Law of The People's Republic of China on Securities Investment Fund

Order of the President of the People's Republic of China No.9 The Law of the People's Republic of China on Securities Investment Fund, which was adopted at the fifth meeting of the Standing Committee of the Tenth National People's Congress on October 28, 2003, is hereby promulgated and shall take effect as of June 1, 2004. Hu Jintao, the President October 28, 2003 Law of the People's Republic of China on Securities Investment Fund

Contents
Chapter I General Provisions
Chapter II Fund Managers
Chapter III Fund Trustees
Chapter IV Raising of Fund
Chapter V Trading of Fund Shares
Chapter VI Subscription to and Redemption of Fund Shares
Chapter VII Fund Operations and Information Disclosure
Chapter VIII Alteration and Termination of the Fund Contract and Liquidation of Fund Property
Chapter IX Rights of the Fund Share Holders and the Exercise thereof
Chapter X Supervision and Administration
Chapter XI Legal Liabilities
Chapter XII Supplementary Provisions

Chapter I General Provisions

Article 1 The present Law is enacted with a view to regulating the activities concerning securities investment fund, to protect the legitimate rights and interests of the investors and other relevant parties, and to promote the healthy development of securities investment fund and securities market.

Article 2 The present Law shall apply to the securities investment activities conducted through the method of portfolio and through public offering of fund shares to raise securities investment fund (hereinafter referred to as fund), which is managed by fund managers and entrusted to fund trustees for the benefits of the fund share holders; the matters not covered by the present Law shall be governed by the Trust Law of the People's Republic of China, the Securities Law of the People's Republic of China, and other relevant laws and administrative regulations.

Article 3 The rights and obligations of the fund managers, fund trustees and fund share holders shall be stipulated in the fund contracts in accordance with the present Law.

The fund managers and fund trustees shall perform the duties of trusteeship in accordance with the present Law and the fund contract. A holder of fund shares shall enjoy the benefits and bear the risks to the extent of the fund shares it holds.

Article 4 Those engaging in the activities involving securities investment fund shall adhere to the principles of free will, fairness and good faith, and may not impair the state and public interests.

Article 5 A fund contract shall stipulate the operation method of the fund. A fund can be operated in a closed, open, or any other way.

A fund operated in a closed way (hereinafter referred to as closed fund) refers to the fund of which the ratified total fund shares remains fixed during the valid term of the fund contract and of which the fund shares can be traded on the securities exchanges established according to law, but can not
be redeemed by the fund share holders through application.
A fund operated in an open way (hereinafter referred to as open fund) refers to the fund of which the total fund shares are unfixed and of which the fund shares may be subscribed to or redeemed at the time and place stipulated in the fund contract.
The methods of offering, trading, subscription and redemption of the fund shares of other funds operated through other methods shall be separately formulated by the State Council.
Article 6 Fund property shall be independent from the property owned by the fund manager and fund trustee. The fund manager and fund trustee may not attribute any of the fund property into their own property.
The property and benefits obtained by the fund manager and fund trustee as a result of the management, utilization or any other use of the fund shall be included into the fund property.
Where the fund manager or fund trustee goes into liquidation as a result of dissolution, cancellation, or declared bankruptcy according to law, the fund property shall not be taken as their liquidation property.
Article 7 The credit rights of fund property may not be set off against the debts of the property owned by the fund manager and fund trustee; and the credit rights and debts of different fund properties may not be set off against each other.
Article 8 The debts not arising out of the fund property may not be enforced against such fund property.
Article 9 The fund manager and fund trustee shall, in managing and utilizing the fund property, devote themselves to their duties and perform the obligations of good faith, prudence and diligence.
Fund practitioners shall have obtained the qualifications for practice relating to funds, and shall abide by the laws, administrative regulations, professional ethics, and code of conduct.
Article 10 Fund managers, fund trustees and fund share offering institutions may establish trade associations to strengthen self-regulation, coordinate trade relationship, provide trade services, and promote the development of the trade.
Article 11 The securities regulatory department under the State Council shall supervise and regulate the activities concerning securities investment fund according to law.

Chapter II Fund Managers
Article 12 Fund managers shall be assumed by the fund management companies established according to law. To be a fund manager, the ratification of the securities regulatory department under the State Council is required.
Article 13 For establishment of a fund management company, the following conditions shall be satisfied and the approval of the securities regulatory department under the State Council is required:
1) Having the articles of association which are in conformity with the present Law and the Company Law of the People's Republic of China;
2) Having a registered capital of no less than 100 million RMB and all of the capital being paid-in monetary capital;
3) Principal shareholders having good business performance and public reputation in the securities business, securities investment consultation, trust assets management or other financial assets management, having no record of violation of law within the last 3 years, and having a registered
capital of no less than 300 million RMB;
4) The number of persons with fund practice qualification reaching the statutory requirement;
5) Having business sites, security facilities and other facilities relating to fund management business that comply with the requirements;
6) Having sound internal auditing and monitoring system and risk control system;
7) Other conditions provided for by laws and administrative regulations and those provided for by the securities regulatory department under the State Council and approved by the State Council.

Article 14 The securities regulatory department under the State Council shall, within 6 months from accepting the application for establishment of a fund management company, make the examination pursuant to the conditions specified in Article 13 hereof and the principle of prudent regulation, make the decision whether to grant the approval or not, and notify the applicant, and shall explain the reasons if no approval is granted. Where a fund management company is to establish any branch, modify its articles of association, or alter any other major matters, it shall apply to the securities regulatory department under the State Council for approval. The securities regulatory department under the State Council shall, within 60 days from the day of accepting the application, make the decision whether to grant approval or not, and notify the applicant, and shall explain the reasons if no approval is granted.

Article 15 None of the following personnel may be a securities practitioner of a fund manager:
1) Those being given criminal penalties for the crime of bribery and embezzlement, malfeasance, or encroachment of property, or the crime of undermining the socialist market economic order;
2) The directors, supervisors, factory directors, managers and other senior executives who are personally liable for the bankruptcy and liquidation due to poor management or the revocation of business license due to violation of law of the companies and enterprises in which they hold office, provided that it has been less than 5 years since the day of the end of the bankruptcy liquidation or of the revocation of business license;
3) Those with large amount of outstanding personal debts;
4) The practitioners of fund managers, fund trustees, securities exchanges, securities companies, securities registration and settlement institutions, futures exchanges, futures brokerage companies and other institutions, and the state functionaries that have been dismissed due to violations of law;
5) The lawyers, certified accountants, practitioners of assets evaluation institutions and assets verification institutions, and practitioners of investment consultation institutions whose practice licenses have been revoked or who have been disqualified due to violations of law;
6) Other personnel that may not engage in the fund business as provided for by any law or administrative regulation.

Article 16 The managers and other senior managerial personnel of a fund manager shall be familiar with the laws and administrative regulations concerning securities investment, have the qualification for fund practice, and have worked in the field relevant to the position they hold for more than 3 years.

Article 17 The selection or change of the managers and other senior managerial personnel of a fund manager shall be submitted to the securities regulatory department under the State Council for examination in accordance with the conditions for holding such office provided for by the present Law and other relevant laws and administrative regulations.

Article 18 The directors, supervisors, managers and other practitioners of a fund manager may not hold any position in the fund trustee or other fund managers, and may not conduct any securities
transactions and other activities that impair the fund property and the interests of the fund share
holders.

Article 19 A fund manager shall perform the following duties:
1) Raising the fund according to law and handling or entrusting other institutions recognized by
the securities regulatory department under the State Council to handle the offering, subscription,
redemption and registration of fund shares;
2) Making fund records;
3) Applying separate management and separate account books to different fund properties it
manages to make securities investment;
4) Determining the scheme on distribution of fund proceeds according to the stipulations of the
fund contract and distributing profits to the holders of fund shares in good time;
5) Making fund accounting and preparing the fund financial accounting report;
6) Preparing midterm and annual fund reports;
7) Calculating and publicizing the net value of the fund assets and determining the prices for
subscription and redemption of the fund shares;
8) Handling the relevant information disclosures related to the management of the fund property;
9) Convening the fund share holders'' meeting;
10) Keeping the records, account books, statements and other relevant materials of the fund
property management;
11) Exercising litigation rights or carrying out other legal action in the name of the fund manager
for the interests of the fund share holders;
12) Other duties provided for by the securities regulatory department under the State Council.

Article 20 A fund manager may not conduct any of the following acts:
1) Mixing its own property or the property of others with the fund property to make securities
investment;
2) Treating different fund properties it manages unfairly;
3) Seeking benefits for any third party other than the fund share holders by using the fund property;
4) Unlawfully promising the fund share holders to make benefits or bear losses;
5) Any other acts prohibited by the securities regulatory department under the State Council in
accordance with the relevant provisions of the laws and administrative regulations.

Article 21 With respect to a fund manager under any of the following circumstances, the securities
regulatory department under the State Council shall, according to its powers, order that fund
manager to make rectification or disqualify it as a fund manager:
1) Having committed any serious violations of laws or rules;
2) No longer meeting the conditions provided for in Article 13 hereof;
3) Other circumstances provided for by laws and administrative regulations.

Article 22 Under any of the following circumstances, the duties of a fund manager shall terminate:
1) Being disqualified for fund management;
2) Being dismissed by the fund share holders'' meeting;
3) Being dissolved, or cancelled, or declared bankruptcy according to law;
4) Other circumstances stipulated in the fund contract.

Article 23 Where the duties of a fund manager terminate, the fund share holders'' meeting shall
appoint a new fund manager within 6 months; before the appointment of the new fund manager,
the securities regulatory department under the State Council shall designate a temporary fund
A fund manager shall, upon termination of its duties, keep in good conditions the materials of fund management and process the formalities for handover of the business in good time, the new fund manager or temporary fund manager shall take over the business in good time.

Article 24 A fund manager shall, upon termination of its duties, retain an accounting firm to audit the fund property, publicize the auditing results and put on record with the securities regulatory department under the State Council.

Chapter III Fund Trustees

Article 25 Fund trustee shall be assumed by a commercial bank which was established according to law and has obtained the qualification for fund trust.

Article 26 To apply for the qualification for fund trust, a commercial bank shall satisfy the following conditions and be ratified by the securities regulatory department and the banking regulatory department under the State Council:

1) Its net assets and capital adequacy complying with the relevant provisions;
2) Having set up a specialized department of fund trust;
3) The number of the full-time personnel with fund practice qualification reaching the statutory requirement;
4) Having the conditions for safe keeping of the fund property;
5) Having safe and high efficient clearing and settlement system;
6) Having business sites, security facilities and other facilities relating to fund trust business that meet the requirement;
7) Having sound internal auditing and monitoring system and risk control system;
8) Satisfying other conditions provided for by laws and administrative regulations and the conditions provided for by the securities and banking regulatory departments under the State Council and approved by the State Council.

Article 27 Articles 15 and 18 shall apply to the practitioners of the specialized fund trust department of a fund trustee.

Articles 16 and 17 shall apply to the managers and other senior managerial personnel of the specialized fund trust department of a fund trustee.

Article 28 A fund trustee and a fund manager may not be the same party, and may not make capital contribution to or hold the shares of each other.

Article 29 A fund trustee shall perform the following duties:

1) Keeping the fund property safely;
2) Opening capital accounts and securities accounts of the fund property pursuant to the provisions;
3) Setting up separate accounts for different fund properties under its trust and ensuring the completeness and independence of the fund properties;
4) Keeping the records, account books, statements and other relevant materials of the fund trust business;
5) Handling the clearing and settlement at the investment orders of the fund manager pursuant to the stipulations of the fund contract;
6) Handling the information disclosures relating to the fund trust business activities;
7) Presenting opinions on the fund financial accounting report and the midterm and annual fund reports;
8) Checking and examining the net value of the fund assets and the subscription and redemption prices of the fund shares calculated by the fund manager;
9) Convening the fund share holders’ meeting pursuant to the provisions;
10) Supervising the investment operations of the fund manager pursuant to the provisions;
11) Other duties provided for by the securities regulatory department under the State Council.

Article 30 Where a fund trustee finds out that any investment order of a fund manager is in violation of any of the laws, administrative regulations or other relevant provisions, or the stipulations of the fund contract, it shall refuse to execute such order, notify the fund manager immediately and report to the securities regulatory department under the State Council in good time.

Where a fund trustee finds out that any investment order of a fund manager which has taken effect according to the transaction procedures is in violation of the laws, administrative regulations or other relevant provisions, or the stipulations of the fund contract, it shall notify the fund manager immediately and report to the securities regulatory department under the State Council in good time.

Article 31 The provisions of Article 20 hereof shall apply to fund trustees.

Article 32 With respect to a fund trustee under any of the following circumstances, the securities and banking regulatory departments under the State Council shall, according to their powers, order it to make rectification or disqualify it as a fund trustee:
1) Having committed any serious violation of laws and rules;
2) No longer meeting the conditions provided for in Article 26 hereof;
3) Other circumstances provided for by laws and administrative regulations.

Article 33 The duties of a fund trustee shall be terminated under any of the following circumstances:
1) Being disqualified as a fund trustee;
2) Being dismissed by the fund share holders’ meeting;
3) Being dissolved, cancelled, or declared bankruptcy according to law; or
4) Other circumstances stipulated in the fund contract.

Article 34 Upon termination of the duties of a fund trustee, the fund share holders’ meeting shall appoint a new fund trustee within 6 months; and before the appointment of the new fund trustee, the securities regulatory department under the State Council shall designate a temporary fund trustee.

A fund trustee shall, upon termination of its duties, keep in good conditions the fund property and fund trust business materials and process the formalities for handover of the property and business in good time, the new fund trustee or temporary fund trustee shall take over the property and business in good time.

Article 35 A fund trustee shall, upon termination of its duties, retain an accounting firm to audit its fund property pursuant to the provisions, publicize the auditing results, and report to the securities regulatory department under the State Council for archival purposes at the same time.

Chapter IV Raising of Fund

Article 36 A fund manager shall, when offering fund shares and raising fund pursuant hereto, submit the following documents to and get ratification from the securities regulatory department under the State Council:
1) An application report;
2) A draft fund contract;
3) A draft fund trust agreement;
4) A draft prospectus;
5) Qualification certificates of the fund manager and fund trustee;
6) Financial accounting reports, which have been audited by accounting firms, of the fund managers and fund trustees of the last 3 years or since their establishment;
7) Letters of legal opinion issued by law firms; and
8) Other documents to be submitted as provided for by the securities regulatory department under the State Council.

Article 37 A fund contract shall include the following contents:
1) Purpose for raising the fund and the name of the fund;
2) Names and domiciles of the fund manager and fund trustee;
3) Method of fund operation;
4) Total fund shares and the valid term of the fund contract in the case of a closed fund, or the minimum total shares to be raised in the case of an open fund;
5) Principles for determining the date of offering of fund shares, the prices and expenses;
6) Rights and obligations of the fund share holders, fund manager and fund trustee;
7) Procedures and rules for the convening of, and deliberation and voting on the fund share holders' meeting;
8) The procedures, time and place of the offering, trading, subscription and redemption of fund shares, the calculation method of expenses, and the time and method of payment of redemption price;
9) Principles for the distribution of fund proceeds and the method of execution of such principles;
10) Methods of drawing and paying and proportions of the administrative fees and trust fees as the remuneration of the fund manager and fund trustee;
11) Methods of drawing and paying other expenses relating to the management and utilization of fund property;
12) Directions of and restrictions on investment of fund property;
13) Calculation method and publicizing method of the net value the fund assets;
14) Methods of handling where the fund raised fails to meet the statutory requirements;
15) Causes and procedures for avoidance and termination of the fund contract, as well as the liquidation method of the fund property;
16) Dispute settlement methods;
17) Other matters agreed upon by the parties.

Article 38 The prospectus of a fund shall include the following contents:
1) Name of the ratification document for the application for fund raising and the date of ratification;
2) Basic information of the fund manager and fund trustee;
3) Summary of the fund contract and fund trust agreement;
4) Date of offering, prices, expenses, and period of offering of the fund shares;
5) Method of offering the fund shares and the names of the offering institution and registration institution;
6) Names and domiciles of the law firms issuing letters of legal opinion and the accounting firms auditing the fund property;
7) Methods of drawing and paying and proportions of the remuneration of the fund manager and fund trustee and other relevant expenses;
8) Contents of risk warning; and
9) Other contents provided for by the securities regulatory department under the State Council.

Article 39 The securities regulatory department under the State Council shall, within 6 months from the day of accepting an application for fund raising, make the examination pursuant to the laws and administrative regulations, the provisions of the securities regulatory department under the State Council, and the principle of prudence, make the decision to grant ratification or not and notify the applicant; and shall explain the reasons if ratification is not granted.

Article 40 Fund shares may be offered only after the application for fund raising has been ratified.

Article 41 The offering of fund shares shall be the responsibility of the fund manager; and the fund manager may entrust another agency recognized by the securities regulatory department under the State Council to handle the offering on its behalf.

Article 42 A fund manager shall publicize the prospectus, fund contract and other relevant documents 3 days prior to the offering of the fund shares. The documents specified in the preceding paragraph shall be true, accurate and complete. Publicity and promotion of the fund raising shall be in conformity with the relevant laws and administrative regulations and shall not involve any acts specified in Article 64 hereof.

Article 43 A fund manager shall start raising fund within 6 months from the day of receiving the ratification document. If the fund raising starts after that 6 months and no substantial alterations have happened to the ratified matters, the fund manager shall report to the securities regulatory department under the State Council for archival purposes; and if there is any substantial alteration, it shall file a new application with the securities regulatory department under the State Council. The fund raising shall be finished within the fund raising period ratified by the securities regulatory department under the State Council. The fund raising period shall be calculated starting from the day of offering the fund shares.

Article 44 Upon expiration of the fund raising period, in the case of a closed fund, if the total amount of fund shares raised reaches 80% or more of the ratified scale, or in the case of an open fund, if the total amount of fund shares raised reaches the minimum amount ratified, and if the number of the fund share holders meets the provisions of the securities regulatory department under the State Council, the fund manager shall, within 10 days from the expiration of the fund raising period, retain a statutory capital verification agency to make capital verification, and shall, within 10 days from receiving the capital verification report, submit the report to the securities regulatory department under the State Council, put on record the fund and make a public announcement.

Article 45 The capital raised during the fund raising period shall be deposited in a special account, and nobody may use such capital before the end of the fund raising.

Article 46 The fund contract is concluded when an investor pays for the fund shares it subscribes to; and the fund contract takes effect after the fund manager put on record the fund with the securities regulatory department under the State Council pursuant to Article 44 hereof. Upon the expiration of the fund raising period, if the conditions specified in Article 44 are not satisfied, the fund manager shall assume the following liabilities:
1) Covering with its own property the debts and expenses incurred as a result of the fund raising;
2) Returning the money that the investors have paid, plus the interest accruing thereon at the
current deposit rate, within 30 days after the expiration of the fund raising period.

Chapter V Trading of Fund Shares
Article 47 Fund shares of a closed fund may be traded on the securities exchange upon application of the fund manager and ratification of the securities regulatory department under the State Council.
The securities regulatory department under the State Council may authorize the securities exchange to ratify the trading of fund shares on the market pursuant to the statutory conditions and procedures.
Article 48 The following conditions shall be satisfied for the listing and trading of fund shares:
1) The raising of fund complies with the provisions hereof;
2) The valid term of the fund contract is 5 years or more;
3) The capital raised is no less than 200 million RMB;
4) There are no less than 1,000 fund share holders;
5) Other conditions set forth in the listing rules of fund shares.
Article 49 The listing and trading rules of fund shares shall be formulated by the securities exchange and be submitted to the securities regulatory department under the State Council for ratification.
Article 50 After the listing of fund shares, if any of the following circumstances occurs, the securities exchange shall terminate its listing and report to the securities regulatory department under the State Council for archival purposes:
1) The conditions for listing prescribed in Article 48 hereof are not long met;
2) The fund contract expires;
3) The fund share holders’ meeting decides to terminate the listing prior to the due date;
4) Other circumstances under which the listing shall be terminated as stipulated in the fund contract or provided for in the listing rules of fund shares.

Chapter VI Subscription and Redemption of Fund Shares
Article 51 The subscription, redemption and registration of an open fund shall be handled by the fund manager; and the fund manager may entrust another agency recognized by the securities regulatory department under the State Council to handle the matters on its behalf.
Article 52 A fund manager shall handle the subscription and redemption of fund shares every workday; if there are otherwise stipulations in the fund contract, such stipulations shall be observed.
Article 53 A fund manager shall pay for the redemption on time, except under any of the following circumstances:
1) The fund manager is unable to pay for the redemption due to force majeure;
2) The securities exchange decides to close the market according to law and as a consequence, the fund manager is unable to calculate the net value of the fund assets of that day;
3) Other special circumstances stipulated in the fund contract.
Under any of the abovementioned circumstances, the fund manager shall report to the securities regulatory department under the State Council for archival purposes on that exact day. After the circumstances provided for in the first paragraph of this article are eliminated, the fund manager shall pay for the redemption in good time.
Article 54 Sufficient cash or government bonds shall be kept in the case of an open fund as the provision for payment for the redemption by the fund share holders. The specific proportion of the cash or government bonds in the fund property shall be provided for by the securities regulatory department under the State Council.

Article 55 The prices of subscription and redemption of fund shares shall be calculated on the basis of the net value of the fund shares subscribed to and redeemed plus or minor the relevant expenses.

Article 56 If any error occurs in the calculation of price on the basis of the net value of the fund shares, the fund manager shall correct such error and take reasonable steps to prevent further losses. Where the wrongly calculated price reaches 0.5% of the net value of the fund shares, the fund manager shall make a public announcement and report to the securities regulatory department under the State Council for archival purposes. Where the error in the calculation of price on the basis of the net value of the fund shares causes any loss to a fund share holder, that fund share holder shall have the right to require the fund manager and fund trustee to make compensation.

Chapter VII Fund Operations and Information Disclosure

Article 57 A fund manager shall employ the method of portfolio when using the fund property to make securities investment.

The specific mode of portfolio and the investment proportions shall be stipulated in the fund contract pursuant to the provisions hereof and those provided for by the securities regulatory department under the State Council.

Article 58 Fund property shall be used for the investment of:

1) Listed stocks and bonds; and

2) Other securities types provided for by the securities regulatory department under the State Council.

Article 59 Fund property may not be used in the following investments or activities:

1) Underwriting of securities;

2) Providing loans or guarantees to others;

3) Engaging in investment with unlimited liability;

4) Trading other fund shares, unless the State Council has otherwise provisions;

5) Making capital contribution to the fund manager and fund trustee of the property or trading the stocks or bonds issued by the said fund manager and fund trustee;

6) Trading the securities issued by or the securities underwritten within the underwriting period by the shareholders holding controlling position in the fund manager and fund trustee of the property or by the companies with other significant interest relationships with the said fund manager and fund trustee;

7) Insider dealing, manipulating the securities price or other wrongful securities dealings;

8) Other activities prohibited by the securities regulatory department under the State Council pursuant to the laws and administrative regulations.

Article 60 The fund manager and fund trustee and other personnel with the obligation of information disclosure shall disclose the fund information according to law and shall ensure the truthfulness, correctness and completeness of the information disclosed.

Article 61 The parties obliged to disclose fund information shall ensure the information that should be disclosed is disclosed within the period of time prescribed by the securities regulatory
Article 62 The fund information that should be disclosed to the public includes:

1) Prospectuses, fund contracts, and fund trusteeship agreements;
2) Fund raising information;
3) Public announcements of listing of the fund shares;
4) Net value of the fund assets and fund shares;
5) Prices for subscription and redemption of fund shares;
6) Portfolio quarterly reports of fund property, financial accounting reports and the midterm and annual fund reports;
7) Interim reports;
8) Resolutions of the fund share holders' meeting;
9) Significant personnel movements in the specialized fund trust department of the fund manager and fund trustee;
10) Litigations involving the fund manager, fund property and fund trust business; and
11) Other information that should be disclosed as provided for the securities regulatory department under the State Council pursuant to the relevant provisions of the laws and administrative regulations.

Article 63 The accounting firms and legal firms issuing auditing reports or letters of legal opinions with respect to the fund information disclosed to the public shall guarantee the truthfulness, correctness and completeness of the documents they issued.

Article 64 The following acts are not allowed in the public disclosure of fund information:

1) Making falsified records, misleading statements or significant omissions;
2) Making prediction of the securities investment performance;
3) Promising gaining of benefits or assuming of losses in violation of rules;
4) Defaming other fund managers, fund trustees or institutions offering fund shares; or
5) Other acts prohibited as provided for by the securities regulatory department under the State Council pursuant to the relevant provisions of the laws and administrative regulations.

Chapter VIII Alteration and Termination of the Fund Contract and Liquidation of Fund Property

Article 65 The method of fund operation may be changed on the basis of stipulations of the fund contract or the resolution of the fund share holders' meeting and upon the ratification of the securities regulatory department under the State Council.

Article 66 The following conditions shall be satisfied if the a closed fund is to raise more capital or the valid term of the fund contract thereof is to be extended, and the ratification of the securities regulatory department under the State Council is required:

1) Having good fund performance;
2) The fund manager having no record of administrative or criminal punishment for violations of laws or rules within the last 2 years;
3) The plan being adopted by the fund share holders' meeting through resolution;
4) Other conditions provided for herein.

Article 67 The fund contract shall terminate under any of the following circumstances:

1) The valid term of the fund contract has not been extended upon expiration;
2) The fund share holders' meeting decides to terminate the contract;
3) The duties of the fund manager and fund trustee terminate and there are no new fund manager and fund trustee to take over the duties within 6 months; or
4) Other circumstances stipulated in the fund contract.

Article 68 Upon termination of the fund contract, the fund manager shall organize a liquidation group to make liquidation of the fund property.
The liquidation group shall consist of the fund manager, fund trustee and the relevant intermediary agencies.
The liquidation report made by the liquidation group shall be audited by the accounting firm, and shall, after the law firm issues the letter of legal opinions, being submitted to the securities regulatory department under the State Council for archival purposes and a public announcement shall be made.

Article 69 The residual fund property after the liquidation shall be distributed according to the proportions of the shares held by the fund share holders.

Chapter IX Rights of the Fund Share Holders and the Exercise thereof

Article 70 A fund share holder enjoys the following rights:
1) Sharing the proceeds of the fund property;
2) Being entitled to distribution of the residual fund property after liquidation;
3) Transferring or applying for redemption of the fund shares he holds according to law;
4) Requiring the convening of the fund share holders' meeting pursuant to the provisions;
5)Exercising the right of voting with respect to the matters deliberated at the fund share holders' meeting;
6) Consulting or duplicating the fund information and materials disclosed to the public;
7) Bringing lawsuits against the fund manager, fund trustee or fund share offering agency whose acts have impaired his legitimate rights and interests; and
8) Other rights stipulated in the fund contract.

Article 71 The following matters shall be deliberated and decided by the fund share holders' meeting:
1) Terminating the fund contract prior to the due date;
2) Raising more capital for the fund or extending the valid term of the fund contract;
3) Changing the method of fund operation;
4) Raising the remuneration standards of the fund manager and fund trustee;
5) Changing the fund manager or fund trustee;
6) Other matters stipulated in the fund contract.

Article 72 The fund share holders' meeting shall be convened by the fund manager; where the fund manager fails or is unable to convene the meeting pursuant to the provisions, the fund trustee shall convene the meeting.

Where the fund share holders that represent more than 10% of the fund shares require the convening of the fund share holders' meeting with respect to an identical matter, but neither the fund manager nor the fund trustee is able to convene the meeting, the fund share holders that represent more than 10% of the fund shares shall have the right to convene the meeting by themselves and report to the securities regulatory department under the State Council for archival purposes.
Article 73 To convene the fund shareholders' meeting, the convener shall make a public announcement in respect of the time and form of the meeting, the matters to be deliberated, the rules of procedures, and the voting method, etc., at least 30 days prior to the convening of the meeting.

The fund shareholders' meeting may not hold a voting on any matters that have not been publicly announced.

Article 74 The fund shareholders' meeting may be held with the presence of the fund shareholders in person or by held through communication, etc.

One voting right is attached to each fund share, and a fund shareholder may entrust an agent to attend the fund shareholders' meeting and exercise the voting right.

Article 75 The fund shareholders' meeting may be held only when it is constituted by a quorum of the fund shareholders representing more than 50% of the fund shares; any decision to be made on a deliberated matter shall be subject to more than 50% of the voting rights held by fund shareholders attending the meeting; however, the decision to alter the fund operation method, to change the fund manager or fund trustee, or to terminate the fund contract prior to the due date shall be subject to more than two thirds of the voting rights held by the fund shareholders attending the meeting.

The matters decided by the fund shareholders' meeting shall be reported to the securities regulatory department under the State Council for ratification or for archival purposes, and a public announcement shall be made.

Chapter X Supervision and Administration

Article 76 The securities regulatory department under the State Council shall perform the following duties according to law:

1) Formulating the regulation and rules on the supervision and administration of the activities concerning securities investment fund according to law and exercising the power of examination and approval and ratification according to law;

2) Making records of the fund;

3) Supervising and administering the activities concerning securities investment fund undertaken by the fund manager, fund trustee and other institutions, and investigating and punishing the illegal acts and making public announcements;

4) Formulating the qualification standards and code of conduct of the fund practitioners and supervising the implementation thereof;

5) Supervising and inspecting the disclosure of fund information;

6) Directing and supervising the activities of the fund associations; and

7) Other duties provided for by laws and administrative regulations.

Article 77 The securities regulatory department under the State Council shall have the right to take the following measures when performing its duties according to law:

1) Entering the scene where an illegal act occurred to make investigation and obtain evidence;

2) Enquiring the parties concerned and the entities and individuals relating to the event under investigation and requiring them to make explanations with respect to the matters relating to the event under investigation;

3) Consulting and duplicating the securities transaction records, transfer registration records, financial accounting materials and other relevant documents and materials of the parties concerned
and the entities and individuals relating to the event under investigation, and sealing the
documents and materials that might be transferred or hidden;
4) Enquiring about the capital accounts, securities accounts or fund accounts of the parties
concerned and the entities and individuals relating to the event under investigation, and applying
to judicial organs for freezing the illegal capital or securities which may be transferred or hided as
showed by evidence;
5) Other measures provided for by laws and administrative regulations.

Article 78 There shall be no less than 2 functionaries of the securities regulatory department under
the State Council when performing their duties and making the investigation or inspection
according to law, and they shall show their legal certificates. They are obliged to keep confidential
the business secrets they get to know through the investigation or inspection.

Article 79 The functionaries of the securities regulatory department under the State Council shall
devote themselves to their duties, execute their duties according to law, act honestly and
impartially, subject themselves to supervision, and may not seek private benefits by taking
advantages of their positions.

Article 80 When the securities regulatory department under the State Council performs its duties
according to law, the entity and individual under investigation and inspection shall render
cooperation and faithfully provide the relevant documents and materials, and may not refuse or
hinder the investigation and inspection or hide the documents and materials.

Article 81 The securities regulatory department under the State Council shall, if finding out any
illegal acts suspect of crimes when performing its duties according to law, transfer the case to the
judicial organ for handling.

Article 82 The functionaries of the securities regulatory department under the State Council may
not assume concurrent positions in the regulated institutions.

Chapter XI Legal Liabilities

Article 83 If the fund manager and fund trustee violate any of the provisions hereof or the
stipulations of the fund contract in the performance of their respective duties and cause damages
to the fund property or the fund share holders, they shall be liable for compensation for their
respective acts. Where they cause damages to the fund property or fund share holders through
joint acts, they shall be jointly and severally liable for compensation.

Article 84 If any party uses the raised capital in violation of Article 45 hereof, it shall be ordered
to return the money and the illegal gains shall be confiscated; if the illegal gains exceed 500,000
Yuan, a fine of 1 time up to 5 times the illegal gains shall be imposed concurrently; if there is no
illegal gains or the illegal gains are less than 500,000 Yuan, a fine of 50,000 Yuan up to 500,000
Yuan shall be imposed concurrently; a warning shall be given to the directly responsible personnel
in charge and other directly liable personnel and a fine of 30,000 Yuan up to 300,000 Yuan shall be
imposed; if any damages are caused to the investors, the offenders shall be liable for compensation
according to law; and if any crime has been constituted, the offenders shall be subject to criminal
liabilities.

Article 85 If any party raises capital for a fund without ratification of the securities regulatory
department under the State Council, it shall be ordered to stop the act and return the fund raised
plus the interest thereon at the current rate of bank deposit, the illegal gains shall be confiscated
and a fine of 1% up to 5% of the sum raised shall be imposed; and if any crime has been
constituted, the offender shall be subject to criminal liabilities.

Article 86 If any party, in violation of the provisions hereof, establishes any fund management company without authorization, the company shall be banned by the securities regulatory department, and a fine of 50,000 Yuan up to 500,000 Yuan shall be imposed concurrently; and if any crime has been constituted, the offender shall be subject to criminal liabilities.

Article 87 If any party engages in fund management or fund trust business without ratification of the securities regulatory department under the State Council, it shall be ordered to stop the act and the illegal gains shall be confiscated; if the illegal gains exceed 1 million Yuan, a fine of 1 time up to 5 times the illegal gains shall be imposed concurrently; if there is no illegal gain or the illegal gains are less than 1 million Yuan, a fine of 100,000 Yuan up to 1 million Yuan shall be imposed concurrently; if any damages are caused to the fund property or the fund share holders, the offender shall be liable for compensation; a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, and a fine of 30,000 Yuan up to 300,000 Yuan shall be imposed concurrently; and if any crime has been constituted, the offenders shall be subject to criminal liabilities.

Article 88 If the fund manager or fund trustee, in violation of the provisions hereof, fails to apply separate management or separate account books to the fund property or appropriate the fund property for other unauthorized purposes, they shall be ordered to correct the act and be imposed on a fine of 50,000 Yuan up to 500,000 Yuan; if any damages are caused to the fund property or fund share holders, they shall be liable for compensation according to law; a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, and their qualification for fund practice shall be suspended or cancelled, and a fine of 30,000 Yuan up to 300,000 Yuan shall be imposed concurrently; if any crime has been constituted, the offenders shall be subject to criminal liabilities.

The property and proceeds obtained by the fund manager and fund trustee through appropriation of the fund property for other unauthorized purposes shall be included into the fund property. However, if there are otherwise provisions in the laws and administrative regulations, such provisions shall be observed.

Article 89 If the fund manager and fund trustee have committed any of the acts specified in Article 20 hereof, they shall be ordered to correct the act and the illegal gains shall be confiscated; if the illegal gains exceed 1 million Yuan, a fine of 1 time up to 5 times the illegal gains shall be imposed concurrently; if there is no illegal gains or the illegal gains are less than 1 million Yuan, a fine of 100,000 Yuan up to 1 million Yuan shall be imposed concurrently; if any damages are caused to the fund property or fund share holders, they shall be liable for compensation according to law; a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, their qualification for fund practice shall be suspended or cancelled, and a fine of 30,000 Yuan up to 300,000 Yuan shall be imposed concurrently; and if any crime has been constituted, the offenders shall be subject to criminal liabilities.

Article 90 If the fund manager and fund trustee have committed any of the acts specified in Items 1) through 6) and in Item 8) of Article 59 hereof, they shall be ordered to correct the act and be imposed on a fine of 100,000 Yuan up to 1 million Yuan; if any damages are caused to the fund property or fund share holders, they shall be liable for compensation according to law; a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, their qualification for fund practice shall be suspended or cancelled, and a fine of 30,000 Yuan up to 300,000 Yuan shall be imposed concurrently; and if any crime has been constituted, the offenders shall be subject to criminal liabilities.
to 300,000 Yuan shall be imposed concurrently; and if any crime has been constituted, the offenders shall be subject to criminal liabilities.

Where the fund manager and fund trustee have committed any of the acts prescribed in the preceding paragraph, the property and proceeds obtained through utilization of the fund property shall be included into the fund property. However, if there are otherwise provisions in the laws and administrative regulations, such provisions shall be observed.

Article 91 If the fund manager and fund trustee have committed the act specified in Item 7) of Article 59 hereof, they shall be punished pursuant to the relevant provisions of the Securities Law of the People's Republic of China, and apart from that, a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, their qualification for fund practice shall be suspended or cancelled, and a fine of 30,000 Yuan up to 300,000 Yuan shall be imposed concurrently; if any damages are caused to the fund property or fund share holders, the offenders shall be liable for compensation according to law.

Article 92 If the fund manager and fund trustee, in violation of the provisions hereof, make capital contribution to or hold the shares of each other, they shall be ordered to correct the act and be imposed on a fine of less than 100,000 Yuan.

Article 93 If any party obliged to disclose fund information fails to make the disclosure according to law or the disclosed information contain falsified indications, misleading statements or significant omissions, that party shall be ordered to correct the act, with the illegal gains being confiscated, and be imposed on a fine of 100,000 Yuan up to 1 million Yuan; if any damages are caused to the fund property or fund share holders, the offender shall be liable for compensation according to law; a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, their qualification for fund practice shall be suspended or cancelled, and a fine of 30,000 Yuan up to 300,000 Yuan shall be imposed concurrently; and if any crime has been constituted, the offenders shall be subject to criminal liabilities.

Article 94 If any professional agency which issues the auditing report or letter of legal opinions in respect of the fund information disclosed to the public by the parties obliged to disclose such information falsifies the contents for which it is responsible, that agency shall be ordered to correct the act, with the illegal gains being confiscated, and be imposed on a fine of 1 time up to 5 times the illegal gains concurrently; if the circumstances are serious, the agency shall be ordered to stop its business, and the relevant qualification of the directly liable personnel shall be suspended or cancelled; if any damages are caused to the fund property or fund share holders, the offender shall be liable for compensation according to law; and if any crime has been constituted, the offenders shall be subject to criminal liabilities.

Article 95 If the fund manager or fund trustee fails to convene the fund share holders' meeting pursuant to the provisions, it shall be ordered to correct the act and may be imposed on a fine of less than 50,000 Yuan; a warning shall be given to the directly responsible personnel in charge and other directly liable personnel, and their qualification for fund practice shall be suspended or cancelled.

Article 96 If the fund manager or fund trustee violates the provisions hereof and the circumstances are serious, the offender shall be disqualified for fund management or fund trust.

Article 97 If any practitioner in the specialized fund trust department of a fund manager or fund trustee, in violation of Article 18 hereof, causes any damages to the fund property or fund share holders, that person shall be liable for compensation according to law; if the circumstances are
serious, he/she shall be disqualified from fund practice; and if any crime has been constituted, he/she shall be subject to criminal liabilities.

Article 98 If any functionary of the securities regulatory department neglects the duties, abuses the powers, seeks private benefits through wrongful means, or exerts or accepts money or property from others by taking advantages of his/her position, that person shall be given administrative sanctions according to law; and if any crime has been constituted, the offender shall be subject to criminal liabilities.

Article 99 If any party is liable for both civil compensation and fines or monetary penalty for violations of the provisions hereof and the property of that party is not sufficient to cover all the payments, priority shall be given to civil compensation.

Article 100 With respect to the civil compensation and fines the fund manager and fund trustee should bear pursuant to the provisions hereof, the fund manager and fund trustee shall make the payment with their own property.

The fines and monetary penalties paid and the illegal gains confiscated according to law shall all be turned in to the treasury.

Chapter XII Supplementary Provisions

Article 101 The State Council shall, pursuant to the principles hereof, enact separate specific measures for the administration of the securities investment activities undertaken by fund management companies or other institutions approved by the State Council to raise capital from specified objects or to accept the property trust from certain objects.

Article 102 The State Council shall enact separate measures for the administration of the securities investment activities of raising capital through public offering of stocks and establishing securities investment companies.

Article 103 The present Law shall take effect as of June 1, 2004.