

Notice of the Ministry of Finance and China Banking Regulatory Commission on Issuing the Measures for the Administration of the Asset Disposal Announcements of Financial Asset Management Companies (Revised) (No.87 [2008] of the Ministry of Finance)

China Huarong Asset Management Corporation, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and China Cinda Asset Management Corporation:

For the purpose of meeting the demand of financial asset management companies for commercialization, regulating the asset disposal during the transition period, maximizing the proceeds from asset disposal and preventing ethical risks, we hereby issue the Measures for the Administration of the Asset Disposal Announcements of Financial Asset Management Companies (Revised) for your compliance and implementation.

Annex: Measures for the Administration of the Asset Disposal Announcements of Financial Asset Management Companies (Revised)

July 11, 2008

Measures for the Administration of the Asset Disposal Announcements of Financial Asset Management Companies (Revised)

Article 1 For the purpose of further regulating the asset disposal of financial asset management companies (hereinafter referred to as the “asset companies”), intensifying the transparency of asset disposal, accepting the supervision of the general public, preventing ethical risks, ensuring that asset companies dispose non-performing assets under the principles of openness, fairness, impartiality, competition and selection of the better and increasing the proceeds from asset disposal to the maximum extent while reducing the loss from asset disposal to the minimum extent, these Measures are formulated in accordance with the Regulation on Financial Asset Management Companies and the Measures for the Administration of Asset Disposal of Financial Asset Management Companies (Revised).

Article 2 These Measures shall apply to China Huarong Asset Management Corporation, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and China Cinda Asset Management Corporation which are established upon the approval of the State Council.

The announcement of the disposal of inherited financial assets by China Jianyin Investment Securities Co., Ltd. and the disposal of financial assets by Huida Asset Trust Co., Ltd. shall be governed by these Measures by analogy.

Article 3 An asset company shall abide by the relevant laws and regulations when making any asset disposal announcement, and the announced information shall be timely, effective, authentic and complete.

Article 4 The scope of the assets whose disposal shall be announced by an asset company includes all kinds of non-performing assets purchased by the company (including incidental gratuitous transfers, hereinafter the same) and other assets the right to whose disposal belongs to the company, including but not limited to:

1. creditor’s right assets: the non-performing loans as purchased by the company as well as the interests thereof;
2. stock right assets: the stock rights of debt-to-equity swap enterprises held by the company and the stock rights of enterprises held by the company by other means such as asset exchange and paying debts with assets;
3. in-kind assets: all kinds of in-kind assets whose ownership and whose right to disposal belong to the company, including the in-kind assets used by other parties to pay debts and the in-kind assets recovered by disposing of the mortgage (pledge) loans, etc; and
4. any other equity assets: intangible assets, etc.

Article 5 Where an asset company disposes of any assets upon entrustment, these Measures may apply by analogy. Where there are otherwise different stipulations in the entrustment agreement, such stipulations shall prevail.

Article 6 An asset disposal announcement shall at least cover the following contents:

1. a description of the assets, including the name, type, location, value and quantity of subject matter, mortgage or guaranty situation and other conditions of the assets;
2. a declaration of the will to dispose of the assets;
3. a declaration of the will to submit the asset disposal project (items) for consultation or demurral, and the valid period for consultation or demurral;
4. requirements on the buyer and terms of transaction;
5. the contact person and his contact information;
6. the way to expose any act rejecting or obstructing consultation or demurral;
7. the date of issuance and valid period of the announcement; and
8. other situations requiring clarification.

Article 7 For any asset that falls within the scope of announcement as defined by these Measures, before the formation of a asset disposal plan, the basic information thereof shall, according to the requirements as prescribed in paragraph 1 of Article 6, be uploaded onto the public website of the asset company for public reference, unless it is otherwise provided for.

Article 8 For any asset that falls within the scope of announcement as defined by these Measures, after the formation of the asset disposal plan, the asset disposal announcement shall be published on website and in newspaper:

1. Website announcement. The disposal (of a single asset item or an asset package, hereinafter the same) announcement shall be published on the public website of the asset company before the company examines the disposal plan, in particular:

- If the object of the asset disposal is 10 million yuan or less (according to the overall book value of the assets on the last interest settlement day before announcement, hereinafter the same), the company only needs to publish the disposal announcement on the public website of the company, and is not required to publish it on a newspaper.
- As for the contents of the website announcement, if it is a disposal of a single item of asset, the contents shall be those described in Article 6 of these Measures; if it is a disposal of an asset package, in addition to the contents described in Article 6, the announcement shall give a general introduction to the asset package, disclose the number of the items composing the asset package, the amount and form of each item, and the regions where the debts are distributed, and describe how investors are able to have more information about a creditor's right from the creditor, etc.
- The asset company shall print the screenshot of the website announcement on paper, put it on the asset disposal archives and attach it to the asset disposal plan for future reference. It shall also keep the electronic version of the website announcement as a backup document for ever.

2. Newspaper announcement. The announcement of a disposal project whose subject matter is more than 10 million yuan shall be published on a newspaper at the corresponding level in addition to the public website of the company. In particular:

- If the subject matter is 10 million yuan up to 50 million yuan, the announcement shall be published in a publicly circulated economic or general newspaper at or above the prefecture level of the locality of the assets under disposal. If the subject matter is more than 50 million yuan, the announcement shall be published in a publicly circulated economic or general newspaper at or above the provincial level of the locality of the assets under disposal.
- As for the contents of the newspaper announcement, if it is a disposal of a single asset item, the contents shall be those described in Article 6 of these Measures; if it is a disposal of an asset package, the announcement may only describe the overall situation of the asset package, but a statement like "Please visit the public website of the company or contact the relevant department of the company for further information" shall be made so that investors can get more information about each item in the asset package. If the asset package is composed of assets from different administrative regions, in principle, the announcement shall be published on an economic or general newspaper with the largest circulation at the next higher level of the places where the assets are located.

-- The asset company shall put a photocopy of the newspaper announcement on the asset disposal archives and attach it to the asset disposal plan for future reference.

Article 9 An asset disposal announcement shall be made according to the following time requirements:

1. for a disposal whose subject matter is 10 million yuan or less, the announcement shall be published at least 7 workdays before the day when the asset disposal examining organ examines the asset disposal;
2. for a disposal project whose subject matter is between 10 million yuan and 50 million yuan, the announcement shall be published at least 10 workdays before the day when the asset disposal examining organ examines the asset disposal;
3. for a disposal whose subject matter is between 50 million yuan and 100 million yuan, the announcement shall be published at least 15 workdays before the day when the asset disposal examining organ examines the asset disposal; and
4. for a disposal the object of which is more than 100 million yuan, the announcement shall be published at least 20 workdays before the day when the asset disposal examining organ examines the asset disposal.

If the announcement is required to be published both on website and in newspaper, the later time shall be used to determine whether the announcement is made within the prescribed time limit.

Article 10 Where an asset company disposes assets by way of price competition such as auctioning or bid tendering, it shall announce the asset disposal in accordance with the relevant laws and regulations. The contents of the announcement shall be determined in accordance with Article 6 of these Measures by analogy.

Article 11 For any asset disposal involved in a litigation whereby the debtor voluntarily executes the court decision or the case is concluded by enforcement or any asset disposal resulting from a legal bankruptcy, the party concerned is not required to make a disposal announcement in accordance with these Measures.

Article 12 For a disposal under any of the following circumstances which makes it inappropriate for public transfer according to the relevant state provisions, the party concerned is not required to make a disposal announcement in accordance with these Measures:

1. the debtor or guarantor of the disposal is a state organ;
2. it is a disposal of a state-owned enterprise which has been approved by the State Council to be one of the enterprises subject to the national policy bankruptcy plan;
3. it is a debt-to-equity swap project approved by the State Council, in which the original shareholders of the debt-to-equity swap enterprise uses the refunded corporate income tax of the enterprise to buy back the shares of the enterprise held by the asset company; or
4. the disposal concerns national defense, the military industry, national security or sensitive information as proved by a certificate issued by the competent governmental department, or the disposal is under any other special circumstance which makes it inappropriate to be made public.

Article 13 An asset company shall set up internal work procedures for making and publishing asset disposal announcements and designate a department to take charge of the administration of asset disposal announcements so as to maintain the regulation compliance and normal order of the announcement work. An asset company shall strictly examine and control the selection of media and the form of announcement and report the media selected for publishing asset disposal announcements to the local financial supervision commissioners' office of the Ministry of Finance and the local banking regulatory bureau for archival purposes.

Article 14 When examining an asset disposal plan in accordance with the administrative provisions on asset disposal, an asset company shall submit the disposal plan attached with a printed copy of the screenshot of the website announcement and a photocopy of the newspaper announcement to the asset disposal examining organ for examination and approval.

Article 15 The asset disposal department of an asset company shall perfect and optimize an asset disposal plan based on the feedback information after the asset disposal announcement is published. Where the asset disposal

examining organ finds that the asset disposal may be seriously affected by the announcement, it shall urge the asset disposal department to seek for a more reasonable asset disposal plan.

Article 16 Where the disposal plan of an asset disposal which has been announced in accordance with these Measures changes, if the announced contents are not affected by the change, it is not required to make a new announcement as is the general rule. If any asset item is added to an asset package disposal plan, a supplementary announcement shall be published at least 5 workdays before the date when the asset disposal examining organ examines the asset disposal plan, and the supplementary announcement shall cover the other asset items in the asset package and the increase of capital. If any asset item is reduced from the asset package, it is not required to publish a supplementary announcement.

Article 17 An asset company shall make more efforts in the asset disposal announcement archives management in accordance with the relevant state provisions on archives management. Materials about the asset disposal announcement process and results shall be truthfully recorded and kept in their integrity.

Article 18 No entity or individual may disturb the asset disposal of asset companies, restrict or reject the consultation or demurrals of any legal person, other organization or natural person, impede the general public from tipping off illegal acts or concealing any of the exposed information.

An asset company shall reject any other entity or individual's disturbance of the asset disposal announcement of the company, and report the disturbance to the competent supervisory department.

Article 19 The financial supervision commissioners' office of the Ministry of Finance in each region, the banking regulatory bureau of each region, and the auditing and disciplinary inspection department of each assets company shall supervise and inspect the asset disposal announcement activities of asset companies, accept the tip-offs of those rejecting or impeding any consultation or demurrals or disturbing any asset disposal announcement in any other way, and make verification and investigation.

Article 20 For any of the following acts, negligence of duty or violation that causes any loss of state-owned assets, upon verification, the violator shall be given an economic punishment or administrative sanction based on the principle of punishing the liable person while settling the matter:

1. Failing to announce any asset disposal requiring announcement or unlawfully exempting any required announcement in an asset disposal without any justifiable reason;
2. The announcement fails to be made within the prescribed time limit;
3. The level of the media selected for announcement fails to meet the relevant provisions;
4. The contents of the announcement are not complete and authentic, which has affected people's normal judgment on the asset value;
5. Failing to accept a consultation or demurrals, handling a consultation or demurrals with a negative attitude, or suppressing or concealing any consultation or demurrals;
6. Poor management of asset disposal announcement archives, or any important record or document is missing;
7. Violating the relevant confidentiality provisions of the state; or
8. Having any other act of interfering with asset disposal announcement.

Article 21 These Measures shall come into force on the day of issuance.