

Article 44

The technology acquired by the joint venture shall be appropriate and advanced and enable the venture's products to display conspicuous social economic results domestically or to be competitive on the international market.

Article 45

The right of the joint venture to do business independently shall be maintained when making technology transfer agreements, and relevant documentation shall be provided by the technology exporting party in accordance with the provisions of Article 29 of the regulations.

Article 46

The technology transfer agreements signed by a joint venture shall be examined and agreed to by the department in charge of the joint venture and then submitted for approval to the examination and approval authority.

Technology transfer agreements shall comply with the following stipulations:

(1) Expenses for the use of technology shall be fair and reasonable. Payments are generally made in royalties, and the royalty rate shall not be higher than the standard international rate, which shall be calculated on the basis of net sales of the products turned out with the relevant technology or other reasonable means agreed upon by both parties.

(2) Unless otherwise agreed upon by both parties, the technology exporting party shall not put any restrictions on the quantity, price or region of sale of the products that are to be exported by the technology importing party.

(3) The term for a technology transfer agreement is generally no longer than ten years.

(4) After the expiration of a technology transfer agreement, the technology importing party shall have the right to use the technology continuously.

(5) Conditions for mutual exchange of information on the improvement of technology by both parties of the technology transfer agreement shall be reciprocal.

(6) The technology importing party shall have the right to buy the equipment, parts and raw materials needed from sources they deem suitable.

(7) No irrational restrictive clauses prohibited by Chinese law and regulations shall be included.

Chapter VII Right to the Use of Site and its Fee

Article 47

Joint ventures shall practice economy in the use of

land for their premises. Any joint venture requiring the use of a site shall file an application with local departments of the municipal (county) government in charge of land and obtain the right to use a site only after securing approval and signing a contract. The acreage, location, purpose and contract period and fee (or the right to use a site (hereinafter referred to as site use fee), rights and obligations of the parties to a joint venture and fines for breach of contract should be stipulated in explicit terms in the contract.

Article 48

If the Chinese participant already has the right to the use of site for the joint venture, the Chinese participant may use it as part of its investment. The monetary equivalent of this investment should be the same as the site use fee otherwise paid for acquiring such site.

Article 49

The standard for site use fee shall be set by the people's governments of the province, autonomous region or municipality directly under the central government where the joint venture is located according to the purpose of use, geographic and environmental conditions, expenses for requisition, demolishing and resettlement and the joint venture's requirements with regard to infrastructure, and filed with the Ministry of Foreign Economic Relations and Trade and the state department in charge of land.

Article 50

Joint ventures engaged in agriculture and animal husbandry may, with consent of the people's government of the local province, autonomous region or municipality directly under the central government, pay a percentage of the joint venture's operating revenue as site use fees to the local department in charge of land.

Projects of a development nature in economically undeveloped areas shall receive special preferential treatment in respect of site use fees with consent of the local people's government.

Article 51

The rates shall not be subject to adjustment in the first five years beginning from the day the land is used. After that the interval of adjustment shall not be less than three years according to the development and changes in geographic and environmental conditions.

Site use fee as part of the investment by the Chinese participant shall not be subject to adjustment during the contract period.