



## Interim Measures For Supervision & Administration of the Investment by Central Enterprises

- Commissions & Ministries of the State Council -

|                    |   |
|--------------------|---|
| Promulgation date: | June 28, 2006                                 |
| Effective date:    | July 1, 2006                                  |
| Department:        | Commissions & Ministries of the State Council |

### Order of the State-Owned Assets Supervision & Administration Commission of the State Council (No. 16)

*The Interim Measures for the Supervision and Administration of the Investments by Central Enterprises, which have been deliberated and adopted at the 39th director's executive meeting of the State-owned Assets Supervision and Administration Commission of the State Council, are hereby promulgated and shall come into force as of July 1, 2006.*

Li Rongrong

Director of the State-owned Assets Supervision and Administration Commission of the  
State Council

June 28, 2006

### Interim Measures For Supervision & Administration of the Investments by Central Enterprises

**Article 1** These Measures are formulated according to the Company Law of the People's Republic of China, the Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises and other laws and regulations for the purpose of performing the contributor's duties, regulating the investment activities of central enterprises, enhancing the scientific and democratic investment decision-making level of central enterprises and effectively preventing investment risks.

**Article 2** The "central enterprises" as mentioned in these Measures refers to the enterprises for which the State-owned Assets Supervision and Administration Commission of the State Council (hereinafter referred to as the "SASAC") performs the contributor's duties (hereinafter referred to as the enterprises).



**Article 3** The “investments” as mentioned in these Measures refers to the following investment activities conducted by the enterprises within the territory of China:

- (1) fixed-assets investments;
- (2) property acquisition; and
- (3) long-term equity investment

**Article 4** The SASAC shall supervise and administrate the investment activities of the enterprises, and guide them to establish and improve investment decision-making procedures and management systems.

**Article 5** The enterprises are the subjects of investment activities, and shall formulate and implement investment decision-making procedures and management systems, establish and improve corresponding management organs, and report them to the SASAC for archival filing.

**Article 6** The following principles shall be observed for the investment activities of the enterprises as well as the supervision and administration of the SASAC to the investment activities of the enterprises:

- (1) meeting the development plans and industrial policies of the State;
- (2) meeting the overall arrangement and structural adjustment direction of the enterprises;
- (3) meeting the development strategies and plans of the enterprises;
- (4) highlighting the main industry and being good for enhancing the core competitiveness of the enterprises;
- (5) the investments into minor industries meeting the adjustment and reform direction of the enterprises and not affecting the development of the main industry;
- (6) meeting the investment decision-making procedures and management systems of the enterprises;
- (7) the investment scale being suitable for the scale of assets and business, the level of assets and liabilities and the actual capital raising capacity of the enterprises; and
- (8) having conducted sufficient scientific demonstrations, and the anticipatory investment proceeds being not lower than the average level of the same domestic industry at the same term.

The “main industry” refers to the main business operations as determined in the development strategies and plans of the enterprises and as confirmed and publicized by



the SASAC; and the “minor industry” refers to the business operations other than the main industry.

**Article 7** An enterprise shall formulate annual investment plans according to its development strategies and plans, and the main investment activities of an enterprise shall be incorporated into its annual investment plans.

The annual investment plans of an enterprise shall mainly include:

- (1) the overall investment scale, sources and composition of funds;
- (2) the investment scale of both main industry and minor industry; and
- (3) the basic information on the investment project (including the contents, investment amount, composition of funds, anticipatory investment proceeds and implementing years, etc. of the project).

The “investment projects in the annual investment plans of an enterprise” refers to those investment projects that are decided upon study of the board of directors or the executive meeting of general managers of the enterprise (including the investment projects of its subsidiaries).

**Article 8** An enterprise shall submit annual investment plans within the prescribed time limit as required by the SASAC.

The requirements on the format and time limit for the uniform submission of annual investment plans of the enterprises shall be separately prescribed by the SASAC.

**Article 9** The SASAC shall implement the classified supervision and administration of the investment activities of the enterprises:

- (1) With respect to the solely state-owned companies that have established the normalized board of directors according to the relevant provisions of the SASAC, the SASAC shall implement the archival filing administration of investment projects according to the annual investment plans of the enterprises.
- (2) With respect to the solely state-owned enterprises and solely state-owned companies that have not established the normalized board of directors yet, the SASAC shall implement the archival filing administration of investment projects in the main industry according to the annual investment plans of the enterprises; and shall implement the examination



and approval of the investment projects in the minor industry, and make examination decisions within 20 working days.

- (3) The state holding companies shall submit their annual investment plans to the SASAC according to these Measures.
- (4) The enterprises of other types shall be governed by the provisions on state holding companies by analogy.

**Article 10** If an enterprise adds any project other than those in its annual investment plans, it shall timely report the relevant conditions to the SASAC, and the SASAC shall implement the administration according to Article 9 of these Measures.

**Article 11** An enterprise shall timely report any of the following significant investment matters to the SASAC:

- (1) With respect to the investment projects that should be approved by the State Council or by the relevant department of the State Council according to the existing investment administrative provisions of the State, the enterprise shall send a copy of relevant documents to the SASAC when it submits them to the State Council or the relevant department of the State Council.
- (2) If an investment project of the enterprise is under any of the following circumstances during the course of implementation, it shall go through the investment decision-making procedure again, and timely report the decision-making opinions to the SASAC in written form:
  - a. The enterprise significantly adjusts the investment amount, sources or composition of funds, which causes excessive corporate debts and exceeds the affordability of the enterprise or affects the normal development of the enterprise;
  - b. The enterprise significantly alters the equity structure, which causes the transfer of the enterprise controlling right; or
  - c. The investment partner seriously breaks the contract, which damages the rights and interests of contributors.
- (3) Other significant investment matters that need to be reported to the SASAC.



**Article 12** The SASAC shall establish a statistical and analysis system for the investments by the enterprises, and an enterprise shall submit the conditions on annual investment performances and the analysis materials as required by the SASAC, and some key enterprises shall submit the conditions on quarterly investment performances.

**Article 13** An enterprise shall carry out the follow-up appraisal and management of investment projects, and the specific work contents and requirements shall be determined by referring to the Guidelines for the Follow-up Appraisal of Fixed Assets Investment Projects of Central Enterprises. The SASAC shall, according to the requirements, choose some investment projects that have been completed by the enterprises for the follow-up appraisal.

**Article 14** The SASAC shall assume the confidentiality obligation for the materials submitted by the enterprise according to these Measures.

**Article 15** If an enterprise violates these Measures or its own investment decision-making procedures, the SASAC shall order it to make correction; if the circumstances are serious and the enterprise thus suffers from major loss, the relevant personnel of the enterprise shall be punished according to the relevant provisions.

If any relevant functionary of the SASAC violates these Measures, the SASAC shall order him to make corrections; if the circumstances are serious, he shall be subject to administrative sanctions.

**Article 16** The specific provisions on the supervision and administration of the overseas investments of the enterprises shall be separately formulated by the SASAC.

**Article 17** The power to interpret these Measures shall remain with the SASAC.

**Article 18** These Measures shall come into force as of July 1, 2006.

*This document is for general reference only. It does not create professional-client relationship. Please do not hesitate to contact us for further queries at [mail@lehmanlaw.com](mailto:mail@lehmanlaw.com)*