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NEWSLETTER

(Henry Zhuang & Partners)

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PRC NEW REGULATIONS ON LEVERAGED BUYOUTS

On 6 December 2008, China Banking Regulatory Commission (“CBRC”) issued **Guidance on Risk Control of Commercial Banks on Acquisition Financing** (the “Guidance”). Two days later, on 8 December 2008, the General Office of the State Council promulgated **Opinions on Accelerating Economic Development by Financial Support** (the “Opinions”).

According to the Guidance, upon certain conditions being satisfied and a report being filed with CBRC, a commercial bank incorporated as a legal entity in the PRC may grant banking facilities to a China registered company to finance its acquisition of shares (including subscription of new shares) or assets in the PRC up to 50% of the acquisition costs. The term of such loan shall generally not be longer than 5 years.

According to the Guidance, for banking facilities granted for acquisition purpose, the security provided by the borrower may include, inter alia, mortgage over assets, pledge over shares (including shares held in the target company), third party guarantee, etc.. There is no prohibition on the borrower (investor) or the target company from creating a mortgage or pledge over assets of the target company.

Although the Guidance allows only China registered company to borrow loans for acquisition purpose, according to the Opinions, the banking facilities for acquisition purpose may be granted not only to a China registered company, but also to a foreign company.

Upon request, we may provide you with a copy of the Guidance (in Chinese) and/or the Opinions (in Chinese).

Yours faithfully,

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