

A good commercial lawyer
sees beyond the law.

VINGE

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Vinge is one of the leading law firms in Scandinavia, offering a full range of legal services. Vinge is a member of the Scandinavian Law Alliance with Kromann Reumert in Denmark and Thommessen in Norway and of Lex Mundi, a global network of independent law firms.

China Practice Group

NEWSLETTER FROM VINGE

ABOUT THIS NEWSLETTER

The materials in this newsletter are of general, informational nature. The content does not purport to be exhaustive and should not be relied upon as a substitute or replacement for individual legal advice on any specific matter. If you have a specific legal question you are welcome to address it to one of our lawyers.

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Vinge is one of the leading law firms in Scandinavia. The worldwide staff exceeds 450 of which more than 290 are lawyers. Vinge is the only Swedish law firm with offices in Hong Kong and China (Shanghai).

Vinge's China Practice Group assists clients in all aspects of their business activities in China. Many foreign clients, including Chinese clients, have chosen Sweden as their base for investments and business operations, not only in Sweden but also within the European Community.

Lanymore from Vinge's China Practice Group are represented on the Board of Directors of professional organisations such as the Sweden China Trade Council, the China Forum in Gothenburg and the Swedish Chamber of Commerce in Hong Kong.

An increase in client activities in China and a growing interest in the region in general have led to a special focus within Vinge on our China practice and heavy commitment from all Vinge offices. Consequently, the operations at the offices in Hong Kong, Shanghai and in Sweden are being expanded.

The staffing of our offices is at present as follows. However, we are continuously recruiting to meet the increased demand for China related legal services.

Vinge Hong Kong

Björn Aschan, advokat (Member of the Swedish Bar Association) and partner, who set up our Hong Kong office in 1985, has worked with China related legal services for more than 20 years. For the past few years Björn has from our Gothenburg office been responsible for the Swedish part of the Vinge China Practice Group. Björn has been associated with Vinge since 1970. He has recently been appointed Resident Partner and manager of our office in Hong Kong. Björn can be contacted at bjorn.aschan@vinge.se or at bjorn.aschan@vinge.com.hk

Paulo Fohlin, advokat and partner, will be moving to Hong Kong in February 2007, leaving our Gothenburg office. Paulo has been associated with Vinge since 1988 and has been concentrating his practice on domestic and international arbitration and litigation. Paulo has established himself as one of Sweden's leading practitioners in international arbitration. In Hong Kong, Paulo will focus on China related arbitration in China, In Hong Kong and in Sweden. Paulo can be contacted at paulo.fohlin@vinge.se

Our Hong Kong team also includes our secretary and office manager *Lina Yeung*. Lina is responsible for Vinge's Company Secretarial Services, handling a large number of client corporations in Hong Kong. Lina can be contacted at lina.yeung@vinge.com.hk

Our staff in Hong Kong also includes our assistant *Nerissa Fung*, who has been with Vinge since 2005. nerissa.fung@vinge.com.hk

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Vinge Shanghai

Karin Grauers, advokat (Member of the Swedish Bar Association) and partner, is our Chief Representative and manager of our office in Shanghai. Karin, most recently worked in our Stockholm office, has been an attorney for more than 20 years. She has a broad commercial and legal expertise and experience with a special focus on M&A and IT. Karin has been associated with Vinge since 1981. Karin has been part of the Vinge China Practice Group for some time. Karin can be contacted at karin.grauers@vinge.se and at karin.grauers@vinge.com.cn

At the office in Shanghai Vinge has a local partner in the Chinese attorney *Gu Qun*. Qun, who has been associated with Vinge since 2000, is fluent in Swedish. She has extensive experience in advising Swedish and international companies in China. Qun can be contacted at guqun@vinge.com.cn

Our Shanghai team also includes our Chinese attorneys *Wang Ping*, associated with Vinge since 2005, wangping@vinge.com.cn, *Jay Cee*, who has been with Vinge since 2005, jaycee@vinge.com.cn, *Edward Liu*, associated with Vinge since 2006, edwardliu@vinge.com.cn, and our assistant *Beth Zhao*, bethzhao@vinge.com.cn.

Vinge Gothenburg

The Vinge China Desk in Gothenburg will be headed up by *Ulf Käll*, advokat and senior associate, who previously has worked in our Shanghai office. Ulf has been associated with Vinge since 2000. He has a broad commercial and legal expertise with a special focus on Swedish, Chinese, and international corporate and tax issues. Ulf can be contacted at ulf.kall@vinge.se

Vinge Stockholm

The Vinge China Desk in Stockholm will be headed up by *Michael Wigge*, advokat (Member of the Swedish Bar Association) and partner, associated with Vinge since 1986 and by *Malin Leffler*, advokat (Member of the Swedish Bar Association) and partner, associated with Vinge since 1998. Both Michael and Malin have extensive experience from working with international investments in Sweden and abroad. Malin and Michael will have a special focus on assisting in Chinese investments in Sweden. Michael and Malin can be contacted at michael.wigge@vinge.se and malin.leffler@vinge.se

Vinge Skåne

The Vinge China Desk in Skåne will be headed up by *Katarina Nilsson*, senior associate, who has lived and studied in China. Katarina has been associated with Vinge since 2004. She has a deep knowledge and experience of China and is fluent in mandarin, spoken and written. With Malmo as a base she will assist both Swedish and Chinese companies, in China and in Sweden. Katarina can be contacted at katarina.nilsson@vinge.se

A new enterprise Bankruptcy Law in China

In 1986 China got its first bankruptcy law, which law was and is only applicable to State-owned Enterprises (SOEs). Since 1986 millions of other enterprises than SOEs, have been incorporated, including millions of privately owned enterprises. Since 1991 China has had a Civil Procedure Law with general application to bankruptcy related matters for private enterprises. In 2002 the Supreme Court promulgated "Provisions Concerning Certain Issues Relating To The Proceedings of Corporate Bankruptcy Cases".

The transition of China's economy from a "state planned economy" to a "socialistic market economy", China's entry into the World Trade Organization (WTO) and with foreign investors playing an increasing role in the development of China's economy, the need for a modern bankruptcy system meeting global standards has arisen.

A new PRC Bankruptcy Law (New Law) was approved on 27 August 2006 and will be implemented from 1 June 2007.

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The New Law will give China a unified law and will apply all over China and to all types of enterprises. The New Law includes concepts similar to what is known in other developing countries, such as:

- A creditor can make an application for bankruptcy proceedings to be initiated against an enterprise without prior government approval
- Bankruptcy proceedings will be advertised
- Defined bankruptcy criteria are introduced, such as cash-flow tests
- The court appointed Administrator must have suitable qualifications
- Supervising powers are given to creditor's meetings and to a creditor's committee
- The court will investigate management's conduct
- Priority of security interests and certain types of preferential claims are introduced
- Claims shall be submitted, including claims under guarantees
- Provisions regulating set-offs are introduced
- There are rules to set aside fraudulent preferences, transfers at undervalue etc.
- The bankruptcy process is supervised by the court
- There are comprehensive rules for reorganization and rescue of an enterprise
- Powers are given to the courts to recognize foreign insolvency proceedings

The New Law can be an important vehicle when the PRC courts and judiciary have developed experience in implementing the New Law and detailed rules and guidelines, including test cases, exist. This, most certainly, will take years to achieve. However, a workable and transparent bankruptcy system in China will definitely assist investors, Chinese and foreign, in their business activities in China.