and carefully pursuant to their competencies and professional capabilities.

The due diligence on issuers’ basic information should include the incorporation and modification information, the development history, the investment status of issuers and shareholders, material equity transfers, material reorganizations, information of main shareholders and employees, business credit and the like. The operational and technical investigations should include the information on competition, purchase, production, distribution, research and development, main technicians. The investigation on senior management should include their qualifications, positions assumed with the issuers, experiences, reputation, competency, salary status, shareholding and personal investment.

The investigation on inner control and organizational structures should include the implementation status of the articles of association of the issuers, the independence of directors, risk management, business operation control, information system control and accounting management. The investigation on finance and accounting should include the financial reports and related financial data, the accounting policies, evaluation report, distribution revenues, costs and gross profits, the account receivable, the fixed assets and intangible assets, real estate, main indebtedness, cash flow and taxation. Other main issues such as the investigations on business development, capital collecting and raising and risk factors have been stipulated by the Guidelines as well.

Measures for the Protection of the Right of Communication through Information Networks

信息网络传播权保护条例

Issued by	National Copyright Administration of the People's Republic of China
Subject	Copyright, Right of Communication through Information Networks
Promulgated	March 18th 2006
Effective from	July 1st 2006
Source	www.ncac.gov.cn

The Measures for the Protection of the Right of Communication through Information Networks (the “Measures”) have been promulgated with the aim of protecting right-owners’ rights and interests on networks. The Measures clearly define some definitions of technical terms. The “right of communication through information networks” refers to the right to provide the public with works, performances or video or audio products by wire or through wireless means so as to make the public able to respectively obtain such works, performances or video or audio products at the individually selected time and venue. The terms “technological measures” refer to effective devices or methods used by right-owners or exclusive licensees for preventing or restricting unauthorized or unlawful access to, or communication to the public of, their works, performances, or video or audio products through information networks. The “electronic rights management information” refers to texts, numbers or codes that identify works, performances, or video or audio products as well as their right-owners, producers, performers and manufacturers.

No one shall remove or alter electronic rights management information of works, performances, or video or audio products without permission of the right-owners or exclusive licensees unless otherwise stipulated by the Measures. The administrative authorities shall require the network providers to provide basic information such as name, contact, address and the like of their clients who are suspected of being involved of copyright infringement in order to investigate the illegal actions. Civil liabilities and corrective measures such as cessation of infringement, elimination of bad effects, extension of a formal apology, and compensation for losses may be imposed where copyright infringements occur. Confiscation of illegal profits can also be implemented by the administrative authorities where the public interests have been damaged at the same time. In addition, a fine not exceeding RMB 100’000 may be imposed. Computer and network equipments can be confiscated where the infringement is very serious. Criminal responsibilities shall be imposed where such infringement qualifies as a crime.

Similar to the provisions of the PRC Copyright Law, no permission shall be required and no compensation shall be offered where the aforesaid works, performances or video or audio products are solely used for private study, research or self-entertainment; for the purposes of introduction of or comment on the works; for using a published work by the state authorities within the reasonable scope of fulfilling their duties; for reproducing works in the collections by a library, archive, memorial hall, museum, art gallery or similar institution for the purpose of displaying or preservation; or similar situations.

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