

fall short of the total amount of investment, the joint venture may, in its own name, obtain loans from the banks as its investment. Therefore, the total amount of investment of a joint venture may generally consist of two categories, funds provided by the parties to the venture themselves and loans obtained in the name of the venture.

Registered capital

The registered capital of a joint venture refers to the total amount of investment registered at the administrative departments for industry and commerce for the establishment of the joint venture, and it should be the sum of investment subscribed by the parties to the joint venture. The parties to the joint venture may, in accordance with the provisions of the joint venture contract, put in their subscribed investments to the venture in a lump sum or by installments.

Investment subscribed

This refers to the amount of capital the parties to a joint venture agreed to put in for the establishment of the venture. The contribution to the joint venture by the parties is to be judged by the amount of investment subscribed and the responsibility of each party for the joint venture is limited to their respective investment subscribed.

The Right to the use of site

The right to the use of site of a joint venture is the right to the use of a site obtained by the joint venture in accordance with the needs of its operation. The right may be obtained by the joint venture by concluding a leasing contract with the land department concerned of the local government or it may be contributed by the Chinese participant as its investment by evaluating the right. Whichever way did the joint venture obtain the right to the use of site, it should only have the right to use, but not the ownership. And transfer of the right to the use of site is not permitted.

Investment certificates

Investment certificates are the certificates issued by a joint venture to testify the amount of investment subscribed by the parties to the joint venture. They are issued to the joint ventures after the parties to the venture have put in their respective subscribed investment and after the Chinese-registered accountant has verified the amount and issued the verification report. Without the consent of the other parties and the approval of the examination and approval authority of the joint venture, no party to the joint venture is allowed to dispose of the certificate by transfer, mortgage or other ways.

Reserve fund

The reserve fund of a joint venture is a special fund withheld from its profits to make up for the losses the venture may be subjected to and to guard against accidents. The proportion of the fund is to be decided

upon by the board of directors, but it is not to exceed a certain amount. The reserve fund is in general not to be used for other purposes, but, with the approval of the joint venture's examination and approval authority, may be used by the joint venture for increasing its capital or expanding production.

Bonus and welfare fund for staff and workers

The bonus and welfare fund for the staff and workers of a joint venture is a special fund withheld from the venture's profits to improve the welfare of the staff and workers and encourage individuals or groups who have made comparatively great contributions to the production and work. It can be used only for commending those who have made comparatively great contributions and providing collective welfare facilities for the staff and workers, medical and health service and financial aids.

Enterprise expansion fund

The expansion fund of a joint venture is a special fund withheld from the joint venture's profits to expand its production. It can be used for purchasing fixed assets, increasing circulating funds and expanding operation. It can also be used for the trial manufacture of new products, undertaking scientific research and running technical training for the staff and workers.

Industrial property

The industrial property is the proprietary right acquired in accordance with the law for patented inventions, new designs and trade marks. It is to be protected according to the law, although such protection is strictly regional. Exclusive in character, the industrial property shall not be encroached upon by others. Use of such a right by others must have the consent of the owner of the right and a fixed amount of reward for him. The Law on Joint Ventures Using Chinese and Foreign Investment stipulates that a joint venture may make its investment in industrial property, to which provision have been added in the Regulations for the Implementation of the Law on Joint Ventures Using Chinese and Foreign Investments.

Knowhow

Knowhow, also called technical secret, is technical knowledge which can be transferred or imparted and which not know to the public and not patented. Unlike the patent right whose effective period is limited, knowhow is monopolized by means of secrecy.

Accrual basis

This is an accounting method of ascertaining the income and costs of a venture in a fiscal period (a month, a season or a year). In other words, the income and costs of a current period should be dealt with as such, no matter if the sum is received or paid in that particular period. Conversely, the income and costs not of the current period shall not be dealt with as