

**FOR IMMEDIATE RELEASE  
HONG KONG SAR  
November 14, 2022**

## **Jointly released by Tricor and JunHe, 'Foreign Private Equity Funds in China - Guide to Market Entry and Operations 2022' introduces PE funds in China, including the market landscape, establishment considerations, compliance requirements and daily operations, as well as insights into how foreign investors can plan ahead accordingly**

Based on our years of experience in serving numerous domestic and foreign PE funds, **Tricor** has collaborated with **JunHe Law Firm** to compile this report. Our purpose is to interpret the development of foreign PE funds and relevant regulatory provisions in China, and provide suggestions for establishment and operations.

As an important part of the multi-level capital market in China, private equity (PE) investment has grown over the past 30 years to become a large-scale sector. Although the growth rate of the operational scale of Chinese PE funds has decreased, since the *New Regulation on Asset Management* was implemented in 2018, China's PE fund market has entered a "quality improvement" phase in which it has become increasingly standardized and systematic. For instance, the Asset Management Association of China (AMAC) published that by the end of September 2022, there were 24,129 private fund managers, 139,570 private funds, the scale of which was RMB 20.39 trillion (equivalent to USD 2.87 trillion), and over 31,549 PE investment funds with a total AUM of RMB 10.96 trillion (equivalent to USD 1.54 trillion). In terms of the number of managers and the scale of funds, PE investment funds play an important role.

Against headwinds brought about by COVID-19 and global uncertainties, China's PE industry has continued to grow. With ongoing improvements to the business environment and China's financial opening up in full swing, we have witnessed heightened optimism from foreign private funds in the Chinese investment market. As of the first half of the 2022, the number of foreign PE funds totaled 801, including 259 JVs. The target amount of funds totaled USD 313.95 billion, and the target amount of JV PE funds totaled USD 83.07 billion. Foreign private fund managers have emerged as very prominent players. International asset management institutions typically set up an asset management company in Singapore, Hong Kong, or offshore islands (such as the Cayman Islands or the British Virgin Islands), as an investment vehicle for the Chinese market.

According to the report, as an integral part of China's PE fund market, foreign PE funds have displayed the following characteristics for the past couple years: Despite a decrease in fundraising speed and scale, foreign PE funds remain relatively stable. Foreign PE funds are increasing their investment in China and prioritizing high-quality, mid-, and late-cycle asset allocation. The institutionalization of limited partnerships (LPs) and the Pareto Principle effect of fund managers has become increasingly apparent.

In terms of the operational management, the regulation of foreign PE funds has become increasingly systematic and standardized. For instance, the AMAC website shows that as of November 3, a total of 2,442 private fund institutions have been deregistered for violating regulations. This year, 552 private fund institutions have been deregistered for reasons such as failure to proactively contact the AMAC, failure to submit special legal opinions upon expiration of the time limit, and failure to consistently comply with managerial registration requirements.



The report shows, to ensure business continuity and performance stability, PE institutions should establish a complete and robust corporate governance system and compliance risk control mechanisms to respond to evolving compliance requirements. To keep abreast of evolving compliance regulations and the market environment, foreign investors must set up and operate PE funds in China in a standardized, orderly and reasonable manner.

Despite numerous challenges - including evolving compliance requirements, operational complexity, local competition, rapid growing demand for wealth management solutions - foreign PE funds are picking up pace. With constant improvements being made to policies and the business environment, foreign PE funds are continuing to exhibit profound development and fulfill their potential and invigorate China's real economy.

**CEO of Tricor Group, Kim Jenkins**, said "As the world's second largest capital market, China is one of the most important channels for global investors engaging in asset allocation. With the gradual opening up of its capital market, an increasing number of foreign institutional investors are gaining greater access to China's colossal opportunities and expanding their business scope cross the country. With its vast economic and market potential, the Chinese PE fund market continues to be an attractive investment destination for foreign investment funds. Setting up a business in another country and managing an international business is much more complicated than it appears. Foreign asset management firms must plan ahead accordingly."

**CEO of Tricor Greater China, Hailiang Zhang**, said "Foreign asset management institutions recognize the long-term stable development and investment potential of the economy and are continuing to invest in China. In addition to business continuity and performance stability, foreign PE fund managers must also focus on the challenges of evolving compliance requirements, complex mid- and back-stage operations, and fierce local competition. Domestic investors are demanding more in terms of professional competence, investment strategies, and service systems. Based on long-term development strategies, PE fund managers should look to improve their professional investment skills and risk control ability, operational efficiency and compliance levels."

**COO of Tricor Mainland China, Xuting You**, said "Recent years have seen increasingly stringent regulation of the PE industry and standardizing compliance has become a focal point. The regulatory authorities have promulgated specific provisions for the registration of PE fund managers and products, management structure, practitioner qualification, performance appraisal, remuneration management, accounting treatment related to asset management products, and finance & tax information reporting. Because of these industry characteristics, foreign PE fund managers face more complex business decisions, daily operational practices and compliance concerns across the entire life cycle of alternative investment business."

Please view our report here: <https://www.tricorglobal.com/foreign-private-equity-funds-in-china-guide-2022>.

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## About Tricor Greater China

Tricor is Asia's leading business expansion specialist, with global perspective and cross-regional expertise in corporate service and compliance management. Strategically headquartered in Hong Kong SAR, we operate out of 22 countries / territories and across a network of 49 offices. With a staff strength of 3,000, Tricor serves 50,000 clients, including more than 40% of the Fortune Global 500 companies and 2,000 listed companies in Asia.

Founded in 2000, Tricor not only facilitates global multinationals and companies seeking entry into Asia Pacific, but also supports Mainland Chinese companies looking to grow internationally, across Asia and beyond. Tricor Greater China employs 1,200 professionals and has a service network across 17 key cities, including Beijing, Shanghai, Shenzhen, Hong Kong SAR, Macau SAR and Taipei. With global knowledge and local expertise, Tricor provides overseas and domestic clients with one-stop specialized solutions in corporate governance, finance & accounting, tax advisory, HR & payroll, fund services, investor services, outbound investment, and corporate trust & debt services.

Tricor offers fund services to private equity, venture capital, real estate and alternative assets funds for asset managers and sovereign wealth funds worldwide. Tricor has fund service operations in Mainland China, Hong Kong SAR, Singapore, Cayman Islands and British Virgin Islands.

As one of the first professional service providers to serve foreign and domestic asset management firms, Tricor assists around 200+ private fund managers in Asia Pacific. Tricor's fund services cover the entire life cycle of alternative investment business. From fund establishment to operation and exit, Tricor has rich and comprehensive experience in the operation of private funds, including fund formation, business structure maintenance, fund accounting, reporting and tax. Tricor assists private fund managers and funds to optimize and efficiently manage their middle- and back-office functions. With the support of Tricor's digital transformation and outsourcing solutions, private fund managers are empowered to focus on their core business and strategic initiatives to achieve rapid and sustainable growth.

For more information, please visit:  
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## About JunHe

JunHe, founded in Beijing in 1989, is one of the first private partnership law firms in China. Since its establishment, JunHe has grown to be one of the largest and most recognized Chinese law firms. The firm has twelve offices around the world and a team comprised of more than 1070 professionals, including over 320 partners and legal counsel, as well as over 750 associates and legal translators.

As a law firm providing a full range of legal services, JunHe has different practice groups and specialized attorneys in corporate and M&A, banking, insurance, securities, private equity, intellectual property, taxation, labor and employment, dispute resolution, etc. When faced with large and complex legal service projects, JunHe is able to quickly form project teams across different departments and regions to provide clients with one-stop, high-level and innovative comprehensive legal services under unified coordination and command, benefiting from JunHe's integrated and platform-based management system. JunHe fund team is comprised of more than 30 partners and associates.

JunHe fund team is able to respond to clients' needs quickly and efficiently and provides professional legal advice and solutions concerning the establishment and registration of managers, the establishment and fundraising of a fund and the day-to-day operations of a fund. JunHe team



members have experience in providing legal services through the complete life cycle of several funds, which makes us one of the few legal service teams in the market with first-hand experience in designing management team incentives, resolving fund-related disputes, handling defaulting investors, or liquidating or restructuring funds.

For more information, please visit:

Website: [www.junhe.com](http://www.junhe.com)

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