

# THE CONTRACT FOR SINO-FOREIGN EQUITY JOINT VENTURE

## Chapter 1 General Provisions

In accordance with the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment (the "Joint Venture Law") and other relevant Chinese laws and regulations, \_\_\_\_\_ Company and \_\_\_\_\_ Company, in accordance with the principle of equality and mutual benefit and through friendly consultations, agree to jointly invest to set up a joint venture enterprise in \_\_\_\_\_ of the People's Republic of China.

## Chapter 2 Parties of the Joint Venture

### Article 1

Parties to this contract are as follows: \_\_\_\_\_ Company (hereinafter referred to as Party A), registered with \_\_\_\_\_ in China, and its legal address is at \_\_\_\_\_ (street) \_\_\_\_\_ (district) \_\_\_\_\_ (city) \_\_\_\_\_ China.

Legal representative: Name:

Position:

Nationality:

\_\_\_\_\_ Company (hereinafter referred to as Party B), registered with \_\_\_\_\_. Its legal address at \_\_\_\_\_.

Legal representative: Name:

Position:

Nationality:

(Note: In case there are more than two investors, they will be called Party C, D...in proper order).

## Chapter 3 Establishment of the Joint Venture Company

### Article 2

In accordance with the Joint Venture Law and other relevant Chinese laws and regulations, both parties of the joint venture agree to set up \_\_\_\_\_ joint venture limited liability company (hereinafter referred to as the joint venture company).

### Article 3

The name of the joint venture company is \_\_\_\_\_ Limited Liability Company.

The name in foreign language is \_\_\_\_\_.

The legal address of the joint venture company is at \_\_\_\_\_ street \_\_\_\_\_ (city) \_\_\_\_\_ province.

### Article 4

All activities of the joint venture company shall be governed by the laws, decrees and pertinent rules and regulations of the People's Republic of China.

### Article 5

The Organization form of the joint venture company is a limited liability company. Each party to the joint venture company is liable to the joint venture company within the limit of the capital subscribed by it. The profits, risks and losses of the joint venture company shall be shared by the parties in proportion to their contributions to the registered capital.

## Chapter 4 The Purpose, Scope and Scale of Production and Business

### Article 6

The goals of the parties to the joint venture are to enhance economic co-operation technical

exchanges, to improve the product quality, develop new products, and gain a competitive position in the world market in quality and price by adopting advanced and appropriate technology and scientific management methods, so as to raise economic results and ensure satisfactory economic benefits for each investor.

(Note: This article shall be written according to the specific situations in the contract).

#### Article 7

The productive and business scope of the joint venture company is to produce \_\_\_\_\_ products; provide maintenance service after the sale of the products; study and develop new products.

(Note: It shall be written in the contract according to the specific conditions).

#### Article 8

The production scale of the joint venture company is as follows:

1. The production capacity after the joint venture is put into operation is \_\_\_\_\_.
2. The production scale may be increased up to \_\_\_\_\_ with the development of the production and operation. The product varieties may be developed into \_\_\_\_\_.

(Note: It shall be written according to the specific situation).

### **Chapter 5 Total Amount of Investment and the Registered Capital**

#### Article 9

The total amount of investment of the joint venture company is RMB \_\_\_\_\_ (or a foreign currency agreed upon by both parties).

#### Article 10

Investment contributed by the parties is Renminbi \_\_\_\_\_, which will be the registered capital of the joint venture company. Of which: Party A shall pay \_\_\_\_\_ Yuan, accounting for \_\_\_\_\_%; Party B shall pay \_\_\_\_\_ Yuan, accounting for \_\_\_\_\_%.

#### Article 11

Both Party A and Party B will contribute the following as their investment:

Party A: cash \_\_\_\_\_ Yuan machines and equipment \_\_\_\_\_ Yuan premises \_\_\_\_\_ Yuan the right to the use of the site \_\_\_\_\_ Yuan industrial property \_\_\_\_\_ Yuan others \_\_\_\_\_ Yuan, \_\_\_\_\_ Yuan in all.

Party B: cash \_\_\_\_\_ Yuan machines and equipment \_\_\_\_\_ Yuan industrial property \_\_\_\_\_ Yuan others \_\_\_\_\_ Yuan, \_\_\_\_\_ Yuan in all.

(Note: When contributing capital goods or industrial property as investment, Party A and Party B shall conclude a separate contract to be a part of this main contract).

#### Article 12

The registered capital of the joint venture company shall be paid in \_\_\_\_\_ installments by Party A and Party B according to their respective proportion of their investment. Each installment shall be as follows:

(Note: it shall be written according to the concrete conditions).

#### Article 13

In case any party to the joint venture intends to assign all or part of his investment subscribed to a third party, consent shall be obtained from the other party to the joint venture, and approval from the examination and approval authority is required. When one party to the joint venture assigns all or part of his investment, the other party has preemptive right.

### **Chapter 6 Responsibilities of Each Party to the Joint Venture**

#### Article 14

Party A and Party B shall be respectively responsible for the following matters:

Responsibilities of Party A: Handling of applications for approval, registration, business license and other matters concerning the establishment of the joint venture company from relevant departments in charge of China; Processing the application for the right to the use of a site to the authority in charge of the land; Organizing the design and construction of the premises and other engineering facilities of the joint venture company; Providing cash, machinery and equipment and premises ... in accordance with the provisions of Article 11; Assisting Party B to process import customs declaration for the machinery and equipment contributed by Party B as investment and arranging the transportation within the Chinese territory; Assisting the joint venture company in purchasing or leasing equipment, materials, raw materials, articles for office use, means of transportation and communication facilities etc.; Assisting the joint venture company in contacting and settling the fundamental facilities such as water, electricity, transportation etc.; Assisting the joint venture in recruiting Chinese management personnel, technical personnel, workers and other personnel needed; Assisting foreign workers and staff in applying for entry visas, work licenses and handling their travel procedures; Responsible for handling other matters entrusted by the joint venture company.

Responsibilities of Party B: Providing cash, machinery and equipment, industrial property ... in accordance with the provisions of Article 11, and responsible for shipping capital goods such as machinery and equipment etc. contributed as investment to a Chinese port; Handling the matters entrusted by the joint venture company, such as selecting and purchasing machinery and equipment outside China, etc.; Providing necessary technical personnel for installing, testing and trial production of the equipment as well as the technical personnel for production and inspecting; Training the technical personnel and workers of the joint venture company; In case Party B is the licensor, it shall be responsible for the stable production of qualified products of the joint venture company in the light of design capacity within the specified period; Responsible for other matters entrusted by the joint venture company.

(note: It shall be written according to the specific situation).

### **Chapter 7 Transfer of Technology**

#### Article 15

Both Party A and Party B agree that a technology transfer agreement shall be signed between the joint venture company and Party B (or a third party) so as to obtain advanced production technology needed for realizing the production and operation purpose and the production scale specified in Chapter 4 of the contract, including product design, manufacturing technology, means of testing, materials prescription, standard of quality and the training of personnel etc.

(Note: It shall be written in the contract according to the concrete conditions).

#### Article 16

Party B offers the following guarantees on the transfer of technology:

(Note: Article applies only when Party B is responsible for transferring technology to the joint venture company).

1. Party B guarantees that the overall technology such as the designing, manufacturing technology, technological process, tests and inspection of products (Note: The name of the products shall be written) provided to the joint venture company must be integrated, precise and reliable. It is to meet the requirement of the joint venture's operation purpose, and be able to obtain the standard of

- production quality and production capacity specified in the contract;
2. Party B guarantees that the technology specified in this contract and the technology transfer agreement shall be fully transferred to the joint venture company, and pledges that the provided technology should be truly advanced among the same type of technology produced by Party B, the model, specification and quality of the equipment are excellent and it is to meet the requirement of technological operation and practical usage;
  3. Party B shall work out a detailed list of the provided technology and technological service at various stages as specified in the technology transfer agreement to be an appendix to the contract, and guarantee its performance;
  4. The drawings, technological conditions and other detailed information are part of the transferred technology and shall be provided on time;
  5. During the term of the technology transfer agreement, Party B shall provide the joint venture company with any improvements in the technology and the improved information and technological materials in time, and shall not charge separate fees;
  6. Party B shall guarantee that the technical personnel and the workers in the joint venture company can master all the technology transferred within the period specified in the technology transfer agreement.

#### Article 17

In case Party B fails to provide equipment and technology in accordance with the provisions of this contract and the technology transfer agreement or in case any deceiving or concealing actions are found, Party B shall be responsible for compensating the direct losses to the joint venture company.

#### Article 18

The technology transfer fee shall be paid in royalties. The royalty rate shall be \_\_\_\_\_% of the net sales value of the products. The term for royalty payment is the same as the term for the technology transfer agreement specified in Article 19 of this contract.

#### Article 19

The term for the technology transfer agreement signed by the joint venture company and Party B is \_\_\_\_\_ years. After the expiration of the technology transfer agreement, the joint venture company shall have the right to use, research and develop the imported technology continuously.

(Note: The term for a technology transfer agreement is generally no longer than 10 years, and it shall be approved by the Ministry of Foreign Trade and Economic Cooperation or other examination and approval authorities entrusted by the Ministry of Foreign Trade and Economic Cooperation).

### **Chapter 8 Selling of Products**

#### Article 20

The products of joint venture company will be sold both on the Chinese and the overseas market, the export portion accounts for \_\_\_\_\_%, \_\_\_\_\_% for the domestic market.

(Note: An annual percentage and amount for outside and domestic selling will be written out according to practical situations, in normal conditions, the amount for export shall at least meet the needs of foreign exchange expenses of the joint venture company).

#### Article 21

Products may be sold on overseas markets through the following channels: The joint venture company may directly sell its products on the international market, accounting for \_\_\_\_\_%.

The joint venture company may sign sales contracts with Chinese foreign trade companies, entrusting them to be the sales agencies or exclusive sales agencies, accounting for \_\_\_\_\_%. The joint venture company may entrust Party B to sell its products, accounting for \_\_\_\_\_%.

#### Article 22

The joint venture's products to be sold in China may be handled by the Chinese materials and commercial departments by means of agency or exclusive sales, or may be sold by the joint venture company directly.

#### Article 23

In order to provide maintenance service to the products sold both in China or abroad, the joint venture company may set up sales branches for maintenance service both in China or abroad subject to the approval of the relevant Chinese department.

#### Article 24

The trade mark of the joint venture's products is \_\_\_\_\_.

### **Chapter 9 Board of Directors**

#### Article 25

The date of registration of the joint venture company shall be the date of the establishment of the board of directors of the joint venture company.

#### Article 26

The board of directors is composed of \_\_\_\_\_ directors, of which \_\_\_\_\_ shall be appointed by Party A, \_\_\_\_\_ by Party B. The chairman of the board shall be appointed by Party A, and its vice-chairman by Party B. The term of office for the directors, chairman and vice-chairman is four years, their term of office may be renewed if continuously appointed by the relevant party.

#### Article 27

The highest authority of the joint venture company shall be its board of directors. It shall decide all major issues (Note: The main contents shall be listed in the light of Article 36 of the Implementing Regulations for the Joint Venture Law) concerning the joint venture company. Unanimous approval shall be required for any decisions concerning major issues. As for other matters, approval by majority or a simple majority shall be required.

(Note: It shall be explicitly set out in the contract).

#### Article 28

The chairman of the board is the legal representative of the joint venture company. Should the chairman be unable to exercise his responsibilities for any reason, he shall authorize the vice-chairman or any other directors to represent the joint venture company temporarily.

#### Article 29

The board of directors shall convene at least one meeting every year. The meeting shall be called and presided over by the chairman of the board. The chairman may convene an interim meeting based on a proposal made by more than one third of the total number of directors. Minutes of the meetings shall be placed on file.

### **Chapter 10 Business Management Office**

#### Article 30

The joint venture company shall establish a management office which shall be responsible for its daily management. The management office shall have a general manager, appointed by Party

\_\_\_\_\_, \_\_\_\_\_ deputy general managers, \_\_\_\_\_ by Party \_\_\_\_\_; \_\_\_\_\_ by Party \_\_\_\_\_. The general manager and deputy general managers whose terms of office is \_\_\_\_\_ years shall be appointed by the board of directors.

#### Article 31

The responsibility of the general manager is to carry out the decisions of the board and organize and conduct the daily management of the joint venture company. The deputy general managers shall assist the general manager in his work. Several department managers may be appointed by the management office, they shall be responsible for the work in various departments respectively, handle the matters handed over by the general manager and deputy general managers and shall be responsible to them.

#### Article 32

In case of graft or serious dereliction of duty on the part of the general manager and deputy general managers, the board of directors shall have the power to dismiss them at any time.

### **Chapter 11 Purchase of Equipment**

#### Article 33

In its purchase of required raw materials, fuel, parts, means of transportation and articles for office use, etc., the joint venture company shall give first priority to purchase in China where conditions are the same.

#### Article 34

In case the joint venture company entrusts Party B to purchase equipment on the overseas market, persons appointed by the Party A shall be invited to take part in the purchasing.

### Chapter 12 Preparation and Construction

#### Article 35

During the period of preparation and construction, a preparation and construction office shall be set up under the board of directors. The preparation and construction office shall consist of \_\_\_\_\_ persons, among which \_\_\_\_\_ persons will be from Party A, \_\_\_\_\_ persons from Party B. The preparation and construction office shall have one manager recommended by Party \_\_\_\_\_, and one deputy manager by Party \_\_\_\_\_. The manager and deputy manager shall be appointed by the board of directors.

#### Article 36

The preparation and construction office is responsible for the following concrete works: examining the designs of the project, signing the project construction contract, organizing the purchase and inspection of related equipment, materials, etc., working out the general schedule of project construction, compiling the expenditure plans, controlling project financial payments and final accounts of the project, drawing up managerial methods and keeping and filing documents, drawings, files and materials, etc., during the construction period of the project.

#### Article 37

A technical group with several technical personnel appointed by Party A and Party B shall be organized. The group, under the leadership of the preparation and construction office, is in charge of the examination, supervision, inspection, testing, checking and accepting, and performance checking of the project design, the quality of the project, the equipment and materials and the imported technology.

#### Article 38

After approval by both parties, the establishment, remuneration and the expenses of the staff of the

preparation and construction office shall be covered in the project budget. Article 39 After having completed the project and finished the turning over procedures, the preparation and construction office shall be dissolved upon the approval of the board of directors.

### **Chapter 13 Labor Management**

#### Article 40

Labor contract covering the recruitment, employment, dismissal and resignation, wages, labor insurance, welfare, rewards, penalties and other matters concerning the staff and workers of the joint venture company shall be drawn up between the joint venture company and the trade union of the joint venture company as a whole, or the individual employees in the joint venture company as a whole or individual employees in accordance with the Regulations of the People's Republic of China on Labor Management in Joint Ventures Using Chinese and Foreign Investment and its Implementing Rules. The labor contracts shall, after being signed, be filed with the local labor management department.

#### Article 41

The appointment of high-ranking administrative personnel recommended by both parties, their salaries, social insurance, welfare and the standard of travelling expenses etc. shall be decided by the meeting of the board of directors.

### **Chapter 14 Taxes, Finance and Audit**

#### Article 42

The joint venture company shall pay taxes in accordance with the provisions of Chinese laws and other relative regulations.

#### Article 43

Staff members and workers of the joint venture company shall pay individual income tax according to the Individual Income Tax Law of the People's Republic of China.

#### Article 44

Allocations for reserve funds, expansion funds of the joint venture company and welfare funds and bonuses for staff and workers shall be set aside in accordance with the provisions of the Joint Venture Law. The annual proportion of allocations shall be decided by the board of directors according to the business situation of the joint venture company.

#### Article 45

The fiscal year of the joint venture company shall be from January 1 to December 31. All vouchers, receipts, statistic statements and reports shall be written in Chinese.

(Note: A foreign language can be used concurrently with mutual consent).

#### Article 46

Financial checking and examination of the joint venture company shall be conducted by an auditor registered in China and reports shall be submitted to the board of directors and the general manager. In case Party B considers it necessary to employ a foreign auditor registered in another country to undertake annual financial checking and examination, Party A shall give its consent. All the expenses thereof shall be borne by Party B.

#### Article 47

In the first three months of each fiscal year, the manager shall prepare the previous year's balance sheet, profit and loss statement and proposal regarding the disposal of profits, and submit them to the board of directors for examination and approval.

### **Chapter 15 Duration of the Joint Venture**

#### Article 48

The duration of the joint venture company is \_\_\_\_\_ years. The establishment date of the joint venture company shall be the date on which the business license of the joint venture company is issued. An application for the extension of the duration, proposed by one party and unanimously approved by the board of directors, shall be submitted to the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority entrusted by it) six months prior to the expiry date of the joint venture.

### **Chapter 16 The Disposal of Assets after the Expiration of the Duration**

#### Article 49

Upon the expiration of the duration, or termination before the date of expiration of the joint venture, liquidation shall be carried out according to the relevant laws. The liquidated assets shall be distributed in accordance with the proportion of investment contributed by Party A and Party B.

### **Chapter 17 Insurance**

#### Article 50

Insurance policies of the joint venture company on various kinds of risks shall be underwritten with the People's Republic of China. Types, value and duration of insurance shall be decided by the board of directors in accordance with the provisions of the People's Insurance Company of China.

### **Chapter 18 Amendment, Alteration and Termination of the Contract**

#### Article 51

The amendment of the contract or other appendices shall come into force only after a written agreement has been signed by Party A and Party B and approved by the original examination and approval authority.

#### Article 52

In case of inability to fulfil the contract or to continue operation due to heavy losses in successive years as a result of force majeure, the duration of the joint venture and the contract shall be terminated before the time of expiration after being unanimously agreed upon by the board of directors and approved by the original examination and approval authority.

#### Article 53

Should the joint venture company be unable to continue its operation or achieve its business purpose due to the fact that one of the contracting parties fails to fulfil the obligations prescribed by the contract and articles of association, or seriously violates the provisions of the contract and articles of association, that party shall be deemed to have unilaterally terminated the contract. The other party shall have the right to terminate the contract in accordance with the provisions of the contract after approval by the original examination and approval authority, and to claim damages. In case Party A and Party B of the joint venture company agree to continue the operation, the party who fails to fulfil its obligations shall be liable for the economic losses caused thereby to the joint venture company.

### **Chapter 19 Liability for Breach of Contract**

#### Article 54

should either Party A or Party B fail to pay on schedule the contributions in accordance with the provisions defined in Chapter 5 of this contract, the party in breach shall pay to the other party \_\_\_\_\_% of the contribution starting from the first month after exceeding the time limit. Should the party in breach fail to pay after 3 months, \_\_\_\_\_% of the contribution shall be



paid to the other party, who shall have the right to terminate the contract and to claim damages from the party in breach in accordance with the provisions of Article 53 of the contract.

#### Article 55

Should all or part of the contract and its appendices be unable to be fulfilled owing to the fault of one party, the party in breach shall bear the liability therefor. Should it be the fault of both parties, they shall bear their respective liabilities according to the actual situation.

#### Article 56

In order to guarantee the performance of the contract and its appendices, both Party A and Party B shall provide each other with bank guarantees for performance of the contract.

#### Chapter 20 Force Majeure

##### Article 57

Should either of the parties to the contract be prevented from executing the contract by force majeure, such as earthquake, typhoon, flood, fire, war or other unforeseen events, and their occurrence and consequences are unpreventable and unavoidable, the prevented party shall notify the other party by telegram without any delay, and within 15 days thereafter provide detailed information of the events and a valid document for evidence issued by the relevant public notary organization explaining the reason of its inability to execute or delay the execution of all or part of the contract. Both parties shall, through consultations, decide whether to terminate the contract or to exempt part of the obligations for implementation of the contract or whether to delay the execution of the contract according to the effects of the events on the performance of the contract.

#### Chapter 21 Applicable Law

##### Article 58

The formation, validity, interpretation, execution and settlement of disputes in respect of, this contract shall be governed by the relevant laws of the People's Republic of China.

#### Chapter 22 Settlement of Disputes

##### Article 59

Any disputes arising from the execution of, or in connection with, the contract shall be settled through friendly consultations between both parties. In case no settlement can be reached through consultations, the disputes shall be submitted to the Foreign Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade for arbitration in accordance with its rules of procedure. The arbitral award is final and binding upon both parties. Or Any disputes arising from the execution of, or in connection with the contract shall be settled through friendly consultations between both parties. In case no settlement can be reached through consultations, the disputes shall be submitted to \_\_\_\_\_ Arbitration Organization in \_\_\_\_\_ for arbitration in accordance with its rules of procedure. The arbitral award is final and binding upon both parties. Or Any disputes arising from the execution of, or in connection with the contract shall be settled through friendly consultations between both parties. In case no settlement can be reached through consultations, the disputes shall be submitted for arbitration. Arbitration shall take place in the defendant's country. If in China, arbitration shall be conducted by the Foreign Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in accordance with its rules of procedure. If in \_\_\_\_\_, the arbitration shall be conducted by \_\_\_\_\_ in accordance with its rules of procedure. The arbitral award is final and binding upon both parties. (Note: When formulating contracts, only one of the above-mentioned provisions can be used).

Article 60

During the arbitration, the contract shall be observed and enforced by both parties except for the matters in dispute.

Chapter 23 Language

Article 61

The contract shall be written in Chinese and in \_\_\_\_\_. Both language versions are equally authentic. In the event of any discrepancy between the two aforementioned versions, the Chinese version shall prevail.

Chapter 24 Effectiveness of the Contract and Miscellaneous

Article 62

The appendices drawn up in accordance with the principles of this contract are integral parts of this contract, including: the project agreement, the technology transfer agreement, the sales agreement etc.

Article 63

The contract and its appendices shall come into force commencing from the date of approval of the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (or its entrusted examination and approval authority).

Article 64

Should notices in connection with any party's rights and obligations be sent by either Party A or Party B by telegram or telex, etc., the written letter notices shall be also required afterwards. The legal addresses of Party A and Party B listed in this contract shall be the posting addresses.

Article 65

The contract is signed in \_\_\_\_\_, China by the authorized representatives of both parties on \_\_\_\_\_, \_\_\_\_\_.

**For Party A**  
**(Chop or Signature)**

**For Party B**  
**(Chop or Signature)**