

Chapter XI Financial Affairs and Accounting

Article 80

Procedures for handling financial affairs and accounting of a joint venture shall be formulated in accordance with China's relevant laws and procedures on financial affairs and accounting, and in consideration of the conditions of the joint venture, and then being filed with local financial departments and tax authorities.

Article 81

A joint venture shall employ a treasurer to assist the general manager in handling the financial affairs of the enterprise. If necessary a deputy treasurer can be appointed.

Article 82

A joint ventures shall (small venture may not) appoint an auditor to be responsible for checking financial receipts, payments and accounts, and to submit reports to the board of directors and the general manager.

Article 83

The fiscal year of a joint venture shall coincide with the calendar year, i.e. from January 1 to December 31 on the Gregorian calendar.

Article 84

The accounting of a joint venture shall adopt the internationally used accrual basis and debit and credit accounting system in their work. All vouchers, account books, statistic statements and reports prepared by the enterprise shall be written in Chinese. A foreign language can be used concurrently with mutual consent.

Article 85

Principally joint venture shall adopt Renminbi as the standard currency. In keeping accounts, however, another currency can be used through consultation by the parties concerned.

Article 86

In addition to the use of standard currency to record accounts, joint ventures shall record accounts in currencies actually used in payments and receipts, if such currencies in cash, bank deposits, funds of other currencies, creditor's right, debts, gains, expenses, etc. are inconsistent with the standard currency in recording accounts.

Joint ventures using a foreign currency in accounting shall work out a statement of accounts in Renminbi equivalents in addition to those in the foreign

currency.

The actual amounts of losses and gains caused by differences in exchange rates in the course of remittances shall be recorded in the year's losses and gains accounts. No adjustments shall be made for recorded changes in exchange rates and remaining sum on the book of related foreign exchange accounts.

Article 87

Principles of profit distribution after payment of taxes in accordance with the Income Tax Law of the People's Republic of China concerning Joint Ventures with Chinese and Foreign Investment are as follows:

(1) Allocations for reserve funds, bonuses and welfare funds for staff and workers and expansion funds of the joint venture. Proportion of allocations is decided by the board of directors.

(2) Reserve funds can be used to make up the losses of the joint venture, and with the consent of examination and approval authority, to increase the joint venture's capital for production expansion.

(3) After the funds described in (1) of this article have been deducted and if the board of directors decides to distribute the remaining profit, it should be distributed according to the proportion of each participant's investment.

Article 88

Profits cannot be distributed unless the losses of previous year's have been made up. Remaining profits from previous year (or years) can be distributed together with that of the current year.

Article 89

A joint venture shall submit quarterly and annual fiscal reports to parties to the joint venture, the local tax authority, department in charge of the joint venture and financial department at the same level to those departments.

A copy of the annual fiscal reports shall be submitted to the original examination and approval authority.

Article 90

Only after being examined and certified by an accountant registered in China can the following documents, certificates and reports be considered valid.

(1) Certificates of investment from all parties to a joint venture (lists of assessed value shall be attached to documents on investments involving materials, site use rights, industrial property and know-how);