Shanghai
19F, ONE LUJIAZUI
68 Yin Cheng Road Middle
Shanghai 200120 P.R.China
Tel: (86 21) 3135 8666
Fax: (86 21) 3135 8600

Beijing
Units 902-903
Winland International Finance Centre
No.7 Finance Street, Xicheng District
Beijing 100140 P.R.China
Tel: (86 10) 6655 5050
Fax: (86 10) 6655 5060

上海
上海市银城中路68号
时代金融中心19楼
邮政编码: 200120
电话: (86 21) 3135 8666
传真: (86 21) 3135 8600

北京
北京市西城区金融大街7号
英蓝国际金融中心9楼02-03单元
邮政编码: 100140
电话: (86 10) 6655 5050
传真: (86 10) 6655 5060

www.llinkslaw.com
master@llinkslaw.com

Llinks Corporate Finance Bulletin
April 2009

Changes on New Listing Rules

By James Weng and Patrick Chen

On 4 September 2008, both the Shanghai Stock Exchange and the Shenzhen Stock Exchange (collectively, the "Stock Exchanges") respectively promulgated the *Listing Rules of the Shanghai Stock Exchange (2008 Revision)* and the *Listing Rules of the Shenzhen Stock Exchange (2008 Revision)* (collectively, the "New Listing Rules") which took effect as of 1 October 2008. The New Listing Rules have the following features:

Strengthening Information Disclosure and Market Supervision

➢ Strengthening Regulatory Administration on Listed Companies

The New Listing Rules specify the basic principles of information disclosure, i.e. true, accurate, complete, timely and fair. The New Listing Rules require a listed company to set up an information disclosure department under the charge by the board secretary with an aim to strengthen the administration on its information disclosure.

➢ Strengthening Supervision on Major Shareholders of Listed Companies

Under the New Listing Rules, the Stock Exchanges will take special treatment on the share trading of a listed company if its controlling shareholder or related party uses the funds of the listed company on a non-operating basis or the listed company provides external security in violation of its decision-making procedures.

➢ Strengthening Supervision on Directors, Supervisors and Senior Officers (collectively, the "Officers")

如果您需要本出版物的中文本，请与下列人员联系：

韩东红: (86 21) 3135 8709
Publication@llinkslaw.com

If you would like other Llinks publications, please contact:

Lily Han: (86 21) 3135 8709
Publication@llinkslaw.com

Llinks Law Offices
www.llinkslaw.com

The New Listing Rules specially emphasize regulation of the Officers' share trading of the listed companies: the Officers who purchase and sell the shares of their own companies during their term of office shall submit the same to the Stock Exchanges for filing purposes in advance; the board of directors of a listed company shall take back from the Officers the proceeds arising from their short-term share trading and shall disclose the same in a timely manner.

In addition, the New Listing Rules emphasize the board secretary's duties on information disclosure, including: responsible for administration of the information disclosure department established pursuant to the New Listing Rules, timely disclosing the information of the listed company, coordinating the matters relating to information disclosure, organizing to formulate administration system for information disclosure, urging the listed company and relative persons under disclosure obligations to act in compliance with the regulations on information disclosure, coordinating the communication between the listed company and securities regulatory body, investors, securities service providers and the media, paying attention to reports via the media and urging the board of directors to timely respond to the enquiries from the Stock Exchanges.

- Expanding Regulatory Scope

The New Listing Rules expand the regulatory scope to cover CPA firms, assets appraisal agencies, law firms, financial consulting institutions and credit rating firms. If the preceding intermediary agencies or their staff violates the listing rules, the Stock Exchanges will punish them subject to the seriousness of their acts by way of criticizing, public condemning or not accepting the documents signed by them for the time being.

Formulating New Mechanism to Accommodate to Market Changes

- Mechanism after a Listed Company Enters into Bankruptcy Proceedings

Under the New Listing Rules, where a listed company enters into the proceedings of restructuring, settlement, bankruptcy or liquidation, the Stock Exchanges will give a warning for the risk of terminating listing and will suspend its share trading after trading for 20 business days until the relative proceedings are terminated; where a listed company is declared bankruptcy by a court, the Stock Exchanges will directly terminate its listing. In addition, in order to enhance supervision on a bankrupted listed company and protection of investor, the New Listing Rules also specify the timing and substance on information disclosure.

- Mechanism when a Listed Company Carries out Stock Incentive Plan

Under the New Listing Rules, a listed company that carries out stock incentive plan is required to disclose information and follow relative procedures when the stock incentive plan is discussed by the board of directors, submitted to CSRC for filing purposes, approved by the administration of state-owned assets, resolved by the shareholders' meeting and in the course of implementation of the stock incentive plan; when the listed company publicizes announcement on stock incentive plan, the names and titles of the targets under such plan together with the number of restricted shares or stock option to be granted shall also be disclosed on the websites of the Stock Exchanges.

- Mechanism when a Listed Company's Shareholdings Do Not Meet the Listing Requirements

  Under the New Listing Rules, where the changes to the shareholdings of a listed company lead to non-compliance with the listing requirements for 20 consecutive trading days, on the next day after the preceding period, the Stock Exchanges shall suspend trading on the shares and derivatives of the listed company; within one month following the suspension, the listed company may propose to the Stock Exchanges on solving the issue of shareholdings and apply to continue trading on its shares, and if the Stock Exchanges approve the application, the listed company will have a period of six months to rectify according to the proposal with a warning by Stock Exchanges for the risk of terminating listing; if no improvements can be achieved after the expiration of six months, trading on the shares of the listed company will suspend and will further be delisted if the shareholdings can not meet the listing requirements within six months after suspension.

  Given that acquisition and merger and restructuring will lead to non-compliance by the shareholdings of a listed company with listing requirements, it is permitted under the New Listing Rules that the listed company and the acquirer can submit a plan to the Stock Exchanges on solving the issue of shareholdings within five trading days after the result of the tender offer is publicized.

Improving Reasonableness of the Rules and Effectiveness of the Market

- Change to Lock-up Period

  Under the New Listing Rules, the lock-up period for the investors (excluding the controlling shareholder or the de facto controller) who comes to be the shareholders of a listed company before IPO is shortened from 36 months to 12 months; the lock-up period for the controlling shareholder or the de facto controller of a listed company is still 36 months, however, if the shares are transferred to a third party with which an actual controlling relationship exists or is under control by the same controller after the 12-month lock-up period, such restriction can be exempted upon application with the Stock Exchanges; in addition, for a company listed at the Shenzhen Stock Exchange, if it faces a serious crisis or financial difficulties after the 12-month lock-up period, its controlling shareholder or de facto controller, with the approval by the shareholders meeting of the listed company and other relative authorities of the restructuring plan and application with the Shenzhen Stock Exchange after approval, can transfer its shares to the transferee who undertakes to comply with the commitment on 36-months lock-up period.

- Warning Effect on Trading Suspension

  The trading suspension with a warning effect for abnormal scenarios like disclosure not in a timely manner, being suspected to be in violation of laws and regulations and sharp changes in the share prices are highlighted in the New Listed Rules.

Contact Details

If you would like to know more information about the subjects covered in this publication, please feel free to contact the following people or your usual Llinks contact.

Shanghai	**Beijing**
Christophe Han Tel: (86 21) 3135 8778 Christophe.Han@llinkslaw.com	**Wayne Chen** Tel: (86 10) 6655 5050 - 1022 Way.Chen@llinkslaw.com
Grant Chen Tel: (86 21) 3135 8699 Grant.Chen@llinkslaw.com	
Calista Huang Tel: (86 21) 3135 8788 Calista.Huang@llinkslaw.com	
James Weng Tel: (86 21) 3135 8660 James.Weng@llinkslaw.com	