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## PRESS RELEASE

### Supreme People's Court Released New Provisions about Issues Involving Foreign-Invested Enterprises

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On August 5<sup>th</sup> 2010, China's Supreme People's Court (SPC) issued a set of regulations providing a detailed ruling basis for cases involving foreign investment companies regarding equity transfer, anonymous investment and other procedures, which will enter into effect on August 16<sup>th</sup> 2010.

The regulations are based on General Provisions of the Civil Law, Contract Law, Property Law, Company Law and several other basic Chinese laws. And they are enacted with the purpose of solving arising practical problems coming from transfer disputes involving foreign-invested enterprises, anonymous investment disputes, merger disputes, liquidation disputes etc.

Spokesman from the Supreme People's Court, Sun Jungong said on the press conference that the new regulations include the effectiveness and legal consequences of equity transfer contracts without administrative approval. The regulations hold that a legally established contract still binds on the parties legally even if it lacks administrative approval; and neither party shall cancel or terminate the contract without authorization. The regulations also specify various conditions for anonymous investment, and consider contracts invalid only when investors allegedly violate laws and regulations or intent to escape legal responsibilities.

As SPC statement has revealed, conflicts involving foreign investment companies accounted for about 20 percent of all foreign-related civil and commercial cases in the past two years. "Among these cases, conflicts involving share transfer, anonymous investment, merger and liquidation saw a sharp increase, and the legal problems reflected in these cases are very complicated," said Sun.

The focus of the regulations is legal application of disputes result from the process of establishing and changing of foreign-invested enterprises. According to Sun, the SPC will also release a set of judicial interpretations focusing on the application of law on conflicts involving foreign investment companies on termination issues such as disbandment and liquidation.

10-2 Liangmaqiao Diplomatic Compound, No. 22 Dongfang East Road, Chaoyang District  
Beijing 100600 China

Tel: (86)(10)-8532 1919 Fax: (86)(10)-8532 1999

Email: [mail@lehmanlaw.com](mailto:mail@lehmanlaw.com)

[www.lehmanlaw.com](http://www.lehmanlaw.com)

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Edward E. Lehman, Managing Director of Lehman, Lee & Xu, said, “The new Regulations and the coming second one will play a positive role in ensuring equal rights of domestic and foreign investment companies and make foreign enterprises’ investing in China easier and more standardized.”

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm has also been recognized as one of the top full service and intellectual property firms in China by several international magazines. The law firm is managed by Mr. Edward Lehman, a leading expert on corporate law with 20 years of practice experience in Mainland China.

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