

REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON EQUITY JOINT VENTURE

Adopted by Decision No. 19 of the Cabinet on March 11, 2000

Chapter 1. General

Article 1. These regulations are formulated to provide for system and discipline in joint venture businesses subject to the Law of the DPRK on Equity Joint Venture, and to expand and develop economic and technical cooperation and exchange between the DPRK and other countries.

Article 2. Institutions, enterprises or entities of the DPRK (hereinafter called the investor of the DPRK) can establish an equity joint venture with corporate bodies and individuals of other countries and Korean compatriots resident outside the territory of the DPRK (hereinafter called the foreign investor).

Equity joint ventures shall be established mainly in Rason economic and trade zone (hereinafter called the Zone).

If necessary, they may be established in other parts of the DPRK territory outside the Zone.

Article 3. An equity joint venture is one that is jointly incorporated and operated with joint investment by, and whose profit is distributed proportionate to the share of contributions between the investor of the DPRK and the foreign investor.

An equity joint venture shall have the ownership of the assets contributed by its parties, be independent in business and be liable to corporate debts within the limit of assets under its ownership.

Article 4. The assets of equity joint ventures shall not be nationalized or expropriated by the State. Legal rights and interests of equity joint ventures and the parties shall be protected by the State.

The assets and employees of equity joint ventures shall not be used for other purposes except in unavoidable circumstances.

Equity joint ventures and parties are obliged to respect and strictly observe the laws and regulations of the DPRK.

Article 5. Equity joint ventures shall be placed under the unified guidance and control of the Ministry of Foreign Trade (hereinafter called the central trade guidance organ).

Article 6. All documents of equity joint ventures shall be made in Korean.

Where the documents are made in a foreign language as may be agreed between the parties, the Korean version shall be attached thereto.

Article 7. Within the territory of the DPRK all equity joint ventures shall be established and operated in compliance with these regulations.

Provisions not specified in these regulations shall be subject to the

relevant laws and regulations of the DPRK.

Chapter 2. Establishment of an Equity Joint Venture

Article 8. Equity joint ventures may be effected in the fields of science, technology, electronics, and automation, machine-building, metal, mining, power, building-materials, pharmaceutical, chemical industries, construction, transport, finance, and others.

Article 9. The State shall encourage equity joint ventures conducive to the introduction of high technology and other state-of-the-art technologies, manufacturing of products with high international competitiveness, scientific research and technological development, exploitation of underground natural resources and infrastructure construction.

Article 10. Equity joint ventures in priority projects, those with overseas Korean compatriots with the citizenship of the DPRK, or those established in a special economic zone like the Zone, may be accorded preferential treatments, such as reduction of or exemption from tax and favourable conditions for land use, pursuant to appropriate laws and regulations of the DPRK.

Article 11. Establishment of equity joint ventures in the fields specified otherwise by the State and those detrimental to national security or to public interests shall be prohibited.

Article 12. Equity joint ventures that fail to meet environmental criteria, those whose equipment and production process are outdated from the economic and technical point of view, those that export unprocessed natural resources of the DPRK, and those with low economic efficiency shall be restricted.

Article 13. In order to establish an equity joint venture, the investor of the DPRK shall prepare a draft equity joint venture contract, memorandum of association and feasibility study report with the foreign investor.

Article 14. The equity joint venture contract shall include:

- 1) Title of the company and its domicile,
- 2) Names of the contracting parties and their addresses,
- 3) Purpose of the establishment of equity joint venture, categories of business, and its duration,
- 4) Total amount of investment, registered capital, shares and amount of contributions and transfer of the shares of contribution,
- 5) Rights and duties of the contracting parties,
- 6) Operational management structure and labour management,
- 7) Transfer of technology,
- 8) Creation and use of funds, settlement of accounts and distribution of profits,
- 9) Liability to and relief from defaults and settlement of disputes,
- 10) Amendment, supplement or cancellation of contract and insurance

governing laws,

- 11) Dissolution and liquidation,
- 12) Validity of the contract, and
- 13) Other necessary provisions.

Article 15. The memorandum of association shall include:

- 1) Title of the company and its domicile,
- 2) Names of the parties to the joint venture and their addresses,
- 3) Purpose of the establishment of the equity joint venture, categories of business, scope and scale of operation, and its duration,
- 4) Total amount of investment, stages and periods of investment, registered capital, shares of contribution, list of contribution, period of calls, and transfer of contribution,
- 5) Formation of the board of directors and its obligations, procedure of the board of directors, ways of notification, and representative of the highest decision-making body of the company,
- 6) Management structure, staff and their mandates, head of the company and number of employees (including foreign nationals),
- 7) Planning and production activities (business included), marketing of products, and purchase of equipment, raw and other materials,
- 8) Conditions for the activities of the trade union,
- 9) Bookkeeping and labour management,
- 10) Settlement of accounts and distribution, creation and use of funds,
- 11) Dissolution and liquidation,
- 12) Amendment and supplement of memorandum, and
- 13) Other necessary provisions.

Article 16. The feasibility study report shall include the details of investment, information concerning construction, production and disposal of products, amount of labour, raw and other materials, finance and power and water required and the ways of their provision and data on phased profitability, technical analysis, environmental protection, labour safety and hygiene and other necessary details.

Article 17. The investor of the DPRK shall send detailed documents about the application for the incorporation of the equity joint venture to the relevant authorities for their agreement.

Agreement shall be made:

- 1) With the State planning institution over such issues as the total amount of investment, list of property in kind to be invested, provision of labour, raw and other materials, power and water, production and marketing of products, data on phased profitability,
- 2) With the central financial institution over such issues as the total amount of investment, amount of contribution both in kind and in cash, source of funds, data on phased profitability,
- 3) With the central science institution over such issues as technical

analysis of investment in kind and technical investment and information concerning the transfer of technology,

4) With other relevant institution over necessary details.

Article 18. The relevant institutions shall review and send back the document for agreement to the applicant within 15 days from its receipt together with their recommendations.

The central trade guidance organ may receive the said agreement directly from the relevant institutions.

Article 19. The review and approval of the incorporation of the equity joint venture shall be made by the central trade guidance organ.

Article 20. The investor of the DPRK shall, upon the conclusion of the joint venture contract with the foreign investor, file to the central trade guidance organ an application for the incorporation of the equity joint venture.

In case institutions and enterprises outside the Zone intend to establish an equity joint venture in the Zone, they shall first have the advice of the Rason City People's Committee (hereinafter called the Zone Administration) and then file their application for the incorporation of the equity joint venture to the central trade guidance organ.

Article 21. The application shall include the following:

- 1) Title of company and its domicile,
- 2) Names and addresses of the parties,
- 3) Purpose of incorporation of equity joint venture and its profitability,
- 4) Total amount of investment, phases and periods of investment, registered capital, shares and amount of contributions and period of calls,
- 5) Date of contract, duration and planned inaugural date,
- 6) Categories of business and scope of operation,
- 7) Bank for opening an account,
- 8) Capacity of production and proportion of export of products,
- 9) Site area and location,
- 10) Estimated annual profit and its distribution,
- 11) Requisite number of management staff and employees (foreign nationals included), and
- 12) Other necessary details.

The equity joint venture contract, the memorandum of association, the feasibility study report, agreements with the relevant institutions and the credit reference issued by the bank with which the parties to joint venture keep accounts shall be appended to the application.

Article 22. The Zone Administration shall review the application for the incorporation of equity joint venture from the investor of the DPRK in the Zone and submit it to the central trade guidance organ with its recommendations within 10 days of its receipt.

Article 23. The central trade guidance organ shall, within 50 days from the receipt of the application for the incorporation of the equity joint venture, review and decide whether to approve or reject it and issue to the applicant the

letter of approval of the incorporation of the company, or the letter of regret.

The said letter of approval shall specify the name of the company and its domicile, the names of the parties to joint venture, the total amount of investment and registered capital, the share and amount of contribution by each of the parties, the period of calls, the duration, the planned inaugural date, categories of business, scope of operation, bank for opening an account, the number of management staff and employees (foreign nationals included) and other necessary details; and the letter of regret shall specify the reason for rejection and recommendations.

Article 24. Upon the approval of the establishment of the equity joint venture, parties to the joint venture shall have the official seal of the company engraved and register its name as stipulated in the approved document of its establishment and open its account in the corresponding bank, pursuant to the relevant laws and regulations.

Article 25. The equity joint venture shall, within 30 days from the receipt of the letter of approval of the incorporation of the company, register the company with the provincial people's committee (with the Zone Administration in the Zone) and have its certificate of business registration issued.

The date of the company's registration shall be its foundation day and it shall become a corporate body of the DPRK on this date.

Article 26. The equity joint venture shall, within 20 days from the date of its registration, register itself with the relevant taxation institution for tax purposes.

Upon the registration, the taxation institution shall issue the certificate of tax registration.

Article 27. The equity joint venture shall, within 20 days from the date of its registration, register with the relevant customs office for customs purposes.

Article 28. The equity joint venture may open branches, representative offices or agencies (hereinafter called the branch) in the territory of the DPRK or in other countries.

An application to this purpose shall be tendered to the central trade guidance organ for its review and approval.

The application shall specify the reason for the opening of the branch, details of its activities, its structure and location, and be accompanied by a copy of the letter of approval of the incorporation of the company.

Chapter 3. Contribution

Article 29. Parties to the equity joint venture shall make contributions according to the joint venture contract approved by the central trade guidance organ.

Article 30. Contribution may be made in cash, in kind, with property

rights or with technical know-how and the like.

Property rights include industrial property right, copyright, the right of use of land and so on.

Article 31. Property in kind contributed by the foreign investor shall be his own possession and the one which is essential and indispensable to the production of the joint venture and which is not available within the territory of the DPRK or, though available, is short of supply in terms of quality and quantity.

Article 32. Industrial property, technical know-how (hereinafter two of these called technology) and copyright shall not be contributed unless they meet one or more of the following requirements:

- 1) Production of new products or export goods,
- 2) Improvement of quality and productivity of products,
- 3) Sizable economy of raw materials, labour and energy, or utilization to the full of natural resources of the DPRK.
- 4) Labour safety and environmental protection, and
- 5) Improvement of economic arrangement and management.

Article 33. In case of contribution in kind, a description of property shall be made available containing the name, dimension, unit, quantity, usage, unit price, name of the manufacturer, name of the exporter-country and other necessary details, as well as a bill, a quality pass and so on.

Article 34. In case of contribution of immovable property, there shall be made available a statement containing the space, usage, price, period of validity of the title, as well as the drawing, technical specifications, calculation of the assessed price and the relevant certificate of ownership or the right of use.

Article 35. In case of contribution in the form of technology or copyright, there shall be made available a statement specifying the title, name of the owner, practical value, period of validity (except for technical know-how) as well as technical data such as technical references, blueprints, operation manuals, basis of calculation of the assessed price and so on.

The value of technology and copyright shall not, in principle, exceed 20per cent of the total amount of contribution.

Article 36. Contribution shall be deemed to have been duly made in the following cases:

- 1) Money has been transferred to the account of the joint venture in the bank,
- 2) The ownership or the right of use of immovable property has been registered with the registrar of estate after completing the procedures to transfer its ownership or the right to use it to the company,
- 3) Property in kind other than immovable has been moved to the premise of the joint venture after completing the procedures to transfer its ownership or the right to use it, or
- 4) The relevant instrument of property right has been transferred to the

joint venture through due procedures.

Article 37. Property in kind, property right and technical know-how contributed shall be priced by the parties to the joint venture through consultation based upon the international market price concerned.

The price of the property contributed shall be expressed in Korean *won*.

In case of contribution in foreign currency, it shall be expressed in Korean *won* at the exchange rate quoted by the Foreign Trade Bank of the DPRK on the day of transfer.

Article 38. Where the property contributed is priced less than the amount of obligatory contribution provided for in the equity joint-venture contract or the memorandum of association at the time of contribution, the contributor in question shall be obliged to fill the gap through an additional contribution.

Article 39. Parties to the joint venture shall make their contributions within the period specified in the approved document of the incorporation of the equity joint venture.

Article 40. Where, for an unavoidable reason, a party to the equity joint venture intends to extend the specified period of contribution, he shall, one month before the end of the specified period, submit to the central trade guidance organ an application for the extension of the period of contribution to obtain permission.

The application shall include the name and address of the applicant, amount of contribution, extended period and the reason for extension.

The period of contribution may be extended on several occasions, but not for longer than 12 months in all.

Article 41. If a party to the joint venture fails to make contribution within the prescribed period of time without any proper reason, the central trade guidance organ may cancel its approval of the incorporation of the company. In this case, the central trade guidance organ shall notify business registration institution, taxation and other relevant institution of its cancellation.

Article 42. If a party to joint venture inflicts a loss to the other party through failure to contribute within the prescribed period of time, the former shall compensate the latter for it.

Article 43. When contributions have been made to the full, the board of directors shall assess the state of contributions, and the evidence of contribution, confirmed by the relevant verification institution, shall be submitted to the central trade guidance organ.

The certificate of contribution shall then be issued to the contributor.

The certificate of contribution shall specify the name of contributor, share and amount of contribution, duration of the company, date of the registration of the company and reference number.

Article 44. A party to joint venture may transfer (sell or donate), or transmit to a third party, part or the whole of his share.

In this case, he shall obtain the consent of the other party and get the

approval of the central trade guidance organ, subject to the decision of the board of directors.

In case of sale, the other party to the joint venture shall have a prior lien on the said part of share on terms no less favourable than those offered to others.

Article 45. The total amount of investment is the sum total of capital necessary for the incorporation and operation of the equity joint venture.

The registered capital of an equity joint venture, which is the capital of the company registered with the central trade guidance organ, shall be the whole amount of contributions made by the parties to the equity joint venture. The ratio of registered capital to the total amount of investment shall be as follows:

1) More than 70 per cent of the total amount of investment of up to 225,000,000 *won*,

2) More than 65 per cent of the total amount of investment from 225,000,001 *won* to 450,000,000 *won*,

3) More than 45 per cent of the total amount of investment from 450,000,001 *won* to 1,500,000,000 *won*,

4) More than 35 per cent of the total amount of investment from 1,500,000,001 *won* to 4,500,000,000 *won*, and

5) More than 30 per cent of the total amount of investment of over 4,500,000,001 *won*.

The ratio of the registered capital to the total amount of investment may vary, subject to the approval of the central trade guidance organ.

The difference between the total amount of investment and registered capital may be covered with loan.

Article 46. The amount of registered capital may be increased, but not reduced.

In case of increase of registered capital, the consent of the central trade guidance organ shall be obtained by submitting an application for the increase of registered capital after the decision of the board of directors.

Upon the increase of registered capital, the equity joint venture shall have the change of registered capital registered with the relevant body.

Chapter 4. Management Body

Article 47. An equity joint venture shall have a board of directors. The board of directors is the highest decision-making body of the equity joint venture.

The board of directors shall have one chairman and one or two vice-chairmen.

The number of vice-chairmen and directors shall be specified in the memorandum of association.

Article 48. The chairman and vice-chairmen shall be elected at a

meeting of the board of directors and their term shall be in principle 3 years.

If necessary, the term may be determined otherwise through agreement between the parties.

The chairman is the legal representative of the highest decision-making body of equity joint venture.

The vice-chairmen shall assist the chairman in his work and act for him if the chairmanship is vacant.

Article 49. The board of directors shall convene regular meetings and special meetings.

Regular meetings may be convened more than once a year and special meetings may be held at times of need.

Special meetings may be held upon the request of more than one third of the directors.

Article 50. The board of directors shall notify the directors in writing of the date, place and agenda of a meeting, either 30 days prior to a regular meeting or 15 days prior to a special meeting.

Article 51. The quorum for a meeting of the board of directors is more than two thirds of the total number of the directors.

The board of directors shall discuss and decide on such important matters as amendment of and supplement to the memorandum of association, corporate strategy of the company, plan of business activities, settlement of accounts and distribution, appointment and dismissal of the managing director and his deputy of the company, the auditor and the chief accountant, increase of registered capital, transfer of share of contribution, change of categories of business, extension of the period of operation, dissolution, and formation of the liquidation committee.

Article 52. The decision of the board of directors on the amendments and supplements of the memorandum, transfer of share of contribution, changes in categories of business and registered capital, extension of period of operation, or dissolution shall be adopted by the affirmative vote of all directors present at the meeting, and the decision on the other issues by the affirmative majority vote.

Article 53. A director may vote by proxy.

In case of voting by proxy, the chairman shall be informed of this, and the proxy shall bear a letter of attorney clarifying his range of power.

Article 54. The board of directors shall vote by show of hands, secret ballot or in writing.

Article 55. Minutes of the meeting of the board of directors shall be signed by the chairman, vice-chairmen and directors and kept for 5 years after the dissolution of the business.

Article 56. An equity joint venture shall have a management body. The body shall consist of a managing director and his deputy, accountants and other necessary staff.

A large company may have a consultative body consisting of the

managing director, his deputy, the chief accountant and other necessary staff. The managing director, his deputy and the chief accountant of the company may come from the parties to the joint venture.

Article 57. The extent of representation of the managing director of the company shall be decided by the board of directors.

The managing director shall manage the company in accordance with the memorandum of association and decisions of the board of directors and shall be accountable to the board of directors for the business activities of the company.

The managing director of the company may be a person who is not a member of the board of directors.

Article 58. A member of the management body of an equity joint venture shall not hold any other posts in other institutions and enterprises. If necessary, a member of other institution or enterprise may be a member of the management body of an equity joint venture subject to the approval of the central trade guidance organ.

Article 59. If a member of the management body inflicts loss or damage upon his company by his own fault, he shall be liable to compensate for such loss or damage.

Article 60. A small equity joint venture may have an auditor and a large equity joint venture may have an auditors' commission composed of auditors.

The number of auditors shall be decided by the board of directors.

Article 61. An auditor shall have a term of two years.

He may be re-appointed, but shall not hold another post in the company. An auditor shall be responsible for his work before the board of directors.

Article 62. The auditors' commission, or an individual auditor, shall be empowered to inspect on a routine basis the day-to-day business activities of the company, audit books of account and other financial statements that are to be presented to the board of directors, and file a report to the board of directors.

The auditor may speak at the meetings of the board of directors, and shall be liable to compensate for loss or damage he may have inflicted upon the company through negligence on his part.

Chapter 5. Business Licence

Article 63. An equity joint venture shall obtain a business licence in order to undertake business activities.

Article 64. Business licence shall be issued by the central trade guidance organ or the Zone Administration (hereinafter called the business licensor).

Article 65. Business licence shall be obtained not later than the date of inauguration specified in the letter of approval of incorporation of the company.

In case the equity joint venture is not able to be inaugurated within the prescribed period of time for unavoidable reasons, an application shall be tendered to the central trade guidance organ for the extension of the inaugural date of the company.

Article 66. The following conditions shall be satisfied in order for a business licence to be issued:

1) In case a building is newly built or expanded, it must pass the completion inspection,

2) In case the company is a manufacturer, it must produce specimen goods after the dry-run test,

3) In case the company is in the service sector, it must be ready for operation by purchasing all necessary equipment, facilities and other goods,

4) All the investments should be made as specified in the letter of approval of incorporation of the company, and

5) Other necessary arrangements must be done to run the business.

Article 67. An equity joint venture shall, upon completion of arrangements to start operation, send written requests for inspection or confirmation to the relevant institutions such as the project completion inspection institution and the institution for the confirmation of the safety of production process and facilities.

Article 68. An institution which has been so requested shall inspect or confirm the subjects of the request within the specified time limit, and if any defect is found, have it corrected and then issue relevant certificates of inspection or confirmation.

Article 69. An equity joint venture wishing to obtain a business licence shall submit an application for that purpose to the business licensor.

The said application shall specify the name and domicile of the company, expected date of inauguration, total amount of investment, registered capital, investment actually made, categories of business and so on, and shall be accompanied by documents issued by relevant institutions, such as certificate of investment, certificate of completion inspection and certificate of the production

process and facilities safety confirmation, evaluation of environmental effect, certificate of company's registration, specimen products, and other documents.

Article 70. The business licensor shall, within 15 days from the receipt of the application, make all necessary confirmations and issue the business licence or reject it.

Upon receiving the business license, the equity joint venture shall inform it to the taxation institution for tax purposes.

The date of issue of the business licence shall be the date of inauguration of the equity joint venture.

Chapter 6. Operation

Article 71. An equity joint venture shall conduct business activities within the limits of the categories of business permitted. In case it wishes to expand or change the categories of business, the company shall submit an application to the central trade guidance organ.

The application shall specify the name and domicile of the company, contents of and reasons for the change, and shall be accompanied by a feasibility study report and the decision of the board of directors.

Article 72. The central trade guidance organ shall, within 30 days of the receipt of the application, examine the application and send the letter of approval or the letter of regret to the applicant and other relevant institutions.

Article 73. An equity joint venture shall, within 5 days after the receipt of the notice approving the change of the categories of business, have a new business licence issued.

Article 74. An equity joint venture shall register the plan, which has been discussed and agreed by the board of directors, with the central trade guidance organ (or the Zone Administration in the Zone) and implement it.

Article 75. An equity joint venture may purchase within the territory of the DPRK or import from other countries materials, technology and copyright necessary for its business activities and may sell within the territory of the DPRK or export its products, technology or copyright.

Article 76. When procuring labour, materials, technology, equipment, power or water within the territory of the DPRK or selling its products to the institutions and enterprises of the DPRK, an equity joint venture shall submit its plan of procurement or sale to the central trade guidance organ (or the Zone Administration in the Zone) and make its procurement or sale according to the procedures set by the central trade guidance organ (or the Zone Administration in the Zone).

Article 77. An equity joint venture may import materials necessary for investment, production and management, and export its products and technologies.

In this case, an application for import or export shall be submitted to the central trade guidance organ (or the Zone Administration in the Zone) for approval.

The application shall specify the description, quantity, unit price and total value, the border-crossing points and duration and the reason for such import or export.

Article 78. An equity joint venture wishing to import or export technologies and copyrights shall obtain approval from the relevant central authority (or the Zone Administration in the Zone). In this case, an application shall be submitted for approval of import or export of technologies.

The application shall state the title, content and price of such technologies, and the reason for their export or import.

Article 79. An equity joint venture may consign the export of its products or the import of necessary materials to a relevant trading company of the DPRK.

Article 80. An equity joint venture may make purchase of goods and materials necessary for its operation directly from a commercial institution of the DPRK.

Article 81. Prices of materials necessary for production, products, technologies or copyrights exported or imported by an equity joint venture (including technical service charges) shall be based on the then prevailing international market prices and be decided by the agreement between the parties to the equity joint venture.

Article 82. Customs duty shall be applied to the export and import of an equity joint venture in accordance with the laws and regulations of the DPRK concerning customs duty.

In case an equity joint venture imports materials for investment and materials needed for its operation and export its products to other countries, no customs duties shall be charged.

Article 83. Where an equity joint venture ships in any property in kind as a contribution, it shall have them inspected and certified by the foreign goods inspection institution (in case of technology and copyright, by the relevant institution).

The equity joint venture shall provide necessary conditions for inspection and certification of the property in kind, technology or copyright.

Article 84. The foreign goods inspection institution and other relevant institutions shall, upon the request for inspection and certification, inspect and certify the property in kind, technology or copyright and issue relevant documents.

Article 85. An equity joint venture may entrust the processing of raw and other materials and parts or components to institutions and enterprises of the DPRK. In this case, a contract of processing on consignment shall be concluded.

Article 86. An equity joint venture shall employ and utilize the necessary labour force in accordance with the laws and regulations of the DPRK on labour for foreign-invested business.

Article 87. An equity joint venture may employ foreign nationals as management staff, technicians or skilled workers for special jobs specified in the joint venture contract.

In this case, it shall submit an application for employment of foreign nationals to the central trade guidance organ and obtain approval therefrom.

The application for employment of foreign nationals shall specify such details as name, sex, date of birth, citizenship, nationality, curriculum vitae, reasons for and duration of employment, address, content and period of technical transfer, salary and provision of living conditions of the foreign nationals to be employed.

Article 88. An equity joint venture shall provide its employees in time with labour protection materials, such as labour protection tools, items necessary for work and nutritional foodstuffs.

It shall set by itself the standards for supply of labour protection materials for its employees, which shall not be lower than those specified in the laws and regulations of the DPRK concerning labour.

Article 89. An equity joint venture may undertake construction on its own account, or subcontract it to a construction company of the DPRK.

If necessary, it may subcontract it to a construction company of another country subject to the approval of the state construction supervision institution.

Article 90. The employees of an equity joint venture may form a trade union.

The trade union shall be engaged in the following activities:

1) Educate the employees to observe the labour regulations and faithfully carry out their economic tasks.

2) Undertake the dissemination of scientific knowledge and organize sports, arts and literary activities among the employees,

3) Protect the rights and interests of the employees, enter into a labour contract with the management on behalf of the employees, and supervise its implementation.

The labour contract shall provide for the duties of the employees, quantity and quality indices of production, working hours and rest time, remuneration for labour, insurance and welfare, labour protection, working conditions, labour discipline, reward and penalties, and conditions for resignation, etc., and

4) Participate in any discussion concerning the rights and interests of the employees to make suggestions and recommendations.

Article 91. An equity joint venture shall decide any matter related to the rights and interests of the employees in consultation with the trade union.

Article 92. An equity joint venture shall provide the trade union with necessary funds and conditions for its activities.

Article 93. An equity joint venture shall conduct its accounting according to the accounting regulations of the DPRK for foreign-invested enterprises.

Article 94. An equity joint venture shall keep financial and accounting documents such as the general ledger and journal books.

Article 95. An equity joint venture shall conduct its accounting in Korean *won*.

The accounting may be done in a foreign currency through an agreement between the parties concerned. In this case, it shall be estimated in Korean *won* and entered in the books of accounting. The conversion of the foreign currency into Korean *won* shall be done at the then rate of exchange set by the foreign trade bank of the DPRK.

Article 96. Books of accounts of an equity joint venture shall be

preserved for such periods of time as specified in the relevant laws and regulations of the DPRK.

Article 97. An equity joint venture shall, within 1 month of its acquisition of fixed assets, register them with the central trade guidance organ or the Zone Administration (hereinafter called the registrar of the fixed assets).

Article 98. An equity joint venture may scrap, transfer, or mortgage its registered fixed assets. In this case, the company shall send an application for agreement to the registrar of the fixed assets to this effect within 5 days after the issue has been discussed and decided by the board of directors.

The application shall state the necessary details such as reason for the disposal of the fixed assets and price of their disposal.

Article 99. The fund of fixed assets depreciation shall be set aside and be used for replacing or repairing the fixed assets. The fund may also be used as circulating fund. The fund of the fixed assets shall be covered within the next quarter as much as it was used as circulating fund.

Article 100. An equity joint venture shall make inventory of its fixed assets once a year or more.

The result of the inventory shall be reported to the registrar of the fixed assets.

The equity joint venture shall make inventories of the liquid assets every month or every quarter and, if an excess or shortage is found with the assets, take proper measures.

Article 101. An equity joint venture shall deposit and use foreign currency in compliance with the laws and regulations of the DPRK on foreign exchange control.

Article 102. An equity joint venture shall open its accounts of Korean *won* and foreign currency in a foreign exchange bank of the DPRK.

Article 103. An equity joint venture may be granted a loan needed for its business activities from a bank either within the territory of the DPRK or in any foreign country.

In case of loan from a bank in another country, the company shall send a notice to the foreign exchange control organ.

Article 104. An equity joint venture may open an account with a bank in a foreign country. In this case, the company shall submit to the foreign exchange control organ for approval a document stating the name of the bank, the reason for the opening of the account, and a copy of the certificate of approval of the incorporation of the company.

Article 105. An equity joint venture wishing to deposit its foreign currency in a bank in a foreign country shall obtain approval from the foreign exchange control organ.

Article 106. An equity joint venture (except those in the Zone) that has an account with a bank in a foreign country shall submit to the central trade guidance organ and the foreign exchange control organ the quarterly records of revenues and expenditures of foreign currency within 30 days after the end of

every quarter.

Article 107. An equity joint venture shall not be allowed to do transactions in foreign currency in cash with other institutions, enterprises or individuals of the DPRK in the territory of the DPRK.

Article 108. The Korean won invested in an equity joint venture as contribution or earned from the sale of its products to local institutions or enterprises in accordance with the procedures set by the central trade guidance organ may be used for the purchase of raw and other materials and for the payment of costs of labour and PR activities, charges, etc. within the territory of the DPRK.

Article 109. An equity joint venture (except those in the Zone) shall deposit separately the Korean *won* earned from processing by-products in its account in a bank and use it only for designated purposes.

Article 110. An equity joint venture shall insure itself with an insurer operating in the territory of the DPRK.

Chapter 7. Settlement of Accounts and Distribution

Article 111. An equity joint venture shall settle its accounts concerning its operation.

The financial year for an equity joint venture shall be from January 1 to December 31 of each calendar year.

For the year in which the company is established, the financial year shall be from the date of establishment to December 31 of the same year and for the year in which the company is dissolved, the financial year shall be from January 1 to the date of dissolution.

Article 112. An equity joint venture shall conduct its annual financial settlement to determine the annual settled profit by subtracting the cost, turnover taxes and other expenses from the total revenue.

Article 113. An equity joint venture shall create a reserve fund by saving 5per cent of the annual settled profit until the amount of the fund reaches 25per cent of the registered capital.

The reserve fund shall be used only for increasing the registered capital or making up for the loss incurred by the company.

Article 114. An equity joint venture shall create a fund for production expansion and technological development, bonus fund, welfare fund and training fund for its employees, and other necessary funds within the range of 10per cent of the net profit and use them at its discretion.

Article 115. An equity joint venture shall pay relevant taxes according to the laws and regulations of the DPRK on tax.

Article 116. An equity joint venture may use the reserve fund to make up the loss incurred in the preceding year.

In case the reserve fund is not enough for such a balance, the remainder of the loss may be covered with the profit remaining after the payment of

income tax from net profit in the next year, provided that such carry-forward not be done for more than 4 successive years.

Article 117. The quarterly and yearly financial statements of an equity joint venture shall be checked by an auditor.

Article 118. The documents of annual settlement shall be ratified by the board of directors.

Article 119. Profit distribution shall be conducted by dividing among the parties on the basis of their shares of contribution the remaining part of the income after the income tax has been paid and necessary funds have been deducted from the net profit.

Article 120. An equity joint venture shall submit to the central financial organ and the central trade guidance organ (the Zone Administration in the Zone) the quarterly financial statements within 15 days after the end of the quarter, and the yearly financial statements by February the next year.

The financial statements shall be accompanied by a written attestation from the certified public accountants office.

Article 121. The parties to an equity joint venture may reinvest their profits to their company.

Article 122. A foreign party to the equity joint venture may remit out of the territory of the DPRK without paying taxes its legal profits earned from the operation of the company, other income and the money distributed after the liquidation of the company.

If the foreign party wishes to remit foreign currency out of the territory of the DPRK, he shall submit an application for remittance to the relevant bank. In this case, the certificate of the central trade guidance organ shall be appended to the application.

Chapter 8. Duration and Dissolution

Article 123. Duration of an equity joint venture shall be decided as stipulated in the approved document of the company's establishment, and the duration shall be calculated from the date on which the company is registered.

Article 124. An equity joint venture may extend the duration upon agreement between the concerning parties. In this case, the board of directors shall discuss and decide the issue 6 months before the expiry of duration and submit an application for extension of duration to the central trade guidance organ and obtain approval therefrom.

The application shall state the name and domicile of the company as well as the period of and the reason for extension and shall be accompanied by a copy of the decision of the board of directors and the feasibility study report.

Article 125. The central foreign trade guidance body shall review the application and send a notice of either approval or disapproval to the applicant within 30 days of its receipt.

Article 126. Within 20 days of the receipt of the notice of approval for

extension of the period of operation, an equity joint venture shall submit an application for change of duration to the relevant registrar of business, the business licensor, the tax registration body and the customs office.

The application shall state the name and domicile of the company and the period of extension and so on, accompanied by a copy of the notice of approval of the extension.

Article 127. The business registrar, the business licensor and the taxation institution shall register the changes according to the application for change of duration and reissue the certificate of business registration, business license and the certificate of tax registration.

Article 128. An equity joint venture shall be dissolved in the following cases;

- 1) Duration expires,
- 2) Continued operation is deemed impossible due to defaults by the parties, or insolvency,
- 3) Continued operation is deemed impossible due to unavoidable reasons,
- 4) The board of directors decides the dissolution of the company,
- 5) A court declares the company bankrupt, and
- 6) The equity joint venture commits a serious violation of other relevant laws and regulations.

Article 129. In case of dissolution according to items 1- 4 of Article 128, an application for dissolution shall be submitted to the central trade guidance organ.

The application shall contain the reason for dissolution, accompanied by a certifying document.

Article 130. In case of dissolution due to defaults by a party, the party responsible for it shall compensate for the loss inflicted to the other party.

Article 131. The central trade guidance organ shall, within 10 days of the receipt of the application for dissolution, review it and send a notice of approval or disapproval to the applicant.

Article 132. An equity joint venture shall have the issue discussed by the board of directors and organize the liquidation committee within 15 days of the receipt of the notice of approval.

The liquidation committee shall include the managing director of the equity joint venture, a representative of the creditors, parties to the joint venture and other relevant persons.

Article 133. In case an equity joint venture fails to organize the liquidation committee within the designated time, the creditors may appeal to a court of the DPRK to ensure that the said committee be organized.

Article 134. In case the creditors require the formation of the liquidation committee or a court of the DPRK declares the company bankrupt, the court shall appoint a liquidator and organize the liquidation committee.

Article 135. The liquidation committee shall have the following duties

and powers:

- 1) To convene a meeting of creditors and elect a representative,
- 2) To take over and place under its custody the property and seal of the company,
- 3) To determine claims and debts and prepare the balance sheet and the list of property,
- 4) To reevaluate the property of the company and prepare a liquidation plan,
- 5) To inform relevant bank, the taxation institution and the business registrar of the dissolution of the company,
- 6) To take over and settle the transactions of the company that have not been settled,
- 7) To pay tax, clear all claims and debts, and dispose of the remaining property, and
- 8) To handle all other matters relating to liquidation.

Article 136. The liquidation committee shall, within 10 days of its organization, inform the creditors and debtors of the dissolution of the company.

Article 137. A creditor shall submit his claim to the liquidation committee within 30 days of the receipt of the dissolution notice.

The claim shall state the name of the creditor, the contents of and grounds for the claim and be accompanied by materials of evidence proving the claim.

Article 138. The liquidation committee shall register the claims in the order of their receipt and clear the liabilities in accordance with the liquidation plan. The liquidation plan shall be approved by the board of directors dissolving the company or the central trade guidance organ (or by a court in case of bankruptcy).

Article 139. The property of an equity joint venture to be liquidated shall be disposed of to meet the claims in the following order: cost of liquidation, taxes, wages for employees, and the debts of the company. The remaining property shall be distributed among the parties according to their shares of contribution.

Article 140. The liquidation committee (except for the liquidation committee organized by a court) shall appeal to relevant court to declare the company bankrupt in case the amount of property of the company is less than the amount of its debt.

If bankruptcy has been declared by a court, the liquidation committee shall hand over its liquidation work to the court.

Article 141. The liquidation committee shall submit the liquidation report to the central trade guidance organ (in case of bankruptcy, to the court) within 10 days after the end of liquidation.

Article 142. Upon completing liquidation, the liquidation committee shall surrender the certificate of business registration, the business licence, and

the certificate of tax registration to the relevant institutions, and submit to the bank an application for cancellation of the company's account.

Article 143. Members of the liquidation committee are accountable to the board of directors, to the central trade guidance organ or to the court, which have organized the liquidation committee, for the result of liquidation.

Article 144. The business registrar and other relevant institutions shall erase the registration of the dissolved company.

Chapter 9. Supervision and Settlement of Disputes

Article 145. Any one who has a complaint concerning an equity joint venture may lodge a petition.

The case shall be reviewed and settled within 30 days of its receipt.

Article 146. Any disagreement concerning an equity joint venture shall be settled through consultation.

A case that can not be settled through consultation shall be handed over to a court or an arbitration body of the DPRK for settlement.

If agreed by all parties, the case may be brought to an arbitration body of a third country for settlement.

Article 147. The central trade guidance organ (the Zone Administration in the Zone) shall supervise the observance of the laws and regulations concerning joint ventures on a regular basis. The taxation institution may, if necessary, inspect the financial statements of an equity joint venture.

Article 148. If these regulations are violated, such sanctions as discontinuation of business, confiscation and fining shall be imposed according to the degree of violation, and the criminal law may be invoked in case of a severe breach.