

¶360-120 Implementation Regulations for the Law of the People's Republic of China on Sino-foreign Cooperative Joint Venture Enterprises

Approved 7 August 1995 by the State Council.

Promulgated 4 September 1995 by the Ministry of Foreign Trade and Economic Cooperation.

Chapter I — General Principles

Article 1. These Implementation Regulations are formulated in accordance with the *Law of the People's Republic of China on Sino-foreign Cooperative Joint Venture Enterprises*.

Article 2. The establishment of a Sino-foreign cooperative enterprise (hereinafter referred to as a cooperative enterprise) within Chinese territory must be in compliance with State development and industrial policies and in observance of State foreign investment guidelines.

Article 3. A cooperative enterprise which independently develops its business management activities within the scope of the approved cooperative enterprise agreement, contract and articles of association and in accordance with the law must not be interfered with by any organisation or individual.

Article 4. Cooperative enterprises include those which have obtained Chinese legal person status in accordance with the law and those which do not possess legal person status.

The special provisions in Chapter IX of these Detailed Implementing Rules apply to cooperative enterprises which do not have legal person status.

Article 5. The department in charge of a cooperative enterprise is the department in charge of the Chinese partner to that cooperative enterprise. If there are more than two (2) Chinese partners to a cooperative enterprise, the department in charge will be determined through consultation by the examination and approval authority in conjunction with relevant departments, except if otherwise stipulated in laws and statutory regulations.

The department in charge of a cooperative enterprise will coordinate with and provide assistance to the cooperative enterprise in handling matters related to the cooperative enterprise.

Chapter II — Establishment of a Cooperative Enterprise

Article 6. The establishment of a cooperative enterprise will be subject to the examination and approval of the Ministry of Foreign Trade and Economic Cooperation or a department or local people's government as authorised by the State Council.

The establishment of a cooperative enterprise in the following circumstances will be subject to the examination and approval of a department or local people's government as authorised by the State Council:

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- (1) where the total amount of investment in the cooperative enterprise is within the limits subject to examination and approval of a department or local people's government authorised by the State Council;
- (2) where the cooperative enterprise is self-financing and does not need the State to contribute to the balance of its construction and production conditions;
- (3) where it is not necessary for the cooperative enterprise to obtain an export quota and/or licence issued by the relevant State department in charge for the export of products; or, where it is necessary to obtain an export quota and/or licence but where the consent of the relevant State departments in charge has been obtained prior to submission of the project proposal;
- (4) in other circumstances in which the establishment of a cooperative enterprise is subject to examination and approval by a department or local people's government authorised by the State Council as stipulated in laws and statutory regulations.

Article 7. When establishing a cooperative enterprise, the Chinese partner will be responsible for submitting the following documents to the examination and approval authority:

- (1) a project proposal for the cooperative enterprise to be established, together with the document of examination and consent issued by the department in charge;
- (2) a feasibility study report jointly prepared by the parties to the cooperative enterprise, together with the document of examination and consent issued by the department in charge;
- (3) a cooperative enterprise agreement, contract and articles of association signed by the legal representatives of the parties to the cooperative enterprise or their authorised representatives;
- (4) a business licence or registration certificate, creditworthiness certificate and valid certification of the legal representative of the cooperative enterprise; where the foreign partner is a natural person, the valid documentation of his/her ID, curriculum vitae and creditworthiness records must also be provided;
- (5) a list of the chairman, deputy-chairman and directors or the head, deputy-head and members of the joint management committee as determined through consultation by the parties to the cooperative enterprise;
- (6) other documents as required for submission by the examination and approval authority.

Apart from those documents to be provided by the foreign partner as listed in item (4) of the preceding paragraph, the documents listed above must be written in Chinese; documents listed in items (2), (3) and (5) may also be written in a foreign language agreed upon by the parties to the cooperative enterprise.

The examination and approval authority will, within forty-five (45) days of receiving all of the stipulated documents, decide whether or not to approve the application. If the examination and approval authority considers that submission of the documents is in any way incomplete or contains any irregularities, the examination and approval authority has the power to require the parties to the cooperative enterprise to

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complete submission or make any necessary amendments within a prescribed time period.

Article 8. If the establishment of a cooperative enterprise is subject to approval by the Ministry of Foreign Trade and Economic Cooperation or by the department authorised by the State Council, the approval certificate will be issued by the Ministry of Foreign Trade and Economic Cooperation.

If the establishment of a cooperative enterprise is subject to approval by a local people's government as authorised by the State Council, the approval certificate will be issued by the local people's government concerned, and the document of approval must, within thirty (30) days from the date of approval, be submitted to the Ministry of Foreign Trade and Economic Cooperation for the record.

Following approval of an application to establish a cooperative enterprise, the cooperative enterprise must apply to the administration for industry and commerce for registration and a business licence in accordance with the law.

Article 9. An application for the establishment of a cooperative enterprise will not be approved in any of the following circumstances:

- (1) where it would be detrimental to State sovereignty or harmful to the social or public interest;
- (2) where it would jeopardise State security;
- (3) where it would cause environmental pollution;
- (4) in other circumstances in violation of laws, statutory regulations or State industrial policies.

Article 10. The "cooperative enterprise agreement" mentioned in these Detailed Implementing Rules refers to a written document entered into following agreement by the parties to the cooperative enterprise on the principles and main points governing the establishment of a cooperative enterprise.

The "cooperative enterprise contract" mentioned in these Detailed Implementing Rules refers to a written document prepared after the parties to the cooperative enterprise have agreed upon their rights and obligations in relation to the establishment of a cooperative enterprise.

The "cooperative enterprise articles of association" mentioned in these Detailed Implementing Rules refers to a written document agreed upon by the parties to a cooperative enterprise stipulating the organisational principles and method of management of a cooperative enterprise in compliance with the provisions of the cooperative enterprise contract.

If the contents of a cooperative enterprise agreement and cooperative enterprise articles of association conflict with the cooperative enterprise contract, the contract prevails.

The parties to a cooperative enterprise may or may not enter into a cooperative enterprise agreement.

Article 11. The cooperative enterprise agreement, contract and articles of association are valid from the date on which the approval certificate is issued by the

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examination and approval authority. Any major amendments to the cooperative enterprise agreement, contract or articles of association during the term of the enterprise must be subject to approval by the examination and approval authority.

Article 12. A cooperative enterprise contract must contain provisions on the following:

- (1) the names, places of registration and addresses of the parties to the cooperative enterprise, and the names, positions and nationalities of the legal representatives of the cooperative enterprise (if a foreign partner is a natural person, his/her name, nationality and address);
- (2) the name, address and business scope of the cooperative enterprise;
- (3) the total amount of investment and registered capital of the cooperative enterprise; method and time limit for contributing investment and provision of cooperative terms by each party to the cooperative enterprise;
- (4) assignment of investment contributed or terms of cooperation provided by each party to the cooperative enterprise;
- (5) method of distribution of profits or products and share of risks or losses to be borne by each party to the cooperative enterprise;
- (6) the composition of the board of directors or joint management committee of the cooperative enterprise, the distribution of the number of directors or committee members and the duties of the general manager and other senior management personnel and measures for their appointment and dismissal;
- (7) the main production equipment and technology to be adopted and their sources of supply;
- (8) arrangements for products to be sold within and outside China;
- (9) arrangements for income and expenditure of foreign currency for the cooperative enterprise;
- (10) the life of the cooperative enterprise, the method of its dissolution and liquidation;
- (11) other obligations of the parties to the cooperative enterprise and their liabilities for breach of contract;
- (12) the principles governing the handling of finance, accounting and auditing;
- (13) the handling of disputes between the parties to the cooperative enterprise;
- (14) the procedures for amendment of the cooperative enterprise contract.

Article 13. The articles of association of a cooperative enterprise must contain provisions on the following:

- (1) the name and address of the cooperative enterprise;
- (2) the business scope and life of the cooperative enterprise;
- (3) the names, places of registration and addresses of the parties to the cooperative enterprise, and the names and nationalities of the legal representatives of the cooperative enterprise (if a foreign partner is a natural person, his/her name, nationality and address);

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- (4) the total amount of investment and registered capital of the cooperative enterprise, method and time limit for investment or provision of cooperative terms by each party to the cooperative enterprise;
- (5) distribution of profits or products and share of risks or losses to be borne by each party to the cooperative enterprise;
- (6) the composition, powers of office and rules of procedure of the board of directors or joint management committee of the cooperative enterprise; the terms of office of directors or committee members, and the duties of the chairman and vice-chairman of the board of directors or the head and deputy-head of the joint management committee;
- (7) the establishment, powers of office and rules for handling routine affairs of business management bodies, the duties of the general manager and other senior management personnel and the methods for their appointment and dismissal;
- (8) the regulations governing the handling of labour management matters such as recruitment of employees, training, labour contracts, wages and salaries, social insurance, welfare, occupational safety and hygiene conditions;
- (9) the financial, accounting and auditing systems of the cooperative enterprise;
- (10) the method for dissolution of the cooperative enterprise and liquidation;
- (11) the procedures for amendment of the articles of association of the cooperative enterprise.

Chapter III — Form of Organisation and Registered Capital

Article 14. A cooperative enterprise which has acquired Chinese legal person status in accordance with the law is a limited liability company. Unless the cooperative enterprise contract stipulates otherwise, each party to the cooperative enterprise will assume an amount of liability towards the cooperative enterprise equivalent to the amount of investment contributed or cooperative terms provided by it.

A cooperative enterprise will offset its total assets against the responsibility assumed for enterprise debts.

Article 15. The total amount of investment in a cooperative enterprise refers to the sum of funds needed for the cooperative enterprise's scale of production and operation as stipulated in the contract and articles of association of the cooperative enterprise.

Article 16. The registered capital of a cooperative enterprise refers to the sum of capital subscribed by all parties to the cooperative enterprise as registered with the administration for industry and commerce for the establishment of the cooperative enterprise. The registered capital will generally be expressed in renminbi or may be expressed in a freely convertible foreign currency agreed upon by the parties to the cooperative enterprise.

The registered capital of a cooperative enterprise must not be reduced during the term of the cooperative enterprise. However, if a reduction of the registered capital is necessary due to changes in the total investment and production and operation scale, such a reduction must be subject to approval by the examination and approval authority.

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Chapter IV — Conditions for Investment and Terms of Cooperation.

Article 17. All parties to a cooperative enterprise must contribute investment to or provide cooperative terms to the cooperative enterprise in accordance with the provisions of laws, statutory regulations and the cooperative enterprise contract.

Article 18. Investment or cooperative terms contributed by the parties to a cooperative enterprise may be in the form of cash and may also be in kind, industrial property rights, proprietary technology, land use rights and other property rights.

If the investment or cooperative terms to be contributed by the Chinese partner are State assets, valuation of such assets will be conducted in accordance with the provisions of relevant laws and statutory regulations.

For a cooperative enterprise which has obtained Chinese legal person status in accordance with the law, investment contributed by the foreign partner(s) to the cooperative enterprise generally must not be less than 25% of the registered capital of the cooperative enterprise. For a cooperative enterprise without legal person status, the specific requirements for investment or terms of cooperation by the various parties to the cooperative enterprise will be stipulated by the Ministry of Foreign Trade and Economic Cooperation.

Article 19. Each party to a cooperative enterprise will use its own property or property rights as investment or terms of cooperation, and such investment or terms of cooperation will not be permitted to be used to set up a mortgage or be used as any other form of security.

Article 20. The parties to a cooperative enterprise must, in accordance with the requirements of production and business operations of the cooperative enterprise and the provisions of relevant laws and statutory regulations, agree upon the time limits for investment or terms of cooperation to be contributed by each party to the cooperative enterprise in the cooperative enterprise contract.

In the event of the parties to a cooperative enterprise failing to contribute investment or meet the terms of cooperation in accordance with the cooperative enterprise contract, the administration for industry and commerce will stipulate a deadline for fulfilment of their obligations. If obligations remain unfulfilled by the appointed date, the examination and approval authority of the cooperative enterprise and the administration for industry and commerce will revoke the business licence of the cooperative enterprise and make a public announcement to that effect.

Article 21. A party which fails to contribute investment or to meet terms of cooperation as stipulated in the cooperative enterprise contract must bear liability for breach of contract in respect of that other party which has already contributed investment or met terms of cooperation as stipulated in the cooperative enterprise contract.

Article 22. After the investment or terms of cooperation have been contributed by the parties to the cooperative enterprise, such investment or terms of cooperation must be verified by a certified public accountant registered in China and a capital verification report issued accordingly. The cooperative enterprise will issue a certificate of capital contribution to each party to the cooperative enterprise in accordance with the capital verification report. A certificate of capital contribution will specify the following items:

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- (1) the name of the cooperative enterprise;
- (2) the date of establishment of the cooperative enterprise;
- (3) the titles or names of the parties to the cooperative enterprise;
- (4) details of the investment or terms of cooperation contributed by the parties to the cooperative enterprise;
- (5) the date of investment or terms of cooperation contributed by each party to the cooperative enterprise;
- (6) the number and date of issue of the certificate of capital contribution.

Copies of the certificate of capital contribution must be sent to the examination and approval authority and the authority for industry and commerce.

Article 23. If a total or partial assignment of rights as prescribed in the cooperative enterprise contract is to be carried out between the parties to a cooperative enterprise or if one party to a cooperative enterprise wishes to assign, in full or in part, its rights prescribed in the cooperative enterprise contract to a party other than the cooperative partners, the written agreement of the other parties to the cooperative enterprise must be obtained and the matter must be reported to the examination and approval authority for approval.

The examination and approval authority will, within thirty (30) days of receiving the relevant documents, make a decision on whether or not to approve such assignment.

Chapter V — Organisational Structure

Article 24. A cooperative enterprise must set up a board of directors or a joint management committee. The board of directors or joint management committee is the cooperative enterprise authority which is empowered to make decisions on major issues involving the cooperative enterprise in accordance with the provisions of the articles of association of the cooperative enterprise.

Article 25. A board of directors or joint management committee will consist of not less than three (3) members. The allocation of the number of directors or committee members will be determined through consultation by the parties to the cooperative enterprise with reference to their investment or terms of cooperation.

Article 26. The directors of a board of directors or the members of a joint management committee will be appointed or replaced by the parties to the cooperative enterprise. The method of appointment of the chairman and vice-chairman of a board of directors or the head or deputy-head of a joint management committee will be stipulated in the articles of association of the cooperative enterprise. If the position of chairman of the board of directors or head of the joint management committee is held by either the Chinese or foreign partner, the vice-chairman or deputy-head will be held by the other partner, respectively.

Article 27. The term of office of a director or committee member will be stipulated in the articles of association of a cooperative enterprise; however, the terms of office of each director or committee member must not exceed three (3) years. After a director's or committee member's term of office has expired, the director or committee member may be reappointed by the appointing party for a further term.

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Article 28. Meetings of the board of directors or the joint management committee will be convened at least once a year and will be called and presided over by the chairman of the board of directors or the head of the joint management committee. Should the chairman or the head be unable to call and preside over the meeting for special reasons, he/she must designate the vice-chairman or deputy-head or other director or committee member to call and preside over the meeting. More than one-third of the directors or committee members may make a proposal to convene a meeting of the board of directors or the joint management committee.

A meeting of the board of directors or the joint management committee requires a two-thirds majority of directors or committee members to be present in order to be convened. Where a director or committee member is unable to attend a meeting of the board of directors or joint management committee, he/she may designate in writing another person to represent and vote on his/her behalf. Resolutions of the board of directors or joint management committee will require approval of a majority of all of the directors or committee members voting in order to be passed. If a director or a committee member, without proper reason, fails to attend or to designate another person to represent him/her at a meeting of the board of directors or joint management committee, that person will be regarded as having attended the meeting and abstained from voting.

All directors or committee members must be notified ten (10) days in advance of the convening of a meeting of the board of directors or joint management committee. The board of directors or joint management committee may also make resolutions through other means of communication.

Article 29. In order to propose a resolution on the following matters at a meeting of the board of directors or joint management committee, the unanimous approval of all of the directors or committee members present at the meeting is required:

- (1) amendment to the articles of association of the cooperative enterprise;
- (2) increase or reduction of the registered capital of the cooperative enterprise;
- (3) dissolution of the cooperative enterprise;
- (4) mortgage of property of the cooperative enterprise;
- (5) merger, dissolution or an amendment to the organisational structure of the cooperative enterprise;
- (6) other matters on which resolutions proposed at a meeting of the board of directors or joint management committee require the unanimous approval of the directors or committee members present at the meeting as agreed upon by the parties to the cooperative enterprise.

Article 30. The rules of procedure and voting procedures of the board of directors or joint management committee will be stipulated in the articles of association of the cooperative enterprise, except if stipulated in these Detailed Implementing Rules.

Article 31. The chairman of the board of directors or the head of the joint management committee will be the legal representative of the cooperative enterprise. When the chairman or head is unable to exercise his/her powers of office due to special reasons, he/she will authorise the vice-chairman or deputy-head, or other director or committee member, to represent the cooperative enterprise in outside dealings.

Article 32. A cooperative enterprise must have one general manager who is responsible for the daily operational management of the cooperative enterprise and to the board of directors or the joint management committee.

The general manager of a cooperative enterprise will be appointed or dismissed by the board of directors or the joint management committee.

Article 33. The positions of general manager and other senior management personnel of a cooperative enterprise may be held either by Chinese or foreign citizens.

At the invitation of the board of directors or the joint management committee, a director or committee member may concurrently hold the position of general manager or other senior management position of a cooperative enterprise.

Article 34. In a case where the general manager or other senior management personnel is incapable of performing his/her work tasks, practises corruption or seriously neglects the duties of the position, he/she may be dismissed by the board of directors or joint management committee; if these activities cause the cooperative enterprise to incur losses, he/she will bear liability in accordance with the law.

Article 35. If, after the establishment of a cooperative enterprise, a party is commissioned by the other parties to the cooperative enterprise to undertake operational management of the cooperative enterprise, this must be subject to unanimous consent by the board of directors or joint management committee, and a contract to commission operational management must be entered into with the commissioned party.

A cooperative enterprise must submit a resolution of the board of directors or joint management committee on commissioning operational management of the cooperative enterprise, the signed contract on commissioning operational management and the creditworthiness certificate of the commissioned party to the examination and approval authority for approval. The examination and approval authority will, within thirty (30) days of receiving these documents, decide whether to approve the commission.

Chapter VI — Purchase of Goods and Materials and Sale of Products

Article 36. A cooperative enterprise must, according to its approved scope and scale of production and operation, independently formulate its production and operating plan.

Government departments will not arbitrarily issue orders to a cooperative enterprise to implement production and operating plans determined by government departments.

Article 37. A cooperative enterprise may independently determine whether to purchase items for its own use such as machinery, equipment, raw materials, fuel, spare parts, accessories, components, means of transport and office equipment (hereinafter referred to as goods and materials) in China or overseas.

Article 38. The State encourages cooperative enterprises to sell their products on the international market. A cooperative enterprise may sell its products on the international market itself or entrust sales with overseas sales agencies or Chinese overseas trade corporations on a commission or distribution basis.

A cooperative enterprise will independently determine the sale price of its products in accordance with the law.

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Article 39. A foreign partner will be exempt from import duty and import-related circulating taxes on machinery, equipment, spare parts and their materials which are imported by the foreign partner as part of its investment. A cooperative enterprise will be exempt from import duty and import-related circulating taxes on machinery, equipment, spare parts and other materials required by the cooperative enterprise for its production and operations that are imported with funds which are part of the cooperative enterprise's total investment. Payment or supplementary payment of duties and taxes will be required in accordance with the law if the duty-free imported goods and materials are approved for sale within Chinese territory or are resold or transferred for use in the production of goods for domestic sale.

Article 40. A cooperative enterprise will not be permitted to export its products at a price which is markedly lower than the reasonable price of the same type of product on the international market, nor to import goods at a price which is higher than the price of the same type of goods on the international market.

Article 41. When selling its products, a cooperative enterprise will conduct sales in accordance with the provisions of the approved cooperative enterprise contract.

Article 42. If a commodity is imported or exported by a cooperative enterprise which is subject to an import or export licence and/or quota control, the application procedures for an import or export licence and/or quota will be carried out pursuant to relevant State regulations.

Chapter VII — Distribution of Earnings and Recovery of Investment

Article 43. Chinese and foreign partners to a cooperative enterprise may distribute earnings by means of distributing profits, distributing products or by other means agreed upon by the parties to the cooperative enterprise.

If distribution of products or other methods for distribution of earnings are adopted, tax payable will be calculated in accordance with the relevant provisions of tax laws.

Article 44. When the Chinese and foreign partners agree in the cooperative enterprise contract that, on the expiry of the duration of the term of the enterprise, all fixed assets of the cooperative enterprise will revert to the ownership of the Chinese partner without the need for compensation or payment, the foreign partner may apply to recover its investment during the term of the enterprise according to the following methods:

- (1) stipulation in the cooperative enterprise contract to increase the earnings distribution ratio of the foreign partner with distribution occurring in accordance with the proportion of investment or terms of cooperation;
- (2) subject to examination and approval by the finance and taxation organs under relevant State taxation provisions, the foreign partner recovers its investment before payment of income tax by the cooperative enterprise;
- (3) other methods for recovery of investment as approved by the finance and taxation organs and the examination and approval authority.

When the foreign partner recovers its investment during the term of the enterprise according to the provisions of the preceding paragraph, the Chinese and foreign partners

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will bear liability in accordance with the provisions of relevant laws and terms of the cooperative enterprise contract.

Article 45. An application for recovery of investment during the term of the enterprise by a foreign partner in accordance with the provisions of items (2) or (3) of Article 44 of these Detailed Implementing Rules will specify the total amount of investment to be recovered and the period of and method for this recovery. Such an application must be submitted to the examination and approval authority for approval following examination and approval by the finance and taxation organs.

The foreign partner will not be permitted to recover its investment before a cooperative enterprise makes up its losses.

Article 46. A cooperative enterprise must, pursuant to relevant State regulations, engage a certified public accountant registered in China to conduct auditing and verification. The various parties to a cooperative enterprise may jointly or individually entrust a certified public accountant registered in China to conduct auditing. All related costs will be borne by the entrusting party.

Chapter VIII — Term of the Enterprise and Dissolution

Article 47. The term of a cooperative enterprise will be determined through consultation by the Chinese and foreign parties and specified in the cooperative enterprise contract.

If the parties to a cooperative enterprise agree to extend the term of the enterprise, an application must be submitted to the examination and approval authority 180 days before the expiry of the term of the enterprise stating the details of implementation of the original cooperative enterprise contract and the reasons for the extension of the term of the enterprise. An agreement entered into by the parties to the cooperative enterprise on their rights and obligations and other relevant matters within the extended period of cooperation must be submitted at the same time. The examination and approval authority will, within thirty (30) days of receiving an application for extension of the term of the enterprise, make a decision on whether or not to approve the application.

If an application for an extension of the term of the enterprise of a cooperative enterprise is approved, the cooperative enterprise must, by presenting the document of approval, carry out procedures for amendment of registration with the administration for industry and commerce. The extended period will be calculated from the first day after the expiry of the original term of the enterprise.

If the foreign partner is to recover its investment within the term of the cooperative enterprise as agreed in the cooperative enterprise contract, and the foreign partner has already completely recovered its investment, the term of the cooperative enterprise will not be extended. However, if the foreign partner increases its investment, subject to consent through consultation by the parties to the cooperative enterprise, the cooperative enterprise may apply to the examination and approval authority for an extension of the term of the enterprise in accordance with the provisions of paragraph two of this Article.

Article 48. A cooperative enterprise may be dissolved in any of the following circumstances:

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- (1) on expiry of the term of the enterprise;
- (2) it is unable to continue operations due to heavy losses incurred or due to serious damage and heavy losses as a result of unavoidable circumstances;
- (3) it is unable to continue operations due to failure of one or several of the Chinese and foreign partners to fulfil obligations prescribed in the cooperative enterprise contract and articles of association;
- (4) occurrence of other grounds for dissolution as prescribed in the cooperative enterprise contract and articles of association;
- (5) the cooperative enterprise is ordered to close down in accordance with the law due to violation of laws and statutory regulations.

In the circumstances described in items (2) and (4) of the preceding paragraph, the board of directors or joint management committee will make a decision on dissolution which must be reported to the examination and approval authority for approval. In the situation described in item (3) of the preceding paragraph, the party or parties which failed to fulfil the obligations prescribed in the cooperative enterprise contract and articles of association will bear liability for compensation of losses incurred by the other party or parties which fulfilled their obligations. The party or parties which fulfilled the contract obligations will have the right to apply to the examination and approval authority for dissolution of the cooperative enterprise.

Article 49. Matters in relation to the liquidation of a cooperative enterprise will be handled in accordance with the provisions of relevant State laws and statutory regulations and the terms of the cooperative enterprise contract and articles of association.

Chapter IX — Special Provisions on Cooperative Enterprises Without Legal Person Status

Article 50. A cooperative enterprise without legal person status and the parties to that cooperative enterprise will bear civil liability in accordance with relevant provisions of Chinese civil laws.

Article 51. A cooperative enterprise without legal person status will register the investment or terms of cooperation contributed by the parties to the cooperative enterprise with the administration for industry and commerce.

Article 52. The investment or terms of cooperation contributed by each party to a cooperative enterprise without legal person status will be owned respectively by each party. Upon an agreement reached by the parties to a cooperative enterprise, the investment or terms of cooperation may be jointly owned by all parties concerned or severally owned by each party or jointly and severally owned by all parties concerned. Property accumulated through the operations of a cooperative enterprise will be jointly owned by the parties to the cooperative enterprise.

The investment or terms of cooperation contributed by the parties to a cooperative enterprise without legal person status will be uniformly managed and used by the cooperative enterprise. Without the consent of the other parties to the cooperative enterprise, a party will not be permitted to arbitrarily manage the investment or terms of cooperation of the cooperative enterprise.

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Article 53. A cooperative enterprise without legal person status must establish a joint management body. The joint management body must consist of representatives appointed by the various parties to the cooperative enterprise to represent the various parties in the joint management of operations of the cooperative enterprise.

The joint management body will decide all major issues in relation to the cooperative enterprise.

Article 54. A cooperative enterprise without legal person status must maintain a uniform account book located at the premises of the cooperative enterprise; each party to the cooperative enterprise must also maintain its own account book.

Chapter X — Supplementary Principles

Article 55. The preparation, taking effect and implementation of a cooperative enterprise contract and the settlement of disputes arising out of a cooperative enterprise contract will be governed by Chinese law.

Article 56. The provisions of relevant laws and statutory regulations will apply to those matters in relation to a cooperative enterprise including finance, accounting, auditing, foreign exchange, taxation, labour management and trade union matters, etc, which are not covered by these Detailed Implementing Rules.

Article 57. Cooperative enterprises established by companies, individuals and other economic entities or individuals from the regions of Hong Kong, Macao and Taiwan or by Chinese citizens residing abroad will be handled with reference to these Detailed Implementing Rules.

Article 58. These Implementation Regulations will take effect from the date of promulgation.