

# **Provisional Regulations of the State Administration for Industry and Commerce on the Ratio between the Registered Capital and Total Investment of Sino-foreign Joint Equity Enterprises**

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## **Provisional Regulations of the State Administration for Industry and Commerce on the Ratio between the Registered Capital and Total Investment of Sino-foreign Joint Equity Enterprises**

[Note: The phrase "Joint Equity Enterprises" in this paragraph is also known and bears the same meaning as "Equity Joint Ventures".]

Promulgated 1 March 1987 by the State Administration for Industry and Commerce.

Article 1. These Regulations were formulated in accordance with the Law of the People's Republic of China on Sino-foreign Joint Equity Ventures and its implementing Regulations to clearly define the ratio between a Sino-foreign joint equity enterprise's registered capital and its total investment.

Article 2. The registered capital of a Sino-foreign joint equity enterprise shall be appropriate for the scale and scope of its production and operations. The various parties to a joint venture will enjoy a distribution of profits and bear risks and losses in proportion to their respective contributions to the registered capital.

Article 3. The ratio between a Sino-foreign joint equity enterprise's registered capital and its total investment shall comply with the following provisions:

(1) Where the total investment of a Sino-foreign joint equity enterprise is \$US3 million or less, its registered capital shall be at least 70 per cent of its total investment.

(2) Where the total investment of a Sino-foreign joint equity enterprise is between \$US3 million and \$US10 million (\$US10 million inclusive), its registered capital shall be at least half of its total investment. Where the total investment of such an enterprise is less than \$US4.2 million, its registered capital may not be less than \$US2.1 million.

(3) Where the total investment of a Sino-foreign joint equity enterprise is between \$US10 million and \$US30 million (\$US30 million inclusive), its registered capital shall be at least 40 per cent of its total investment. Where the total investment of such an enterprise is less than \$US12.5 million, its registered capital may not be less than \$US5 million.

(4) Where the total investment of a Sino-foreign joint equity enterprise exceeds \$US30 million, its registered capital shall be at least one-third of its total investment. Where the total

investment of such an enterprise is less than \$US36 million, its total investment may not be less than \$US12 million.

Article 4. Should a Sino-foreign joint equity enterprise be unable to implement the above provisions due to special circumstances, the joint approval of the Ministry of Foreign Economic Relations and Trade and the State Administration for Industry and Commerce is required.

Article 5. Should a Sino-foreign joint equity enterprise increase its investment, the ratio between the amount added to its registered capital and the amount by which its total investment is increased shall be determined in accordance with these Regulations.

Article 6. The ratio between the registered capital and the total investment of a Sino-foreign co-operative enterprise or an enterprise with sole foreign investment will be determined with reference to these Regulations.

Article 7. These Regulations apply when determining the ratio between the registered capital and the total investment of enterprises invested in and operated by Hong Kong, Macao or Taiwanese companies, enterprises, other economic entities or individuals.

Article 8. These Regulations will be effective from the date of promulgation.

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