Securities Law of the People’s Republic of China

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1. This Law is enacted for the purposes of regulating the issuance and trading of securities, protecting the lawful rights and interests of investors, safeguarding the public interest, and promoting the development of the socialist market economy.

Article 2. This Law applies to the issuance and trading of stocks, corporate bonds, depositary receipts, and other securities lawfully recognized by the State Council within the territory of the People's Republic of China. This Law also applies to the issuance and trading of asset-backed securities and asset management products as separately prescribed by the State Council. The issuance and trading of government bonds and shares of securities investment funds shall be governed by this Law where applicable; otherwise, separate laws and administrative regulations shall apply.

Article 3. The issuance and trading of securities shall adhere to the principles of openness, fairness, and impartiality.

Article 4. Parties involved in the issuance and trading of securities shall have equal legal status and shall observe the principles of voluntariness, compensation, and good faith.

Article 5. The issuance and trading of securities shall comply with laws and administrative regulations. Fraudulent, insider trading, and market manipulation practices are prohibited.

Article 6. The securities industry, banking industry, trust industry, and insurance industry shall operate and be managed on a separated basis, unless otherwise provided by the State.

Article 7. The securities regulatory authority under the State Council shall exercise centralized and unified supervision and administration of the national securities market in accordance with law. The securities regulatory authority under the State Council may establish dispatched offices as needed to perform their supervisory and administrative duties.

Chapter II — Issuance of Securities

Article 8. The public issuance of securities shall comply with the conditions prescribed by laws and administrative regulations and shall be registered with or approved by the securities regulatory authority under the State Council or a department authorized by the State Council in accordance with law. No entity or individual may publicly issue securities without lawful registration or approval.

Article 9. "Public issuance" means: (1) issuing securities to non-specific targets; (2) issuing securities to specific targets, where the cumulative number of targets exceeds 200 persons; or (3) other issuance activities prescribed by laws or administrative regulations as public issuance. Non-public issuance of securities shall not involve advertising, public solicitation, or disguised public offering.

Article 10. An issuer applying for public issuance of shares shall engage a sponsor institution that shall perform its duties diligently and prudently. The sponsor institution shall comply with business rules and industry standards and be honest and trustworthy.

Article 11. An issuer applying for public issuance of stocks shall submit the following documents: (1) application documents; (2) the prospectus; (3) the articles of association; (4) the sponsor's letter of recommendation issued by the sponsor institution; (5) legal opinions issued by a law firm; and (6) other documents required by the securities regulatory authority.

Article 12. An issuer shall produce a prospectus for public issuance. The prospectus shall contain: (1) information on the issuer's business and financial condition; (2) use of proceeds; (3) risk factors; and (4) other material information. Statements made in the prospectus shall be true, accurate, and complete.

Article 13. Where an issuer publicly issues stocks, it shall list them on a stock exchange and announce the listing announcement and other relevant documents. The stock exchange shall review the listing application and enter into a listing agreement with the issuer.

Chapter III — Trading of Securities

Article 14. Securities listed and traded in accordance with law shall be traded on stock exchanges or on other national securities trading venues approved by the State Council. Securities trading shall be conducted through open centralized trading methods or other methods approved by the securities regulatory authority.

Article 15. Listed companies, companies whose stocks are traded on other national securities trading venues, and their directors, supervisors, senior management personnel, and shareholders holding 5% or more of the company's shares (including through persons acting in concert): where they sell stocks or other equity securities of the company within six months after purchase, or purchase within six months after sale, the gains derived therefrom shall belong to the company.

Article 16. Persons with knowledge of inside information on securities trading shall not buy or sell the company's securities, divulge the inside information, or advise others to buy or sell the securities based on the inside information. "Inside information" means non-public information that relates to the company's business or financial affairs or may have a material effect on the company's securities price.

Article 17. No entity or individual may engage in the following market manipulation acts: (1) influencing the price or trading volume of securities through centralized trading of capital, shareholding, or information advantages, alone or in collusion; (2) colluding with others to trade securities at a predetermined time, price, or method; (3) buying and selling securities between accounts under one's actual control, thereby influencing the price or trading volume of securities; (4) trading securities by using false or uncertain material information to induce investors; and (5) other market manipulation acts recognized by the securities regulatory authority.

Chapter IV — Tender Offer

Article 18. Where an investor holds or jointly holds through a counterparty by agreement or other arrangement 30% of the issued shares of a listed company and continues to acquire shares, it shall issue a tender offer to all shareholders of the listed company to acquire all or part of the company's shares in accordance with law.

Article 19. The tender offer period shall be not less than 30 days and not more than 60 days, and the offeror shall not withdraw the tender offer within the offer period.

Article 20. An acquirer that acquires a listed company by means of a tender offer shall disclose the financial information and related materials required by the securities regulatory authority.

Chapter V — Information Disclosure

Article 21. An issuer and other information disclosure obligors shall promptly perform their information disclosure obligations in accordance with law. Disclosed information shall be true, accurate, and complete, and shall be concise, clear, and easy to understand; there shall be no false records, misleading statements, or material omissions.

Article 22. A listed company shall disclose its annual report within four months of the end of each fiscal year, and its semi-annual report within two months of the end of the first half of the fiscal year. The annual report shall include: (1) a brief summary of the company; (2) financial and accounting reports and business conditions; (3) information on directors, supervisors, and senior management personnel; (4) issued shares and bonds; (5) major events reportable under the preceding year; and (6) other matters prescribed by the securities regulatory authority.

Article 23. Where a material event occurs that may have a relatively significant impact on the trading price of a listed company's shares or bonds and is not yet known to investors, the listed company shall immediately submit an interim report on the occurrence, current status, and possible impact of the material event to the securities regulatory authority and the stock exchange, and make an announcement.

Chapter VI — Investor Protection

Article 24. Where an issuer fails to fulfill its information disclosure obligations, causing investors to suffer losses in securities trading, the issuer and its controlling shareholder, actual controller, and relevant responsible persons shall bear joint and several liability for compensation.

Article 25. The State shall establish a securities investor protection fund. The securities investor protection fund shall be composed of fees paid by securities companies and other funds raised in accordance with law.

Article 26. Where an issuer engages in fraudulent issuance or material illegal conduct, and the issuer and its controlling shareholder or actual controller are ordered to repurchase the securities, or the listed company suffers significant losses, investors may demand that the issuer and its controlling shareholder or actual controller bear liability for compensation in accordance with law.

Article 27. Where the securities regulatory authority determines that an entity has committed fraudulent conduct such as false records, misleading statements, or material omissions in its information disclosure, causing investors to suffer losses in securities trading, any investor who purchased the relevant securities during the specified period may bring a representative action. The investor protection institution may act as the representative to file a lawsuit. This is China's securities class action mechanism.

Chapter VII — Securities Regulatory Authority

Article 28. The securities regulatory authority under the State Council shall perform the following duties in accordance with law: (1) formulating rules and regulations on the supervision and administration of the securities market in accordance with law; (2) approving or registering the issuance of securities in accordance with law; (3) supervising and administering the trading, registration, settlement, and custody of securities; (4) supervising and administering information disclosure by issuers; (5) investigating and punishing illegal acts in securities issuance and trading; and (6) other duties prescribed by laws and administrative regulations.

Article 29. When performing duties, the securities regulatory authority may take the following measures: (1) conducting on-site inspections; (2) entering the site of suspected illegal acts for investigation and evidence collection; (3) questioning parties, entities, and individuals related to the investigated event; (4) reviewing, copying, sealing, or seizing relevant documents and materials; and (5) inquiring into the capital accounts and securities accounts and the relevant bank accounts of the parties.

Chapter VIII — Legal Liability

Article 30. Where securities are issued without lawful approval or registration, or by fraudulent or other improper means, the securities regulatory authority shall order cessation of the issuance, impose a fine of not less than the illegal amount raised and not more than two times the illegal amount raised, and confiscate illegal gains.

Article 31. Where an information disclosure obligor fails to disclose information as required, or the disclosed information contains false records, misleading statements, or material omissions, it shall be ordered to correct, be given a warning, and be fined not less than CNY 500,000 and not more than CNY 10 million.

Article 32. Where insider trading is conducted, the securities regulatory authority shall order the offender to dispose of illegally held securities in accordance with law, confiscate illegal gains, and impose a fine of not less than one time and not more than 10 times the illegal gains.

Article 33. Where market manipulation is conducted, the securities regulatory authority shall order the offender to dispose of illegally held securities in accordance with law, confiscate illegal gains, and impose a fine of not less than one time and not more than 10 times the illegal gains; where the circumstances are serious, market prohibition measures may be adopted.

Chapter IX — Supplementary Provisions

Source: https://www.danyoungcpa.com/securities-law-prc-2019-revision-english-translation/

Article 34. This Law shall take effect as of March 1, 2020. The Securities Law of the People's Republic of China adopted on December 29, 1998, as amended, shall be repealed simultaneously.

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