

**Decree of the Ministry of Public Security
Of the People's Republic of China
No. 87**

The Measures for Administration of the Purchase, Sales and Transportation of Precursors and Chemicals Used in Production of Narcotic Drugs and Psychotropic Substances, adopted at the Working Meeting of the Council of Ministers of the Ministry of Public Security on April 21, 2006, is hereby promulgated and shall go into effect as of October 1, 2006.

Zhou Yongkang
Minister of the Ministry of Public Security
August 22, 2006

Measures for Administration of the Purchase, Sales and Transportation of Precursors and Chemicals Used in Production of Narcotic Drugs and Psychotropic Substances

CHAPTER I GENERAL PROVISIONS

Article 1 These Measures are formulated in accordance with the Regulations for Administration of Precursors and Chemicals used in Production of Narcotic Drugs and Psychotropic Substances for the purposes of strengthening the administration of precursors and chemicals used in production of narcotic drugs and psychotropic substances (hereinafter referred to as "precursor chemicals"), regulating the purchase, sales and transportation of precursor chemicals, preventing precursor chemicals from being used in manufacturing drugs and maintaining the economic and social order.

Article 2 The Ministry of Public Security shall be the competent department for the administration, supervision and inspection over the purchase, sales and transportation of precursor chemicals in the whole country. The public security organs of local people's governments at and above the county level shall be responsible for the administration, supervision and inspection over the purchase, sales and transportation of precursor chemicals in areas under their respective jurisdiction. The narcotics control departments of public security organs of various provinces, autonomous regions, municipalities directly under the Central Government and the people's governments of cities divided into districts shall set up special organs for the administration of precursor chemicals, and special personnel shall be assigned by the public security organs of the people's governments at the county level to be responsible for the permission, filing for record, supervision and inspection of the purchase and transportation of precursor chemicals.

Chapter II ADMINISTRATION OF PURCHASE AND SALES

Article 3 Any entity that is to purchase precursor chemicals under any item in Category I other than pharmaceuticals shall apply for a purchase license at the public security organ of the local people's government at the provincial level; any entity that purchases precursor chemicals under any item in Categories II and III shall file it for record with the public security organ of the local people's government at the county level. An entity may purchase precursor chemicals only after it has obtained the purchase license or the record-keeping certification for purchase.

Article 4 No individuals are allowed to purchase precursor chemicals under any item in Categories I and II. It is prohibited to trade precursor chemicals in cash or kind. However, an individual may legally purchase the pharmaceutical preparations of precursor chemicals under the item of pharmaceuticals in Category I or the precursor chemicals in Category III.

Article 5 An entity that is to apply to purchase precursor chemicals under any item in Category I other than pharmaceuticals and precursor chemicals under any item in Categories II and III shall submit the following application materials:

(1) the business license for a distribution entity (copy and photocopy), the certificate of registration or approval document of establishment for an organization other than distribution entity (original and photocopy), or a personal identity certificate (original and photocopy); and
(2) the certification of its need for legal use (original).

The certificate for the need of lawful use shall be produced by the purchasing entity or individual, specify the type, quantity and purpose of the precursor chemicals planned to be purchased, and be stamped with the seal of the purchasing entity or the personal signature.

Article 6 An application to purchase precursor chemicals under any item in Category I other than pharmaceuticals shall be examined and approved by the public security organ of the local people's government at the provincial level. The public security organ responsible for the examination and approval shall, within 10 days as of the date of receipt of the application, examine the application materials as submitted by the applicant. If the applicant satisfies the relevant provisions, it shall issue a purchase license to the applicant. In the case of disapproval, it shall notify, in writing, the applicant of the reasons therefore.

Where a public security organ responsible for examination and approval is able to handle an application for a purchase license on the spot, it shall do so on the spot. Where the application materials are incomplete and need to be supplemented, the applicant shall be informed, once and for all, of the contents that need to be supplemented. Where the public security organ rejects an application the materials for which fail meet the requirements, it shall notify, in writing, the applicant of the reasons therefore.

Article 7 When examining the application materials for the purchase license of precursor chemicals in Category I, a public security organ may, when necessary, organize an on-site verification. A public security organ shall organize an on-site verification in any of the following circumstances:

- (1) where the purchase entity submit an application for the first time;
- (2) where the application materials as submitted by the purchase entity fail meet the requirements;
- and
- (3) where it is doubtful about the application materials submitted by the purchase entity.

Article 8 An entity that is to purchase any precursor chemicals in Category II or III shall, prior to the purchase, file an information about the type and quantity in demand for record, with the public security organ of the local people's government at the county level. The public security organ shall, upon accepting the application for record keeping, issue the record-keeping certification for purchase at the very day.

Any purchase of potassium permanganate of a quantity less than five kilograms all at once by an individual for self-use whose annual consumption quantity is below 50 kilograms need not be filed for record.

Article 9 A purchase license for precursor chemicals shall be valid for once and the period of validity shall last for one month.

A record-keeping certification for the purchase of precursor chemicals shall be valid for once and the period of validity shall last for one month. An entity without engaging in acts in violation of the provisions within one year upon the record-keeping date may be granted with a record-keeping certification valid for more than once with a period of validity of six months.

Any individual who is to purchase precursor chemicals may apply for a record-keeping certification valid for once.

Article 10 A distribution entity, when selling the precursor chemicals in Category I, shall examine the purchase license and the proof of identity of the handling person. In the case of an entrusted purchase, it shall examine the power of attorney as held by the purchaser as well.

The circumstances of the consigner and the trustee, the type and quantity of the entrusted purchase and other matters shall be clearly indicated in the power of attorney.

A distribution entity may sell the precursor chemicals in Category I only if no error is found through the examination and after the photocopies of the above-mentioned materials are kept. Upon discovery of any suspicious circumstance, it shall immediately report it to the local public security organ.

Where a distribution entity cannot determine the truthfulness while inspecting the license and identity certificate provided by the purchaser, it may seek assistance from the local public security organ. The public security organ shall organize an on-the-spot verification, or it shall, within three days, inform the distribution entity of the verification results.

Article 11 A distribution entity shall maintain a ledger for the sale of precursor chemicals and faithfully record the types, quantities, date and purchasers on the precursor chemicals sold. When selling precursor chemicals, the distribution entity shall also keep on file the purchase license or the record-keeping certification for purchase, and the photocopy of the identity certificate of the handling person of the purchase.

The sales ledger and photocopies of certification materials shall be preserved for two years for future reference and verification.

Article 12 A distribution entity shall, within five days as of the date of sales, file an information about the sales of the precursor chemicals in Category I for record with the public security organ of the local people's government at the county level, and shall, within 30 days, file an information about the sales of the precursor chemicals in Categories II and III for record with the public security organ of the local people's government at the county level.

The information about the sales that is filed for record shall include the distribution entity and its address and the type and quantity of the precursor chemicals sold, and the photocopy of the certification materials of the purchaser that has been kept on file shall be simultaneously submitted.

Article 13 An entity that uses the precursor chemicals in Category I shall maintain a use ledger to faithfully record the types, quantities, uses and inventories of the precursor chemicals purchased and preserve it for two years for future reference and verification.

Article 14 An entity that purchases, sells or uses precursor chemicals shall establish internal management systems with respect to the entry/exit registration of precursor chemicals, the division of responsibilities of the management posts of precursor chemicals and the trainings of the employees of the entity on knowledge concerning precursor chemicals.

CHAPTER III ADMINISTRATION OF TRANSPORTATION

Article 15 In the event of any of the following circumstances, a transporter of precursor chemicals shall apply for a transportation license or file for record:

(1) where the transportation is across two or more the administrative areas at the level of districted cities (or across boundaries of a municipality in the case of municipalities directly under the Central Government); and

(2) where the transportation is across two or more administrative areas at the level of counties within the key areas where the anti-drug situation is severe. The key area where the anti-drug situation is severe shall be determined and adjusted by the Ministry of Public Security, and the list of the key areas shall be separately made known to the public.

For the transportation of precursor chemicals in Category I, an application shall be submitted to the public security organ of the municipal peoples government of the departure city which is divided into districts for a transportation license.

For the transportation of precursor chemicals in Category II, an application shall be submitted to the public security organ of the peoples government at the level of the departure county.

The transportation of precursor chemicals in Category III shall be filed for record with the public security organ of the peoples government at the level of the departure county.

Article 16 For the transportation of the ephedrine samples of less than 100g for the purpose of teaching or scientific research, or the small package ephedrine as used by medical institutions for the preparation and prescription, or the ephedrine of not more than 60,000 pills or 15,000 injection preparations as purchased by a medical institution or an narcotic drugs distributor, where the owner or carrier holds the purchase license or the allocating list of narcotic drugs as obtained according to law, it need not apply for the transportation license for precursor chemicals.

Article 17 For the need of treatment of diseases, a patient, his near relative or the person as entrusted by the patient may, upon the strength of the medical diagnosis issued by a medical institution and his proof of identity, carry with him the medical preparation of precursor chemicals under the item of pharmaceuticals in Category I, provided it does not exceed the maximum dosage in a single medical prescription.

Article 18 For the transportation of precursor chemicals, the owner shall apply for a transportation license or file for record with the public security organ.

Anyone who applies for the transportation license of precursor chemicals or files for record shall submit the following materials:

- (1) the business license for a distribution entity (copy and photocopy), the certificate of registration or approval document of establishment for an organization other than distribution entity (original and photocopy), or a personal identity certificate (original and photocopy);
- (2) the purchase and sales contract of precursor chemicals (photocopy); and
- (3) The identity certificate of the handling person (original and photocopy).

Article 19 A public security organ responsible for the examination and approval shall, within 10 days as of the day of receipt of the application for the transportation license for precursor chemicals in Category I, or within three days as of the day of receipt of the application for the transportation license for precursor chemicals in Category II, examine the application materials submitted by an applicant. If the applicant satisfies the relevant provisions, it shall issue the transportation license to the applicant. In the case of disapproval, it shall notify, in writing, the applicant of the reasons therefore.

Where a public security organ responsible for examination and approval is able to handle an application for a transportation license on the spot, it shall do so on the spot. Where the application materials are incomplete and need to be supplemented, the applicant shall be informed, once and for all, of the contents that need to be supplemented. Where the public security organ rejects an application the materials for which fail meet the requirements, it shall notify, in writing, the applicant of the reasons therefore.

The transportation of precursor chemicals in Category III shall, prior to departure, be filed for record with the local public security organ of the peoples government at the level of county where the transportation starts; and the public security organ shall issue the record-keeping certification at the very day when it receives the materials submitted for record.

Article 20 A public security organ responsible for examination and approval shall check the truthfulness and validity of the application materials submitted by an applicant. While examining a purchase and sales contract, the public security organ may require the applicant to produce the purchase license or the record-keeping certification to verify whether or not it is consistent with the application materials. As for a business license or a certificate of registration (or a approval document of establishment), it shall examine the production scope, business scope, range of use and the validity period of the certification.

While examining the application materials for the transportation license of precursor chemicals in Category I, the public security organ may, when necessary, organize an on-site verification. An on-site verification shall be organized in the event of any of the following circumstances:

- (1) where the applicant submits an application for the first time;
- (2) where the application materials as submitted by the purchase entity fail meet the requirements; and
- (3) where it is doubtful about the application materials submitted.

Article 21 Where the transportation of precursor chemicals in Category I is approved, a transportation license valid for once shall be issued and the period of validity shall last for one month. Where the transportation of precursor chemicals in Category II is approved, a transportation license valid for three months which may be used for more than once shall be issued; where the transportation of precursor chemicals in Category III is approved, a transportation license valid for three months which may be used for more than once shall be issued; where the transportation has been maintained according to the provisions and the transportation condition has been safe and sound for six months upon receipt of the transportation license or record-keeping certification for transportation, a transportation license or record-keeping certification valid for twelve months may be issued.

Article 22 When accepting the consignment from a owner, a carrier shall, for precursor chemicals that shall be transported with a license, examine the transportation license or record-keeping certification provided by the owner, and verify whether or not the freight is consistent with the type of precursor chemicals and other information that are specified in the transportation license or the record-keeping certification. If it is found to be inconsistent, no goods may be transported. Where a carrier cannot determine the truthfulness while inspecting the transportation license or record-keeping certification provided by the owner, it may seek assistance from the public security organ of the local people's government. The public security organ shall organize an on-the-spot verification, or it shall, within three days, inform the carrier of the verification results.

Article 23 During the transportation of precursor chemicals, a mark of precursor chemicals shall be pasted in an evident place of the transportation vehicle; those belong to hazardous chemicals shall be transported by an entity qualified for the transportation of hazardous chemicals; In the transportation of precursor chemicals which require a license, the transportation personnel shall carry with them the transportation license or the record-keeping certification throughout the transportation period from the departure. With a view to prevent the precursor chemicals from being lost, stolen or robbed, the carrier shall send personnel to escort the precursor chemicals in transportation or take other effective measures.

The transportation of precursor chemicals shall also comply with the provisions of the State on freight transportation.

Article 24 During the transportation of precursor chemicals, the public security organ shall examine whether or not the transportation condition is consistent with the contents specified in the transportation license or the record-keeping certification. Traffic police, social security, drug prohibition, frontier station and other departments shall strengthen the examination on the transportation of precursor chemicals at key road sections and border areas.

Article 25 A notification system shall be established between the public security organ of the place from where the precursor chemicals are transported and the public security organ of the destination of transportation. The public security organ responsible for examination and approval or keeping record of the place from where the precursor chemicals are transported shall, at the end of every quarter, inform the public security organ at the same level of the destination of transportation of the transportation licenses or record-keeping certification for transportation of precursor chemicals it has examined and approved, and the public security organ of the destination of transportation shall, after verifying the actual conditions of the goods upon arrival, inform the public security organ of the place from where the precursor chemicals are transported.

CHAPTER IV SUPERVISION AND INSPECTION

Article 26 The public security organs of the people's government at or above the county level shall strengthen the supervision and inspection of purchase, sales and transportation of precursor chemicals, and the relevant entities and individuals shall provide active cooperation. Where an illegal act of purchase, sales or transportation is discovered, it shall be investigated and punished by the public security organ.

When carrying out the supervision and inspection of precursor chemicals, a public security organ may, according to law, inspect the scene, consult and copy the relevant materials, record the relevant information, detain the relevant evidence materials and illicit articles, and may seal up the relevant place temporarily when necessary.

Any entity or individual under inspection shall faithfully provide the relevant information, materials and articles and may not refuse to provide and conceal them.

Article 27 The public security organs shall preserve safely the precursor chemicals as captured and seized according to law. Those reclaimable shall be reclaimed, and those that are not reclaimable shall, in accordance with the relevant provisions of laws and administrative regulations on environmental protection, be destroyed by a qualified entity so as to prevent them from causing environmental pollutions and personal injuries and deaths. The precursor chemicals under the item of pharmaceuticals in Category I as captured and seized shall be all destroyed.

The expenses for the prevention or destruction shall be borne by the entity or individual that violates the relevant provisions on the precursor chemicals. Where the relevant entity or individual is unable to afford the expenses, such expenses shall be paid from the income as derived from the reclamation or shall be allotted in the anti-drug expenses of the public security organ.

Article 28 An entity that purchases, sells and transports precursor chemicals shall, prior to March 31 of each year, report the information about the purchase, sales and transportation of precursor chemicals in the previous year, to the public security organ of the local people's government at the county level. Upon discovery of any suspicious circumstance, the public security organ shall verify and examine without delay and may, when necessary, organize an on-site verification.

An entity that purchases, sells or transports precursor chemicals may, where the conditions permit, establish a computer network connected with the relevant competent administrative departments so as to timely report the relevant information on its business operation.

Article 29 When the precursor chemicals of any entity are lost, stolen or robbed, it shall immediately report it to the local public security organ. The public security organ accepting the report shall investigate and handle the case without delay and report it to the public security organ at a higher level.

CHAPTER V LEGAL LIABILITIES

Article 30 Where an entity, in violation of the provisions, engages in the purchase of precursor chemicals and commits any of the following acts, the public security organ shall confiscate the precursor chemicals illicitly purchased, and impose on the purchaser a fine of not less than 10 times but not more than 20 times of the value of the precursor chemicals illicitly purchased; in case 20 times of such value is less than 10,000 Yuan, the fine shall be 10,000 Yuan; and if a crime is constituted, the relevant violator shall be investigated for criminal liabilities according to law:

- (1) without authorization, engaging in the purchase of any precursor chemicals without permission or filing for record; and
- (2) engaging in the purchase of any precursor chemicals with the license or record-keeping certification of another person or with a forged, altered or invalid license or record-keeping certification.

Article 31 Where an entity, in violation of the provisions, engages in the sales of precursor chemicals and commits any of the following acts, the public security organ shall impose on the seller a fine of not more than 10,000 Yuan; in the event of illicit gains, if any, the public security organ shall impose on the violator a fine of not more than 30,000 Yuan and confiscate the illicit gains; if a crime is constituted, the relevant violator shall be investigated for criminal liabilities according to law:

- (1) engaging in the sales of any precursor chemicals to an entity or individual without a purchase license or a record-keeping certification; and
- (2) engaging in the sales of any precursor chemicals beyond the bound of type and quantity specified in the purchase license or the record-keeping certification.

Article 32 Where an owner, in violation of the provisions, engages in the transportation of precursor chemicals and commits any of the following acts, the public security organ shall confiscate the precursor chemicals illicitly transported or the equipments and tools for the illicit transportation of precursor chemicals; and it shall impose upon the violator a fine of not less than 10 times but not more than 20 times of the value of the precursor chemicals illicitly transported; in case 20 times of such value is less than 10,000 Yuan, the fine shall be 10,000 Yuan; the relevant illicit gains, if any, shall be confiscated; if a crime is constituted, the relevant violator shall be investigated for criminal liabilities according to law.

- (1) without authorization, engaging in the transportation of any precursor chemicals without permission or filing for record; and
- (2) engaging in the production of any precursor chemicals with the license of another person or with a forged, altered or invalid license.

Article 33 Where a carrier, in violation of the provisions, engages in the transportation of precursor chemicals and involves in any of the following circumstances, the public security organ shall order the violator to cease the transportation for rectification and impose upon the violator a fine of not less than 5,000 Yuan to but not more than 50,000 Yuan:

- (1) where the type, quantity, destination, owner, consignee or carrier of precursor chemicals in transportation is not in line with what is indicated in the transportation license or record-keeping certification for precursor chemicals;
- (2) where the type of the transportation license is improper; and
- (3) where the transportation personnel fail to carry with them the transportation license or record-keeping certification throughout the course of the transportation.

Where an individual carries precursor chemicals at variance with the specified type or quantity, the public security organ shall confiscate the precursor chemicals and impose upon the violator a fine of not less than 1,000 Yuan but not more than 5,000 Yuan.

Article 34 Where an entity forges application materials to cheat for the license of purchase or transportation or the record-keeping certification, the public security organ shall impose upon the violator a fine of 10,000 Yuan and cancel the license or the record-keeping certification.

Where an entity engages in the purchase or transportation of precursor chemicals with a purchase or transportation license or record-keeping certification gained by cheating with forged application

materials, the violator shall be punished according to Item 1 of Article 30 and Item 1 of Article 32 separately.

Article 35 As for an entity or individual that commits an irregular acts as prescribed in Articles 30, 32 and 34, the public security organ may, within three years as of the date on which the administrative punishment is made, cease to accept its/his application for the license for purchase or transportation of precursor chemicals.

Article 36 Where an entity, in violation of the provisions for precursor chemical administration, commits any of the following acts, the public security organ responsible for supervision and administration shall give it a warning and order it to make corrections within a prescribed time limit and impose a fine of not less than 10,000 Yuan but not more than 50,000 Yuan; and it may confiscate the precursor chemicals that are illicitly purchased. If the violator fails to make corrections within the prescribed time limit, it shall be ordered to suspend its production and distribution for rectification within a prescribed time limit; and if the rectification is not made as required within the prescribed time limit, its relevant license shall be revoked:

(1) lending its purchase or transportation license or record-keeping certification of precursor chemicals to others;

(2) purchasing any precursor chemicals beyond the bound of licensed type and quantity;

(3) an entity engaging in the sales or purchase of precursor chemicals fails to record or to faithfully record the transaction information, or fails to keep the record of transaction as required or to timely and faithfully file the sales information for record with the public security organ;

(4) failing to make a timely report when the precursor chemicals are lost, stolen or robbed, and thus causing serious consequences;

(5) conducting transactions in cash or kind of any chemical liable to producing drugs other than those under the item of pharmaceuticals in Category I and those in Category III that may legally purchased by individuals; and

(6) an entity engaging in the distribution of precursor chemicals fails to faithfully or timely make annual report of its distribution or inventory .

Article 37 Where an entity or individual engaging in the distribution, purchase or transportation of precursor chemicals refuses to accept the supervision and inspection conducted by the public security organ, the public security organ shall order it/him to make corrections and give a warning to the person-in-charge directly responsible and other personnel directly liable. If the circumstances are serious, a fine of not less than 10,000 Yuan but not more than 50,000 Yuan shall be imposed upon the entity, and a fine of not less than 1,000 Yuan but not more than 5,000 Yuan shall be imposed upon the person-in-charge directly responsible and other personnel directly liable. If a violation of the administration of public security is constituted, an administrative penalty for public security shall be imposed in accordance with the law. If a crime is constituted, the relevant violator shall be investigated for criminal liabilities according to law.

Article 38 Where a functionary of precursor chemical administration of the public security organ, in his/her administrative work, refuses to grant license to those qualified or abusively grants license to those unqualified, fails to accept the materials for record according to law, or commits other illicit acts by abusing his power, neglecting his duty or practicing favoritism for selfish interests, he shall be given an administrative sanction according to law; and if a crime is constituted, the relevant violator shall be investigated for criminal liabilities according to law.

Article 39 While imposing a punishment as prescribed in this Chapter, the public security organ shall, provided that another competent administrative department is required to impose a punishment, inform the relevant administrative department of it.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 40 As used in these Measures, an “distribution entity” refers to a distributor engaged in the distribution of precursor chemicals or a production entity engaged in the distribution of self-made precursor chemicals.

Article 41 As used in these Measures, “transportation” refers to an act which, through highway, railroad, maritime, aerial and other ways of transport, causes the space position precursor chemicals

to move with vehicles, ships, aircrafts and other means of transport and transportation manners which include manpower and animal power carrying and transporting.

Article 42 The Ministry of Public Security shall specify the formats of the purchase licenses and record-keeping certifications and the transportation licenses and record-keeping certifications of precursor chemicals and the special seals for the administration of precursor chemicals and shall supervise the making of such licenses, certifications and seals.

Article 43 These Measures shall go into effect as of October 1, 2006. The Rules for the Administration of Transportation License of Ephedrine (Decree No. 52 of the Ministry of Public Security) shall be repealed simultaneously.

Annex: Catalogue of Classification and Types of Precursor Chemicals

Category I

1. 1-phenyl-2-propanone
2. 3, 4-Methylenedioxyphenyl-2-propanone
3. piperonal
4. safrole
5. sassafras oil
6. iso-safrole
7. n-acetyl o-amino benzoic acid
8. N-amino benzoic acid
9. ergotic acid*
10. ergotamine*
11. ergobasine*
12. ephedrine, pseudo ephedrine, mesoephedrine, phenylpropanolamine, methylephedrine, ephedrine extractum, ephedrine extractum powder and other ephedrine substances

Category II

1. phenyl acetic acid
2. acetic oxide
3. chloroform
4. aether
5. piperidine

Category III

1. toluene
2. acetic oxide acetone
3. methyl ethyl ketone
4. potassium permanganate
5. sulphuric acid
6. hydrochloric acid

Notes:

1. The saline chemicals that may exist in the substances as listed in Category I or II shall be brought into control.
2. The types marked with "*" are precursor chemicals under the item of pharmaceuticals in Category I, which include the pharmaceutical raw materials and the single preparation thereof.