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# Investment Funds 2026

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**China: Trends and Developments**

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## Trends and Developments

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Guantao Law Firm was founded in Beijing in 1994, and is one of the leading law firms in China. After almost three decades of expansion and innovation, Guantao now has a team of over 500 partners and 1,900 lawyers. With 39 domestic and overseas offices, Guantao provides international and Chinese clients with comprehensive legal services. Over the years, Guantao has been widely recognised in major legal directories such as Chambers for its expertise

across multiple practice areas. Guantao has a market-leading practice in private equity and investment funds; after years of growth, its team of experts includes more than 30 partners based in major cities. With a high degree of industry sensitivity and insightful understanding of industry operation and regulatory changes, Guantao offers innovative and comprehensive solutions, establishing it as a trusted adviser to clients and the market.

## Authors



**Yang Wang** is executive partner of Guantao's Beijing office and chair of the Private Equity and Investment Funds Committee. With over 20 years of legal practice, she has developed deep expertise in investment funds

and M&A, making her one of the few practitioners in the market capable of covering all stages of the investment funds life cycle. She possesses in-depth knowledge of fund-related legal frameworks, regulatory policies and market norms. She is known for delivering systematic and tailored legal solutions that are aligned with client objectives, offering clients enforceable legal solutions even in the most challenging scenarios.



**Fei Xiao** is executive partner of Guantao's Beijing office. He is a distinguished legal practitioner who specialises in government-guided funds, private equity and venture capital funds, having advised on the

establishment or investment of over RMB160 billion (equivalent to USD23 billion). His expertise extends to providing comprehensive legal support throughout the entire life cycle of nearly 100 funds, from post-investment management to exit strategies and liquidation. He also serves as an adjunct mentor at China University of Political Science and Law, and as an arbitrator at the Hengshui Arbitration Commission.



**Liang Song** is a partner at Guantao Law Firm. With over 15 years of legal practice, he specialises in the field of private equity funds and also possesses extensive experience in commercial dispute resolution. He

has been engaged by various types of fund managers, investment funds and other clients on multiple occasions, providing a wide range of legal services related to fund establishment, equity investment, exit from funds and projects, among others. Additionally, Mr Song has offered professional support to numerous technology-based enterprises in matters such as investment, financing and corporate governance.

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**Lu Bai** is a partner at Guantao Law Firm. She has extensive experience and expertise in the fields of private equity, investment funds, corporate reorganisation and M&A. She has rich experience in providing professional legal services for the establishment, raising, investment and exit of private equity funds. She has provided perennial legal and compliance services for several private equity funds, and serves as long-term legal counsel for multiple established corporations. She also serves as the Secretary-General of the Private Equity and Investment Funds Committee of Guantao Law Firm. Ms Bai received her LLM degree from Universität Hamburg and China University of Political Science and Law.

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## Overview

Since the Asset Management Association of China (AMAC) officially launched the self-regulatory management of the private funds industry in 2014, the investment funds industry has witnessed a decade of development, achieving significant growth in both scale and quality. Investment funds have played an important role in serving the real economy, driving technological innovation and adjusting the economic structure. The standardised operational and ecological environment of the investment funds industry has been continuously optimised, and has entered a new stage of high-quality development.

## Market Scale and Analysis of Changes

In 2025, the number of private fund managers continued to decline in an orderly manner, while the number of private fund product filings and the management scale continued to grow, reflecting the further enhancement of the industry's quality. The sluggish market conditions of investment funds in 2024 improved in 2025, and both the number and scale of fund filings showed an upward trend in the second half of the year.

## Fund Managers

### *Trend of the number of newly established managers*

In 2023, 316 new private equity (PE) and venture capital (VC) fund managers were established. The number dropped to 118 in 2024 and further decreased to 95 from January to November 2025. This data reflects that the supply of new managers has entered a stable and prudent stage.

### *Trend of the total number of managers*

From 2016 to 2021, the number of PE and VC fund managers showed a year-on-year increasing trend. Since 2021, this has entered a stage of total quantity control with optimisation of existing institutions.

As of the end of November 2025, the number of PE and VC fund managers was 11,567, a decrease of 516 compared with the end of 2024. During the same period, more than 600 managers were deregistered (including about 260 who voluntarily deregistered), which reflects the regulatory trend of the AMAC guid-

ing and accelerating the orderly exit of non-compliant or inactive managers.

## Fund Products (as of the End of November 2025)

### *Managed scale*

- PE funds: the existing managed scale reached CNY11.18 trillion. Among these, the newly filed scale was CNY135.254 billion.
- VC funds: the existing managed scale reached CNY3.57 trillion. Among these, the newly filed scale was CNY124.809 billion.
- The monthly filing scale of PE and VC funds fluctuated in the first half of 2025. From September to November, the filing scale remained relatively high, continuously staying above CNY23 billion.

### *Number of fund product filings*

- PE funds: a total of 1,456 funds were filed – basically the same as the total number of filings in 2024, which was 1,514.
- VC funds: a total of 2,780 funds were filed, showing a certain increase compared with the total number of filings in 2024, which was 2,629.
- In the first three quarters of 2025, the number of filings for PE and VC funds continued to rise. Among these, the number of newly filed VC funds was significantly higher than that of PE funds and increased year-on-year, indicating a warming trend in the VC market.

## Review of Market Policies

Since 2023, the regulatory policies for investment funds have become more stable. A regulatory system covering laws, regulations, regulatory documents and self-regulatory rules has been initially established. In addition, the AMAC has irregularly issued the “Private Fund Registration and Filing Updates” to guide market operations, which has improved the transparency and predictability of regulation and deepened the market's understanding of the current rules.

### *Top-level design and implementation of the guidance for government investment funds*

At the beginning of 2025, the General Office of the State Council issued the “Guiding Opinions on Promoting the High-Quality Development of Government Investment Funds” (the “No 1 Document”). This is the first important document issued at the national level

to promote the development of government investment funds. Subsequently, many provinces and cities quickly issued or revised local management measures for government investment funds, promoting the precise implementation of relevant policies at the local level.

### *Regulatory case guidance and judicial collaborative governance*

In September 2025, the AMAC released two issues of the Private Fund Registration and Filing Updates, clarifying core compliance points such as the determination of the manager's equity structure and business operation ability requirements in the form of case analysis. In October 2025, the AMAC and the Beijing Financial Court jointly released two typical cases, providing judicial solutions for resolving investor disputes and liquidation deadlocks arising from the "disappearance or incapacity" of fund managers, offering legal pathways through representative litigation and compulsory enforcement mechanisms.

### *Optimisation of the manager change mechanism*

In 2025, the AMAC issued the latest regulatory guidelines on fund manager changes. This revision has enhanced the practical feasibility and efficiency of fund manager changes, providing a solution to break the deadlock in fund management at the institutional level and effectively guiding the market-based exit of non-operating managers.

### **Fundraising**

After a three-year downturn in the fundraising of investment funds, 2025 witnessed a significant recovery driven by policies of cultivating "patient capital" and diversifying funding sources. Especially since the end of the year, the intensive establishment of national-level funds of funds (FOFs), local government-guided funds and M&A funds has not only reshaped the fundraising ecosystem but also effectively activated and encouraged the extensive participation of social capital.

### **Sources of Funds Continue to be Diversified Through Multiple Channels**

#### *Government investment funds*

In recent years, government investment funds have firmly remained the most important source in China's

investment funds market, and this trend continued to strengthen in 2025. The issuance of the No 1 Document clearly encourages the reasonable extension of a fund's duration, relaxes the requirements for the local investment ratio, and establishes a fault-tolerance and performance evaluation mechanism centred on the entire life cycle, to better play the strategic role of patient capital in supporting scientific and technological innovation as well as industrial upgrading.

#### *Insurance funds*

In 2025, regulatory policies continued to increase support for insurance funds to enter the market. This includes:

- increasing the concentration ratio of insurance funds invested in VC funds;
- raising the investment ceiling for a single VC fund from 20% to 30%; and
- adding the technology and big data industry to the scope of major equity investments of insurance funds.

Insurance funds are guided towards increasing equity investment in strategic emerging industries, to serve tech-powered productivity with precision and efficiency.

#### *Expansion of the AIC pilot to accelerate the entry of bank-affiliated capital*

In March 2025, new regulatory rules expanded the equity investment scope of financial asset investment companies (AICs) to the provinces where 18 pilot cities are located, significantly accelerating the entry of bank-affiliated capital. By the end of 2025, the AIC had expanded to nine banks. According to data from CVInfo, as of November 2025, the five major state-owned banks had established 99 new AIC funds, with a total subscribed scale of CNY198 billion.

#### *Foreign capital*

In 2025, cities such as Beijing, Shenzhen and Tianjin successively issued policies to encourage overseas investment institutions to establish investment funds in China through channels such as the Qualified Foreign Limited Partnership (QFLP), facilitating the entry of foreign capital in terms of investment scope, access conditions and approval efficiency, and allowing eli-

gible fund managers to establish investment funds with the participation of overseas partners and to conduct investment activities in China. The “Catalogue of Industries Encouraging Foreign Investment” (2025 Edition), which will be officially implemented on 1 February 2026, further guides foreign capital towards investing in key areas such as advanced manufacturing and modern services.

## VC Funds

At the end of 2025, the official launch of the National Venture Capital Guidance Fund was a milestone event in the VC industry. The fund is capitalised by ultra-long-term special government bonds, with a scale of CNY100 billion. Three regional FOFs have been established in the Beijing-Tianjin-Hebei region, Yangtze River Delta region, and Guangdong-Hong Kong-Macao Greater Bay Area, mainly investing in sub-funds and supplemented by direct investments, aiming to leverage over CNY1 trillion of social capital. The fund has established a 20-year duration and takes “investing in early-stage, small-scale and hard-technology targets” as its core investment direction; it is regarded as an important institutional practice of “patient capital” in China’s VC market.

## Burst of M&A Funds

Driven by the national policy of vigorously promoting strategic and professional restructuring, integration and high-quality M&A, M&A funds achieved rapid growth by the end of 2025. According to CV Source data, as of December 1st, the number of newly established M&A funds reached 29, with the target fundraising scale exceeding CNY100 billion. Compared with the whole of 2024, the number of M&A funds increased by 70%, and the target fundraising scale increased by over 200%. The substantial increase in the scale of newly established M&A funds was mainly driven by six heavy-weight M&A funds with a fundraising scale of over CNY10 billion. State-owned capital played an important role in these newly established M&A funds.

## Fund Investment

### *Fields of fund investment*

The emergence of Deep Seek in early 2025 injected vitality into the relatively sluggish (since 2024) primary equity investment market, driving local governments

and investment funds to pay attention to opportunities in hard-tech enterprises and high-tech talents. The State has successively issued relevant policies to increase support for strategic industries such as new-generation information technology, AI, aerospace, new energy, new materials, high-end equipment, biomedicine, quantum technology, etc. The fields of investment funds and their investment targets were all affected by the above policies, and they focused more on related industries.

### *Participation in the acquisition of controlling stakes in listed companies*

In 2025, supported by relevant M&A policies, transactions in which investment funds acquired the controlling stakes in listed companies began to appear in the capital market. Given that investment funds are usually restricted by their duration, such transactions may be subject to regulatory inquiries, including relevant measures for investment funds to maintain the stability of the actual control rights of listed companies and the impact on the continuous and stable operation of listed companies.

### *Guidance on rational repurchase arrangements*

Since 2024, affected by the narrowing of the IPO exit channel, the investment funds market has fallen into a “repurchase dilemma”. A large number of repurchase clauses in investment agreements were triggered, and disputes caused by repurchases increased significantly. Entrepreneurs and target enterprises faced great pressure from repurchase funds and continuous operation of their business, while investors faced the difficulty of collection of payment even after having won the lawsuit.

At the end of 2025, the AMAC issued a proposal to fund managers. When investment funds set up repurchase clauses, the arrangements of repurchase clauses should be scientific and reasonable. After the repurchase conditions are triggered, open communication should be carried out, and interest disputes should be properly resolved in various ways. This helps to guide both investment funds and financing parties towards negotiating rational earn-out clauses, stabilising market expectations, and promoting the sound and healthy development of the investment funds industry.

## **Fund Management**

As a large number of investment funds enter the exit period, the realised returns of investment targets and the performance of fund managers have become some of the core criteria for limited partnerships (LPs) when evaluating fund managers. The market's evaluation dimensions of managers' management capabilities have become more rational.

### *Concentration of funds towards top-tier institutions and the trend of specialisation*

In 2025, funds continued to flow towards top-tier institutions. LPs will focus on managers with industrial backgrounds, strong professional capabilities and good exit records. Industry concentration will further increase. Specialisation and verticalisation will become key competitive advantages, and institutions deeply involved in specific industrial chains are getting more opportunities.

### *Structural relaxation of requirements for local investment and investment promotion*

In 2025, guided by the policies of building a unified national market and reducing regional market barriers, government-guided funds across the country have been continuously making structural adjustments in terms of local investment ratios and investment promotion tasks. Many regions have gradually weakened the rigid constraints on local investment ratios and adopted more flexible recognition mechanisms. They are exploring ways to replace simple regional landing indicators with comprehensive contributions, such as industrial drive and technology introduction, to improve the market-oriented operation efficiency of government funds.

### *Safe harbour provisions for fund managers*

The No 1 Document issued at the beginning of 2025 requires the establishment and improvement of a fault-tolerance mechanism and the optimisation of the full life cycle performance evaluation system. It no longer takes the profit or loss of a single project or a single year as a rigid basis for assessment; it creates a market-oriented investment environment that encourages innovation and tolerates failure from the institutional source. Beijing and other places have successively issued supporting rules to refine the assessment cycle, fault-tolerance boundaries, and

criteria for liability determination. Institutional guarantees are provided for government investment funds and state-owned capital to participate more deeply in technological innovation and early-stage investment.

## **Fund Exit**

Although there have been some positive signals in the market in 2025, investment funds still face significant exit pressure. To resolve the difficulty in exiting, continuous efforts are needed in both policy guidance and market tool innovation to smooth the diversified exit channels.

### *Recovery of the A-share IPO market*

According to data from Zero2IPO Research, in 2025 a total of 164 Chinese enterprises were supported by VCs/PEs listed on domestic or overseas exchanges, involving 951 investment institutions. IPO remains an important exit channel for investment funds.

In 2025, there were 264 newly accepted applications for A-share IPOs in the Shanghai, Shenzhen and Beijing stock exchanges – more than three times that of 2024. Only 16 more IPOs were completed in the A-share market in 2025 than in 2024. However, the total amount of funds raised in 2025 increased significantly by 95.63%, reaching CNY131.771 billion. Several hard-tech enterprises – eg, Moore Threads – reached a market value of over CNY100 billion, creating returns far exceeding expectations for investors. High-quality enterprises with technological advantages and growth potential will continue to be favoured by investment funds.

### *Hong Kong is experiencing a surge in listings from Mainland China*

Affected by the valuation and review pace of the A-share market, the Hong Kong stock market became the preferred destination for some enterprises from Mainland China in 2025. According to CV Source data, a total of 108 Chinese-funded enterprises completed their IPOs on the Hong Kong Stock Exchange in 2025. The number increased by 52% compared with the whole year of 2024, and the amount of funds raised increased by about 230%.

Although current regulatory rules allow investment funds to invest in the stocks of newly listed enterprises

in the Hong Kong stock market through cornerstone investment and other means – and there have already been some successful cases through channels such as ODI, QDII and QDLP in the market – for renminbi investment funds to participate in cornerstone investment in the Hong Kong stock market, further exploration is required to identify more efficient and convenient solutions concerning the following issues:

- capital transfer/outflow mechanisms;
- cross-border investment licensing;
- foreign exchange quota management; and
- filing with the AMAC.

### *Exiting via M&A has come under the market spotlight*

From 2024 to 2025, the China Securities Regulatory Commission (CSRC) issued a series of policies to support M&A and restructuring of listed companies, including significantly shortening the lock-up period for investment funds' shares in listed companies obtained through M&A. M&A exits are becoming an important supplementary path for investment funds to exit. According to Zero2IPO data, there were 352 M&A exits in the first three quarters of 2025, a year-on-year increase of 84%. M&A exits also impose higher professional requirements for fund management teams.

### *The activity of S funds has increased*

The regional pilot programmes in cities including Beijing and Shanghai, the guidance from state policies on broadening fund exit channels, the market's liquidity needs and the pressure of DPI assessment on managers, as well as the activity of the PE secondary market (S funds), all increased in 2025. Entities such as government funds, insurance funds and local state-owned assets have entered the market. The transaction model has evolved beyond simple LP stake transfers, with market-driven innovations such as general partner-led continuation funds now emerging.

According to statistics from FOFWEEKLY, in the first three quarters of 2025, a total of ten S funds was established, with a relatively small scale – mostly no more than CNY5 billion. The total trading volume was CNY92.3 billion, a year-on-year increase of 182%, and the total number of transactions was 867, a year-on-year increase of 234%. Although the number of

market participants has increased and the number of transactions has risen, the scale of single S funds is relatively small, indicating that the market is still in the trial stage for S funds. The role of S funds in the exit process remains to be seen.

### *The pilot programme of in-kind stock distribution has been further optimised*

In 2022, the CSRC launched a pilot programme allowing PE and VC funds to distribute stocks in kind to investors. Shares held by PE and VC funds in listed companies prior to their IPOs can be distributed to investors through non-trading transfers. On 30 September 2025, the AMAC issued guidelines to improve the mechanism for in-kind distribution of stocks, and the scope of application has been expanded to:

- shares of companies listed on the Beijing Stock Exchange before their public offerings to unspecified qualified investors; and
- listed shares obtained through major asset restructurings and refinancings.

The new policy provides more room for investment funds to manage their exit and distribution.

### *Market Outlook*

#### *Leverage effect and market transmission of national VC FOFs*

By the end of 2025, the national FOFs funded by the government were expected to promote the establishment of more than 600 sub-funds to serve the development of emerging and future industries. The ultra-long lifespan of the FOFs will have a positive impact on the development of the investment fund industry in the next 20 years.

#### *The M&A boom as a catalyst for the investment funds industry*

As national policies actively encourage corporate mergers and reorganisations as well as industrial upgrades, the M&A business has had a profound impact on the entire process of fundraising, investment, management and exit of investment funds. It will guide investment funds towards transforming from financial investment and short-term profit-seeking capital deployment instruments to patient capital that discovers value and makes long-term investments.

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## *New opportunities for foreign capital in the Chinese investment funds business*

The Hainan Free Trade Port launched island-wide customs closure operations by the end of 2025, providing more open market access, more convenient cross-border capital flows, more internationally competitive tax policy arrangements and more convenient visa-free travel, which will provide unprecedented new opportunities for foreign institutions to participate in the Chinese investment funds market.

## *The trend of investment funds going global remains to be seen*

Despite their growing presence in the outbound M&A deals of Chinese firms, Chinese investment funds are still focused on the domestic market, making their path towards internationalisation a process that warrants ongoing attention.

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