

## Provisional Regulations on Public-Private Partnerships

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### Chapter I: General Provisions

Article 1: These regulations are formulated to encourage and guide the transformation of capitalist industries beneficial to the national economy and people's livelihood into public-private partnership forms of state capitalism, gradually achieving socialist transformation.

Article 2: Industrial enterprises invested by the state or public-private partnership enterprises and managed jointly by state-appointed cadres and capitalists are public-private partnership industrial enterprises (hereinafter referred to as partnership enterprises). The implementation of public-private partnerships for capitalist industrial enterprises should be based on the needs of the state, the feasibility of transforming the enterprise, and the willingness of the capitalists. The public-private partnership of enterprises must be approved by the People's Government.

Article 3: In partnership enterprises, the socialist component holds the leading position, and the legal rights and interests of private shares are protected.

Article 4: Partnership enterprises must comply with the state plan.

### Chapter II: Shares

Article 5: For the implementation of public-private partnerships in enterprises, both the public and private parties should evaluate the actual assets of the enterprise and clear up the enterprise's claims and debts to determine the shares of both parties.

Article 6: The valuation of enterprise assets should be based on fair and reasonable principles, taking into account the actual remaining usable life of the assets and their role in enterprise production. Representatives of the workers should participate in the valuation; when necessary, representatives from the industry and commerce administrative authorities of the People's Government should provide guidance.

Article 7: Partnership enterprises can accept private investments.

Article 8: Shareholders of partnership enterprises are liable for the enterprise's debts to the extent of their shares.

### Chapter III: Business Management

Article 9: Partnership enterprises are led by the public side, with representatives appointed by the People's Government's competent business authority and private representatives jointly responsible for business management.

Article 10: Matters related to the public-private relationship within the partnership enterprises should be handled through consultation between the public and private representatives; if major issues arise without agreement, they should be reported to the People's Government's competent authority for determination, or submitted to the board of directors for consultation and then reported to the competent authority for determination.

Article 11: The administrative positions of public and private representatives in partnership enterprises should be determined through consultation between the People's Government's competent business authority and private representatives and appointed accordingly. They should have responsibilities and authority in their administrative roles and perform their duties diligently.

Article 12: Partnership enterprises should generally utilize the existing personnel based on their previous roles; appropriate care should be given to original personnel who have contributed but have lost the ability to work.

Article 13: Partnership enterprises should adopt appropriate forms to implement a system of worker participation in management.

Article 14: Partnership enterprises should gradually improve their wage system and welfare facilities, taking into account the original wage and welfare conditions, the production and business conditions of the partnership enterprise, and relevant regulations of state-owned enterprises, gradually aligning with comparable state-owned enterprises.

Article 15: Partnership enterprises should comply with regulations issued by relevant authorities of the People's Government regarding production, business, finance, labor, infrastructure, and health and safety.

Article 16: Partnership enterprises in the same industry or with production connections may implement joint management or mergers under necessary and possible conditions, after agreement between the relevant public and private parties and approval from the People's Government's competent business authority.

#### Chapter IV: Surplus Distribution

Article 17: Partnership enterprises should allocate the annual surplus remaining after paying income tax into three parts: enterprise reserve fund, enterprise incentive fund, and shareholder dividends, according to the following principles:

1. Shareholder dividends, plus remuneration for directors, managers, and plant directors, should account for about 25% of the annual surplus.
2. The enterprise incentive fund should be appropriately extracted, considering relevant state-owned enterprise regulations and the enterprise's original welfare situation.
3. The remaining surplus after paying shareholder dividends and extracting the enterprise incentive fund should be used as the enterprise reserve fund.

Article 18: Dividends distributed to public shares should be paid as prescribed; private shareholders may use their dividends at their discretion. The enterprise reserve fund should mainly be used for developing production, invested in the enterprise according to the state plan, or in other partnership enterprises, or used in private enterprises transitioning to public-private partnerships as stipulated in Article 2 of these regulations. The enterprise incentive fund should primarily be used for collective

welfare facilities for workers and rewarding outstanding workers, decided by the manager or plant director in consultation with the trade union, and approved by the appropriate organization and worker representatives' meeting as stipulated in Article 13 of these regulations.

#### Chapter V: Board of Directors and Shareholders' Meetings

Article 19: The board of directors of a partnership enterprise is an organ for consultation between the public and private parties, responsible for consulting on the following matters:

1. Drafting or amending the partnership enterprise's articles of association.
2. Matters related to investment and capital increase.
3. The surplus distribution plan.
4. Other important matters related to public-private relationships.

The board of directors should listen to reports on the production and business conditions and the annual financial statement of the partnership enterprise. Major agreements of the board should be reported to the competent business authority of the People's Government for approval.

Article 20: Large-scale partnership enterprises with more shareholders should generally establish a board of directors. The number of public and private directors should be determined through consultation between the public and private parties. Public directors are appointed by the competent business authority of the People's Government, and private directors are elected by private shareholders. The board should meet regularly.

Article 21: Small-scale partnership enterprises with fewer shareholders may not establish a board of directors; important matters related to the public-private relationship as specified in Article 19 of these regulations should be handled through consultation between public and private representatives, and their major agreements should be reported to the competent business authority of the People's Government for approval.

Article 22: The board of directors may hold regular private shareholders' meetings to report on the board's work and handle internal matters of private shareholders. In partnership enterprises without a board, public and private representatives may consult to hold private shareholders' meetings to report on important matters related to the public-private relationship and handle internal matters of private shareholders.

#### Chapter VI: Leadership Relationships

Article 23: Partnership enterprises should be placed under the leadership of the competent business authorities of the People's Government at the central, provincial, directly governed municipality, county, and city levels.

Article 24: The industry and commerce administrative authorities of the People's Government are responsible for managing matters related to industry and commerce administration of partnership enterprises.

Article 25: The financial authorities of the People's Government and the Bank of Communications under them are responsible for supervising the finances of partnership enterprises.

#### Chapter VII: Supplementary Provisions

Article 26: These regulations also apply to public-private partnerships in transportation and construction enterprises. Other enterprises implementing public-private partnerships may refer to the relevant provisions of these regulations.

Article 27: If individual partnership enterprises require different methods than those specified in Articles 9 and 17 of these regulations due to special circumstances, they should obtain agreement through consultation between the public and private parties and report to the People's Government at the provincial or higher levels for approval.

Article 28: These regulations shall be promulgated and implemented by the Government Administration Council of the Central People's Government, with amendments subject to the same process.