

client alert

BANKRUPTCY LAW | CHINA |

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GIDE RELEASES CHINA BANKRUPTCY GUIDE FOR INVESTORS

Gide is pleased to announce the release of a new guide on insolvency regulations in China.

Insolvency Rules in the People's Republic of China provides an overview of the legal framework for the insolvency and bankruptcy of companies in China. In particular, it highlights the key issues to be considered during each type of insolvency proceedings under Chinese law: bankruptcy liquidation, reorganisation and settlement.

BACKGROUND: A RISE IN BANKRUPTCIES

China promulgated a modern bankruptcy law, the *Enterprise Bankruptcy Law*, which came into effect on 1 June 2007. The regime set up by this law applies to all incorporated entities in China, whether state-owned or private, domestic or foreign-invested, financial or not. However, bankruptcy proceedings remained relatively uncommon for a long time following the law's enforcement.

Now, as the Chinese government steps up efforts to promote more market-oriented reforms, the number of bankruptcy proceedings opened each year is rapidly increasing. According to statistics released by the Supreme People's Court, courts in China accepted 1,028 bankruptcy cases in the first quarter of 2016, i.e. 52.5% more than at this time last year.

Last December, officials also indicated a desire to promote the use of bankruptcy courts to rebalance the economy. In a statement, the Central Economic Work Conference said that China will create conditions for the execution of bankruptcy procedures based on market rules and speed up trials of bankruptcy liquidation cases.

WHAT'S IN THE GUIDE

Gide's insolvency guide will be a valuable resource for both debtors and creditors as they navigate the complexities of the Chinese insolvency practice. More generally, the guide aims to raise awareness of the legal protections and remedies available to investors under Chinese law if their business or business partners are in financial distress. Its chapters cover in depth matters such as:

- Insolvency procedures
- Appointment and responsibilities of the administrator

- Recovery and preservation of the insolvent company's assets
- Declaration and verification of creditor claims
- Liabilities of shareholders and personnel of an insolvent company

Gide is issuing this guide free of charge. Please feel free to contact us at beijing@gide.com or shanghai@gide.com to request a copy.

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