

(JunHe) Sought out by underwriters and issuers in respect of listings, bonds and preferred shares matters.

—Chambers Global

## Return of Red Chip Companies

Generally, the “return of a red-chip company” means a change of a red-chip structure, by way of equity restructuring, that was originally formed for the purpose of listing offshore, into an entity or control structure with the purpose of listing onshore in China. This enables the entity to issue stocks and list itself on the securities market in China.

In recent years, a majority of Chinese enterprises that have built up a red chip structure and listed, or intended to list offshore have decided to return to the onshore securities market after considering the difference between the onshore market and the offshore market in the valuation and regulation environment, and their market power in such markets. JunHe’s practice in respect to the return of red-chip companies is outstanding. The company has successfully assisted many well-known enterprises in removing their red-chip structure, and issuing stocks and listing on the onshore securities market in accordance with PRC laws and regulations.

### Expertise in Removing a Red Chip Structure

JunHe is a comprehensive law firm with vast experience in many areas, including capital markets, outbound investments, foreign investments, finance, litigation, foreign exchange, taxation and labor and employment. JunHe is able to advise clients on the allocation by a PRC enterprise of dividends to offshore enterprises, the settlement of shareholders’ loans, offshore equity restructuring, establishment of ESOPs or admission of new investors, return of control to an onshore entity, foreign exchange regulation, flow of funds in respect of equity restructuring and other issues that may be involved during the return of a red chip company.

### Extensive Business Cooperation Resources

JunHe has extensive influence in various fields of business and vast business resources. It maintains excellent communication and cooperative relationships with commercial enterprises, foreign exchange bodies and industries, as well as securities regulatory authorities, financial institutions, financial investors and strategic investors. Thanks to its close relationship with clients and its huge social resources, JunHe is able to assist clients in designing reasonable return plans and to utilise its expertise to help the returned entities issue stocks and complete their listing on the onshore securities markets.

JunHe, founded in Beijing in 1989, is one of the first private partnership law firms in China. Since its establishment, JunHe has grown to be one of the largest and most recognized Chinese law firms. The firm has twelve offices around the world and a team comprised of more than 1070 professionals, including over 320 partners and legal counsel, as well as over 750 associates and legal translators.



**(JunHe) Leverages its solid finance law expertise and collaboration across departments to provide a one-stop service.**

—Chambers Greater China Region

### **Selected Deals**

#### **Ecovacs Project – Removal of a Red Chip Structure and IPO on the A Share Market**

As the PRC legal counsel for Ecovacs Robotics Co., Ltd. (“Ecovacs”, stock code 603486), JunHe assisted Ecovacs in setting up an offshore red chip structure, attracting investors to provide private equity financing, removing the red chip structure and issuing stocks on the A stock market, and advised the client on equity incentives. With JunHe’s help, Ecovacs successfully completed its IPO and listing on the Shanghai Stock Exchange.

#### **Privatization of Home Inn, and BTG Hotels’ Major Asset Restructuring and its Acquisition of Home Inn**

As the PRC legal counsel for BTG Hotels (Group) Co., Ltd. (“BTG Hotels”, stock code 600258), the buyer in the acquisition, JunHe was involved in the entire transaction structure, assisting BTG Hotels in obtaining from the National Development and Reform Commission the letter of confirmation with respect to the outbound investment in the transaction, and advising BTG Hotels (Hong Kong) on the purchase in cash of the equity interests held by the minor shareholders of Home Inn, as well as the privatization of Home Inn. With JunHe’s assistance, BTG Hotels obtained the approvals from the China Securities Regulatory Commission and the Ministry of Commerce of the People’s Republic of China in respect of its issue of shares to purchase the assets of Home Inn and raise the supporting funds.

#### **Yingliu Electromechanical Project – Removal of a Red Chip Structure and IPO on the A Share Market**

As the PRC legal counsel for Anhui Yingliu Electromechanical Co., Ltd. (“Yingliu Electromechanical”, stock code 603308), JunHe assisted in designing a perfect red chip structure removal and A share market IPO plan, and advised Yingliu Electromechanical in areas such as taxation and foreign exchange, assisted in the coordination between onshore and offshore private equity financing documents and the restructuring of equity incentives. Yingliu Electromechanical finally completed its IPO and listing on the Shanghai Stock Exchange.

#### **Gloria Pharmaceuticals Project – Removal of a Red Chip Structure and IPO on the A Share Market**

As the PRC legal counsel for Harbin Gloria Pharmaceutical Co., Ltd. (“Gloria Pharmaceuticals”, stock code 002437), JunHe assisted Gloria Pharmaceuticals in the red chip structure removal and the A share market IPO plan. The company successfully completed its IPO and listing on the Shenzhen Stock Exchange.

JunHe was one of the first domestic law firms to be approved to advise on securities and capital markets and has placed this practice area at the core of the firm’s growth and development. Throughout the years, JunHe has helped companies from diverse industries, countries and business stages to raise capital and achieve their corporate goals. Our clients benefit from our extensive knowledge of the legal framework and the practical realities of raising capital in China and overseas.