

# **China - Detailed Rules for the Implementation Laws of China on Chinese-Foreign Cooperative Joint Ventures, 1995**

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# **Detailed Rules for the Implementation of the Law of the People's Republic of China on Chinese-Foreign Cooperative Joint Ventures (Approved by the State Council of the People's Republic of China on August 7, 1995 and Promulgated by the Ministry of Foreign Trade and Economic Cooperation on September 4, 1995)**

## **Chapter I - General Provisions**

### **Article 1**

These Detailed Rules are formulated in accordance with the Law of the People's Republic of China on Chinese-Foreign Cooperative Joint Ventures .

### **Article 2**

The establishment of Chinese-Foreign cooperative joint ventures ( hereinafter referred to as cooperative joint ventures) in the territory of China shall comply with the development policy and industrial policy of the State, and the provisions of the State for the guidance of foreign investment direction.

### **Article 3**

A cooperative joint venture may, within the perimeters of the approved cooperative joint venture agreement, contract and articles of association, conduct business and management activities independently according to law and free from the intervention of any organization or individual.

### **Article 4**

A cooperative joint venture may be either a joint venture with the status of a Chinese legal person obtained according to law or one without the legal person status.

For a cooperative joint venture without the legal person status, where Chapter IX of the Detailed Rules has special provisions, these provisions shall apply.

### **Article 5**

The competent authority for a cooperative joint venture shall be the competent authority for the Chinese party of the joint venture. Where there are more than one Chinese party to the cooperative joint venture, the examination and approval authority shall decide on a competent authority for the cooperative joint venture in consultation with relevant departments, unless otherwise stipulated in laws and administrative rules.

The competent authority for a cooperative joint venture shall conduct coordination and afford assistance in relation to matters of the cooperative joint venture. 14

## Chapter II - The Establishment of a Cooperative Joint Venture 15

### Article 6 16

The establishment of a cooperative joint venture shall be examined and approved by the Ministry of Foreign Trade and Economic Cooperation or the department and local people's government authorized by the State Council. 17

The department or local people's government authorized by the State Council may examine and approve cooperative joint ventures in the following circumstances: 18

(1) The total amount of investment is within the authorization for approval as set by the State Council, by the departments or local people's governments authorized by the State Council; 19

(2) The capital has been raised by the applicants themselves, construction and production conditions do not need to be balanced by the State ; 20

(3) Exportation of the products of the cooperative joint venture does not require export quota and license to be issued by relevant competent departments of the State; or if exportation requires quota and license, the consent of relevant competent departments has been obtained prior to submitting the application for establishing the cooperative joint venture. 21

(4) Other circumstances in which the departments or local governments authorized by the State Council may examine and approve cooperative joint ventures as stipulated in laws and administrative rules. 22

### Article 7 23

To establish a cooperative joint venture, the Chinese party/parties (hereinafter referred to as the Chinese party) shall submit to the examination and approval authority the following documents: 24

(1) Application for establishing a cooperative joint venture accompanied by the examination and approval documents of the competent authority; 25

(2) Feasibility study report jointly prepared by all parties to the cooperative joint venture accompanied by the examination and approval documents of the competent authority; 26

(3) Joint venture agreement, contract and articles of association signed by the legal representatives or representatives authorized by them of all parties to the joint venture; 27

(4) Business licenses or registration certificates, financial credit documents and valid 28

certification documents of the legal representatives of all parties to the joint venture; where the foreign party/parties ( hereinafter referred to as the foreign party) is a natural person, valid certification documents on his/her identity, resume and financial credit shall be presented;

(5) List of chairman, deputy chairmen and members of the board of directors or list of director, deputy directors and members of the joint management committee of the cooperative joint venture as determined by all parties through consultation; 29

(6) Other documents as required by the examination and approval authority. 30

The documents listed in the preceding paragraph shall be written in Chinese with the exception of the documents in the subparagraph (4) to be presented by the foreign party, each of the documents required under subparagraph (2), (3) and (5) may be accompanied by a version of a foreign language agreed upon by all parties. 31

The examination and approval authority shall decide whether to approve or disapprove the application for the establishment of a cooperative joint venture within 45 days from the date of receiving all the documents as stipulated; should anything incomplete or inappropriate be found in the documents presented, the examination and approval authority may demand a supplement or amendment to them within a limited period of time. 32

## Article 8 33

For a cooperative joint venture approved by the Ministry of Foreign Trade and Economic Cooperation or by departments authorized by the State Council, the certificate of approval shall be granted by the Ministry of Foreign Trade and Economic Cooperation. 34

For a cooperative joint venture approved by local people's government authorized by the State Council, the relevant local people's government shall grant the certificate of approval and submit the relevant approval documents to the Ministry of Foreign Trade and Economic Cooperation for recordation within 30 days from the date of approval. 35

The cooperative joint venture approved for establishment shall apply, according to law, to the administrative authorities for industry and commerce for registration and business license. 36

## Article 9 37

An application for establishing a cooperative joint venture shall not be approved if the venture involves in any of the following circumstances: 38

(1) Detriment to China's sovereignty or public interest; 39

(2) Jeopardizing the State security; 40

- (3) Polluting and damaging the environment; 41
- (4) Other circumstance involving violation of laws, administrative rules and the State industrial policies. 42

**Article 10** 43

For the purpose of the Detailed Rules, the cooperative joint venture agreement refers to a written document produced after all parties reached consensus on the principles and significant matters in relation to the establishment of the cooperative joint venture. 44

For the purpose of the Detailed Rules, the cooperative joint venture contract refers to a written document produced after all parties reached consensus on their respective rights and obligations in the cooperative joint venture. 45

For the purpose of the Detailed Rules, the articles of association of a cooperative joint venture refers to a written document laying down the principles of organization and method of operation and management as agreed on by all parties in line with the cooperative joint venture contract. 46

Where there are any contents in the agreement and articles of association which are inconsistent with the contract of a cooperative joint venture, the contract shall prevail. 47

The parties to a cooperative joint venture may not sign a cooperative joint venture agreement. 48

**Article 11** 49

The agreement, contract and articles of association of a cooperative joint venture shall enter into force upon the issuance of the certificate of approval by the examination and approval authority. For the duration of the cooperative joint venture, and substantive amendment to the agreement, contract and article of association of the cooperative joint venture shall be approved by the examination and approval authority. 50

**Article 12** 51

The contract of a cooperative joint venture shall bear the following items: 52

- (1) Names, place of registration, domicile of all parties, and names, titles and nationalities of their legal representatives ( where the foreign party is a natural person, his/her name, nationality and domicile); 53
- (2) Name, address and business scope of the cooperative joint venture; 54
- (3) Total amount of investment, registered capital, way and duration of investment or cooperation conditions contributed by each party; 55
- (4) Transfer of investment contribution or provision of cooperation conditions by each 56



party;

(5) Distribution of income or products to all parties, apportioning of risk or loss between the parties; 57

(6) Composition of the board of directors or the joint management committee, allocation of the members of the board of directors or the joint management committee, responsibilities of and the ways for employment and dismissal of the president and other senior management people; 58

(7) Main production equipment and production technology to be employed, and their sources; 59

(8) Arrangement for sales of products in and outside China; 60

(9) Arrangement for the income and expenditure of foreign exchanges of the cooperative joint venture; 61

(10) duration, dissolution and liquidation of the cooperative joint venture; 62

(11) Other obligations of the parties and the responsibilities arising from breach of the contract; 63

(12) Principles for handling finance, accounting and auditing; 64

(13) Settlement between and among all parties; 65

(14) Procedures for amending the cooperative joint venture contract. 66

### **Article 13** 67

The articles of association of a cooperative joint venture shall include the following items: 68

(1) Name and address of the cooperative joint venture; 69

(2) Business scope and duration of cooperation of the cooperative joint venture; 70

(3) Names, places of registration, domicile of all parties to the cooperative joint venture and names, titles, and nationalities of their legal representatives (where the foreign party is a natural person, his/her name, nationality and domicile); 71

(4) Total amount of investment, registered capital, ways and duration of investment or cooperation conditions contributed by the parties to the cooperative joint venture; 72

(5) Distribution of income or products to all parties and apportioning of risk and loss between the parties; 73

(6) Composition, terms of reference and proceedings of the board of directors or joint management committee of the cooperative joint venture; term of office for directors of the board of directors or members on the joint management committee; terms of reference of chairman and vice chairmen of the board of directors or director and deputy directors of the joint management committee; 74

- (7) Establishment, terms of reference and rules\* for handling matters of the operation and management body; terms of reference, engagement and dismissal of general manager and other senior management personnel; 75
- (8) Regulations related to labor management covering employment of staff and workers, training, labor contract, salaries & wages, social insurance, welfare benefits, job safety, etc.; 76
- (9) Finance, accounting and auditing system of the cooperative joint venture; 77
- (10) Dissolution and liquidation of the cooperative joint venture; 78
- (11) Procedures for amendment of the articles of association of the cooperative joint venture. 79

### **Chapter III - Form of Organization and Registered Capital** 80

#### **Article 14** 81

The cooperative joint venture, after obtaining the status of Chinese legal person, shall take the form of a limited liability company. Unless otherwise stipulated in the cooperative joint venture contract, each party shall be held liable to the cooperative joint venture within the limit of its investment and cooperation conditions contributed to the cooperative joint venture. 82

The cooperative joint venture shall be held liable to its debts within the limit of its total assets. 83

#### **Article 15** 84

The total amount of investment of a cooperative joint venture refers to the sum of funds necessary for reaching the production scale provided for by the cooperative joint venture contract and the articles of association of the cooperative joint venture. 85

#### **Article 16** 86

The registered capital of a cooperative joint venture refers to the total amount of capital, contributed by all parties to the cooperative joint venture and registered with the authority for industry and commerce when applying for the establishment of the cooperative joint venture. Registered capital can be either denominated in Renminbi Yuan or in any other freely convertible foreign currency as agreed upon by all parties to the cooperative joint venture. 87

Any decrease in the registered capital of the cooperative joint venture is not allowed during the term of cooperation. However, any decrease, necessary due to changes in the total amount of investment and production scale, shall be subject to the approval of the examination and approval authority. 88

## **Chapter IV - Investment and Cooperation Conditions**

89

### **Article 17**

90

All parties to cooperative joint venture shall, in accordance with the provisions of relevant laws and administrative regulations and stipulations of the cooperative joint venture contract, make their investment or provide cooperation conditions to the cooperative joint venture.

91

### **Article 18**

92

The investment made or cooperation conditions provided by all parties to the cooperative joint venture may be in cash, in kind, or in other property rights such as industrial property rights, know-how and land-use rights.

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Where the investment or cooperation conditions provided by the Chinese party fall into the category of State assets, an asset evaluation shall be conducted in accordance with relevant provisions of laws and administrative regulations.

94

For a cooperative joint venture which has obtained the status of a Chinese legal person according to law, the investment made by the foreign party shall be, in general, no less than 25% of the registered capital of the venture. For a cooperative joint venture without the status of a legal person, the specific requirements for the investment made and cooperation conditions contributed by all parties to the venture shall be subject to the regulations stipulated by the Ministry of Foreign Trade & Economic Cooperation.

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### **Article 19**

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The investment made or cooperation conditions provided shall be the property or property rights owned by the parties to a cooperative joint venture. The investment made or cooperation conditions provided shall not be property or property rights already posted as mortgage or other forms of collaterals.\*

97

### **Article 20**

98

All parties to a cooperative joint venture shall stipulate, based on the production and operation requirements of the venture and in light of the provisions of relevant laws and administrative regulations, the duration of the investment to be made and the cooperation conditions to be contributed in the joint venture contract.

99

In the event of a failure to make the investment or provide the cooperative conditions as set forth by the cooperative joint venture contract, the authority for the administration of industry & commerce shall specify a time limit for performance. If the said obligations are still not performed upon the expiration of the specified time limit, the examination and approval authority shall revoke the certificate of approval and the authority for the

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administration of industry and commerce shall revoke the business license of the cooperative joint venture and make a public announcement to that effect.

## Article 21

101

The party failing to make investment or provide cooperation conditions as set forth by the cooperative joint venture contract shall be held liable for the breach of contract to the other party which have performed their duties as stipulated in the contract.

102

## Article 22

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The investments made or cooperation conditions contributed by all parties to the cooperative joint venture shall be verified by, and reports of verification shall be submitted by accountants registered in China. And certificates of contribution shall be issued thereupon to all parties by the cooperative joint venture. The certificate of contribution shall include the following items:

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(1) Name of the cooperative joint venture;

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(2) Date of the establishment of the cooperative joint venture;

106

(3) Names of all parties to the cooperative joint venture;

107

(4) Contents of the investments made or the cooperation conditions contributed by all parties to the cooperative joint venture;

108

(5) Date of contribution of investments or provision of operation conditions by all parties to a cooperative joint venture;

109

(6) Serial No. and date of issuance of the certificate of contribution.

110

Copies of the certificate of contribution shall be submitted respectively to the examination and approval authority and the authority for the administration of industry and commerce.

111

## Article 23

112

Mutual transfer of all or part of its rights under the cooperative joint venture contract between parties to the venture or transfer of all or part of its rights under the contract from one party to a third party other than the parties to the venture shall be subject to the consent in written form from the other party, and the matter shall be submitted to the examination and approval authority for approval.

113

The examination and approval authority shall decide to approve or disapprove the assignment within 30 days of receipt of the relevant documents.

114

## **Chapter V - Organizational Structure** 115

### **Article 24** 116

A board of directors or a joint management committee shall be established in a cooperative joint venture. The board of directors or the joint management committee shall be the power organ of the cooperative joint venture, and shall, in accordance with the provisions of the articles of association of the cooperative joint venture, decide on major important issues concerning the cooperative joint venture. 117

### **Article 25** 118

The board of directors or the joint management committee shall consist of at least three persons. The allocation of members shall, through consultations between the Chinese party and the foreign party, be decided with reference to the proportion of the investments or cooperation conditions contributed by each party. 119

### **Article 26** 120

Directors of the board of directors or members on the joint management committee shall be appointed or replaced by all parties themselves. The selection of chairman and vice chairmen of the board of directors or director and, deputy directors of the joint management committee shall be provided for in the articles of association of the cooperative joint venture. Where the position of chairman of the board of directors or director of the joint management committee is assumed by a nominee of the Chinese party or the foreign party, the position/positions of vice chairman/chairmen or deputy director/directors shall be assumed by a nominee of the other party. 121

### **Article 27** 122

The tenure of directors and members on the joint management committee shall be decided by articles of association of the cooperative joint venture, with each tenure no longer than three years. Upon expiration of each tenure, directors and members may renew their tenure if reappointed\* by the appointing party. 123

### **Article 28** 124

Directors of the board or members on the joint management committee shall meet at least once a year, with the meeting convened and presided over by the chairman of the board or director of the committee. Where the chairman of the board or the director of the committee is unable to perform his/her duties out of special reasons, he/she may appoint a vice chairman of the board, deputy director of the committee, other directors or members to convene and preside over such meetings. Meetings of the board or 125

committee may be convened on proposals made by more than one third of the total number of directors or members. Meetings of the board or committee can only be convened with the presence of more than two thirds of directors or members. Directors or members unable to participate in such meetings shall entrust, in written form, others to participate in such meetings and lodge votes on their behalf. Decisions made at the board or the committee meetings shall be adopted with the consents of more than half of the directors or members. Directors or members who neither participate in the said meetings nor entrust others to participate in the said meetings on their behalf without any reasonable excuse shall be regarded as having participated in the meetings of the board or the committee and having lodged abstention votes.

All directors or members shall be notified of the board or the committee meetings 10 days prior to their convocation. 126

Decisions may also be made by the board or the committee through correspondence. 127

## **Article 29** 128

Decisions concerning the following items can only be adopted with the unanimous consent of all the directors or members participating in the meetings of the board or the committee: 129

- (1) Amendment to the articles of association of the cooperative joint venture; 130
- (2) Increase or reduction of the registered capital of the cooperative joint venture; 131
- (3) Dissolution of the cooperative joint venture; 132
- (4) Mortgage of the assets of the cooperative joint venture; 133
- (5) Merge and split of the cooperative joint venture and change in the form of the organization; 134
- (6) Other matters which may only be decided with unanimous consent at the meetings of the board or the committee as previously agreed upon by parties to the joint venture. 135

## **Article 30** 136

Decision-making process and voting procedures of the board of directors and the joint management committee, other than those being stipulated in these Detailed Rules, shall be provided for in the articles of association of the cooperative joint venture. 137

## **Article 31** 138

The chairman of the board or the director of the committee is the legal person of the cooperative joint venture. Where the chairman of the board or the director of the committee is unable to perform his duty out of special reasons, vice chairman of the board, 139

deputy director of the committee, other directors or members shall be authorized to represent the cooperative joint venture in its external relations.

### Article 32

140

A cooperative joint venture shall have one general manager who will be responsible for the routine operation and management of the joint venture and accountable to the board of directors or the joint management committee.

141

The general manager of a cooperative joint venture shall be engaged or dismissed by the board of directors or the joint management committee.

142

### Article 33

143

Posts of the general manager and other senior managers may be assumed by Chinese or foreign citizens.

144

Directors of members may assume concurrently the posts of the general manager or other senior managers of the cooperative joint venture, as engaged by the board of directors or the joint management committee.

145

### Article 34

146

The general manager or other senior managers who are incompetent or found to have actions of malpractices\* or serious negligence of duty may be dismissed as decided by the board of directors or the joint management committee, and those who cause losses to the cooperative joint venture shall be held responsible in accordance with relevant laws and regulations.

147

### Article 35

148

Where a party other than the parties to a cooperative joint venture is entrusted with the business operation and management of the venture after its establishment, unanimous consent of the board of directors or the joint management committee shall be obtained and a contract of trusteeship for operation and management shall be entered into with the trustee.

149

The cooperative joint venture shall submit documents such as the resolution of the board of directors or the joint management committee, the contract of trusteeship that has been signed and the financial credit documents of the trustee, etc. to the examination and approval authority for approval. The examination and approval authority shall thereupon decide to approve or disapprove within 30 days upon receipt of the said documents.

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## **Chapter VI - Purchase of Materials and Marketing of Products** 151

### **Article 36** 152

The cooperative joint venture shall work out production and operation plans on its own, based on the approved business scope and scale of production and operation. 153

Governmental organizations shall not force cooperative joint venture to carry out production and operation plans formulated by governmental organizations. 154

### **Article 37** 155

a cooperative joint venture may decide, on its own, to purchase either within the territory of China or from foreign countries machines and equipments,\* raw materials, fuels, parts and components, accessories, transportation tools and office articles, etc. (hereinafter referred to as "materials"). 156

### **Article 38** 157

The State encourages cooperative joint ventures to sell their products on international markets. These ventures may directly sell their products on international markets or entrust overseas distributors or Chinese Foreign trade companies to sell their products by proxy or on commission. 158

Prices of the products sold by the cooperative joint venture shall be decided by the venture itself according to law. 159

### **Article 39** 160

Machines and equipments, parts and components as well as other materials imported by the foreign party as investment in kind and machines and equipments, parts and components and other materials needed in production and operation, which are imported by the cooperative joint venture with funds of the total investment are exempt from import tariffs and turnover tax in the import links. When the above-mentioned imported materials which are exempt from tariffs and tax are resold within the territory of China or put into domestic commercial channel upon approval, tariffs and tax or overdue tariffs or tax shall be paid in accordance with relevant laws and regulations. 161

### **Article 40** 162

A cooperative joint venture shall not export products at prices ostensibly lower than reasonable prices of products of the like on international markets or import materials at prices higher than those of products of the like on the international markets. 163



**Article 41** 164

Products of a cooperative joint venture shall be sold in compliance with the provisions of the approved contract of the venture. 165

**Article 42** 166

The cooperative joint venture shall apply, in accordance with relevant State regulations, for import or export licenses and quotas for products subject to licensing and quota administration which they intend to import or export. 167

**Chapter VII - Distribution of Income and Recovery of Investment** 168

**Article 43** 169

Chinese and Foreign parties to a cooperative joint venture may distribute income through profit-sharing or other forms as agreed upon by both parties. 170

Tax payable shall be calculated according to relevant provisions of the tax law when product-sharing or other forms are adopted in income distribution. 171

**Article 44** 172

On the expiration of the cooperation as defined in the contracts of the cooperative joint ventures by Chinese and foreign parties, all the fixed assets of the ventures shall belong to the Chinese party on a gratuitous basis and the Foreign party may apply, within the term of the cooperation, for an early recovery of their investment in the following ways: 173

(1) On the basis of distribution according to the contribution of investment or cooperation conditions, agreement shall be reached in the contract of the cooperative joint venture to increase the proportion of profit sharing to the Foreign party; 174

(2) Upon examination and approval by the finance and taxation authorities according to State provisions on taxation, the Foreign party may first recover its investment before income tax payment is made by the cooperative joint venture; 175

(3) Other means of investment recovery approved by the finance and taxation authorities as well as the examination and approval authority. For a cooperative joint venture that allows the Foreign party to first recover the investment, as defined in the preceding paragraph, the Chinese and Foreign parties shall share the liabilities of the cooperative joint venture in light of relevant legal provisions and agreements in the joint venture contract. 176

## Article 45

177

When the foreign party of the venture applies for an early recovery of investment according to Article 44 (1) and (2), the party shall specifically explain the amount of the investment and the time and ways it would like to first recover such investment. Upon approval by the finance and taxation authorities after examination, such application shall be submitted to the examination and approval authority for final review and approval.

178

The Foreign party shall not be allowed to recover its investment unless the losses of the cooperative joint venture is recovered.

179

## Article 46

180

A cooperative joint venture shall entrust, according to relevant State provisions, accountants registered in China to check and verify the account-books. Parties to the cooperative joint venture may either jointly or separately entrust accountants registered in China to check the account-books, and costs incurred therefrom shall be born by the party (or parties) that entrust the accountants.

181

## Chapter VIII - Duration and Dissolution

182

### Article 47

183

The duration of a cooperative joint venture shall be decided upon by all parties to the joint venture through consultation and shall be stipulated in the joint venture contract.

184

If extension of the term of cooperation is agreed upon by all parties upon expiration of the duration of the cooperative joint venture, an application shall be submitted 180 days before the expiration to the examination and approval authority, with due explanations on the execution of the contract establishing the cooperative joint venture, reason for the extension, and agreement on rights and obligations and other matters of each party in the extended period. The examination and approval authority shall decide to approve or disapprove within 30 days upon receipt of the extension application.

185

Upon approval of the extension of duration, the cooperative joint venture shall go through formalities for the alteration of registration with the administrative authority for industry and commerce, and the extended duration shall start from the first day after the expiration of the original term of cooperation.

186

The duration for a cooperative joint venture shall not be extended if the joint venture contract has allowed the Foreign party to first recover its investment and such investment has been fully recovered. However, when the Foreign party of a cooperative joint venture agrees to increase the investment and when all parties reach consensus after consultation, an application for extension of the term of cooperation may be filed with the examination and approval authority in light of paragraph II of this Article.

187

**Article 48** 188

A cooperative joint venture shall be dissolved in one of the following situations: 189

(1) Termination of duration; 190

(2) Inability to continue operations due to have financial losses of the cooperative joint venture or heavy losses caused by force majeure;\* 191

(3) Inability to continue operations due to the failure of one or several parties to fulfill the obligations as stipulated in the contract and articles of association; 192

(4) Occurrence of other reasons for dissolution stipulated in the contract and articles of association; 193

(5) Revocation made by authorities according to law due to violation of laws and administrative regulations. In cases described in (2) and (4) of this Article, the board of directors or joint management committee of a cooperative joint venture shall make the decision and submit it to the examination and approval authority for approval. In case of (3) of this Article, the party or parties failing to fulfill obligations as stipulated in the contract and articles of association shall be held liable to losses thus occurred to party or parties fulfilling the stipulated obligations. The party or parties that have fulfilled their obligations have the rights to apply to examination and approval authority for the dissolution of the cooperative joint venture. 194

**Article 49** 195

The liquidation procedures of a cooperative joint venture shall be handled according to relevant Chinese laws, administrative regulations and stipulations in the joint venture contract and articles of association. 196

**Chapter IX - Special Provisions on Cooperative Joint Ventures without Legal Person Status** 197

**Article 50** 198

A cooperative joint venture without legal person status and all parties to the venture shall be held responsible for civil liabilities according to relevant provisions in Chinese civil laws. 199

**Article 51** 200

A cooperative joint venture without legal person status shall register the investment made or cooperation conditions provided by each party at the administrative authority for industry and commerce. 201

## Article 52

202

The investment made or cooperation conditions provided by each party to a cooperative joint venture without legal person status shall belong to the contributing party. Depending on agreements reached by all parties, such investment or cooperation conditions may be jointly owned by all parties, or partly owned by each contributing party and partly owned by all parties. Assets accumulated from operations of the cooperative joint venture shall belong to all parties.

203

Investment made or cooperation conditions provided by parties to a cooperative joint venture without legal person status shall be subject to unified management and utilization by the cooperative venture. No party shall take the liberty to take actions on such matters without the consent from other parties.

204

## Article 53

205

A cooperative joint venture without legal person status shall establish a joint management committee which shall consist of representatives of all parties to the cooperative joint venture and shall manage the cooperative joint venture on behalf of all parties.

206

The joint management committee shall decide on all major issues concerning the cooperative joint venture.

207

## Article 54

208

A cooperative joint venture without legal person status shall establish unified account books on the location of the joint venture, and each party to the joint venture shall establish its own account books.

209

## Chapter X - Supplementary Provisions

210

### Article 55

211

Chinese laws shall be applied in the conclusion, effectiveness, interpretation, execution of the contract and settlement of disputes of a cooperative joint venture.

212

### Article 56

213

Provisions in other relevant laws and administrative regulations shall apply to matters other than those provided for in the Detailed Rules, including financial affairs, accounting and auditing, foreign exchange, taxation, labor management and trade union etc. concerning a cooperative joint venture.

214

**Article 57**

215

Where a cooperative joint venture is established by a company, enterprise, other economic organization or individuals in Hong Kong, Macao and Taiwan region and Chinese citizens inhabited abroad, it shall be handled with reference to these Detailed Rules.

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**Article 58**

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These Detailed Rules shall enter into force as of the date of promulgation.

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