

Summary of Temporary Measures on Establishment of Foreign Invested Equity Investment Management Enterprises in Shanghai Municipal Pudong New Area

On June 8, 2009, Shanghai Municipal Pudong New Area People's Government (the "Pudong New Area") promulgated "*Temporary Measures on Establishment of Foreign Invested Equity Investment Management Enterprises in Pudong New Area*" (hereinafter the "Measures"). The promulgation of the Measures makes Pudong New Area the first place in China which permits the offshore equity investment entities, such as venture capital (VC) and private equity (PE), to be legally registered as "equity investment management enterprises".

Presently, there are a lot of offshore equity investment enterprises in Shanghai, of which the business development increasingly conflicts with the current regulatory mechanism; furthermore, due to the restrictions by the current policy of PRC, offshore equity investment enterprise have to establish their PRC counterparts by registering the same with BAIC either in form of investment consultation companies or representative offices, of which business scope was quite limited and restricted. Therefore, Pudong New Area promulgated the Measures based on its deep investigation and research. The Measures intends to establish a good legal and market environment, which can encourage the healthy development of PE and attract more offshore equity investment enterprises to invest in Shanghai.

Foreign invested equity investment management enterprises (the "FIEIME") in the Measures shall refer to that the enterprise which is established by foreign companies, enterprises and other economic organizations or individuals in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture and wholly foreign owned enterprises in Pudong New Area with its contemplated business of equity investment management pursuant to the entrustment by equity investment enterprises. Main contents provided in the Measures are the conditions regarding establishment of foreign invested equity investment management enterprise and competent authorities in charge of approval, registration, management and supervision of foreign invested equity investment management enterprises.

Pursuant to the Measures, the following conditions shall be satisfied for establishing the FIEIME: (1) the FIEIME shall have at least one investor and the business scope of such investor or its affiliates shall cover equity investment or the management of equity investment; (2) the FIEIME shall have at least two senior executives with requisite qualifications; (3) the FIEIME shall be registered as a limited liability company with the registered capital of no less than USD2,000,000.

Pudong New Area Economic Committee, Pudong New Area Financial Service Office and Pudong New Area Branch of Shanghai Administration for Industry and Commerce shall respectively be responsible for the approval, registration, management and supervision of foreign invested equity investment management

enterprises.

The Measures shall be effective as of the promulgation date and shall terminate on June 30, 2010. Therefore it is yet to be seen whether Pudong New Area will promulgate any specific rules following the termination of the Measures. In addition, some provisions in the Measures are not very clear in meaning and such provisions will be subject to interpretation of the relevant authorities in the process of implementation of the Measures.

If you have any questions to the above, please feel free to contact us. Thank you.

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