

directors shall be ascertained through consultation by the parties to the joint venture with reference to the proportion of investment contributed.

The directors shall be appointed by the parties to the joint venture. The chairman of the board shall be appointed by the Chinese participant and its vice-chairman by the foreign participant.

The term of office for the directors is four years. Their term of office may be renewed with the consent of the parties to the joint venture.

Article 35

The board of directors shall convene at least one meeting every year. The meeting shall be called and presided over by the chairman of the board. Should the chairman be unable to call the meeting, he shall authorize the vice-chairman or other director to call and preside over the meeting. The chairman may convene an interim meeting based on a proposal made by more than one-third of the directors.

A board meeting requires a quorum of over two-thirds of the directors. Should the director be unable to attend, he shall present a proxy authorizing someone else to represent him and vote for him.

A board meeting shall generally be held at the location of the joint venture's legal address.

Article 36

Decisions on the following items shall be made only after being unanimously agreed upon by the directors present at the board meeting:

- (1) Amendment of the articles of association of the joint venture;
- (2) Termination and dissolution of the joint venture;
- (3) Increase or assignment of the registered capital of the joint venture;
- (4) Merger of the joint venture with other economic organizations.

Decision on other items shall be made according to the rules of procedure stipulated in the articles of association.

Article 37

The chairman of the board is the legal representative of the joint venture. Should the chairman be unable to exercise his responsibilities, he shall authorize the vice-chairman of the board or other director to represent the joint venture.

Article 38

A joint venture shall establish a management office which shall be responsible for daily management.

The management office shall have a general manager and several deputy general managers who shall assist the general manager in his work.

Article 39

The general manager shall carry out the decisions of the board meeting and organize and conduct the daily management of the joint venture. The general manager shall, within the scope empowered him by the board, represent the joint venture in outside dealings, have the right to appoint and dismiss his subordinates, and exercise other responsibilities and rights as authorized by the board within the joint venture.

Article 40

The general manager and deputy general managers shall be engaged by the board of directors of the joint venture. These positions may be held either by Chinese citizens or foreign citizens.

At the invitation of the board of directors, the chairman, vice-chairman or other directors of the board may concurrently be the general manager, deputy general managers, or other high-ranking management personnel of the joint venture.

In handling major issues, the general manager shall consult with the deputy general managers.

The general manager or deputy general managers shall not hold posts concurrently as general manager or deputy general managers of other economic organizations. They shall not have any connections with other economic organizations in commercial competition with their own joint venture.

Article 41

In case of graft or serious dereliction of duty on the part of the general manager, deputy general managers or other high-ranking management personnel, the board of directors shall have the power to dismiss them at any time.

Article 42

Establishment of branch offices (including sales offices) outside of China or in Xianggang or Aomen is subject to approval by the Ministry of Foreign Economic Relations and Trade.

Chapter VI Acquisition of Technology

Article 43

The acquisition of technology mentioned in this chapter refers to the necessary technology obtained by the joint venture by means of technology transfer from a third party or participants.