

Company Law of the People's Republic of China (Revised in 2023)

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The Company Law of the People's Republic of China, adopted upon revision at the 7th Session of the Standing Committee of the Fourteenth National People's Congress of the People's Republic of China on December 29, 2023, is hereby promulgated, effective July 1, 2024.

Xi Jinping

President of the People's Republic of China

December 29, 2023

Company Law of the People's Republic of China

(Adopted at the 5th Session of the Standing Committee of the Eighth National People's Congress on December 29, 1993; amended for the first time in accordance with the Decision on Amending the Company Law of the People's Republic of China made at the 13th Session of the Standing Committee of the Ninth National People's Congress on December 25, 1999; amended for the second time in accordance with the Decision on Amending the Company Law of the People's Republic of China made at the 11th Session of the Standing Committee of the Tenth National People's Congress on August 28, 2004; revised for the first time at the 18th Session of the Standing Committee of the Tenth National People's Congress on October 27, 2005; amended for the third time in accordance with the Decision on Amending Seven Laws Including the Marine Environmental Protection

Law of the People's Republic of China made at the 6th Session of the Standing Committee of the Twelfth National People's Congress on December 28, 2013; amended for the fourth time in accordance with the Decision on Amending the Company Law of the People's Republic of China made at the 6th Session of the Standing Committee of the Thirteenth National People's Congress on October 26, 2018; and revised for the second time at the 7th Session of the Standing Committee of the Fourteenth National People's Congress on December 29, 2023)

Chapter I General Provisions

Article 1 The present Law is enacted in accordance with the Constitution with a view to regulating the organizations and activities of companies, protecting the lawful rights and interests of companies, shareholders, employees and creditors, improving the modern enterprise system with Chinese characteristics, carrying forward the entrepreneurship, maintaining the social economic order and promoting the development of the socialist market economy.

Article 2 For the purpose of this Law, a "company" refers to a limited liability company or a joint stock limited company established within the territory of the People's Republic of China according to this Law.

Article 3 A company is an enterprise legal person, which has independent corporate property and enjoys the property right of the legal person. It shall bear the liability for its debts with all of its property.

The lawful rights and interests of the company shall be protected by law, which shall not be infringed upon.

Article 4 The shareholders of a limited liability company is liable to the company to the extent of the amount of capital contributions they have made; while the shareholders of a joint stock limited company is liable to the company to the extent of shares they have subscribed for.

The shareholders of a company is entitled to such rights as deriving proceeds from assets of the company, participating in making important decisions and selecting managers of the company according to law.

Article 5 A company shall formulate its articles of association pursuant to the law when it is established, which shall be binding on the company, shareholders, directors, supervisors and senior executives.

Article 6 A company shall have its own name. The name of the company shall be in compliance with the relevant provisions of the State.

The right to name of a company shall be protected by law.

Article 7 A limited liability company established according to this Law shall indicate the words "limited liability company" or "limited company" in its name.

A joint stock limited company established in accordance with this Law shall indicate the words "joint stock limited company" or "joint stock company" in its name.

Article 8 A company is domiciled at the place where its main administrative office is located.

Article 9 The business scope of a company shall be prescribed in the articles of association. The company may amend its articles of association and change its business scope.

Where any item within the business scope of a company is subject to approval as stipulated by any law or administrative regulation, the approval shall be obtained in accordance with the law.

Article 10 A director or manager who represents a company to execute corporate affairs shall serve as the legal representative of the company under the articles of association.

Where the director or manager who serves as the legal representative resigns, he/she shall be deemed to have resigned from the position of the legal representative at the same time.

Where the legal representative resigns, the company shall appoint a new legal representative within 30 days after the date of his/her resignation.

Article 11 A company shall bear the legal consequences arising from the civil activities conducted by the legal representative in the name of the company.

Any restrictions on the functions and powers of the legal representative imposed by the articles of association or the shareholders' meeting shall not be asserted against a bona fide third party.

Where the legal representative of a company causes damage to others while performing his/her duties, the company shall assume the civil liability. After assuming the civil liability, the company may, in accordance with the provisions of law or the articles of association of the company, claim indemnification against the legal representative who is at fault.

Article 12 Where a limited liability company is changed into a joint stock limited company, it shall satisfy the conditions for joint stock limited companies as prescribed in the present Law. A joint stock limited company proposing to be converted into a limited liability company shall satisfy the conditions for limited liability companies as prescribed in this Law.

In the case of conversion from a limited liability company into a joint stock limited company or vice versa, the claims and debts of the company prior to the conversion shall be assumed by the company after the conversion.

Article 13 A company may set up subsidiaries which have the corporate capacity and independently bear the civil liability in accordance with the law.

A company may set up branches which do not have the corporate capacity and whose civil liability shall be borne by the company.

Article 14 A company may make investments in other enterprises.

If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liability for the debts of the enterprises it invests in, such provisions shall prevail.

Article 15 Where a company intends to invest in any other enterprise or provide guaranty for any other person, such matter shall, in accordance with the articles of association, be decided by the board of directors or the shareholders' meeting. If the articles of association prescribe any limit on the total amount of investments or guaranties, or on the amount of a single investment or guaranty, the aforesaid prescribed limit shall not be exceeded.

Where a company provides a guaranty for any shareholder or actual controller of the company, it shall be subject to a resolution of the shareholders' meeting.

The shareholder as mentioned in the preceding paragraph or the shareholder controlled by the actual controller as set forth in the preceding paragraph shall not participate in voting on any matter as prescribed in the preceding paragraph. Such matter shall be adopted by more than half of the voting rights held by other shareholders present at the meeting.

Article 16 A company shall protect the lawful rights and interests of its employees, conclude labor contracts with its employees according to law, participate in social insurances and strengthen labor protection to realize work safety.

The company shall adopt various forms to strengthen the vocational education and on-the-job training of its employees so as to improve their quality.

Article 17 The employees of a company shall, in accordance with the Trade Union Law of the People's Republic of China, organize a trade union to carry out the trade union activities and maintain the lawful rights and interests of the employees. The company shall provide necessary conditions for its trade union to carry out activities. The trade union of a company shall, on behalf of the employees, conclude a collective contract with the company with respect to such matters as the labor remuneration, working hours, rest and vacations, labor safety and sanitation, insurance and welfare, etc.

A company shall, according to the Constitution and other related laws, establish and improve a democratic management system with the employees' representative congress as the basic form and carry out democratic management through the employees' representative congress or by any other means.

When making a decision on restructuring, dissolution, application for bankruptcy or any other major issue in the respect of business operation, or formulating any important regulation, a company shall solicit the opinions of its trade union and listen to the opinions and proposals of the employees through the employees' representative congress or by any other means.

Article 18 An organization of the Communist Party of China shall, according to the Constitution of the Communist Party of China, be set up in a company to carry out the activities of the Party. The company shall provide necessary conditions to facilitate the activities of the Party organization.

Article 19 When engaging in business operations, a company shall comply with the laws and regulations, social morality and business ethics, be honest and faithful and accept the supervision of the government and the general public.

Article 20 When engaging in business operations, a company shall take into full consideration the interests of its employees, consumers and other stakeholders, as well as the protection of ecological environment and other public interests and assume social responsibilities.

The State encourages companies to take part in public welfare activities and release their social responsibility reports.

Article 21 A shareholder of a company shall comply with laws, administrative regulations and the articles of association, exercise the shareholder's rights according to law, and may not damage the interests of the company or of other shareholders by abusing its rights.

Where any shareholder of a company causes any loss to the company or any other shareholder by abusing the shareholder's rights, it shall be liable for compensation.

Article 22 None of the controlling shareholders, actual controllers, directors, supervisors or senior executives of a company may damage the interests of the company by taking advantage of any related-party relationship.

Whoever causes any loss to the company by violating the provisions of the preceding paragraph shall be liable for compensation.

Article 23 Where any shareholder of a company evades the debts by abusing the independent status of juridical person of the company or the limited liability of shareholders and thus seriously damages the interests of any creditor of the company, it shall be jointly and severally liable for the debts of the company.

Where a shareholder commits any of the acts as mentioned in the preceding paragraph by using two or more companies under its control, each company shall be jointly and severally liable for the debts of any company.

In the case of any company with only one shareholder, if the shareholder is unable to prove that the property of the company are independent of its own property, it shall be jointly and severally liable for the debts of the company.

Article 24 The shareholders' meeting, board of directors or board of supervisors of a company may hold a meeting or vote by way of electronic communications, unless it is otherwise prescribed by the articles of association of the company.

Article 25 Where any resolution of the shareholders' meeting or board of directors violates any of the laws or administrative regulations, it shall be invalidated.

Article 26 Where the procedures for convening a meeting of the shareholders' meeting or of the board of directors or the voting method is contrary to any law, administrative regulation or the articles of association, or the contents of any resolution are contrary to the articles of association, shareholders may, within 60 days as of the day when the resolution is made, request the people's court to cancel the resolution, except where the procedures for convening a meeting of the shareholders' meeting or the board of directors or the voting method only has some minor defects, which produces no substantial effect on the resolution.

Any shareholder who fails to be notified to attend the shareholders' meeting may, within 60 days as of the day when it knows or ought to know that the resolution of the shareholders' meeting is made, request the people's court to cancel the resolution. If the right of cancellation is not exercised within one year as of the date when the resolution is made, it shall be extinguished.

Article 27 Under any of the following circumstances, a resolution of the shareholders' meeting or the board of directors shall be invalid:

(I) the resolution fails to be made at any shareholders' meeting or meeting of the board of directors;

(II) the shareholders' meeting or meeting of the board of directors fails to vote on the resolution;

(III) the number of persons attending the meeting or the number of the voting rights held by them does not reach the number as prescribed by this Law or the articles of association; or

(IV) the number of persons consenting to the resolution or the number of the voting rights held by them fails to reach the number as prescribed by this Law or the articles of association.

Article 28 Where a resolution of the shareholders' meeting or the board of directors is declared null and void, cancelled or confirmed to be invalid by the people's court, a company shall file an application with the company registration authority for cancelling the registration having been made pursuant to the said resolution.

Where a resolution of the shareholders' meeting or the board of directors is declared null and void, cancelled or confirmed to be invalid by the people's court, the civil legal relationship formed between the company and any bona fide third party according to the said resolution shall not be affected.

Chapter II Registration of Companies

Article 29 To establish a company, an applicant shall file an application with the company registration authority for registration of incorporation under the law.

Where it is prescribed by any law or administrative regulation that the establishment of a company shall be submitted for approval, the approval formalities shall be gone through according to law prior to the registration of the company.

Article 30 To apply for establishing a company, an applicant shall submit an application form for the registration of establishment, the articles of association and other documents. The relevant materials submitted shall be authentic, lawful and valid.

If the application materials are incomplete or do not satisfy the statutory form, the company registration authority shall inform the applicant once for all of the materials to be supplemented and corrected.

Article 31 Where an application for establishing a company satisfies the conditions as prescribed in this Law, the company shall be registered by the company registration authority as a limited liability company or joint stock limited company respectively. Where the application fails to satisfy the conditions as prescribed in this Law, it shall not be registered as a limited liability company or joint stock limited company.

Article 32 The items of company registration shall include:

- (I) name;
- (II) domicile;
- (III) registered capital;

(IV) business scope;

(V) name of the legal representative; and

(VI) names of the shareholders of a limited liability company or of the promoters of a joint stock limited company.

The company registration authority shall make public the company registration items as prescribed in the preceding paragraph through the National Enterprise Credit Information Publicity System.

Article 33 The company registration authority shall issue a business license to a company lawfully established. The date of issuance of the business license shall be the date of establishment of the company.

The business license shall state the name, domicile, registered capital, business scope, name of the legal representative and other items of the company.

The company registration authority may issue an electronic business license to the company. Both electronic business license and paper business license shall be equally authentic.

Article 34 Where any of the registered items of a company is changed, the company shall go through the modification registration according to law.

Failure to make registration or modification registration of any registered item of a company may not be asserted against any bona fide third party.

Article 35 To apply for modification registration, a company shall submit to the company registration authority a written application form for modification registration signed by the legal representative of the company, the resolution or decision on the modification and other documents as made according to law.

Where the item of modification registration of the company involves the amendment of its articles of association, the amended articles of association shall be submitted.

Where the legal representative of a company is changed, the written application form for modification registration shall be signed by the legal representative after change.

Article 36 Where any of the items as stated in the business license of a company is changed, the company registration authority shall issue a new business license after the modification registration completed by the company.

Article 37 Where a company needs to be terminated due to dissolution, being declared bankrupt or any other statutory cause, it shall apply to the company registration authority for deregistration, and the company registration authority shall make a public announcement on its termination.

Article 38 To establish a branch, a company shall file an application with the company registration authority for registration and obtain a business license.

Article 39 Where a company is approved for registration of establishment by making a false declaration of its registered capital, submitting false materials or concealing any important fact by any other fraudulent means, the company registration authority shall cancel the registration in accordance with the laws and administrative regulations.

Article 40 A company shall make public the following matters via the National Enterprise Credit Information Publicity System as required:

(I) the amounts of capital contributions subscribed for and actually paid by the shareholders of a limited liability company, and the method and date of capital contributions; the number of shares subscribed for by the promoters of a joint stock limited company;

(II) the information on the change of equity or shares of the shareholders of a limited liability company or of the promoters of a joint stock limited company;

(III) the information on approval, modification or deregistration of administrative licensing; and

(IV) other information prescribed by any law or administrative regulation.

The company shall ensure that the information released in the preceding paragraph is authentic, accurate and complete.

Article 41 The company registration authority shall optimize the procedures for company registration, enhance the company registration efficiency, strengthen information technology development and promote online handling and other convenient methods so as to raise the level of facilitation in company registration.

The market regulatory department under the State Council shall, according to the present Law and the provisions of relevant laws and administrative regulations, formulate specific measures for company registration.

Chapter III Establishment and Organizational Structure of a Limited Liability Company

Section 1 Establishment

Article 42 A limited liability company shall be established with capital contributions made by not less than one but not more than 50 shareholders.

Article 43 The shareholders of a limited liability company may conclude an agreement on establishment so as to specify their respective rights and obligations during the process of company establishment.

Article 44 Where the shareholders of a limited liability company engage in the civil activities for establishing the company, the legal consequences therefrom shall be undertaken by the company.

If the company fails to be established, the legal consequences incurred shall be undertaken by the shareholders at the time of the establishment of the company. If there are two or more shareholders at the time of the establishment, they shall enjoy the claims and assume the debts jointly and severally.

If a shareholder at the time of the establishment of the company engages in the civil activities in its own name for the purpose of establishing the company, the third party has the right to request the company or such shareholder to assume the civil liability incurred.

Where a shareholder at the time of the establishment of a company causes any damage to any other person due to fulfilling the duties for the establishment of the company, the company or the shareholder who is not at fault may, after making compensations, claim the compensation from the shareholder who is at fault.

Article 45 To establish a limited liability company, the shareholders shall jointly formulate the articles of association.

Article 46 The articles of association of a limited liability company shall state the following matters:

- (I) name and domicile of the company;
- (II) business scope of the company;
- (III) registered capital of the company;
- (IV) name or title of the shareholders;
- (V) amount, method and date of capital contributions made by the shareholders;
- (VI) organizations of the company and their formation, functions and rules of procedure;
- (VII) method of appointment and alteration of the legal representative of the company; and
- (VIII) other matters to be specified by the shareholders' meeting.

The shareholders shall affix their signatures or seals on the articles of association of the company.

Article 47 The registered capital of a limited liability company shall be the amount of capital contributions subscribed for by all the shareholders as registered with the company registration authority. The amount of capital contributions subscribed for by all the shareholders shall, according to the articles of association, be fully paid up by the shareholders within 5 years as of the date of establishment.

Where it is otherwise provided for in any law, administrative regulation or decision of the State Council on the actual payment of registered capital, the minimum amount of registered capital and the time limit for capital contributions by shareholders of a limited liability company, such provisions shall prevail.

Article 48 A shareholder may make capital contributions in currency, or in kind, intellectual property, land use right, stock rights, creditor's rights or other non-monetary property that may be assessed in currency and transferred according to law, except the property that may not be used as capital contributions according to any law or administrative regulation.

The non-monetary property as capital contributions shall be assessed and verified, which may not be overvalued or undervalued. If there are provisions on the assessment of value in any law or administrative regulation, such provisions shall prevail.

Article 49 Shareholders shall make their respective capital contributions subscribed for in the articles of association on time and in full amount.

If a shareholder makes its capital contributions in currency, it shall deposit the full amount of monetary capital contributions into a bank account opened by the limited liability company. If the capital contributions are made in non-monetary property, the procedures for the transfer of the property rights therein shall be gone through according to law.

If a shareholder fails to make its capital contributions on schedule and in full amount, it shall, apart from making full amount capital contributions to the company, be liable for compensation for the losses it causes to the company.

Article 50 Where any shareholder fails to make actual capital contributions according to the provisions of the articles of association, or the actual value of non-monetary property for actual capital contributions is obviously lower than the amount of capital contributions subscribed for at the time of establishment of a limited liability company, other shareholders at the time of the establishment shall bear joint and several liability with such shareholder to the extent of the insufficient capital contributions.

Article 51 After a limited liability company is established, the board of directors shall verify the capital contributions of shareholders. If it finds that any shareholder has not made capital contributions on schedule and in full amount as provided for in the articles of association, the company shall send a written notice of call to the shareholder to call up capital contributions.

Where any loss is caused to the company due to failure to fulfill the obligations as prescribed in the preceding paragraph in a timely manner, the responsible director shall make compensation.

Article 52 Where any shareholder fails to make capital contributions on the date of capital contribution as provided for in the articles of association, and a company issues a written notice of call for capital contribution according to the first paragraph of the preceding Article, it may specify the grace period for the capital contribution, which shall be not less than 60 days as of the issuance of the notice of call. If, upon the expiration of the grace period, the shareholder still has not fulfilled the obligation of capital contribution, the company may, upon a resolution of the board of directors, send a notice of forfeiture to the shareholder, and the notice shall be given in written form. As of the issuance of the notice,

the shareholder shall forfeit its the equities for which the capital contribution has not been paid.

The forfeited equities in accordance with the provisions of the preceding paragraph shall be transferred according to law, or the registered capital thereof shall be reduced, and the equities shall be written off. If the equities are not transferred or written off within 6 months, other shareholders of the company shall make corresponding capital contributions in full amount in proportion to their capital contributions.

If the shareholder has any dissent to the forfeiture of rights, it shall file a lawsuit with the people's court within 30 days as of the receipt of the notice of forfeiture.

Article 53 After a company has been established, none of the shareholders may illicitly withdraw the capital contributions.

In the case of violation of the provisions of the preceding paragraph, the shareholder shall return the capital contributions withdrawn. If it causes any loss to the company, the responsible directors, supervisors and senior executives shall bear the joint and several liability with the shareholder.

Article 54 Where a company is unable to pay off the due debts, the company or the creditors of the due credits may request the shareholders who have subscribed for the capital contributions but whose time limit for capital contributions has not expired to make capital contributions in advance.

Article 55 After a limited liability company is established, it shall issue to the shareholders a capital contribution certificate, which shall state the following matters:

(I) name of the company;

(II) date of establishment of the company;

(III) registered capital of the company;

(IV) name of the shareholder, amount of capital contributions subscribed for and actually paid, method and date of capital contributions; and

(V) serial number and date of issuance of the capital contribution certificate.

The capital contribution certificate shall bear the signature of the legal representative and the seal of the company.

Article 56 A limited liability company shall prepare a register of shareholders, which shall state the following matters:

- (I) name and domicile of each shareholder;
- (II) amount of capital contributions subscribed for and actually paid by shareholders, the form and date of capital contributions;
- (III) serial number of the capital contribution certificate; and
- (IV) date for obtaining or losing the shareholder's qualifications.

The shareholders recorded in the register of shareholders may, in light of the register of shareholders, claim to exercise the shareholders' rights.

Article 57 Shareholders are entitled to consult and copy the articles of association, register of shareholders, minutes of shareholders' meetings, resolutions of meetings of the board of directors or board of supervisors, as well as financial and accounting reports of a company.

The shareholders may request to consult the accounting books and accounting vouchers of the company. Where a shareholder requests to access the accounting books or accounting vouchers of the company, it shall make a written request and state the purposes therefor. If the company, with justifiable reasons, considers that the shareholder's request to consult the accounting books or accounting vouchers has any improper purpose and may damage the lawful rights and interests of the company, it may reject the request of the shareholder, and shall, within 15 days as of the day when the shareholder makes the written request, give the shareholder a written reply and state the reasons therefor. If the company refuses to provide access, the shareholder may bring a lawsuit to a people's court.

To consult the materials as mentioned in the preceding paragraph, a shareholder may entrust such intermediaries as an accounting firm or law firm to do so.

When the shareholder and the accounting firm, law firm or other intermediaries entrusted thereby consult or copy the relevant materials, they shall comply with the laws and

administrative regulations on protecting state secrets, trade secrets, personal privacy, personal information, etc.

Where a shareholder requests to consult or copy the relevant materials of the wholly-owned subsidiaries of the company, the provisions of the preceding 4 paragraphs shall apply.

Section 2 Organizational Structure

Article 58 The shareholders' meeting of a limited liability company shall consist of all the shareholders. The shareholders' meeting is the authority of the company, which shall exercise its functions and powers according to this Law.

Article 59 The shareholders' meeting shall exercise the following functions and powers:

- (I) electing and replacing directors and supervisors and deciding on their remunerations;
- (II) deliberating on and approving the reports of the board of directors;
- (III) deliberating on and approving the reports of the board of supervisors;
- (IV) deliberating on and approving the plans for profit distribution and making up losses of the company;
- (V) making resolutions on the increase or decrease of the registered capital of the company;
- (VI) making resolutions on the issuance of corporate bonds;
- (VII) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company;
- (VIII) amending the articles of association; and
- (IX) other functions and powers as prescribed in the articles of association.

The shareholders' meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

If the shareholders unanimously agree in writing to the matters as set forth in the first paragraph of this Article, they may directly make a decision without convening the shareholders' meeting, and all the shareholders shall affix their signatures or seals to the decision documents.

Article 60 A limited liability company with only one shareholder may not set up the shareholders' meeting. When the shareholder makes a decision on any of the matters as specified in the first paragraph of the preceding Article, such decision shall be made in written form and kept in the company after being affixed with the signature or seal of the shareholder.

Article 61 The shareholder who has made the largest capital contribution shall convene and preside over the first shareholders' meeting and exercise its functions and powers according to this Law.

Article 62 The shareholders' meetings are classified into regular meetings and interim meetings.

The regular meetings shall be held on time according to the provisions of the articles of association. Where it is proposed by the shareholders representing one tenth or more of the voting rights, or by one third or more of the directors, or by the board of supervisors, an interim meeting shall be held.

Article 63 The shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman of the board is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the board of directors is unable or fails to perform the duty of convening the shareholders' meeting, the meeting shall be convened and presided over by the board of supervisors. If the board of supervisors does not convene or preside over such a meeting, the shareholders representing one tenth or more of the voting rights may convene and preside over such a meeting by themselves.

Article 64 When a shareholders' meeting is to be held, all the shareholders shall be notified 15 days before the meeting is held, unless it is otherwise prescribed by the articles of association or otherwise agreed by all the shareholders.

The shareholders' meeting shall prepare meeting minutes for the decisions on the matters discussed. The shareholders present at the meeting shall affix their signatures or seals to the meeting minutes.

Article 65 Shareholders shall exercise their voting rights at the shareholders' meeting in proportion to their capital contributions, unless it is otherwise prescribed by the articles of association.

Article 66 The discussion methods and voting procedures of the shareholders' meeting shall be prescribed in the articles of association, unless it is otherwise provided for by this Law.

A resolution made by the shareholders' meeting shall be adopted by the shareholders representing more than half of the voting rights.

A resolution made by the shareholders' meeting on modifying the articles of association, increasing or decreasing the registered capital, as well as merger, division, dissolution or change of corporate form of the company shall be adopted by the shareholders representing two thirds or more of the voting rights.

Article 67 A limited liability company shall set up a board of directors, unless it is otherwise provided for in Article 75 hereof.

The board of directors shall exercise the following functions and powers:

- (I) convening the shareholders' meeting and reporting its work to the shareholders' meeting;
- (II) executing the resolutions of the shareholders' meeting;
- (III) deciding the business plans and investment scheme of the company;
- (IV) formulating the plans for profit distribution and making up for loss of the company;
- (V) formulating the plan for increasing or decreasing the registered capital, as well as the plan for issuance of corporate bonds;
- (VI) formulating the plan for merger, division, dissolution, or change of corporate form of the company;
- (VII) deciding the establishment of the internal management body of the company;
- (VIII) deciding the appointment or dismissal of the manager of the company and the remuneration thereof, and, according to the nomination of the manager, deciding on hiring

or dismissing deputy managers and financial director of the company as well as their remuneration;

(IX) formulating the basic management rules of the company; and

(X) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Any restrictions on the functions and powers of the board of directors set out in the articles of association may not be asserted against any bona fide third party.

Article 68 If the board of directors of a limited liability company has three or more members, it may include an employees' representative of the company. Where a limited liability company has 300 or more employees, the board of directors shall include the employees' representatives of the company unless the board of supervisors has been established and includes employees' representatives of the company according to law. The employees' representatives in the board of directors shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means.

The board of directors shall have one chairman and may have deputy chairmen. The measures for election of the chairman and deputy chairmen shall be prescribed in the articles of association.

Article 69 A limited liability company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as prescribed by this Law, with no board of supervisors or supervisors established. Employees' representatives who serve as members of the board of directors may become members of the audit committee.

Article 70 The term of office of directors shall be prescribed in the articles of association, but each term shall not exceed three years. After the term of office of a director expires, he/she may be reelected to serve another term.

Where a director is not reelected timely upon expiration of the term of office, or the resignation of any director during his/her term of office results in the number of members of the board of directors being less than the quorum, the original director shall, before a newly

elected director takes office, perform his/her duties as a director according to the laws, administrative regulations and the articles of association.

Where a director resigns, he/she shall notify the company in written form, and the resignation shall become effective on the day when the company receives the notice. However, under any of the circumstances as mentioned in the preceding paragraph, the director shall continue performing his/her duties.

Article 71 The shareholders' meeting may adopt a resolution to remove a director, and the removal shall become effective on the day when the resolution is made.

Where a director is removed prior to the expiration of term of office without any justifiable reason, the director may require the company to make compensation.

Article 72 The meetings of the board of directors shall be convened and presided over by the chairman of the board of directors. Where the chairman is unable or fails to perform his/her duties, the meeting shall be convened and presided over by the deputy chairman. Where the deputy chairman is unable or fails to perform his/her duties, the meeting shall be convened and presided over by a director jointly elected by more than half of the directors.

Article 73 The discussion methods and voting procedures of the board of directors shall be prescribed in the articles of association unless it is otherwise provided for by this Law.

No meeting of the board of directors may be held unless more than half of the directors are present. When the board of directors makes a resolution, it shall require the affirmative votes of more than half of all the directors.

For the voting on a resolution of the board of directors, each director shall have one vote.

The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meeting, which shall be affixed with the signatures of the directors present at the meeting.

Article 74 A limited liability company may have a manager, who shall be appointed or removed by the board of directors.

The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of

directors. The manager shall attend the meetings of the board of directors as a non-voting member.

Article 75 A limited liability company with a relatively small scale or a relatively small number of shareholders may dispense with the board of directors and may have one director to exercise the functions and powers of the board as prescribed by this Law. The director may concurrently hold the post of the manager of the company.

Article 76 A limited liability company shall have a board of supervisors, unless it is otherwise provided for in Articles 69 and 83 hereof.

There are three or more members in the board of supervisors. The members of the board of supervisors shall include shareholders' representatives and an appropriate proportion of employees' representatives, and the proportion of the employees' representatives shall be no less than one third of the total number of the members, the specific proportion of which shall be provided for in the articles of association. The employees' representatives in the board of supervisors shall be democratically elected by the employees through the employees' representative congress, the employees' congress or by other means.

The board of supervisors shall have one chairman, who shall be elected by more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. If the chairman of the board of supervisors is unable or fails to implement his/her duties, the meeting of the board of supervisors shall be convened and presided over by a supervisor jointly elected by more than half of the supervisors.

Any director or senior executive shall not concurrently act as a supervisor.

Article 77 The term of office of a supervisor shall be three years. Upon expiration of term of office, a supervisor may serve consecutive terms if reelected.

If a supervisor fails to be reelected timely upon expiration of the term of office, or the resignation of a supervisor during term of office results in the number of the members of the board of supervisors being less than the quorum, the original supervisor shall, before a newly elected supervisor takes office, continue to exercise the duties of the supervisor according to the law, administrative regulations and the articles of association.

Article 78 The board of supervisors shall exercise the following functions and powers:

- (I) examining the financial affairs of the company;
- (II) supervising the acts of the directors and senior executives in the performance of their duties, and proposing the removal of the directors and senior executives who have violated laws, administrative regulations, the articles of association or the resolutions of the shareholders' meeting;
- (III) requiring the directors and senior executives to correct their acts if such acts damage the interests of the company;
- (IV) proposing to convene interim shareholders' meetings, and convening and presiding over the shareholders' meeting when the board of directors fails to implement the duties to convene and preside over the shareholders' meeting as prescribed in this Law;
- (V) presenting proposals to the shareholders' meetings;
- (VI) initiating lawsuits against the directors and senior executives according to Article 189 hereof; and
- (VII) other functions and powers provided for in the articles of association.

Article 79 A supervisor may attend the meetings of the board of directors as a non-voting member and raise inquiries or suggestions concerning the matters subject to resolutions to be adopted by the board of directors.

If the board of supervisors finds any abnormality in the operation of the company, it may carry out an investigation. If necessary, it may hire an accounting firm to assist in its work at the expense of the company.

Article 80 The board of supervisors may demand the directors or senior executives to submit reports on the performance of their duties.

The directors and senior executives shall truthfully provide relevant information and materials to the board of supervisors, none of them may impede the exercise of powers by the board of supervisors or supervisors.

Article 81 The meeting of the board of supervisors shall be held at least once a year. The supervisors may propose to convene interim meetings of the board of supervisors.

The discussion methods and voting procedures of the board of supervisors shall be specified in the articles of association, unless it is otherwise provided for by this Law.

The resolution of the board of supervisors shall be adopted by more than half of all the supervisors.

For the voting on a resolution of the board of supervisors, each supervisor shall have one vote.

The board of supervisors shall prepare minutes for the decisions regarding the matters discussed, which shall be signed by the supervisors present at the meeting.

Article 82 The expenses necessary for the board of supervisors to exercise its functions and powers shall be borne by the company.

Article 83 A limited liability company with a small scale or a relatively small number of shareholders may dispense with the board of supervisors and have a supervisor, who shall exercise the functions and powers of the board of supervisors as provided for in this Law; or it may dispense with the supervisor upon the unanimous approval by all of the shareholders.

Chapter IV Transfer of Equities of a Limited Liability Company

Article 84 Shareholders of a limited liability company may transfer all or part of their equities to other shareholders of the company.

Where a shareholder transfers its equities to a person who is not a shareholder of the company, it shall notify other shareholders in writing of the quantity of equities to be transferred, transfer price, payment method and the term of the transfer. The other shareholders shall have a right of first refusal under the equivalent conditions. Where any shareholder fails to respond within thirty days after the receipt of the written notice, it shall be deemed to have waived the right of first refusal. If two or more shareholders exercise the right of first refusal, they shall determine the purchase percentage through negotiation. If no agreement is reached upon negotiation, they shall exercise the right of first refusal in proportion to their respective capital contributions at the time of equity transfer.

If the equity transfer is otherwise provided for in the articles of association, such provisions shall prevail.

Article 85 Where a people's court transfers the equities held by a shareholder under the enforcement procedures provided for in laws, it shall notify the company and all the shareholders, and the other shareholders shall enjoy the right of first refusal under the equivalent conditions. Where any of the other shareholders fails to exercise the right of first refusal within 20 days after the receipt of the notice of the people's court, it shall be deemed to have waived the right of first refusal.

Article 86 Where a shareholder transfers its equities, it shall notify the company in written form and request to modify the register of shareholders; if it is necessary to go through the modification registration formalities, it shall request the company to go through the modification registration formalities with the company registration authority. If the company refuses to do so or fails to give a reply within a reasonable time limit, the transferor and the transferee may lodge a lawsuit with the people's court according to law.

Where any equity is transferred, the transferee may claim to the company for exercising the shareholder's rights as of the time when it is recorded into the register of shareholders.

Article 87 After the equity transfer according to the present Law, a company shall timely deregister the capital contribution certificate of the original shareholder, issue a capital contribution certificate to the new shareholder and modify the records of relevant shareholders and their capital contributions in the articles of association and the register of shareholders accordingly. No vote of the shareholders' meeting is needed for such modification of the articles of association.

Article 88 Where a shareholder transfers the equities for which capital contributions have been subscribed for but the time limit for capital contribution has not expired, the transferee shall bear the obligation of making such capital contribution. If the transferee fails to make a capital contribution on time and in full amount, the transferor shall bear the supplementary liability for the overdue capital contribution of the transferee.

If a shareholder, who fails to make capital contribution on the date of capital contribution as prescribed in the articles of association, or whose actual value of the non-monetary property used as capital contribution is clearly lower than the amount of capital contribution subscribed for, transfers its equities, the transferor and transferee shall bear joint and several liability to the extent of the insufficient capital contribution. If the transferee is not aware and ought not to know about the existence of the aforesaid circumstances, the corresponding liability shall be assumed by the transferor.

Article 89 Under any of the following circumstances, a shareholder, who votes against the resolution of the shareholders' meeting, may require the company to purchase its equities at a reasonable price:

(I) the company has not distributed any profit to the shareholders for five consecutive years, though the company has made profits for five consecutive years and meets the profit distribution requirements as prescribed in this Law;

(II) the company is merged, split-up or transfers the main property; or

(III) the term of business operation as prescribed in the articles of association expires or any other cause for dissolution as prescribed in the articles of association occurs, or the shareholders' meeting makes the company continue existing by adopting a resolution to modify the articles of association.

Where the shareholder and the company fail to reach an agreement on the purchase of equities within 60 days after the resolution is made by the shareholders' meeting, such shareholder may lodge a lawsuit to the people's court within 90 days after the resolution is made by the shareholders' meeting.

Where any controlling shareholder of the company abuses its shareholder's right and seriously damages the interests of the company or other shareholders, other shareholders have the right to require the company to purchase their equities at a reasonable price.

The equities purchased by the company under any of the circumstances as mentioned in the first or third paragraph of this Article shall be legally transferred or deregistered within 6 months.

Article 90 After a natural person shareholder dies, his/her lawful inheritor may inherit the qualification of the shareholder, unless it is otherwise provided for in the articles of association.

Chapter V Establishment and Organizational Structure of a Joint Stock Limited Company

Section 1 Establishment

Article 91 A joint stock limited company may be established by means of promotion or stock floatation.

The term "establishment by means of promotion" means that the promoters establish a company by subscribing for all the shares that shall be issued at the time of establishment.

The term "establishment by means of stock floatation" means that the promoters establish a company by subscribing for some of the shares that shall be issued at the time of establishment and offering the remaining shares to specific objects or to the general public.

Article 92 To establish a joint stock limited company, there shall be not less than 1 but not more than 200 promoters, more than half of whom shall have their domiciles within the territory of the People's Republic of China.

Article 93 Promoters of a joint stock limited company shall undertake the preparatory matters of the company.

The promoters shall conclude an agreement of promoters so as to specify their respective rights and obligations during the process of establishing the company.

Article 94 To establish a joint stock limited company, promoters shall jointly draft the articles of association.

Article 95 The articles of association of a joint stock limited company shall state the following matters:

(I) name and domicile of the company;

(II) business scope of the company;

(III) method of establishment;

(IV) registered capital, the number of issued shares and the number of issued shares at the time of establishment of the company, and the amount per share of par value share;

(V) number of shares of each classified share and the rights and obligations if classified shares are issued;

(VI) names of the promoters, the number of shares subscribed for, and the form of capital contributions;

(VII) composition, powers and rules of procedure of the board of directors;

(VIII) method for the appointment and alteration of the legal representative of the company;

- (IX) composition, powers and rules of procedure of the board of supervisors;
- (X) method for the profit distribution of the company;
- (XI) causes of dissolution of the company and liquidation method;
- (XII) methods for notices or public announcements of the company; and
- (XIII) other matters that the shareholders' meeting believes necessary to be specified.

Article 96 The registered capital of a joint stock limited company shall be the total share capital of the issued shares as registered with the company registration authority. Before the capital for the shares subscribed for by the promoters are paid in full, the company may not offer any share to others.

Where there is any provision on the minimum amount of the registered capital of a joint stock limited company in any law, administrative regulation or decision of the State Council, such provision shall prevail.

Article 97 Where a joint stock limited company is to be established by means of promotion, promoters shall fully subscribe for the shares that shall be issued at the time of the establishment of the company as provided for in the articles of association.

If a joint stock limited company is to be established by means of stock floatation, the promoters shall subscribed for not less than 35% of the total shares that shall be issued at the time of the establishment of the company as provided for in the articles of association; however, where laws and administrative regulations provide otherwise, such provisions shall prevail.

Article 98 Promoters shall make full payment for the shares they have subscribed for prior to the establishment of a company.

The capital contributions by promoters shall be governed by the provisions of Article 48 and paragraph 2 of Article 49 hereof on the capital contributions by the shareholders of a limited liability company.

Article 99 Where any promoter fails to make payment for the shares subscribed for, or the actual value of the non-monetary property used as capital contributions is obviously lower than the shares subscribed for, other promoters shall bear several and joint liability with such promoter to the extent of the insufficient capital contributions.

Article 100 In making a public offering of shares, promoters shall publish the prospectus and prepare a subscription warrant. The subscription warrant shall state the items specified in paragraph 2 and paragraph 3 of Article 154 hereof, and the subscriber shall fill in the number of shares subscribed for, amount and domicile and affix his/her signature or seal to the subscription warrant. The subscriber shall make full payment for the shares subscribed for.

Article 101 After the share capital for a public offering has been paid in full, the capital verification shall be conducted by a lawfully established capital verification agency, which shall issue a certification.

Article 102 A joint stock limited company shall make a register of shareholders and keep it in the company. The register of shareholders shall contain the following items:

- (I) name and domicile of each shareholder;
- (II) class and number of shares subscribed for by each shareholder;
- (III) serial number of shares if the shares are issued in paper form; and
- (IV) date for each shareholder to obtain shares.

Article 103 Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting.

Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters.

Article 104 The establishment meeting of a company shall exercise the following functions and powers:

- (I) deliberating on the report on the preparations for establishment of the company by promoters;
- (II) adopting the articles of association;

(III) electing directors and supervisors;

(IV) reviewing the expenses for the establishment of the company;

(V) reviewing the valuations of the non-monetary property contributed by the promoters; and

(VI) where any force majeure or any major change of business conditions directly affects the establishment of the company, the resolution of not establishing the company may be made.

The resolutions made at the establishment meeting about the matters as mentioned in the preceding paragraph shall be adopted by the subscribers present at the meeting who represent more than half of the voting rights.

Article 105 Where the shares to be issued have not been fully subscribed for at the time of the establishment of a company, or the promoters fail to hold an establishment meeting within 30 days after the full payment has been made for the shares to be issued, subscribers may claim against the promoters for refund of the payment for shares plus the interest on the bank deposits for the same term.

The promoters and subscribers may not withdraw their share capital after they have made payment for the shares or delivered non-monetary property as capital contributions, except that the shares have not been fully subscribed for within the time limit, the promoters fail to hold the establishment meeting on schedule, or the establishment meeting decides not to establish the company.

Article 106 The board of directors shall, within 30 days after the end of the establishment meeting of a company, authorize a representative to file an application for registration of establishment with the company registration authority.

Article 107 The provisions of Article 44, Paragraph 3 of Article 49, Articles 51 through 53 hereof shall apply to joint stock limited companies.

Article 108 Where a limited liability company is changed into a joint stock limited company, the total amount of the paid-in capital converted shall not be more than the net assets of the company. Where a limited liability company is changed into a joint stock limited company and makes a public offering of shares for increasing its registered capital, it shall do so according to law.

Article 109 A joint stock limited company shall preserve the articles of association, register of shareholders, minutes of shareholders' meetings, minutes of meetings of the board of directors and of the board of supervisors, financial and accounting reports and register of bondholders in the company.

Article 110 Shareholders are entitled to consult or copy the articles of association, register of shareholders, minutes of shareholders' meetings, resolutions of meetings of the board of directors and of the board of supervisors and financial and accounting reports and may bring forward suggestions or raise inquiries about the business operation of the company.

Where the shareholders who separately or aggregately hold 3% or more of the company's shares for 180 consecutive days or more request to consult the accounting books or accounting vouchers of the company, the provisions of Paragraphs 2 through 4 of Article 57 hereof shall apply. Where the articles of association prescribe a relatively lower proportion of shareholding, such provisions shall prevail.

Where the shareholders request to consult or copy the relevant materials of a wholly-owned subsidiary of the company, the provisions of the preceding two paragraphs shall apply.

When consulting or copying the relevant materials, shareholders of a listed company shall comply with the Securities Law of the People's Republic of China and other laws and administrative regulations.

Section 2 Shareholders' Meeting

Article 111 The shareholders' meeting of a joint stock limited company shall consist of all the shareholders. The shareholders' meeting is the authority of the company, which shall exercise its functions and powers according to this Law.

Article 112 The provisions of Paragraphs 1 and 2 of Article 59 hereof on the functions and powers of the shareholders' meeting of a limited liability company shall apply to the shareholders' meeting of a joint stock limited company.

The provision in Article 60 hereof that a limited liability company with only one shareholder may not establish a shareholders' meeting shall apply to a joint stock limited company with sole shareholder.

Article 113 An annual shareholders' meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders' meeting shall be held within two months:

- (I) where the number of directors is less than two thirds of the number as provided for by this Law or the articles of association;
- (II) where the unrecovered losses of the company reach one third of the total capital stock;
- (III) where the shareholders who separately or aggregately hold 10% or more of the company's shares so request;
- (IV) where the board of directors deems it necessary;
- (V) where the board of supervisors so proposes; or
- (VI) other circumstances as provided for in the articles of association.

Article 114 The shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the board of directors is unable or fails to perform the duties of convening the shareholders' meeting, the board of supervisors shall timely convene and preside over the meeting. If the board of supervisors fails to convene and preside over the meeting, shareholders who separately or aggregately hold 10% or more of the shares of the company for 90 or more consecutive days may convene and preside over the meeting by themselves.

If the shareholders who separately or aggregately hold 10% or more of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Article 115 The time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders' meeting is held. For an interim shareholders' meeting, a notice shall be served 15 days in advance.

The shareholders who separately or aggregately hold 1% or more of the shares of the company may, 10 days before a shareholders' meeting is held, submit an interim proposal in writing to the board of directors. The interim proposal shall contain a clear topic for discussion and specific matters for resolution. The board of directors shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders' meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of functions of the shareholders' meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

A company offering shares to the public shall make the notices as mentioned in the preceding 2 paragraphs by way of announcement.

The shareholders' meeting shall not make any resolution on any matter not specified in the notice.

Article 116 A shareholder who attends the shareholders' meeting has one vote for each share held by it, except the shareholders of classified shares. The company may not have a voting right for the shares it holds.

A resolution made at the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders who attend the meeting.

A resolution made at the shareholders' meeting on modifying the articles of association, increasing or reducing the registered capital as well as merger, split-up, dissolution or change of the corporate form shall be adopted by two thirds or more of the voting rights held by the shareholders who attend the meeting.

Article 117 The shareholders' meeting may, in electing the directors or supervisors, adopt a cumulative voting system according to the articles of association or the resolutions of the shareholders' meeting.

For the purpose of this Law, the "cumulative voting system" means that when the shareholders' meeting elects the directors or supervisors, each shareholder is entitled to one vote per share, multiplied by the number of candidates and uses them all for one candidate for director or supervisor.

Article 118 Where a shareholder entrusts an agent to attend the shareholders' meeting, it shall clarify the matters, power and time limit of the agent. The agent shall present a power of attorney issued by the shareholder to the company and exercise voting rights within the authorized scope.

Article 119 The minutes of shareholders' meeting shall be made for the decisions about the matters discussed at the meeting, which shall be signed by the presider and the directors present. The minutes of the meeting shall be preserved together with the book of signatures of the shareholders present as well as the power of attorney thereof.

Section 3 Board of Directors and Managers

Article 120 A joint stock limited company shall set up a board of directors, except it is otherwise provided for in Article 128 hereof.

The provisions of Article 67, Paragraph 1 of Article 68, Article 70, Article 71 hereof shall apply to joint stock limited companies.

Article 121 A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in this Law. It may not have a board of supervisors or supervisors.

The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee.

A resolution made by the audit committee shall be adopted by more than half of the members thereof.

For voting on a resolution of the audit committee, each member shall have one vote.

The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by this Law.

A company may set up other committees in the board of directors under the articles of association.

Article 122 The board of directors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen shall be elected by more than half of all the directors.

The chairman shall convene and preside over the meetings of the board of directors and check the implementation of the resolutions of the board of directors. The deputy chairman shall assist the chairman in work. If the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform such duties. If the deputy chairman is unable or fails to perform his/her duties, a director jointly elected by more than half of the directors shall perform such duties.

Article 123 The board of directors shall convene at least two meetings every year. Each meeting shall be notified to all directors and supervisors 10 days before it is held.

The shareholders representing one tenth or more of the voting rights, one third or more of the directors, or the board of supervisors may propose to convene an interim meeting of the board of directors. The chairman of the board of directors shall, within 10 days upon receipt of such a proposal, convene and preside over a meeting of the board of directors.

If the board of directors holds an interim meeting, it may separately decide the method and time limit for the notification on convening meetings of the board of directors.

Article 124 No meeting of the board of directors may be held unless more than half of the directors are present. A resolution made by the board of directors shall be adopted by more than half of all the directors.

For voting on a resolution of the board of directors, each director shall have one vote.

The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

Article 125 The directors shall attend the meeting of the board of directors in person. Where any director is unable to attend the meeting for any reason, he/she may, by issuing a written power of attorney, entrust another director to attend the meeting on his/her behalf. The power of attorney shall indicate the scope of authorization.

The directors shall be responsible for the resolutions made by the board of directors. Where a resolution of the board of directors is in violation of any law, administrative regulation, article of association or resolution of the shareholders' meeting and causes any serious loss

to the company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

Article 126 A joint stock limited company may have a manager, who shall be appointed or removed as decided by the board of directors.

The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager shall attend the meetings of the board of directors as a non-voting member.

Article 127 The board of directors of a company may decide to appoint a member of the board of directors to concurrently serve as the manager.

Article 128 A joint stock limited company with a relatively small scale or relatively small number of shareholders may dispense with the board of directors and have one director to exercise the functions and powers of the board of directors as prescribed by this Law. The director may concurrently hold the post of the manager of the company.

Article 129 A company shall regularly disclose to its shareholders the information about remunerations obtained by the directors, supervisors and senior executives from the company.

Section 4 Board of Supervisors

Article 130 A joint stock limited company shall have a board of supervisors, except it is otherwise provided in Paragraph 1 of Article 121 and Article 133 hereof.

The board of supervisors shall comprise 3 members or more. The members of the board of supervisors shall include shareholders' representatives and an appropriate proportion of employees' representatives of the company, among which the proportion of the employees' representatives shall not be lower than one third, and the concrete proportion shall be specified in the articles of association. The employees' representatives who serve as members of the board of supervisors shall be democratically elected by employees through the employees' representative congress, employees' congress or by other means.

The board of supervisors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen of the board of supervisors shall be elected by more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. If the chairman of the board of supervisors is unable or fails to perform his/her duties, the deputy chairman of the board of supervisors shall convene and preside over the meeting. If the deputy chairman is unable or fails to perform his/her duties, a supervisor jointly elected by more than half of the supervisors shall convene and preside over such meeting.

No director or senior executive may concurrently hold the post of supervisor.

The provisions of Article 77 hereof on the term of office of supervisors of a limited liability company shall apply to that of the supervisors of a joint stock limited company.

Article 131 The provisions of Articles 78 through 80 hereof shall apply to the board of supervisors of a joint stock limited company.

The expenses necessary for the board of supervisors to exercise its functions and powers shall be borne by the company.

Article 132 The board of supervisors shall convene at least one meeting every 6 months. The supervisors may propose to convene an interim meeting of the board of supervisors.

The discussion methods and voting procedures of the board of supervisors shall be prescribed in the articles of association, unless it is otherwise provided for by this Law.

Resolutions made by the board of supervisors shall be adopted by more than half of all the supervisors.

For voting on a resolution by the board of supervisors, each supervisor shall have one vote.

The board of supervisors shall prepare minutes for the decisions on the matters discussed at the meeting, which shall be signed by the supervisors present.

Article 133 A joint stock limited company with a relatively small scale or relatively small number of shareholders may dispense with the board of supervisors, but may have one supervisor, who shall exercise the functions and powers of the board of supervisors as prescribed by this Law.

Section 5 Special Provisions on the Organizational Structure of a Listed Company

Article 134 For the purpose of this Law, a "listed company" refers to the joint stock limited company whose stocks are listed and traded on a stock exchange.

Article 135 Where the amount of any major asset purchased or sold or any guaranty provided to others by a listed company within one year exceeds 30% of the total amount of its assets, a resolution shall be made by the shareholders' meeting and adopted by the shareholders representing two thirds of the voting rights who are present at the meeting.

Article 136 A listed company shall have independent directors. The specific measures for the administration of independent directors shall be formulated by the securities regulatory authority of the State Council.

The articles of association of a listed company shall not only specify the matters as prescribed in Article 95 hereof, but also specify the matters such as the composition and functions and powers of the ad hoc committees of the board of directors, as well as the remuneration and appraisal mechanism for directors, supervisors and senior executives according to the relevant laws and administrative regulations.

Article 137 Where a listed company sets up an audit committee under the board of directors, any of the following matters shall be subject to the affirmative votes of more than half of all the members of the audit committee before the board of directors makes a resolution:

(I) hiring or removing the accounting firm that undertakes the audit engagements of the company;

(II) appointing or removing the financial director;

(III) disclosing the financial and accounting reports; and

(IV) any other matter as prescribed by the securities regulatory authority of the State Council.

Article 138 A listed company may have a secretary of the board of directors, who shall be responsible for the preparations of the shareholders' meetings and meetings of the board of directors, the preservation of documents, the management of the shareholders' information of the company, the handling of information disclosure, etc.

Article 139 Where any director of a listed company has any related-party relationship with any enterprise or individual involved in the matter to be decided at the meeting of the board of directors, such director shall submit a written report to the board of directors in a timely manner. Any director with any related-party relationship shall not vote on such resolution, nor may he/she vote on behalf of any other director. The meeting of the board of directors shall not be held unless more than half of the unrelated directors are present at the meeting. A resolution made by the board of directors shall require the affirmative votes of more than half of the unrelated directors. If less than 3 unrelated directors are present at the meeting of the board of directors, the matter shall be submitted to the shareholders' meeting of the listed company for deliberation.

Article 140 A listed company shall disclose the information about its shareholders and actual controllers according to law, and the relevant information shall be authentic, accurate and complete.

It is prohibited to hold the stocks of any listed company on an agency basis in violation of laws and administrative regulations.

Article 141 Any subsidiary controlled by a listed company shall not acquire the shares of the aforesaid listed company.

In case any subsidiary controlled by a listed company holds the shares of the listed company due to the merger of the company or exercise of pledge right, it shall not exercise the voting right corresponding to the shares it holds and timely dispose of the relevant shares of the listed company.

Chapter VI Issuance and Transfer of Shares of a Joint Stock Limited Company

Section 1 Issuance of Shares

Article 142 The capital of a company shall be divided into shares. All the shares of the company shall alternatively be shares with or without par value in accordance with the articles of association. Where par value shares are adopted, all the shares shall be of equal value.

The company may, according to the articles of association, convert all the issued par value shares into no par value shares, or vice versa.

Where no par value shares are adopted, more than half of the proceeds from the issuance of the shares shall be included in the registered capital.

Article 143 Shares shall be issued under the principle of fairness and impartiality. The shares of the same class shall rank *pari passu*.

Shares of the same class in the same issue shall be issued at the same price and on same conditions. The same price shall be paid for each share subscribed for by a subscriber.

Article 144 A company may, according to the articles of association, issue the following classified shares, which have different rights from those of the common shares:

- (I) shares with priority or inferior rights to profits or remaining property in distribution;
- (II) shares with more or less voting rights per share than those of the common shares;
- (III) shares whose transfer is subject to the consent of the company and other restrictions; or
- (IV) other classified shares provided for by the State Council.

A company making a public offering of shares shall not issue any of the classified shares as prescribed in Items (II) and (III) of the preceding paragraph, except those issued prior to the public offering.

Where a company issues the classified shares as mentioned in Item (II) of Paragraph 1 of the present Article, the number of voting rights per classified share shall be the same as that of the common share for the election and replacement of the supervisors or the members of the audit committee.

Article 145 A company that issues classified shares shall state the following items in its articles of association:

- (I) the sequence for the distribution of profits or remaining property of the classified shares;
- (II) the number of voting rights of the classified shares;
- (III) the restriction on the transfer of classified shares;
- (IV) measures for protecting the rights and interests of minority shareholders; and

(V) other matters that the shareholders' meeting believes necessary to be specified.

Article 146 Where any of the matters as prescribed in Paragraph 3 of Article 116 hereof occurs to a company that issues classified shares and may affect the rights of the classified shareholders, it shall not only be decided by the shareholders' meeting according to Paragraph 3 of Article 116, but also be adopted by shareholders representing two thirds of the voting rights who are present at the classified shareholders' meeting.

Other matters that need to be decided at the classified shareholders' meeting may be provided for in the articles of association of the company.

Article 147 Shares in a company take the form of share certificates. Share certificates are certificates issued by the company evidencing the shares held by the shareholders.

The shares issued by a company shall be registered shares.

Article 148 The issue price of par value stock may be based on the face value or exceed the face value but shall not be lower than the face value.

Article 149 A stock shall be in paper form or in any other form prescribed by the securities regulatory authority of the State Council.

A stock in paper form shall state the following main items:

- (I) the name of the company;
- (II) the date of establishment of the company or the time for the issuance of the stocks; and
- (III) the class and par value of the stock, and the number of shares it represents; the number of shares the stock represents if any no par value stock is issued.

A stock in paper form shall also state the serial number of the stock, which shall be signed by the legal representative and sealed by the company.

Stocks issued to promoters in paper form shall bear the words "promoter's stocks".

Article 150 A joint stock limited company shall formally deliver the stocks to the shareholders after its establishment. No company may deliver any stock to the shareholders before its establishment.

Article 151 Where a company intends to issue new stocks, its shareholders' meeting shall make a resolution about the following matters:

- (I) the class and amount of the new stocks;
- (II) the issuing price of the new stocks;
- (III) the beginning and ending dates for the issuance of the new stocks;
- (IV) the class and amount of the new stocks to be issued to the original shareholders; and
- (V) if any no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital.

Where a company issues new stocks, it may make the pricing plan in light of its business operations and financial status.

Article 152 The articles of association or the shareholders' meeting may authorize the board of directors to decide to issue not more than 50% of the shares that have been issued within three years. However, if the capital contributions are to be made using non-monetary property, they shall be subject to a resolution made by the shareholders' meeting.

Where the board of directors decides to issue shares pursuant to the preceding paragraph, and thus results in a change in the registered capital or the number of issued shares of the company, the voting at the shareholders' meeting may not be needed to revise such item set forth in the articles of association of the company.

Article 153 Where the articles of association or the shareholders' meeting of a company authorizes the board of directors to decide on issuing new stocks, a resolution of the board of directors shall be adopted by two thirds of all the directors.

Article 154 Where a company intends to make public offering of shares, it shall go through the registration with the securities regulatory authority of the State Council and announce the prospectus.

The prospectus shall be attached with the articles of association and state the following matters:

- (I) the total number of shares to be issued;

- (II) the par value and issuance price of the par value stocks, or the issuance price of the no par value stocks;
- (III) the purposes of proceeds;
- (IV) the rights and obligations of subscribers;
- (V) the varieties of the shares and the rights and obligations thereof; and
- (VI) the beginning and ending dates of the current offering and a statement that the subscribers may withdraw shares subscribed for if the shares are not fully offered within the time limit.

Where the shares are issued at the time of establishment of a company, the number of shares subscribed for by the promoters shall also be stated.

Article 155 The shares to be offered to the general public by a company shall be underwritten by a lawfully established securities company, with which an underwriting agreement shall be concluded.

Article 156 Where a company intends to offer shares to the general public, it shall conclude an agreement with a bank on the collection of share capital on behalf of the company.

The bank entrusted to collect the share capital shall, under the agreement, collect and keep the share capital on behalf of the company, issue receipts to the subscribers who have made the payments, and shall be obliged to issue certification of receipt of payments to the relevant authorities.

After the share capital is raised by a company making offering of shares, an announcement shall be made.

Section 2 Transfer of Shares

Article 157 The shares held by a shareholder of a joint stock limited company may be transferred to other shareholders or to persons other than the shareholders of the company. Where the articles of association of the company have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the articles of association.

Article 158 The share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council.

Article 159 The stocks shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders.

The register of shareholders shall not be modified within 20 days before any shareholders' meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Article 160 The shares issued before a company makes a public offering of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail.

The directors, supervisors and senior executives of the company shall declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The shares of the company held by them shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the company held within six months after he/she leaves office. Any other restrictions on the transfer of company shares held by directors, supervisors or senior executives may be specified in the articles of association.

Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

Article 161 Under any of the following circumstances, a shareholder, who votes against the resolution of the shareholders' meeting, may require the company to purchase its shares at a reasonable price, except a company making public offering of shares:

(I) the company has not distributed any profit to the shareholder for 5 consecutive years, though the company has made profits for five consecutive years and meets the profit distribution requirements as prescribed in this Law;

(II) the company has transferred its main property; or

(III) the business operation term as prescribed in the articles of association expires or any other cause for dissolution as prescribed in the articles of association occurs, and the shareholders' meeting makes the company continue existing by adopting a resolution to modify the articles of association.

Where the shareholder fails to reach a share purchase agreement with the company within 60 days as of the day when the resolution is made by the shareholders' meeting, it may, within 90 days as of the day when the resolution is made by the shareholders' meeting, lodge a lawsuit in the people's court.

The shares purchased by the company itself under any of the circumstances as mentioned in the first paragraph of the present Article shall be transferred or deregistered according to law within 6 months.

Article 162 No company may purchase its own shares except under any of the following circumstances:

(I) where the company's registered capital is reduced;

(II) where it merges with another company holding its shares;

(III) where its shares are used for employee stock ownership plan or equity incentives;

(IV) where any shareholder, who raises objections to the resolution of the shareholders' meeting on the merger or split-up of the company, requests the company to purchase its shares;

(V) where its shares are used for converting the corporate bonds into convertible stocks issued by the company; or

(VI) it is necessary for a listed company to maintain its company value and its shareholders' equity.

Where a company purchases its own shares under any of the circumstances as mentioned in Items (I) or (II) of the preceding paragraph, a resolution of the shareholders' meeting shall be adopted. Where a company purchases its own shares under any of the circumstances as mentioned in Items (III), (V) or (VI) of the preceding paragraph, a resolution shall be adopted at the meeting of the board of directors with the attendance of not less than two thirds of the directors, according to the articles of association or the shareholders' meeting of the company.

After the company purchases its own shares according to the first paragraph of this Article, the shares purchased shall be written off within ten days as of the purchase date under the circumstance as mentioned in Item (I); the shares shall be transferred or written off within six months under the circumstance as mentioned in Item (II) or (IV); and the shares held accumulatively by the company shall not exceed 10% of the total shares issued and be transferred or written off within three years under any of the circumstances as mentioned in Item (III), (V) or (VI).

Where a listed company purchases its own shares, it shall perform its obligation of information disclosure according to the provisions of the Securities Law of the People's Republic of China. Where a listed company purchases its own shares due to any of the circumstances as mentioned in Items (III), (V) or (VI) of Paragraph 1 of this Article, such purchase shall be conducted by way of public centralized trading.

No company may accept the shares of its own as the subject matter of pledge.

Article 163 No company may provide gifts, loans, guarantees or other financial aids for others to obtain the shares of the company or the parent company thereof unless it carries out an employee stock ownership plan.

For the benefits of the company, the company may, upon a resolution by the shareholders' meeting or by the board of directors under the articles of association or the authorization of the shareholders' meeting, provide financial aids for others to obtain the shares of the company or the parent company thereof, provided that the total accumulative amount of the financial aids shall not exceed 10% of the total issued share capital. A resolution by the board of directors shall be adopted by two thirds of all the directors.

Any director, supervisor or senior executive who is liable for any loss to the company due to violation of the provisions of the preceding two paragraphs shall make compensations.

Article 164 Where any stock is stolen, lost or destroyed, a shareholder may request the people's court to declare the stock invalid in light of the procedure of public summons for exhortation prescribed in the Civil Procedure Law of the People's Republic of China. After the people's court has invalidated the stock, the shareholder may file an application with the company for issuance of new stock.

Article 165 The stocks of a listed company shall be listed and traded according to the relevant laws, administrative regulations, as well as the trading rules of the stock exchange.

Article 166 A listed company shall disclose the relevant information in accordance with laws and administrative regulations.

Article 167 After a natural person shareholder dies, his/her lawful inheritor may inherit the qualifications of the shareholder, unless it is otherwise prescribed by the articles of association of a joint stock limited company whose transfer of shares is restricted.

Chapter VII Special Provisions on the Organizational Structure of State-invested Companies

Article 168 The provisions of this Chapter shall apply to the organizational structure of state-invested companies. Where there is no relevant provision in this Chapter, other provisions of this Law shall apply.

For the purpose of this Law, "state-invested companies" refer to the solely state-owned companies or state-owned capital holding companies invested by the state, including the limited liability companies and joint stock limited companies invested by the state.

Article 169 As to the state-invested companies, the State Council or the local people's governments shall, on behalf of the state, perform the contributor's duties and enjoy the contributor's rights and interests. The State Council or the local people's governments may authorize the state-owned assets supervision and administration agencies or any other departments or organs to perform the contributor's duties for the state-invested companies on behalf of the people's governments at the corresponding level.

The organs and departments that perform the contributor's duties on behalf of the people's governments at the corresponding level are hereinafter referred to collectively as the agencies that perform the contributor's duties.

Article 170 The organization of the Communist Party of China in a state-invested company shall play a leading role in accordance with the Constitution of the Communist Party of China, study and discuss the significant matters concerning the operation and management of the company and support the organization of the company in exercising its functions and powers in accordance with the law.

Article 171 The articles of association of a solely state-owned company shall be formulated by the agency that performs the contributor's duties.

Article 172 A solely state-owned company shall not set up the shareholders' meeting, and the functions and powers of the shareholders' meeting shall be exercised by the agency that performs the contributor's duties. The agency that performs the contributor's duties may authorize the board of directors to exercise some of the functions and powers of the shareholders' meeting, provided that the formulation and modification of the articles of association, merger, division, dissolution, application for bankruptcy, increase or decrease of registered capital, and distribution of profits of the company shall be determined by the agency that performs the contributor's duties.

Article 173 The board of directors of a solely state-owned company shall exercise its functions and powers in accordance with this Law.

More than half of the members of the board of directors of a solely state-owned company shall be external directors and include employees' representatives of the company.

The members of the board of directors shall be designated by the agency that performs the contributor's duties. However, the employees' representatives in the board of directors shall be elected through the employees' representative congress of the company.

The board of directors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen shall be designated by the agency that performs the contributor's duties from among the members of the board of directors.

Article 174 The manager of a solely state-owned company shall be appointed or removed by the board of directors.

A member of the board of directors may concurrently serve as the manager subject to the consent of the agency that performs the contributor's duties.

Article 175 No director or senior executive of a solely state-owned company may concurrently hold a post in any other limited liability company, joint stock limited company or any other economic organization without the consent of the agency that performs the contributor's duties.

Article 176 Where a solely state-owned company sets up an audit committee composed of directors under the board of directors to exercise the functions and powers of a board of supervisors as prescribed in this Law, it may dispense with a board of supervisors or supervisors.

Article 177 A state-invested company shall establish a sound internal supervision and risk control system in accordance with the law and intensify its internal compliance management.

Chapter VIII Qualifications and Obligations of Directors, Supervisors and Senior Executives of a Company

Article 178 Under any of the following circumstances, anyone may not act as a director, supervisor or senior executive of a company:

- (I) having no capacity for civil conduct or having limited capacity for civil conduct;
- (II) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;
- (III) serving as a director, factory director or manager of a company or enterprise which has been bankrupt and liquidated and being personally liable for the bankruptcy of such company or enterprise, where a three-year period has not elapsed since the completion of the bankruptcy and liquidation;
- (IV) acting as the legal representative of a company or enterprise whose business license has been revoked or which was ordered to close down due to any violation of the law and being personally liable, where a three-year period has not elapsed since the date of revocation of business license or the order for closure; or

(V) being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

Where the election or appointment of any director or supervisor, or employment of any senior executive is in violation of the preceding paragraph, it shall be invalidated.

Where any director, supervisor or senior executive, during his/her term of office, is under any of the circumstances set out in the first paragraph of this Article, the company shall remove him/her from office.

Article 179 Directors, supervisors and senior executives shall comply with laws, administrative regulations and the articles of association.

Article 180 Directors, supervisors and senior executives shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers.

The directors, supervisors and senior executives shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

The provisions of the preceding two paragraphs shall apply to the controlling shareholder or actual controller of a company who does not serve as a director but actually executes the affairs of the company.

Article 181 No director, supervisor or senior executive may have any of the following acts:

(I) embezzling the property or misappropriating the funds of the company;

(II) depositing the funds of the company into an account opened in his/her own name or in the name of any other individual;

(III) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;

(IV) taking commissions from the transactions between the company and any other person into his/her own pocket;

(V) unlawfully disclosing the confidential information of the company; or

(VI) other acts in violation of the obligation of loyalty to the company.

Article 182 Where any director, supervisor or senior executive directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' meeting, which shall be subject to the resolution of the board of directors or shareholders' meeting according to the articles of association.

Where any of the near relatives of the directors, supervisors or senior executives, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior executives or any of their near relatives, or any of the related parties who has any other related-party relationship with the directors, supervisors or senior executives, concludes a contract or conducts a transaction with the company, the provisions of the preceding paragraph shall apply.

Article 183 No director, supervisor or senior executive may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(I) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the articles of association; or

(II) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Article 184 Where any director, supervisor or senior executive fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

Article 185 When the board of directors makes a resolution on any of the matters as specified in Articles 182 through 184 hereof, the related directors shall not participate in the voting, and their voting rights shall not be calculated into the total voting rights. If the number of unrelated directors present at the meeting of the board of directors is less than 3, the matter shall be submitted to the shareholders' meeting for deliberation.

Article 186 The incomes derived by any director, supervisor or senior executive in violation of Articles 181 through 184 hereof shall belong to the company.

Article 187 If the shareholders' meeting demands a director, supervisor or senior executive to attend the meeting as a non-voting delegate, he/she shall do so and answer shareholders' inquiries.

Article 188 Where any director, supervisor or senior executive violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, he/she shall be liable for compensation.

Article 189 Where any director or senior executive is under the circumstance as mentioned in the preceding Article, the shareholders of a limited liability company or the shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request the board of supervisors in writing to initiate a lawsuit in the people's court. If any supervisor is under the circumstance in the preceding Article, the aforesaid shareholders may request the board of directors in writing to file a lawsuit with the people's court.

Where the board of supervisors or the board of directors refuses to initiate a lawsuit after it receives a written request of the shareholders as mentioned in the preceding paragraph, or fails to file a lawsuit within 30 days upon receipt of the request, or in an emergency, the failure to initiate a lawsuit immediately will cause irreparable damage to the interests of the company, the shareholders in the preceding paragraph shall have the right to directly initiate a lawsuit in the people's court in their own name for the interests of the company.

If others infringe upon the legitimate rights and interests of a company and cause losses to the company, the shareholders stipulated in the first paragraph of this Article may initiate a lawsuit in the people's court in accordance with the provisions of the preceding two paragraphs.

If a director, supervisor or senior executive of a wholly-owned subsidiary of the company is under the circumstance specified in the preceding Article, or if the legitimate rights and interests of a wholly-owned subsidiary of the company are impaired by any other person, thus causing any losses, the shareholders of a limited liability company or shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request the board of supervisors or the board of directors of the wholly-owned subsidiary in written form to

initiate a lawsuit in the people's court or directly files a lawsuit with the people's court in their own name.

Article 190 Where any director or senior executive damages the shareholders' interests by violating any law, administrative regulation or the articles of association, the shareholders may initiate a lawsuit in the people's court.

Article 191 Where any director or senior executive causes any damage to any other person in the performance of duties, the company shall be liable for compensation. If any director or senior executive is intentional or has gross negligence, he/she shall also be liable for compensation.

Article 192 Where any controlling shareholder or actual controller of a company instructs any director or senior executive to carry out any act damaging the interests of the company or the shareholders, it shall bear joint and several liability with the director or senior executive.

Article 193 A company may, during the term of office of a director, purchase the liability insurance for the compensation liability to be borne by the director in performing the duties.

After the company purchases liability insurance or renews the insurance for the director, the board of directors shall report the insured amount, coverage and premium rate etc. of the liability insurance to the shareholders' meeting.

Chapter IX Corporate Bonds

Article 194 For the purpose of this Law, the term "corporate bonds" refers to the negotiable securities issued by a company that agrees to pay principal and interest on schedule.

Corporate bonds can be issued publicly or non-publicly.

The offering and trading of corporate bonds shall comply with the Securities Law of the People's Republic of China and other laws and administrative regulations.

Article 195 A public offering of a corporate bond shall be registered with the securities regulatory authority of the State Council and a corporate bond prospectus shall be made.

The corporate bond prospectus shall state the major items as follows:

- (I) the company's name;
- (II) the purposes of use of bond proceeds;
- (III) the total amount and par value of the bond;
- (IV) the method for determining the interest rate of the bond;
- (V) the term and manner of debt service;
- (VI) bond guarantees;
- (VII) the offering price of the bond, beginning and ending dates of the offering;
- (VIII) net assets of the company;
- (IX) the total amount of outstanding corporate bonds; and
- (X) underwriter of the corporate bond.

Article 196 Where a company issues corporate bonds in paper form, it shall specify on the bonds such matters as the name of the company, the par value of the bonds, the interest rate, the time limit for repayment, etc. The bonds shall be signed by the legal representative and sealed by the company.

Article 197 Corporate bonds shall be registered.

Article 198 A company issuing corporate bonds shall keep a register of corporate bond holders.

Where corporate bonds are issued, the following matters shall be stated in the register of bondholders of the company:

- (I) the name and domicile of the bondholders;
- (II) the dates on which the bondholder acquires the bonds and the serial number of the bonds;
- (III) the total amount of the bonds, par value, interest rate, time limit and method for repayment of principal plus interest; and
- (IV) the date on which the bonds are issued.

Article 199 The registration and settlement agency for corporate bonds shall establish the systems for bond registration, depository, interest payment and redemption as well as other relevant systems.

Article 200 Corporate bonds can be transferred, and the transfer price shall be agreed between the transferor and transferee.

The transfer of corporate bonds shall comply with the provisions of laws and administrative regulations.

Article 201 The transfer of corporate bonds shall be effected by the bondholder's endorsement or other means prescribed by laws and administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of holders of corporate bonds.

Article 202 A joint stock limited company may, under a resolution of the shareholders' meeting, or under a resolution of the board of directors authorized by the articles of association or the shareholders' meeting, issue corporate bonds convertible into shares and provide for specific conversion methods. The issuance of corporate bonds convertible into stock by a listed company shall be registered with the securities regulatory authority of the State Council.

The corporate bonds that can be converted into stock shall be marked with the words "convertible corporate bonds", and the number of convertible corporate bonds shall be specified in the register of holders of corporate bonds.

Article 203 Where convertible corporate bonds are issued, the company shall exchange its stock for the bonds held by the bondholders in the prescribed method of conversion, provided that the bondholders have the option on whether or not to convert their bonds into stock, except as otherwise prescribed by any law or administrative regulation.

Article 204 In the case of a public offering of corporate bonds, a bondholders' meeting shall be established for the bondholders of the same issue, and procedures for the convening procedures of the bondholders' meeting, the meeting rules and other important matters shall be stipulated in the bond prospectus. The bondholders' meeting may make resolutions on matters in which the bondholders have an interest.

Unless otherwise agreed in the corporate bond prospectus, the resolution of the bondholders' meeting shall be effective for all bondholders of the same issue.

Article 205 In the case of a public offering of corporate bonds, the issuer shall engage a bond trustee for the bondholders, who shall handle such matters for the bondholders as receiving payment in liquidation, preservation of claims, litigation relating to the bonds and participation in the debtor's bankruptcy proceedings.

Article 206 The bond trustee shall fulfill its obligations with due diligence, fairly perform the entrusted management duties, and shall not damage the interests of the bondholders.

Where there is any conflict of interests between the bond trustee and the bondholders, which may damage the interests of the bondholders, the bondholders' meeting may make a resolution to replace the bond trustee.

The bond trustee shall be liable for compensation if it violates laws, administrative regulations or a resolution of the bondholders' meeting to the detriment of the interests of the bondholders.

Chapter X Financial Affairs and Accounting of a Company

Article 207 A company shall establish its own financial and accounting systems according to laws, administrative regulations and provisions of the financial department of the State Council.

Article 208 A company shall prepare a financial accounting report at the end of each fiscal year and have it audited by an accounting firm in accordance with the law.

The financial accounting report shall be made in accordance with the laws, administrative regulations and the provisions of the financial department of the State Council.

Article 209 A limited liability company shall submit a financial accounting report to each shareholder within the time limit as prescribed in the articles of association.

The financial accounting report of a joint stock limited company shall be made available for inspection by the shareholders at the company not later than twenty days before the annual meeting of shareholders; a joint stock limited company that has publicly issued shares shall announce its financial accounting report.

Article 210 When a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company's statutory reserve. Such accrual is no longer required when the accumulated amount of the company's statutory reserve is 50% or more of the company's registered capital.

Where the accumulative amount of the company's statutory reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding paragraph.

After having accrued statutory reserve from the after-tax profits, a company can also set aside discretionary reserve from the after-tax profits upon a resolution made by the shareholders' meeting.

The residual after-tax profits after a company has made up its losses and accrued reserve shall be distributed by the company (in the case of a limited liability company) in proportion to the capital contribution paid up by its shareholders, except where all the shareholders have agreed not to distribute the profits in accordance with the proportion of the capital contribution; or such profits shall be distributed by the company (in the case of a joint stock limited company) in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association.

Profit shall not be distributed for a company's shares held by this company.

Article 211 Where a company distributes profits to shareholders in violation of the provisions of this Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors, supervisors and senior executives shall be held liable for compensation if any loss is caused to the company.

Article 212 If the shareholders' meeting resolves to distribute profits, the board of directors shall do so within six months after the resolution is made.

Article 213 The premiums received by a company from the issuance of shares at an issue price in excess of the par value of the shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve shall be classified as the capital reserve of the company.

Article 214 The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company.

Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions.

Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

Article 215 The employment or dismissal of an accounting firm undertaking a company's auditing business shall be decided by the shareholders' meeting, the board of directors or the board of supervisors in accordance with the provisions of the company's articles of association.

When a company's shareholders' meeting, board of directors or the board of supervisors votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its own opinions.

Article 216 A company shall provide true and complete accounting documents, accounting books, financial accounting reports and other accounting information to the accounting firm engaged by it, and shall not refuse, conceal or misrepresent them.

Article 217 No company may keep any accounting books other than the statutory accounting books.

No account shall be opened in the name of any individual for the deposit of a company's funds.

Chapter XI A Merger of Companies, and Demerger, Capital Increase and Capital Reduction of a Company

Article 218 A merger of companies may take the form of merger by absorption or merger by new establishment.

In the case of a merger by absorption, a company absorbs another company and the absorbed company shall be dissolved. In the case of a merger by new establishment, two or

more companies combine together for the establishment of a new one, and the pre-merger companies shall be dissolved.

Article 219 Where a company merges with another company in which the former holds not less than 90 % of the shares, the merged company is not required to adopt a resolution at the shareholders' meeting, but shall notify other shareholders, who have the right to request the company to acquire their equity or shares at a reasonable price.

If the price paid for the merger of the companies is not more than 10 % of the net assets of the company, it is not required to adopt a resolution at the shareholders' meeting, unless it is otherwise provided for in the articles of association of the company.

For the merger of the companies as provided for in the preceding two paragraphs, a resolution of the board of directors shall be adopted instead of a resolution of the shareholders' meeting.

Article 220 In the case of a merger of companies, a merger agreement shall be concluded by the merging parties and a balance sheet and an inventory of property shall be prepared. The companies involved shall notify their creditors within ten days from the date of the resolution on the merger and make an announcement in newspaper or on the National Enterprise Credit Information Publicity System within thirty days. The creditors may request the said companies to settle the debts or provide corresponding guarantees within thirty days from the date of receipt of the notice or within forty-five days from the date of the announcement if the notice is not received.

Article 221 In the case of a merger of companies, the claims and debts of the merging parties shall be succeeded by the company that survives the merger or by the newly established company.

Article 222 Where a company is demerged, its property shall be divided correspondingly.

A company shall prepare a balance sheet and a list of its property if it is to be demerged. The company shall notify its creditors within ten days from the date of the resolution on demerger and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within thirty days.

Article 223 Unless otherwise agreed in a written agreement between a company and its creditors on the settlement of debts before a demerger, the debts of the company before the demerger shall be jointly and severally liable by the companies after the demerger.

Article 224 When reducing its registered capital, a company shall prepare a balance sheet and an inventory of property.

The company shall notify its creditors within ten days from the date of the resolution of the shareholders' meeting to reduce the registered capital and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within thirty days. The creditors have the right to demand the company to settle the debts or provide corresponding guarantees within thirty days from the date of receipt of the notice, or within forty-five days from the date of the announcement if the notice has not been received.

Where a company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless it is otherwise prescribed by any law, or is agreed upon by all the shareholders of a limited liability company or is otherwise prescribed by the articles of association of a joint stock limited company.

Article 225 If a company still has losses after making up for them in accordance with the provisions of Paragraph 2 of Article 214 of this Law, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for the loss, the company shall not make any distribution to the shareholders, nor shall the shareholders be exempted from their obligation to pay the capital contribution or the share capital.

If the registered capital is reduced in accordance with the provisions of the preceding paragraph, the provisions of the second paragraph of the preceding Article shall not apply, but the resolution to reduce the registered capital shall be made by the shareholders' meeting within thirty days from the date of the announcement in the newspapers or on the National Enterprise Credit Information Publicity System.

After a company reduces its registered capital in accordance with the provisions of the preceding two paragraphs, it shall not distribute profits until the accumulated amount of statutory reserve and discretionary reserve reaches 50% of the company's registered capital.

Article 226 When a company reduces its registered capital in violation of the provisions of this Law, its shareholders shall refund the funds they have received, and if the capital contributions of the shareholders are reduced or exempted, such capital contributions shall be restored to the original status; if any loss is caused to the company, the shareholders and the liable directors, supervisors and senior executives shall bear the liability for compensation.

Article 227 When a limited liability company increases its registered capital, its shareholders shall have the preemptive right to subscribe for the increased capital in proportion to their paid-in capital contribution on the same terms. However, exceptions apply where all the shareholders agree that the capital contributions are not to be subscribed for in proportion to their respective capital contributions.

When a joint stock limited company issues new shares to increase its registered capital, its shareholders shall not have the preemptive right, unless it is otherwise provided in the company's articles of association or the shareholders' meeting resolves that the shareholders enjoy the preemptive right.

Article 228 When a limited liability company increases its registered capital, the contribution of its shareholders to the new capital shall be made in accordance with the relevant provisions of this Law regarding the payment of capital contributions for the establishment of a limited liability company.

When a joint stock limited company issues new shares to increase its registered capital, the subscription for new shares by its shareholders shall be governed by the relevant provisions of this Law regarding the payment of stock capital for the establishment of a joint stock limited company.

Chapter XII Dissolution and Liquidation of a Company

Article 229 A company is dissolved for any of the following reasons:

- (I) the expiration of the business period stipulated in the company's articles of association or the occurrence of other causes of dissolution stipulated in the company's articles of association;
- (II) dissolution by a resolution of the shareholders' meeting;
- (III) dissolution due to merger or demerger of the company;

(IV) suspension of the business license, being ordered to close down or being revoked in accordance with the law; or

(V) being dissolved by the People's Court in accordance with the provisions of Article 231 hereof.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Article 230 Where a company falls under the circumstance as mentioned in Items (I) or (II) of Paragraph 1 of the preceding Article, and it has not distributed the assets to its shareholders yet, it may survive by modifying its articles of association or upon a resolution of the shareholders' meeting.

To modify its articles of association or make a resolution of the shareholders' meeting according to the provisions of the preceding paragraph, the consent of the shareholders who hold two thirds or more of the voting rights is required in the case of a limited liability company, and the consent of two thirds or more of the voting rights of the shareholders who attend the meeting of the shareholders' meeting is required in the case of a joint stock limited company.

Article 231 Where a company meets any serious difficulty in its operation or management, and the interests of its shareholders will be subject to heavy loss if the company survives, which cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of the company may request the people's court to dissolve the company.

Article 232 Where a company is dissolved according to the provisions of Item (I) (II) (IV) or (V) of Paragraph 1 of Article 229 hereof, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution.

The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting.

The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

Article 233 Where a company shall be liquidated in accordance with the provisions of paragraph 1 of the preceding Article, and the liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

Where a company is dissolved according to Item (IV) of Paragraph 1 of Article 229 hereof, the department or company registration authority that made the decision to revoke the company's business license, ordered the company to close down or dissolved the company may request the people's court to designate relevant persons to form a liquidation group for liquidation of the company.

Article 234 The liquidation group may exercise the following functions during the period of liquidation:

- (I) liquidating the property of the company, preparing a balance sheet and an inventory of property, respectively;
- (II) notifying the company's creditors by mail or public announcement;
- (III) handling and liquidating the unfinished business of the company;
- (IV) paying off the taxes overdue by the company and the taxes incurred in the process of liquidation;
- (V) liquidation of claims and debts;
- (VI) distributing the remaining property after all the debts of the company are paid off; and
- (VII) representing the company in civil litigation activities.

Article 235 The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or

within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

When filing a proof of claim, the creditor shall describe the relevant matters of claim and provide the relevant evidentiary materials. The liquidation group shall register the proof of claim.

During the period for filing proofs of claims, the liquidation group shall not pay off for any of the creditors.

Article 236 The liquidation group shall, after liquidating the property of the company and preparing a balance sheet and an inventory of property, make a plan of liquidation and report the same to the shareholders' meeting or the people's court for confirmation.

After paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensations, the outstanding taxes and the debts of the company with the property of the company, the remaining assets may, in the case of a limited liability company, be distributed in proportion to capital contributions of the shareholders, and in the case of a joint stock limited company, distributed in proportion to the shares held by the shareholders.

During the period of liquidation, the company survives, but shall not carry out any business operation unrelated to the liquidation. The property of the company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

Article 237 Where the liquidation group finds that the property of the company are not sufficient for paying off the debts after liquidating the property of the company and preparing a balance sheet and an inventory of property, it shall file an application to a people's court for bankruptcy liquidation.

After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Article 238 The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence.

Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the

liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Article 239 Upon completion of the liquidation of the company, the liquidation group shall produce a liquidation report, report the same to the shareholders' meeting or the people's court for confirmation, and submit the same to the company registration authority to apply for deregistration of the company.

Article 240 Where, during the period of survival, a company has not incurred any debts or has paid off all the debts, the company may, upon a commitment of all the shareholders, be deregistered under the summary procedures according to the relevant provisions.

The deregistration of a company under the summary procedures shall be announced through the National Enterprise Credit Information Publicity System for a period of no less than 20 days. If there is no objection after the expiry of the announcement period, the company may apply for deregistration of the company with the company registration authority within 20 days.

For a company deregistered under the summary procedures, its shareholders shall be jointly and severally liable for the debts incurred before the deregistration if they have made an untrue commitment to the contents as described in Paragraph 1 of this Article.

Article 241 Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

The deregistration of a company according to the provisions of the preceding paragraph will not affect the liability of the original shareholders or liquidation obligors.

Article 242 Any company declared bankrupt according to law shall carry out a bankruptcy liquidation in accordance with the provisions concerning bankruptcy liquidation.

Chapter XIII Branches of Foreign Companies

Article 243 For the purpose of this Law, the term "a foreign company" refers to any company established outside the territory of the People's Republic of China according to any foreign law.

Article 244 Any foreign company that intends to establish a branch within the territory of the People's Republic of China shall file an application with the competent Chinese authority, with its articles of incorporation, certificate of incorporation issued in its country of domicile, and other supporting documentation submitted, and shall, upon obtaining approval, fulfill relevant registration procedures with the company registration authority in accordance with the law, and obtain a business license.

The measures for the approval of branches of foreign companies shall be provided by the State Council separately.

Article 245 When establishing a branch within the territory of the People's Republic of China, a foreign company shall designate a representative or agent within the territory of the People's Republic of China to take charge of the branch, and allocate funds to the branch appropriate to the business activities in which it is engaged.

Where a minimum amount of operating funds is required for branches of foreign companies, it shall be provided by the State Council separately.

Article 246 A branch of a foreign company shall indicate in its name the nationality and form of liability of the foreign company.

A branch of a foreign company shall make the articles of association of the foreign company available at its premises.

Article 247 Any branch of a foreign company established within the territory of the People's Republic of China do not have Chinese legal personality.

A foreign company shall bear civil liability for the business activities conducted by any of its branches within the territory of the People's Republic of China.

Article 248 In engaging in business activities within the territory of the People's Republic of China, branches of foreign companies approved to be established shall abide by Chinese laws and shall not jeopardize the social and public interests of China, and their lawful rights and interests shall be protected by the laws of China.

Article 249 When closing down a branch within the territory of the People's Republic of China, a foreign company shall fully settle the debts of the branch in accordance with the law and liquidate it in accordance with the provisions of this Law relating to the procedure for the liquidation of a company. No property of the branch may be transferred out of the territory of the People's Republic of China before the branch's debts are fully settled.

Chapter XIV Legal Liability

Article 250 For any company that, in violation of the provisions of this Law, obtains company registration by misrepresenting its registered capital, submitting false materials or adopting other fraudulent means to conceal important facts, the company registration authority shall order it to make rectification and impose a fine of not less than 5% but not more than 15% of the amount of the misrepresented registered capital on the company that has misrepresented its registered capital; the company that submits false materials or adopts other fraudulent means to conceal important facts, the company shall be imposed a fine of not less than 50,000 yuan but not more than 2 million yuan; and if the circumstances are serious, the company's business license shall be revoked; and the directly responsible supervisory personnel and other personnel directly liable for the offence shall be imposed a fine of not less than 30,000 yuan but not more than 300,000 yuan.

Article 251 For any company that fails to disclose relevant information in accordance with the provisions of Article 40 hereof or fails to truthfully disclose relevant information, the company registration authority shall order it to make rectification, and may impose a fine of not less than 10,000 yuan and not more than 50,000 yuan on it. If the circumstances are serious, the company shall impose a fine of not less than 50,000 yuan and not more than 200,000 yuan; and the directly responsible supervisory personnel and other personnel directly liable for the offence shall be imposed a fine of not less than 10,000 yuan but not more than 100,000 yuan.

Article 252 For any promoter or shareholder of a company who makes a false capital contribution or fails to deliver, or fails to deliver on schedule, monetary or non-monetary property as a capital contribution, the company registration authority shall order it/him to make rectification, and may impose a fine of not less than 50,000 yuan and not more than 200,000 yuan on it/him; if the circumstances are serious, the company shall be imposed on a fine of not less than 5% but not more than 15% of the amount of the false capital contribution or the capital contribution failed to be made; and the directly responsible

supervisory personnel and other persons directly liable for the offence shall be imposed on a fine of not less than 10,000 yuan and not more than 100,000 yuan.

Article 253 For any promoter or shareholder of a company who, after the establishment of the company, unlawfully withdraws its capital contribution, the company registration authority shall order it/him to make rectification and impose a fine of not less than 5% and not more than 15% of the amount of the withdrawn capital on it/him; and impose a fine of not less than 30,000 yuan and not more than 300,000 yuan on the supervisors directly in charge and other persons directly liable for the offence.

Article 254 For either of the following practice, the financial department of the people's governments at or above the county level concerned shall impose penalties in accordance with the Accounting Law of the People's Republic of China and other laws and administrative regulations:

- (I) having any separate accounting books other than the statutory accounting books; or
- (II) providing any financial accounting report with any false records or important facts concealed.

Article 255 For any company that fails to notify its creditors by way of notice or public announcement of a merger, demerger, decrease in registered capital or liquidation of the company, as required by this Law, the company registration authority shall order it to make corrections and impose a fine of not less than 10,000 yuan but not more than 100,000 yuan on it.

Article 256 For any company that, during its liquidation, conceals any of its property or makes any false entries in its balance sheet or inventory of property, or distributes its property before fully settling its outstanding debts, the company registration authority shall order it to make rectification and impose on it a fine of not less than 5% but not more than 10% of the value of the concealed property or the property distributed before full settlement of debts; and shall impose a fine of not less than 10,000 yuan but not more than 100,000 yuan on the directly responsible supervisory personnel and other personnel directly liable for the offence.

Article 257 Any agency undertaking asset appraisal, capital verification, or certification that provides false materials or submits any report with material omissions shall be subjected to penalties by the relevant authority in accordance with the Asset Appraisal Law

of the People's Republic of China, the Law of the People's Republic of China on Certified Public Accountant and other applicable administrative regulations.

Any agency undertaking asset appraisal, capital verification, or certification that issues any untrue appraisal results or certificates of capital verification or certification, resulting in losses to any creditor of a company, shall be liable for compensation to the extent of the amount of the discrepancy from truth, unless it can prove no fault on its part.

Article 258 For the company registration authority which violates any laws or administrative regulations by failing to perform its duties or to properly performs its duties, governmental sanctions shall be imposed in accordance with the law on the responsible leader(s) and directly liable personnel.

Article 259 For any business which is conducted in the name of a limited liability company or joint stock limited company without registering the relevant entity as such in accordance with the law, or conducted in the name of a branch of a limited liability company or joint stock limited company without registering the relevant entity as such in accordance with the law, the company registration authority shall order the entity to make correction or ban the entity, and may concurrently impose a fine of not more than 100,000 yuan on it.

Article 260 For any company that fails to commence business within six months of establishment or suspends its business of its own volition for six consecutive months or more after commencing business without justified reason, the company registration authority may revoke its business license, except where the company has fulfilled the procedure for business dormancy in accordance with the law.

Any company that fails to complete the relevant alteration registration in accordance with this Law for any changes in its registered particulars shall be ordered by the company registration authority to fulfill the procedure within a specific period, failing which it shall be imposed of a fine of not less than 10,000 yuan but not more than 100,000 yuan.

Article 261 Any foreign company that violates this Law by establishing a branch within the territory of the People's Republic of China without approval shall be ordered by the company registration authority to make corrections or to close down the branch, and may be imposed a fine of not less than 50,000 yuan but not more than 200,000 yuan.

Article 262 For any serious illegal activity engaged in the name of a company that endangers national security or social or public interests, the business license of that company shall be revoked.

Article 263 Any company that is liable for civil compensation, any fines or financial penalties for any violations of this Law shall be first liable for civil compensation if its property is insufficient to cover all the liabilities.

Article 264 For any violation of this Law that constitutes a criminal offense, criminal liability shall be pursued in accordance with the law.

Chapter XV Supplementary Provisions

Article 265 For the purposes of this Law, the terms listed below shall have the following definitions:

(I) "Senior executives" refers to the company manager, deputy company manager, head of finance, secretary to the board of directors of a listed company, and any other persons as specified in the company's articles of association.

(II) "Controlling shareholder" refers to a shareholder whose capital contribution exceeds 50% of the total capital in the case of a limited liability company, or a shareholder whose shares exceed 50% of the total share capital in the case of a joint stock limited company, or a shareholder whose capital contribution or share proportion is less than 50% of the total capital or share capital but whose voting rights are sufficient to exert a material influence on resolutions of the shareholders' meeting.

(III) "Actual controller" refers to any person who can exert actual control over a company through any investment relationships, agreements, or other arrangements.

(IV) "Related-party relationship" refers to any relationship between a controlling shareholder, actual controller, director, supervisor, or senior officer of a company and an enterprise directly or indirectly controlled by that person, as well as any other relationship that may result in the transfer of any interest in the company. However, state-controlled enterprises do not have a related-party relationship between them solely due to being controlled by the state.

Article 266 This Law shall come into force on July 1, 2024.

For the companies already registered for establishment before this Law comes into force, if their capital contribution period exceeds the period stipulated herein, such period shall be gradually adjusted to within the period prescribed in this Law, unless otherwise provided by laws, administrative regulations or the State Council; For the period of capital contribution or the amount of capital contribution that is obviously abnormal, the company registration authority may require adjustment in a timely manner in accordance with the law. The specific implementing methods shall be prescribed by the State Council.