

# REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON CONTRACTUAL JOINT VENTURE

*Adopted by Decision No.18 of the Cabinet on March 11, 2000*

## Chapter 1. General

**Article 1.** These regulations are formulated for correct implementation of the Law of the DPRK on Contractual Joint Venture.

**Article 2.** Institutions, enterprises or entities of the DPRK (hereinafter called the investor of the DPRK) are allowed to operate contractual joint ventures with corporate bodies and individuals of foreign countries and overseas Korean compatriots (hereinafter called the foreign investor).

A contractual joint venture shall, in principle, be incorporated in the Rason economic and trade zone (hereinafter called the Zone).

If necessary, it may be incorporated in the territory of the DPRK outside the Zone.

**Article 3.** A contractual joint venture is a form of business whereby the investor of the DPRK and the foreign investor jointly invest in and incorporate the company, and the investor of the DPRK is responsible for production and management, and the share of contribution by the foreign investor is repaid or the profit is distributed according to the terms of contract.

**Article 4.** A contractual joint venture shall, in principle, be operated in the sectors that produce export goods and goods made by using advanced technology.

**Article 5.** A contractual joint venture shall be encouraged to be set up in such fields as those that introduce state-of-the-art technologies including high technology, produce internationally competitive goods, scientific research and technological development, exploitation of underground natural resources and infrastructure construction.

**Article 6.** Contractual joint ventures in priority projects, those with the overseas Korean compatriots with the DPRK citizenship, or which are incorporated in a special economic zone like the Zone may be eligible for such privileges as exemption from or reduction of tax, favourable terms of land use and so on, as provided for in the relevant laws and regulations of the DPRK.

**Article 7.** Contractual joint ventures that are detrimental to national security and interests of the State and society and designated otherwise by the State shall be prohibited, and such projects as those which exceed the standard of environmental protection, those whose equipment and production process are economically and technologically outdated, those which export natural resources of the DPRK without processing and those whose economic efficiency is low shall be restricted.

**Article 8.** A contractual joint-venture enterprise shall retain ownership over the property contributed by the investors and increased through operation

of the business and shall be independent in its management.

**Article 9.** A contractual joint-venture enterprise shall be liable for its debts within the limit of the property it owns.

**Article 10.** The property of a contractual joint-venture enterprise shall neither be nationalized nor confiscated, and legal rights and interests of the contractual joint-venture enterprise and the parties to the joint venture shall be protected by the law of the State.

Labour and property of a contractual joint-venture enterprise shall not be mobilized for other purposes, except for unavoidable circumstances.

A contractual joint-venture enterprise and the parties to the joint venture are obliged to respect and abide by the laws and regulations of the DPRK.

**Article 11.** The Ministry of Foreign Trade (hereinafter called the central trade guidance organ) shall monitor and guide the activities related to contractual joint venture in a unified way.

**Article 12.** Documents of contractual joint venture shall be made in Korean.

A translation may be attached to them as may be requested by the foreign investor.

**Article 13.** A contractual joint venture in the territory of the DPRK shall be incorporated and operated according to these regulations.

Matters not provided for in these regulations shall be subject to the relevant laws and regulations of the DPRK.

## **Chapter 2. Incorporation of a Contractual Joint Venture**

**Article 14.** A contractual joint venture may be incorporated provided that it employs advanced technology, updates equipment to improve the quality of products to the international standard, produces internationally competitive export goods, economizes on fuel, raw and other materials and power, or makes an effective use of the existing production capacity.

**Article 15.** The investor of the DPRK intending to establish a contractual joint venture shall draft the joint venture contract and feasibility study report to consult with the relevant institutions and finalize with the foreign investor the joint venture contract, the memorandum of association and the feasibility study report.

**Article 16.** A joint-venture contract shall include:

1. Name and domicile of the enterprise,
2. Names and addresses of the parties to the contract,
3. Purpose of incorporation, categories of business and duration of the enterprise,
4. Total amount of investment, registered capital, shares and amount of contributions and transfer of the shares of contribution,
5. Rights and obligations of the contracting parties,
6. Management structure and labour management,

7. Technology transfer,
8. Formation and use of reserves, settlement of accounts and distribution,
9. Repayment of contribution or distribution of profits,
10. Liability to exemption from defaults and settlement of disputes,
11. Amendment, supplement and cancellation of the contract, effect of insurance and contract,
12. Dissolution and liquidation, and
13. Other necessary provisions.

**Article 17.** The memorandum of association shall contain:

1. Name and domicile of the enterprise,
2. Names and addresses of the investors,
3. Purpose of incorporation, categories of business, scope and scale of operation and its duration,
4. Total amount of investment, stages and periods of investment, registered capital, shares and amounts of contribution, specification of contribution, period of calls and transfer of the shares of contribution,
5. Formation, duties and proceedings of the joint consultative body,
6. Management structure of the enterprise staff and their duties, head of the enterprise, number of employees and their composition,
7. Planning and organization of production (business included), marketing of products, and purchasing of equipment, raw and other materials,
8. Bookkeeping and labour management,
9. Settlement of accounts, repayment of contributions or distribution of profit, formation and use of funds,
10. Dissolution and liquidation,
11. Amendment and supplement to memorandum, and
12. Other necessary provisions.

**Article 18.** The feasibility study report shall include specification of investment, information on construction, production and disposition of products, the amounts of labour, raw and other materials, finance, power and water required and the ways of their provision, information on phased profitability, technological analysis, environmental protection, labour safety and hygiene and other necessary data.

**Article 19.** The investor of the DPRK shall send an application for the incorporation of a contractual joint venture to the relevant bodies for approval.

Consultation shall be held:

1. With the State planning institution over the total amount of investment, investment in kind, production and disposition of products, requirement and availability of labour, funds, materials, fuel, power, water, gas and steam and data on phased profitability,
2. With the central financial institution over the total amount of investment, amounts and contents of contribution by each party and its supply, repayment of shares of contribution and distribution of profit,
3. With the central science institution over technical analysis of

investment in kind and technology and technology transfer, and

4. With other relevant institutions over the data concerned.

**Article 20.** The relevant institutions shall review and send back the application with their recommendations to the client within 15 days from its receipt.

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

**Article 21.** The central trade guidance organ shall be responsible for the screening and approval of the incorporation of a contractual joint-venture enterprise.

**Article 22.** 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 contractual joint venture.

When incorporating a contractual joint-venture enterprise in the Zone, the investor of the DPRK, upon accepting the view of the Rason City People's Committee (hereinafter called the Zone Administration), shall file to the central trade guidance organ an application for the incorporation of the contractual joint venture.

**Article 23.** The application shall include the following:

1. Name and domicile of the enterprise,
2. Names and addresses of the parties to the joint venture,
3. Purpose of incorporation and its profitability,
4. Total amount of investment, phases and periods of investment, registered capital, shares and amounts of contribution, 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. Production capacity and proportion of export of products,
9. Site area and location,
10. Estimated annual profit, repayment of shares of contribution or distribution of profit,
11. Number of management staff and employees, and
12. Other necessary information.

The joint-venture contract, memorandum of association, feasibility study report, agreements with the institution concerned, and the credit information issued by the bank with which the parties to the joint venture keep accounts shall be appended to the application for the incorporation of a contractual joint venture.

**Article 24.** The Zone Administration shall examine an application for the incorporation of a contractual joint venture of the investor of the DPRK within the Zone and send it with its recommendations to the central trade guidance organ within 10 days of the receipt of the said application.

**Article 25.** The central trade guidance organ shall, within 50 days of

receipt of an application for the incorporation of a contractual joint-venture enterprise, review and decide whether to approve or reject it and issue to the applicant the letter of approval of the incorporation of the enterprise or the letter of reject.

The letter of approval of the incorporation of the enterprise shall specify the name and domicile of the contractual joint-venture enterprise, the names of the parties, the total amount of investment, registered capital, amount and share of contribution by each of the parties, period of calls, duration of the enterprise, expected date of inauguration, categories of business, scope of operation, bank for opening an account, management structure and the number of employees, method of operation and other necessary details.

The letter of reject shall include the reason of reject and advices.

**Article 26.** Upon the approval of the incorporation of the contractual joint-venture enterprise, the parties shall have an official seal carved and register the enterprise in the name indicated in the letter of approval and open an account in the relevant bank, pursuant to the relevant laws and regulations.

**Article 27.** The investor of the DPRK shall, within 30 days of the receipt of the letter of approval of the incorporation of the enterprise, register the enterprise with the provincial people's committee concerned (the Zone Administration in the Zone) by submitting an application for registration of the enterprise and have its certificate of business registration issued.

The date of the enterprise's registration shall be the date of incorporation of the contractual joint-venture enterprise, and it shall become a corporate body of the DPRK on this date.

**Article 28.** A contractual joint-venture enterprise shall, within 20 days after the registration of the enterprise, make tax registration with the relevant taxation institution by submitting an application and have a certificate of tax registration issued.

**Article 29.** A contractual joint-venture enterprise shall file an application for customs registration to the relevant customs office and make customs registration within 20 days after the registration of the enterprise.

**Article 30.** The management staff of a contractual joint-venture enterprise shall not hold any other posts in other institutions or enterprises.

If necessary, a member of other institutions or enterprises may be a member of the management staff of a contractual joint-venture enterprise with the approval of the central trade guidance organ.

**Article 31.** A contractual joint-venture enterprise may have an auditor.

The auditor shall audit the financial documents of the enterprise and prepare a report to submit to the head of the enterprise.

**Article 32.** A contractual joint-venture enterprise may form and operate a non-permanent joint consultative board.

The board shall be composed of the chairman, one vice-chairman and such number of other members as is determined by the parties to the joint venture through consultation.

The board shall include the parties to the joint venture and the head of the enterprise.

Either of the parties to the joint venture shall not hold the offices of the chairman and vice-chairman at the same time.

**Article 33.** The joint consultative board shall meet whenever the parties think it necessary and agree to meet.

The head of the enterprise shall notify the members of the board of the date, venue and agenda of the meeting 30 days before the date of the meeting.

**Article 34.** The joint consultative board shall discuss and decide important matters arising in operating the enterprise, including increase in registered capital, change in the categories of business, extension of the duration of the enterprise, corporate strategy and measures, annual operation plans, introduction of new technology, improvement of product quality, investment and reinvestment, and transfer of shares of contribution.

**Article 35.** The parties to the joint venture shall correctly implement the issues discussed and decided by the board.

### **Chapter 3. Contribution**

**Article 36.** Parties to the joint venture shall invest as specified in the joint-venture contract approved by the central trade guidance organ.

**Article 37.** Shares of contribution to the contractual joint venture may be determined by the parties to the joint venture through consultation, provided that the foreign investor contribute more than 30 per cent of registered capital.

**Article 38.** Parties to the joint venture may contribute cash, property in kind, industrial property right, technical know-how (hereinafter, industrial property right and technical know-how are called technology), copyright and so on.

**Article 39.** Any property in kind to be contributed by the foreign investor must be one which is duly owned by him and which is essential and indispensable to the operation of the contractual joint venture and is not available in the territory of the DPRK or, though available, is in short supply.

**Article 40.** Technology and copyright shall not be contributed unless they meet the following requirements:

1. Production of new varieties of products or export goods, or improvement of performance of the existing production equipment and machinery, product quality and productivity,
2. Sizeable economy of raw and other materials, labour, fuel and power and efficient utilization of natural resources of the DPRK, and
3. Labour safety and environmental protection.

**Article 41.** Where a property in kind is to be contributed, a description of the property shall be made available containing the name, dimension, unit, quantity, use and price of the property in kind, name of the manufacturer or the company, the country from which it is imported, other necessary details, as

well as a bill and a quality pass.

**Article 42.** In case of contribution of technology or copyright, there shall be made available a statement specifying the title of the technology or copyright, 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, the basis of valuation and the like.

**Article 43.** 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. Procedures have been completed to transfer the ownership or the right of use of immovable property to the enterprise and the property in question has been recorded in the registrar,

3. Property in kind other than immovable property has been physically moved to the premises of the enterprise after completing the procedures to transfer its ownership or the right of use,

4. The certificate of ownership of an industrial property right or copyright has been transferred to the enterprise through due procedures, or

5. In case of technical know-how, conditions for the transfer of technology specified in the contract have been satisfied.

**Article 44.** Property in kind, technology and copyright shall be priced by the parties to the joint venture through consultation on the basis of the international market price concerned.

**Article 45.** Where the property contributed is priced less than the amount of obligatory contribution provided for in the joint-venture contract or the memorandum of association at the time of contribution, the investor in question shall be obliged to fill the gap through an additional contribution.

**Article 46.** The price of the property contributed shall be expressed in Korean *won*.

Where foreign currency is contributed, it shall be expressed in Korean *won* according to the exchange rate quoted by the Foreign Trade Bank of the DPRK on the day of its transfer to the relevant bank.

**Article 47.** Parties to the contractual joint venture shall make their contributions within the period specified in the letter of approval of incorporation of the enterprise.

**Article 48.** Where, for an unavoidable reason, a party is not able to contribute his share within a specified time, he shall obtain approval for the extension of period of contribution by submitting an application to that effect to the central trade guidance organ one month before the expiry of the specified period of contribution.

The application shall include the name and address of the applicant, amount of contribution, period of calls, period to be extended 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 49.** Where contribution fails to be completed within a specified time without good reason by the parties to the contractual joint venture, the central trade guidance organ may cancel the approval of incorporation of the joint venture.

In this case, the central trade guidance organ shall notify it to the business registrar, taxation institution and other institutions concerned.

**Article 50.** In case a party to the contractual joint venture inflicts a loss upon the other party through failure to contribute within the specified time, the former shall compensate the latter for the loss.

**Article 51.** When parties to the contractual joint venture have completed phased contributions, the enterprise shall submit to the central trade guidance organ a document certifying the contributions, verified by the institutions concerned, and issue a certificate of contribution to each contributor.

The certificate of contribution shall contain the name of the contributor, amount and share of contribution, duration, date and number of registration of the joint venture and so on.

**Article 52.** A party to the contractual joint venture may transfer (sell or donate) or transmit part or whole of his share of contribution to a third party.

Where his share of contribution is to be transferred, he shall obtain consent from the other party and permission from the central trade guidance organ.

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 53.** The total amount of investment of a contractual joint-venture enterprise shall be the total amount of capital needed for incorporation and operation of the enterprise.

The registered capital, which is the capital of the enterprise registered in the central trade guidance organ, shall be the total amount of contributions made by the parties to the joint venture.

The gap between the total amount of investment and the registered capital may be filled through loan.

**Article 54.** Registered capital may be increased but not be decreased.

Where registered capital is to be increased, the parties to the joint venture shall discuss and decide on the increase in the joint consultative board and, thereafter, obtain approval from the central trade guidance organ.

**Article 55.** Where the period of calls is extended, or a share of contribution is transferred or transmitted, or the amount of registered capital is changed, the enterprise shall register with the institution concerned the extension, transfer/transmission or the change as the case may be, within 20 days.

## Chapter 4. Business Licence and Operation

**Article 56.** A contractual joint venture enterprise shall obtain business licence in order to undertake business activities.

**Article 57.** Business licence shall be issued by the central trade guidance organ or the Zone Administration (hereinafter called the business licensor).

**Article 58.** Business licence shall be obtained within the expected date of inauguration specified in the letter of approval of incorporation of the enterprise.

If the business is not able to obtain the licence within the prescribed period of time, it shall obtain approval from the central trade guidance organ for the extension of the inaugural date of filing an application to that effect.

The inaugural date of a contractual joint-venture enterprise may be extended on several occasions but not for longer than 12 months in all.

**Article 59.** The following conditions shall be satisfied in order for a business licence to be issued:

1. In case a building is newly built or improved or expanded, it must pass the completion inspection,
2. In case of a manufacturing plant, it must produce specimen products after the test run,
3. In case the enterprise is in the service sector, it must be ready for operation by purchasing all necessary equipment, facilities and other goods.
4. Contributions must be completed as specified in the letter of approval of incorporation of the enterprise, and
5. Other necessary preparations must be made to run the business.

**Article 60.** A contractual joint-venture enterprise shall, upon completion of arrangements to start operation, send written requests for inspection or confirmation to the project completion inspection institution and the other relevant institutions.

The institution so requested shall inspect or confirm the subjects of request within a specified time and, if any defect is found, have it corrected and, thereafter, issue relevant certificates of inspection or confirmation.

**Article 61.** An enterprise intending to obtain a business licence shall file an application to that effect to the business licensor.

The application shall specify the name and domicile of the enterprise, expected inaugural date, total amount of investment, registered capital, investment actually made, categories of business and so on and be accompanied by certificate of the enterprise registration and documents issued by relevant institutions such as certificate of investment, certificate of completion inspection, documents certifying the safety of production process and facilities, evaluation of environmental implications, certificate of the enterprise's registration, specimen products and so on.

**Article 62.** The business licensor shall, within 15 days from receipt of

the application, review the application and either issue a licence or reject it.

Upon receiving the business licence, the contractual joint-venture enterprise shall inform it to the relevant taxation institution.

The date of issue of the business licence, shall be the date of inauguration of the contractual joint-venture enterprise.

**Article 63.** A contractual joint-venture enterprise shall conduct business activities within the limits of the categories of business permitted.

In case the enterprise wishes to expand or change the categories of business, it shall file an application to the central trade guidance organ to seek its consent.

The application shall contain the name and domicile of the enterprise, content of and reason for change, and be accompanied by a feasibility study report and the agreement between the parties to the joint venture.

**Article 64.** Within 20 days from receipt of an application for change of the categories of business, the central trade guidance organ shall review it and either issue the letter of approval or the letter of rejection to the applicant and other relevant institutions.

**Article 65.** Within 5 days after the notification of the approval of change of the categories of business, the contractual joint-venture enterprise shall have a new business licence issued.

**Article 66.** A contractual joint-venture enterprise shall register its plan with the central trade guidance organ (or the Zone Administration in the Zone) and carry it through.

**Article 67.** When procuring labour, materials, technology, equipment, power, water and the like necessary for production and operation from relevant institutions and enterprises of the DPRK, or selling its products to them, a contractual joint-venture enterprise shall include its plan in the plan of the central trade guidance organ (or the Zone Administration in the Zone) and purchase or sell according to the procedures defined by the central trade guidance organ (or the Zone Administration in the Zone).

**Article 68.** Institutions and enterprises of the DPRK shall, on a priority basis, supply the planned labour, materials, power, water and the like to a contractual joint-venture enterprise.

**Article 69.** A contractual joint-venture enterprise may either import materials for investment, production and operation, technology and copyright or export its products and technology.

In case of either importing or exporting materials for investment and materials required for production and operation, it shall obtain approval by submitting an application for import or export to the central trade guidance organ (or the Zone Administration in the Zone), or in case of importing or exporting technology and copyright, to the relevant central institution (or the Zone Administration in the Zone).

**Article 70.** The central trade guidance organ shall review an application for import or export of goods and issue a written approval or send a notice of

rejection to the applicant within 3 days (on the day in the Zone) of receipt of the application. The central institution concerned shall review an application for import or export of technology and copyright and issue a written approval or send a notice of rejection to the applicant within 30 days (within 7 days in the Zone) of receipt of the application.

**Article 71.** In case of importing materials for investment, production and operation or exporting the products a contractual joint-venture enterprise shall do it duty-free.

**Article 72.** Import or export price of materials necessary for production of a contractual joint venture enterprise, its products and technology shall be determined by the parties to the joint venture through consultation on the basis of the then international market price.

**Article 73.** A contractual joint-venture enterprise may purchase materials required for its operation directly from a commercial agency of the DPRK.

**Article 74.** A contractual joint-venture enterprise may entrust the processing of its materials to institutions or enterprises of the DPRK. In this case, a contract shall be concluded.

**Article 75.** A contractual joint-venture enterprise may undertake construction on its own account or subcontract it to a construction enterprise of the DPRK.

If necessary, the enterprise may subcontract it to a foreign construction enterprise with an approval of the State construction supervision institution.

**Article 76.** Where a contractual joint venture enterprise receives goods which are brought in as a contribution by the foreign party, the enterprise shall have them inspected or certified by the foreign goods inspection institution (in case of technology, by the science institution). The enterprise shall provide necessary conditions for such inspection or certification.

**Article 77.** The foreign goods inspection institution or the science institution shall, upon request for inspection or certification, inspect or certify the subjects of request and issue a relevant certificate.

**Article 78.** A contractual joint-venture enterprise shall employ the labour of the DPRK.

Labour remuneration shall be granted to the employees of joint venture pursuant to the labour laws and regulations of the DPRK relating to foreign-invested business.

**Article 79.** A contractual joint-venture enterprise may employ foreign technicians and skilled workers for special jobs defined in the 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 shall include the name, sex, date of birth, citizenship, nationality, curriculum vitae of the technician or skilled worker to be employed, reason and period of his employment, his address, content and period of technology transfer, salary and provisions of living conditions.

**Article 80.** A contractual joint-venture enterprise shall set by itself the standards for supply of labour protection goods for its employees such as labour protection instrument, items necessary for work, and nutritional foods not lower than those stipulated in the laws and regulations of the DPRK concerning labour and supply them in good time.

**Article 81.** A contractual joint-enterprise shall conduct its accounting according to the accounting regulations of the DPRK for foreign-invested enterprises.

**Article 82.** A contractual joint-venture enterprise shall conduct its accounting in Korean *won*.

Result of accounting expressed in Korean *won* may be converted into the equivalent amount in foreign currency before being entered in book of accounting in case the foreign party to the joint venture requires. The conversion of Korean *won* into foreign currency shall be done at the then exchange rate set by the Foreign Trade Bank of the DPRK.

**Article 83.** A contractual joint-venture enterprise shall register its fixed assets with the central trade guidance organ or the Zone Administration (hereinafter called the registrar of the fixed assets) within one month of their acquisition.

**Article 84.** A contractual joint-venture enterprise may scrap, transfer or mortgage the registered fixed assets. In this case, the enterprise shall file a relevant application within 5 days after the issue has been discussed and decided by the joint consultative board or agreed by the parties to the joint venture to the registrar of the fixed assets to get approval.

The application shall state the reason and price of disposal of fixed assets and so on.

**Article 85.** A contractual joint-venture enterprise shall put aside the fund of fixed assets depreciation and use it for replacing or repairing its fixed assets.

The fund may be used as circulating capital. The amount of fund so spent shall be made up for within the next quarter.

**Article 86.** A contractual joint-venture enterprise shall make inventory of its fixed assets more than once annually.

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

**Article 87.** A contractual joint-venture enterprise shall deposit and use foreign currency according to the laws and regulations of the DPRK relating to foreign currency control.

**Article 88.** Korean *won* invested to a contractual joint-venture enterprise as contribution or earned from the sale of its products to the institutions and enterprise of the DPRK according to the procedure set by the central trade guidance organ may be used for the purchase of raw and other materials or for the payment of costs of labour, PR activities and charges within the territory of the DPRK.

**Article 89.** A contractual joint-venture enterprise (except those in the Zone) shall put separately the Korean *won* earned from disposal of by-products to its account in the bank and use it only for designated purposes.

**Article 90.** A contractual joint-venture enterprise shall open its accounts of Korean *won* and foreign currency required for production and operation in a foreign exchange bank of the DPRK and use them.

**Article 91.** A contractual joint-venture enterprise shall keep its books of account according to the relevant bookkeeping laws and regulations of the DPRK.

**Article 92.** A contractual joint-venture enterprise shall take out insurance policy from an insurance company in the territory of the DPRK.

### **Chapter 5. Settlement of Accounts, Repayment and Distribution**

**Article 93.** The financial year of a contractual joint-venture enterprise shall be from January 1 to December 31 of each calendar year.

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

**Article 94.** A contractual joint-venture enterprise shall make financial settlement of its operation on quarterly and yearly bases.

It shall make annual financial settlement to determine the annual settled profit by deducting the cost, turnover tax and other expenses from the gross revenue.

**Article 95.** A contractual joint-venture enterprise shall create a reserve fund by saving 5per cent of the annual settled profit until the amount of the fund reaches 25per cent of its registered capital.

The reserve fund shall be used only for making up for losses incurred by the enterprise or for increasing its registered capital.

**Article 96.** A contractual joint-venture enterprise shall create a fund for production expansion and technology development, bonus fund, welfare fund and training fund for its employees and other necessary funds within the limit of 10per cent of the annual settled profit and use them at its discretion.

**Article 97.** A contractual joint venture enterprise shall pay taxes according to the laws and regulations of the DPRK relating to taxation of foreign investment business enterprises and foreign individuals.

**Article 98.** Repayment of share of contribution made by the foreign party and distribution of profit shall be made in principle through delivery of products of the enterprise or alternatively in such other manner as the contract provides for.

**Article 99.** Where a contractual joint-venture enterprise agrees to repay share of contribution made by the foreign party, it shall do so according to the

provisions of the contract.

**Article 100.** Where share of contribution is repaid or profit is distributed by delivering products of the enterprise, their prices shall be determined by the parties through consultation on the basis of the current international market prices.

**Article 101.** The quarterly and annual financial document of a contractual joint-venture enterprise shall be checked up by an auditor.

**Article 102.** A contractual joint-venture enterprise shall submit to the central financial organ and the central trade guidance organ (or the Zone Administration in the Zone) the quarterly financial report within 15 days after the end of the quarter and the annual financial report by the end of February the next year.

The financial report shall be accompanied by a written attestation made by a certified public accountant.

**Article 103.** The parties to a joint-venture may reinvest their profits to their enterprise.

**Article 104.** The foreign party to a contractual joint-venture may remit out of the territory of the DPRK without having to pay any tax goods and money which have been delivered or paid to him to repay his share of contribution or as his share of profit as well as the other legal incomes earned by him.

In case of remitting foreign currency outside the territory of the DPRK, the party shall file an application to the relevant bank.

The application shall contain necessary details and be accompanied by the certificate of the central trade guidance organ.

## **Chapter 6. Duration and Dissolution**

**Article 105.** Duration of a contractual joint-venture shall be pursuant to the provisions contained in the letter of approval of its incorporation.

The duration shall be calculated from the day on which the enterprise is registered.

**Article 106.** Duration of a contractual joint-venture may be extended by the parties through consultation. In this case, approval shall be obtained by filing an application for extension of duration to the central trade guidance organ 6 months before the expiry of the original duration through discussion and decision of the joint consultative board or consultation of the parties to the joint-venture.

The application shall include the name and domicile of the enterprise, period of and reason for extension and be accompanied by the decision or agreement of the joint consultative board or agreement of the parties and a feasibility study report.

**Article 107.** The central foreign trade guidance organ shall review an application for extension of duration of a contractual joint-venture, decide

whether to approve or reject it within 30 days from receipt of the application and notify the applicant of its decision.

**Article 108.** A contractual joint-venture enterprise shall, within 20 days from the day on which it is notified of the approval for extension of its duration, file an application for registration of change of duration to the relevant business registrar, business licensor and taxation institution.

The application shall state the name and domicile of the enterprise, period of extension and so on and be accompanied by a copy of the written approval for extension of duration.

**Article 109.** The business registrar, business licensor and taxation institution shall register the change as applied for and issue new certificates of business registration, business licence and tax registration.

**Article 110.** A contractual joint-venture enterprise shall be dissolved upon the expiry of its duration.

**Article 111.** A contractual joint-venture enterprise may be dissolved even before the expiry of duration in any of the following cases:

1. If the enterprise is not able to continue its operation due to default by either of the parties or insolvency,
2. If the parties to the joint venture are not able to continue business due to unavoidable case,
3. If the enterprise is decided to be dissolved through discussion of the joint consultative board or consultation of the parties to the joint venture,
4. If the enterprise goes bankrupt, and
5. If the enterprise severely violates the laws and regulations relating to contractual joint venture.

**Article 112.** In case of dissolution according to items 1-3, the enterprise shall file an application for dissolution to the central trade guidance organ.

The application shall specify the name of the enterprise and the reason for dissolution and be accompanied by a document certifying it.

**Article 113.** The central foreign trade guidance organ, within 20 days from receipt of an application for dissolution, shall review the application and decide whether to approve or reject it and notify the applicant of the decision.

**Article 114.** A contractual joint-venture enterprise shall, within 15 days from the day on which its dissolution is approved, discuss and organize the liquidation committee at a meeting of the joint consultative board.

The liquidation committee shall include the head of the enterprise, the representatives of the creditors, parties to the joint venture and other necessary persons.

**Article 115.** In case a contractual joint-venture enterprise fails to organize the liquidation committee within the fixed period, a creditor may require a court of the DPRK organization of the liquidation committee.

**Article 116.** When a creditor requires formation of the liquidation committee or when a contractual joint-venture enterprise declares its bankruptcy, the court shall appoint a liquidator and organize the liquidation

committee.

**Article 117.** The liquidation committee shall have the following duties and powers:

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

**Article 118.** The liquidation committee shall, within 10 days from its organization, notify the creditors and debtors of the liquidation.

**Article 119.** A creditor shall submit his claim to the liquidation committee within 30 days from the day on which he is notified of the liquidation.

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

**Article 120.** The liquidation committee shall register the claims in the order of their receipt and clear the liabilities according to the liquidation plan.

The liquidation plan shall be approved by the joint consultative board which dissolved the enterprise or the central trade guidance organ (or the court when the enterprise has declared its bankruptcy).

**Article 121.** The property of a contractual joint-venture enterprise to be liquidated shall be disposed of to meet the claims in the following order: liquidation expenses, taxes, labour remuneration for the employees, and the debts of the enterprise. The remaining property shall be disposed of in accordance with the joint-venture contract.

**Article 122.** In case the liquidation committee (except the liquidation committee formed by the court) finds out that the amount of assets of the enterprise to be liquidated is less than the amount of its liabilities, it shall file an application to the court to declare the enterprise bankrupt.

If the enterprise is declared bankrupt by the court, the liquidation committee shall hand over its liquidation work to the court.

**Article 123.** The liquidation committee shall prepare a liquidation report and submit it to the central trade guidance organ (in case of liquidation by bankruptcy of the enterprise, to the court) within 10 days after the

completion of liquidation.

**Article 124.** Upon completion of liquidation, the liquidation committee shall surrender to the relevant institutions the certificate of business registration, business licence and certificate of tax registration, and submit an application to the bank for cancellation of the enterprise's account.

**Article 125.** The business registrar and the relevant institutions shall erase the registration of the dissolved enterprise.

**Article 126.** Members of the liquidation committee are answerable for the result of liquidation to the central trade guidance organ or the relevant court.

## **Chapter 7. Settlement of Disputes and Supervision**

**Article 127.** Where a party to a contractual joint venture is aggrieved in connection with the joint venture, he may lodge a complaint.

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

**Article 128.** Any disagreement with regard to a contractual joint venture shall be settled through consultation.

A dispute which cannot be settled through consultation shall be brought to a court or an arbitration institution of the DPRK for settlement.

A dispute may be brought to an arbitration institution of a third country through consultation of the parties to the joint venture.

**Article 129.** The central trade guidance organ (or the Zone Administration in the Zone) shall supervise the observance of the laws and regulations concerning contractual joint ventures on a regular basis.

The taxation institution may, if necessary, inspect the financial documents and assets of a contractual joint-venture enterprise.

**Article 130.** When these regulations are violated, such sanctions as discontinuation of business, confiscation, cancellation of registration and fining shall be imposed according to the degree of violation, and a severe breach shall be subject to criminal punishment.