

(2) They shall provide benefits in terms of technical renovation of enterprises and result in less investment, quicker returns and bigger profits.

(3) They shall enable the expanded production of products for export and result in increasing income in foreign currency.

(4) They shall enable the training of technical and managerial personnel.

#### Article 5

Applicants to establish joint ventures shall not be granted approval if the project involves any of the following conditions:

(1) Detriment to China's sovereignty;

(2) Violation of Chinese law;

(3) Nonconformity with the requirements of the development of China's national economy;

(4) Environmental pollution;

(5) Obvious inequity in the agreements, contracts and articles of association signed, impairing the rights and interests of one party.

#### Article 6

Unless otherwise stipulated, the government department in charge of the Chinese participant in a joint venture shall be the department in charge of the joint venture (hereinafter referred to as the department in charge). In case of a joint venture having two or more Chinese participants which are under different departments or districts, the departments concerned shall consult the district to ascertain one department in charge.

Departments in charge are responsible for guidance and assistance and exercising supervision over the joint venture.

#### Article 7

A joint venture has the right to do business independently within the scope of the provisions of Chinese laws, decrees, and the agreement, contract and articles of association of the joint venture. The departments concerned shall provide support and assistance.

## Chapter II Establishment and Registration

#### Article 8

The establishment of a joint venture in China is subject to examination and approval by the Ministry of Foreign Economic Relations and Trade of the People's Republic of China (hereinafter referred to as the Ministry of Foreign Economic Relations and Trade). Certificates of approval are granted by the Ministry of Foreign Economic Relations and Trade.

The Ministry of Foreign Economic Relations and Trade shall entrust the people's governments in the related provinces, autonomous regions, and municipalities directly under the central government or relevant ministries or bureaus under the State Council (hereinafter referred to as the entrusted office) with the power to examine and approve the establishment of joint ventures that comply with the following conditions:

(1) The total amount of investment is within the limit set by the State Council and the source of capital of the Chinese participants has been ascertained;

(2) No additional allocations of raw materials by the state are required and do not affect the national balance of fuel, power, transportation and foreign trade export quotas.

The entrusted office, after approving the establishment of a joint venture, shall report this to the Ministry of Foreign Economic Relations and Trade for the record. A certificate of approval shall be issued by the Ministry of Foreign Economic Relations and Trade. (The Ministry of Foreign Economic Relations and Trade and the entrusted office will hereinafter be referred to as a whole as the examination and approval authority.)

#### Article 9

The following procedures shall be followed for the establishment of a joint venture:

(1) The Chinese participant in a joint venture shall submit to its department in charge a project proposal and a preliminary feasibility study report of the joint venture to be established with foreign participants. The proposal and the preliminary feasibility study report, upon examination and consent by the department in charge, shall be submitted to the examination and approval authority for final approval. The parties to the venture shall then conduct work relevant to the feasibility study, and based on this, negotiate and sign joint venture agreements, contracts and articles of association.

(2) When applying for the establishment of a joint venture, the Chinese participant is responsible for the submission of the following documents to the examination and approval authority:

(a) Application for the establishment of a joint venture;

(b) The feasibility study report jointly prepared by the parties to the venture;

(c) Joint venture agreement, contract and articles of association signed by representatives authorized by the parties to the venture;

(d) List of candidates for chairman, vice-chairman