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The Circular of the State Administration of Foreign Exchange Regarding Partly Adjusting the Administration Policies of Foreign Exchange of Overseas Investment

国家外汇管理局关于调整部分境外投资外汇管理政策的通知
(汇发[2006]27号/No. 27 [2006])

Issued By State Administration of Foreign Exchange
Subject Foreign Exchange, Overseas Investment
Promulgated on June 6th 2006
Effective from July 1st 2006
Source www.safe.gov.cn

The Circular of the State Administration of Foreign Exchange Regarding Partly Adjusting the Administration Policies of Foreign Exchange of Overseas Investment (the “Circular”) has been promulgated by the State Administration of Foreign Exchange (“SAFE”) in line with the goal of developing the national economy and with the purpose of encouraging overseas investment undertaken by domestic investors. The so-called “overseas investment” refers to the actions of establishing corporations or acquiring ownership or management rights of enterprises through means of incorporation, merger, acquisition, combination, shares purchase and the similar by all kinds of domestic legal persons.

The administration of foreign exchange has been loosened. Now, the profits made by such overseas enterprises can be re-invested by such enterprises outside of China. The SAFE will not allocate any “maximum limit” for making overseas investment any more. Therefore, the need for foreign exchange of domestic enterprises, which are willing to and longing for making overseas investment, will be fully satisfied. The “first-phase project expenses” relevant to such overseas investment are now allowed as well. Such “first-phase project expenses” shall, in principle, not exceed 15% of the total investment, and approvals by local SAFE branches of the place where the enterprises are located are required in case of exceeding such limit of 15%.

On the other hand, according to the Circular, in order to avoid and control the relevant risks, the examination, review, statistics and supervision of such overseas investment should be strengthened, and the mentioned overseas investment must be in line with the national industrial policies. Furthermore, in case the whole approval procedures of the overseas investment are not finished within six months as of the date that the “first-phase project expenses” are made, the remaining foreign exchange should be returned to China.

The Opinion Regarding Further Regulating Market Price Order of Pharmaceutical and Medical Services

关于进一步整顿药品和医疗服务市场价格秩序的意见
(发改价格[2006]912号/Order No. 912 [2006])

Issued By National Development and Reform Commission; Ministry of Finance; Ministry of Labor and Social Security; Ministry of Commerce; Ministry of Health; State Food and Drug Administration; Legal Office of the State Council; Ethos Correction Office of the State Council

Subject Pharmaceutical and Medical Service Price

Promulgated on May 19th 2006

Effective from May 19th 2006

Source www.sdpc.gov.cn

The Opinions Regarding Further Regulating Market Price Order of Pharmaceutical and Medical Services (the “Opinions”) have been approved by the State Council and promulgated in order to ease the financial burden of the Chinese people when purchasing pharmaceutical and medical product. The Opinions mandate that the price for such products should be further lowered, and pharmaceutical enterprises should not increase the price via changing specifications and packing and the similar methods. According to the Opinions, the profit margin of pharmaceutical products is too big. Consequently, the pharmaceutical ex-works price must be examined and fixed anew. The final retailing price shall also be lowered. A recommended retailing price should be tagged on the outer packing of pharmaceuticals by the producers in order to strengthen the transparency of pricing.

Market pricing information of medical appliances should be given to the public, and the pricing of medical appliances should be interfered since the profits margin is unreasonable big. Circulation links of medical appliances should be reduced, and the circulation costs should be cut down for the sake of lowering the price and reducing the unreasonable intermediate profits. Furthermore, the price of medical services should be lowered too, and the charges for using medical appliances should be cut. Doctors’ behaviors should be watched, and their individual incomes should not be fixed on their pharmaceutical marketing. Medical insurance should be strengthened. The competition among designated medical institutions and drugstores should be encouraged. Moreover, supervision and examination should be strengthened too, and typical cases of infringement of relevant laws, regulations, provisions and policies should be notified to the public.

Provisions on Access Prohibition of Securities Market

证券市场禁入规定 (Order No. 33 of the China Securities Regulatory Commission/中国证券监督管理委员会令第33号)

Issued by China Securities Regulatory Commission
Subject Access Prohibition of Securities Market
Promulgated June 7th 2006
Effective from July 10th 2006
Source www.csrc.gov.cn

According to the Provisions on Access Prohibition of Securities Market (the “Provisions”), which have been promulgated by the China Securities Regulatory Commission (“CSRC”), in order to impose access prohibition measures on relevant persons who are liable for serious violations of relevant stipulations and provisions of laws, administrative regulations and relevant provisions of the CSRC, the so-called access prohibition measures should be imposed, depending on the degree of seriousness of the violation, on following persons: directors, supervisors, and senior management of issuers, listed companies and securities companies; controlling shareholders and actual controlling persons of issuers, listed companies, and securities companies or their directors, supervisors and senior management; directors, supervisors and senior management of securities trading service institutions and the administrators of securities investment funds; and other persons who have violated relevant laws, regulations and provisions of the CSRC.

The abovementioned persons who have been imposed by the access prohibition measures by the CSRC should not only be prohibited from accessing the securities market, but also be prohibited from assuming any position with their original employers. Furthermore, they should not be allowed to take any other similar positions with the same or other employers of listed companies or companies concerning the securities business. An access prohibition term of 3 to 5 years can be imposed on the abovementioned persons, and a longer term of 5 to 10 years may be imposed on persons committing serious violations. Even a lifelong prohibition term may be imposed in situations with grave violations which have been listed in Article 5 of the Provisions. The police, of course, shall be involved should any crime occur. The name of the persons who have been punished by the CSRC in light of the Provisions will be notified to the public.

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