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Laws and Regulations Updates

**I. Provisional Regulations regarding the Administration on the Use of
Self-Owned Capital by Fund Management Companies**

Over the years, fund management companies in China have faced many restrictions when using their self-owned capital for investment. They can only use such capital to invest in funds and sovereign bonds and establish domestic or foreign subsidiaries. As the reformation and development of fund industry and property management industry continue, the rigid restrictions imposed on self-owned capital of fund management companies fail to adapt to the requirement of such development since these restrictions have brought adverse impacts on business expansion and overseas investment. Under the general concept of “loosening control, strengthening supervision”, the China Securities Regulatory Commission (CSRC) promulgated the Provisional Regulations regarding the Administration on the Use of Self-Owned Capital by Fund Management Companies (the “Provisional Regulations”) on 2 August 2013.

The Provisional Regulations have explicitly provided a definition for the use of self-owned capital, expanded the scope of investment for self-owned capital and

offered principles and requirements on the use of self-owned capital. It also requires that fund management companies shall strengthen their supervision and management on the use of self-owned capital in different aspects, such as corporate governance, internal control, connected transactions and information disclosure. In addition, it also sets out details of punitive measures that shall be taken by the CSRC in respect of relevant behaviours that have violated laws or regulations.

The promulgation of the Provisional Regulations has set a unified standard for the use of self-owned capital by fund management companies and allowed fund management companies to have more flexibility when making investment decisions regarding self-owned capital. This improves the efficiency and autonomy of the use of self-owned capital while at the same time facilitates business innovation. It also encourages companies to invest in other institutions relating to property management business and enhances the competitiveness and influence of the fund industry as a whole.

While loosening the restrictions on investment through self-owned capital, the Provisional Regulations also emphasize that the use of self-owned capital shall follow two principles. The first principle is “prudence and risk diversification”, which means companies shall ensure the security and liquidity of such fund. The second principle is “lawful and fair”. Companies shall establish a “firewall” mechanism to ensure that there is a clear separation between investment through self-owned capital and their asset management business in various aspects such as personnel, information, accounts, source of fund as well as book-keeping and auditing. They shall also strengthen their administration on connected transactions to avoid conflicts of interest between such investment and the investment portfolios managed by them and their

subsidiaries.

II. Regulations regarding the Procedures for the Handling of Court Compensation Cases by the People's Court

In order to ensure that the People's Court can handle a state compensation request filed by a claimant in a timely and impartial manner, the Supreme People's Court promulgated the Regulations regarding the Procedures for the Handling of Court Compensation Cases (the "Regulations") by the People's Court on 26 July 2013. The Regulations shall come into effect on 1 September 2013.

In the Regulations, a court compensation case refers to a state compensation case handled by the People's Court in which the court itself is the compensation obligatory agency.

The Regulations mainly provide stipulations relating to the actions taken by various parties involved in a court compensation procedure, including the People's Court which is the compensation obligatory agency, as well as the legal relationship among these parties. It basically includes the following contents:

1. Case-handling authorities and establishment of a case for examination. The Regulations provide guidelines on the specific authorities of the People's Court responsible for handling court compensation cases and the establishment of a case for examination in response to a compensation request filed by a claimant;
2. Specific manners on the handling, discussion and determination of court compensation cases;

3. A withdrawal mechanism for conflict of interest. The Regulations set out the principles on withdrawal as well as provisions regarding voluntary withdrawal, application for withdrawal and the handling of withdrawal;
4. Specific guidelines on the handling of court compensation cases, including various methods such as seeking advices, arranging for obtainment of volumes, investigating the original case-handling unit or the relevant officers, verifying the actual circumstances and conducting hearings;
5. Implementation of a negotiation mechanism for court compensation cases and specific requirements regarding the handling of the negotiation result;
6. Specific circumstances for termination or completion of court compensation cases;
7. Specific requirements to the People's Court regarding the preparation and delivery of decision on state compensation;
8. Detailed stipulations regarding an application for compensation payment filed by a claimant to the People's Court.

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