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1. *National*

Decision of the CSRC Revising Interim Measure for the Administration of Bonds of Securities Companies

关于修改《证券公司债券管理暂行办法》的决定

【Issued By】 China Securities Regulatory Commission

【Subject】 Bonds

【Promulgated on】 October 18th 2004

【Effective From】 October 18th 2004

【Source】 www.csrc.gov.cn

The revamping of the regulation promulgated last year addresses four issues, namely, eligibility for issuing and public offering of bonds, security for bonds, maturity of bonds, and conditions for public trading of bonds.

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With reference to eligibility for issuing and public offering of bonds, the requirement that "the issuer shall have made profit in the immediate past year" was deleted, with other requirements unaffected.

With respect to security for issuing of bonds, the revised provision, while adhering to the requirement that full amount of security shall be provided in case of public offering, makes elastic arrangements for private placement. It provides that the amount of security in private placement shall in principle no less than 50% of the sum of the principal and interests. Where the amount of security is less than 50% or none at all, the private placement is still possible (which was impossible before the revision) provided that the issuer have made special notification of the risks to investors when the issuance and transfer are effected and requested signatures from the investors.

As for maturity, the provision that the maximum maturity of the bonds is five years was deleted.

As far as conditions for public trading concerned, the required minimum face value of bonds actually issued is lowered from RMB 200 million to 50 million.

Circular on Issues Regarding Conducting Business of Collective Asset Management by Securities Companies

关于证券公司开展集合资产管理业务有关问题的通知

【Issued By】 China Securities Regulatory Commission

【Subject】 Collective Asset Management

【Promulgated on】 October 21st 2004

【Effective From】 October 21st 2004

【Source】 www.csrc.gov.cn

The Circular is enacted under Provisional Rules on the Business of Clients' Asset Management by Securities Companies (CSRC Order No. 17) ("证券公司客户资产管理业务试行办法", CLB No. 53) and Circular on Issues Regarding Promoting Innovation in Securities Business ("关于推进证券业创新活动有关问题的通知") with a view to regulating the business of collective asset management by securities companies. It contains the following sections: the Principle of Experiment for Conducting Collective Asset Management Business, Basic Rules Governing Conduction of Collective Asset Management Business, Record/Approval Procedure for Establishment of Collective Asset Management Schemes, Continuing Supervision of Collective Asset Management Business of Securities Companies, Responsibilities of Stock Exchanges, Securities Depository and Clearing Institutions, and Securities Associations.

Considering Collective Asset Management ("Management") business conducted by securities companies is a

novel form of clients' asset management, the CSRC adopts the principle of "experiment first, promotion second" in relation to establishment of the Management schemes and conduction of such business by securities companies. In the phase of experiment, the CSRC will strictly limit the scope of securities companies which may conduct the Management business, and only permit such securities companies as been approved to engage in the experiment of innovation activities to conduct such business.

With reference to internal control, strict business segregation shall be established. The senior management position in charge of clients' asset management and that in charge of securities dealing shall not be held by the same person. Branches are forbidden to conduct collective management business independently. Furthermore, the position of principal manager shall be created for the Management schemes. Under this arrangement, specific personnel shall be designated to take charge of the investment management matters of each Management scheme. The principal manager shall have over three years of experience in securities dealing, asset management or securities investment fund, observe professional ethics in a good manner, and have no record of misconducts. During the mandate of a Management scheme, the principal manager shall refrain from managing other Management schemes.

As far as the marketing concerned, securities companies may market the Management schemes on their own. They may also authorize commercial banks or securities companies which have the qualification for sale of securities investment fund to do so and conclude with them marketing agreements in writing. Nevertheless, it is disallowed to market the Management schemes through radio, TV, newspaper and other mass media.

Provisions on Administration of Short Term Financing Bills of Securities Companies

证券公司短期融资券管理办法

【Issued By】 People's Bank of China

China Securities Regulatory Commission

China Banking Regulatory Commission

【Subject】 Short Term Financing Bills

【Promulgated on】 October 18th 2004

【Effective From】 November 1st 2004

【Source】 www.pbc.gov.cn

The regulation, enacted under Law of PRC on People's Bank of China, is to further develop money market, diversify financing vehicles available to securities companies, and protect interests of investors.

Short Term Financing Bills of Securities Companies ("Bills") for the purpose of this regulation refer to financing bills issued by securities companies at inter-bank bond market to obtain short term financing, whereby it is agreed that the principal and interests will be repaid within certain period of time. The issuing and trading of the Bills is subject to administration and supervision from People's Bank of China.

People's Bank of China authorizes the National Center of Inter-bank Borrowing publish every half a year at the inter-bank bond market through the electronic information system of the Center the opinions of China Securities Regulatory Commission (CSRC) regarding whether the issuer has being satisfied the conditions for issuing the Bills.

The issuer of the Bills, in addition to obtain consent from the CSRC, shall meet the following basic conditions:

- Have acquired the membership at national inter-bank borrowing market for no less than one year;
- have disclosed financial information in accordance with standard requirements at the national inter-bank borrowing market for no less than one year, and there was no breaches of the rules concerning disclosure in the immediate past year;
- have been satisfying rules of the CSRC on depositing funds of clients for trading and settlement, and no appropriation of such funds was recorded in the immediate past year;
- have established complete internal control, strict business segregation, and there have been no material breaches in respect of operation in the past two years;
- have adopted the market value method to evaluate the assets and liabilities, and is capable of using reasonable methods to assess risks associated with shares.

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