# Company Law of the PRC

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## Chapter I — General Provisions

Article 1 — This Law is enacted in order to regulate the organization and conduct of companies, protect the lawful rights and interests of companies, shareholders, employees and creditors, improve the modern enterprise system with Chinese characteristics, promote the spirit of entrepreneurship, safeguard the order of the socialist market economy, and promote the development of the socialist market economy.

Article 2 — The term “company” as used in this Law refers to limited liability companies and joint stock limited companies established within the territory of the People’s Republic of China in accordance with this Law.

Article 3 — A company is an enterprise legal person with independent legal person property and the right to legal person property. The company shall be liable for its debts to the extent of all of its property. The shareholders of a limited liability company shall be liable for the company to the extent of the capital contributions they have subscribed. The shareholders of a joint stock limited company shall be liable for the company to the extent of the shares they have subscribed.

Article 4 — The shareholders of a company shall enjoy the rights to asset income, participation in major decision-making and selection of management personnel, and other rights in accordance with the law. A company shall, when engaging in business activities, comply with laws and administrative regulations, observe social morality and commercial ethics, act in good faith, accept supervision by the government and the public, and assume social responsibility.

Article 5 — To establish a company, an application for registration of establishment shall be filed with the company registration authority in accordance with the law. Where the conditions for establishment prescribed by this Law are met, the company registration authority shall register the company as a limited liability company or a joint stock limited company; where the conditions for establishment prescribed by this Law are not met, no registration shall be made. Where laws or administrative regulations provide that the establishment of a company requires approval, the approval procedures shall be completed in accordance with the law prior to company registration. The public may apply to the company registration authority for inquiries into the registered items of a company, and the company registration authority shall provide inquiry services.

Article 6 — For a company established in accordance with the law, a business license of the company shall be issued by the company registration authority. The date of issuance of the company business license shall be the date of establishment of the company. The company business license shall specify the name of the company, domicile, registered capital, business scope, name of the legal representative, and other items. Where any registered item is changed, the company shall complete the change registration in accordance with the law, and a new business license shall be replaced by the company registration authority.

Article 7 — A limited liability company established in accordance with this Law must include the words “limited liability company” or “company limited” in its name. A joint stock limited company established in accordance with this Law must include the words “joint stock limited company” or “company limited by shares” in its name.



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Article 8 — A company shall have a domicile. The domicile of a company shall be the place where its principal office is located.

Article 9 — The articles of association of a company shall be binding on the company, its shareholders, directors, supervisors and senior management personnel.

Article 10 — The legal representative of a company shall be a director or the manager who represents the company in executing corporate affairs on behalf of the company in accordance with the articles of association of the company. The legal representative of the company shall bear the corresponding liability for any loss caused to others as a result of the performance of duties.

Article 11 — The business scope of a company shall be provided for in its articles of association and registered in accordance with the law. The company may amend its business scope by amending its articles of association, provided that it completes change registration. Matters within the business scope of the company that are subject to approval under laws or administrative regulations shall be subject to approval in accordance with the law.

Article 12 — A company may invest in other enterprises and become a capital contributor thereof. Except as otherwise provided by law, the company shall not be jointly and severally liable for the debts of the enterprise in which it invests.

Article 13 — Where a limited liability company or joint stock limited company replaces its name, the change shall be registered by the company registration authority. Without registration, the change shall be without legal force.

Article 14 — A company may establish subsidiaries. Subsidiaries have legal person status and independently bear civil liability in accordance with the law. A company may establish branch offices. Branch offices do not have legal person status, and their civil liability shall be borne by the company.

Article 15 — When a company invests in another enterprise or provides a guarantee for another entity, the matter shall be decided by the board of directors or the shareholders' meeting or shareholders' general meeting in accordance with the articles of association. Where the articles of association of the company impose a limit on the aggregate amount of investments or guarantees, or on the amount of a single investment or guarantee, such limit shall not be exceeded. Where a company provides a guarantee for a shareholder or the actual controller of the company, the matter shall be subject to resolution by the shareholders' meeting or shareholders' general meeting. The shareholder specified in the preceding paragraph, or the shareholder controlled by the actual controller specified in the preceding paragraph, shall not participate in voting on the matter specified in the preceding paragraph. Such resolution shall be adopted by a majority of the voting rights held by the other shareholders attending the meeting.

Article 16 — A company shall protect the lawful rights and interests of its employees, enter into labor contracts with its employees in accordance with the law, participate in social insurance, strengthen labor protection, and achieve safe production. A company shall adopt various means to enhance the professional competency of its employees.

Article 17 — The employees of a company shall organize a trade union in accordance with the Trade Union Law of the People's Republic of China, carry out trade union activities, and safeguard the lawful rights and interests of the employees. The company shall provide the trade union with necessary working conditions. The company shall listen to the views of the trade union through employee representative meetings or other means when making decisions on the restructuring of the company and material business issues, and when formulating important rules and regulations.

Article 18 — A company may establish a Party organization of the Communist Party of China in accordance with the provisions of the Constitution of the Communist Party of China and conduct Party activities. The company shall provide the Party organization with necessary working conditions.

Article 19 — Shareholders of a company shall comply with laws, administrative regulations and the articles of association of the company, exercise shareholders' rights in accordance with the law, and shall not abuse shareholders' rights to harm the interests of the company or other shareholders; nor shall they abuse the independent legal person status of the company and the limited liability of shareholders to harm the interests of the company's creditors. Where a shareholder of a company abuses shareholders' rights to cause loss to the company or other shareholders, the shareholder shall be liable for compensation in accordance with the law. Where a shareholder of a company abuses the independent legal person status of the company and the limited liability of shareholders to evade debts and seriously damage the interests of the company's creditors, the shareholder shall be jointly and severally liable for the debts of the company.

Article 20 — Where a shareholder of a company that has only one shareholder is unable to prove that the property of the company is independent of the shareholder's own property, the shareholder shall be jointly and severally liable for the debts of the company.

Article 21 — A shareholder of a company, or any actual controller, director, supervisor, or senior management personnel of a company shall not take advantage of an affiliated relationship to damage the interests of the company. Any person who causes loss to the company in violation of the preceding paragraph shall be liable for compensation.

Article 22 — A resolution of a shareholders' meeting, shareholders' general meeting or board of directors of a company shall be void if its content violates laws or administrative regulations. Where the convening procedures or voting methods of a shareholders' meeting, shareholders' general meeting or board of directors violate laws, administrative regulations or the articles of association of the company, or the content of the resolution violates the articles of association of the company, the shareholders may apply to a people's court for revocation of the resolution within 60 days from the date the resolution is made. However, where the shareholders' meeting, shareholders' general meeting or board of directors has a minor procedural defect in the convening procedure or voting method and such defect does not substantially affect the resolution, the resolution shall not be revoked. Where the resolution of a shareholders' meeting, shareholders' general meeting or board of directors is declared void or revoked by a people's court in accordance with the law, the company shall apply to the company registration authority for cancellation of the change registration made based on such resolution.

Article 23 — The matters set forth in the following items of a limited liability company shall be decided by the board of directors: (1) the business plans and investment plans of the company; (2) the plans for the annual financial budget and final accounts of the company; (3) the plans for profit distribution and plans for making up losses of the company; (4) the plans for increasing or decreasing the registered capital and for issuing corporate bonds of the company; (5) the plans for merger, division, dissolution or change of corporate form of the company; (6) the internal management structure of the company; (7) the appointment or removal of the manager and remuneration thereof, and the appointment or removal of the deputy manager(s) and the person in charge of finance and the remuneration thereof as nominated by the manager; (8) the formulation of the basic management system of the company; and (9) other functions and powers provided for in the articles of association of the company or granted by the shareholders' meeting.

Article 24 — A shareholders' meeting of a limited liability company shall be composed of all shareholders. The shareholders' meeting shall be the authority of the company and shall exercise its functions and powers in accordance with this Law.

Article 25 — The board of directors of a company shall exercise the functions and powers specified in the articles of association. Where the articles of association do not specify, the board of directors shall be deemed to have the authority over all matters other than those that shall be resolved by the shareholders' meeting (or shareholders' general meeting) under this Law and the articles of association. The functions and powers of the board of directors shall not be derogated from by the articles of association, the shareholders' meeting or the shareholders' general meeting. Where the board of directors of a company has resolved a

matter falling within the purview of shareholders, the validity of the resolution shall not be affected thereby.

Article 26 — The shareholders' meeting or shareholders' general meeting or the board of directors of a company may hold meetings by means of electronic communication, unless otherwise provided in the articles of association.

Article 27 — The resolution of the shareholders' meeting, shareholders' general meeting or board of directors of a company that is made using a form other than a meeting shall be deemed to be a meeting resolution if the shareholders or directors representing the relevant voting rights sign or affix their seals to the document of resolution.

Article 28 — Where the convening procedure, voting method or content of a resolution of a shareholders' meeting, shareholders' general meeting or board of directors of a company has a defect, and such defect has not been cured within the statutory period, the shareholders, directors or supervisors may apply to a people's court for confirmation that the resolution is void or shall be revoked, or that the resolution does not exist, or that the resolution is not validly made.

## Chapter II — Company Registration

Article 29 — The establishment of a company shall be subject to application for registration of establishment with the company registration authority in accordance with the law.

Article 30 — The following documents shall be submitted for applying for the registration of establishment of a company: (1) an application for establishment registration; (2) the articles of association of the company; (3) a capital verification certificate issued by a legally established capital verification institution, unless otherwise provided by laws or administrative regulations; (4) the appointment documents and identity certificates of the legal representative, directors, supervisors, and senior management personnel; (5) the certificates of the domicile of the company; and (6) other documents required by laws or administrative regulations.

Article 31 — Where a company applies for change of registered items, it shall submit an application for change registration to the company registration authority. Where the change involves amendments to the articles of association, the amended articles of association or the amendment to the articles of association shall also be submitted.

Article 32 — Where the registered items of a company include matters that are required by laws or administrative regulations to be approved before registration, the company shall, within 30 days from the date of approval, apply to the company registration authority for registration. The approval document shall be submitted as part of the application.

Article 33 — The company registration authority shall publish the following items filed by a company for public inquiry through the enterprise credit information publicity system: (1) the amount of capital contributions subscribed by shareholders of a limited liability company or promoters of a joint stock limited company, the method of contribution, the date of contribution, and the name or title of the promoters; (2) the equity changes of a limited liability company; (3) administrative licensing obtained, changes to administrative licensing matters; (4) information on intellectual property pledges; and (5) other information required to be published by laws and administrative regulations.

Article 34 — A company shall publish the following information through the enterprise credit information publicity system: (1) the name, domicile, registered capital, business scope, name of the legal representative, and date of establishment; (2) the names or titles of shareholders of a limited liability company, and the amount and method of capital contributions subscribed and actually paid by the shareholders; (3) the annual report of the company; and (4) other information required to be published by laws and administrative regulations. The company shall ensure that the information published in accordance

with the preceding paragraph is truthful, accurate and complete.

Article 35 — Where a company applies for change of registered items, the application shall be submitted by the legal representative of the company. Where the legal representative of a company changes, the change registration application shall be signed by the new legal representative.

Article 36 — Where a company is to be dissolved, it shall complete the liquidation in accordance with the law and apply for deregistration. Where a company is declared bankrupt by a people's court in accordance with the law, the people's court shall designate a liquidator to handle the deregistration in accordance with the relevant provisions.

Article 37 — Where the business license of a company is revoked or ordered to close down or the company is deregistered in accordance with the law, the company shall be dissolved. The company registration authority shall publish the dissolution of the company through the enterprise credit information publicity system.

Article 38 — Where a company that has been dissolved does not form a liquidation group to carry out liquidation in accordance with the law, or the liquidation group fails to perform its duties after being formed, interested parties may apply to a people's court to appoint relevant personnel to form a liquidation group to carry out liquidation.

Article 39 — Where a company establishes a branch office, it shall apply to the company registration authority for registration and obtain a business license. The branch office does not have legal person status, and its civil liability shall be borne by the company.

Article 40 — Where the company registration authority considers that an application for establishment registration complies with the conditions prescribed by this Law, it shall register the application and issue a business license; where the application does not comply with the conditions, it shall not register it and shall give reasons.

Article 41 — Where the company registration authority optimizes the registration process through measures such as informatization and digitization, it shall improve the efficiency of registration and facilitate the applicants.

## Chapter III — Formation and Organizational Structure of Limited Liability Companies

Article 42 — A limited liability company shall be established by capital contributions from one or more shareholders. The number of shareholders of a limited liability company shall be 50 or fewer.

Article 43 — The registered capital of a limited liability company shall be the amount of capital contributions subscribed by all shareholders registered with the company registration authority. The shareholders shall pay their subscribed capital contributions in full and on time within the time limit specified in the articles of association. Where laws, administrative regulations or decisions of the State Council provide otherwise for the payment of registered capital of a limited liability company, such provisions shall prevail.

Article 44 — The articles of association of a limited liability company shall specify the following items: (1) the name and domicile of the company; (2) the business scope of the company; (3) the registered capital of the company; (4) the names or titles of the shareholders; (5) the method, amount and time of capital contributions by the shareholders; (6) the structure of the company, the procedures for the formation, functions and powers, and rules of procedure of the shareholders' meeting, the board of directors, and the board of supervisors; (7) the legal representative of the company; (8) other matters required by the shareholders to be specified. The shareholders shall sign or affix their seals to the articles of association of the company.



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Article 45 — The registered capital of a limited liability company shall be indicated on the business license of the company as the capital contributions subscribed by all shareholders.

Article 46 — Shareholders of a limited liability company shall pay the capital contributions they have subscribed in full and on time in accordance with the articles of association. Where a shareholder fails to pay the capital contribution in full and on time in accordance with the preceding paragraph, the shareholder shall, in addition to paying the outstanding capital contribution to the company, be liable to the company for the losses caused thereby.

Article 47 — After a shareholder of a limited liability company has paid the capital contribution in accordance with the articles of association, a capital verification certificate shall be issued by a legally established capital verification institution.

Article 48 — Shareholders of a limited liability company may make capital contributions in currency, in kind, with intellectual property rights, land use rights, equity interests, creditor's rights, or other non-monetary property that can be valued in currency and transferred in accordance with the law, provided that property that may not be used as capital contributions under laws or administrative regulations is excluded. The capital contributions of non-monetary property shall be appraised and verified, and shall not be overvalued or undervalued.

Article 49 — Where a shareholder of a limited liability company fails to pay the capital contribution in full and on time in accordance with the articles of association, the company may issue a written notice demanding payment. If the shareholder still fails to pay the full amount within the grace period specified in the notice, the company may cancel the rights of the shareholder in respect of the unpaid capital contribution. The company shall complete the procedures for reducing the registered capital or for having other shareholders or a third party subscribe the corresponding capital contribution within six months.

Article 50 — After the establishment of a limited liability company, the board of directors shall verify the capital contributions of the shareholders and, if it discovers that any shareholder has not paid the capital contribution in full and on time as specified in the articles of association, the board of directors shall demand payment from the shareholder and notify the company of the situation.

Article 51 — After the establishment of a limited liability company, a capital contribution certificate shall be issued to each shareholder. The capital contribution certificate shall specify the following items: (1) the name of the company; (2) the date of establishment of the company; (3) the registered capital of the company; (4) the name or title of the shareholder, and the amount and date of capital contribution paid by the shareholder; and (5) the number and date of issuance of the capital contribution certificate. The capital contribution certificate shall be affixed with the seal of the company.

Article 52 — A limited liability company shall maintain a register of shareholders specifying the following items: (1) the names or titles and domiciles of the shareholders; (2) the amounts of capital contributions subscribed by the shareholders and the dates of contribution; (3) the numbers of the capital contribution certificates; and (4) the dates on which the shareholders acquired their status as shareholders. The shareholders recorded in the register of shareholders may exercise the rights of shareholders based on the register of shareholders. The company shall register the names of shareholders with the company registration authority. In the case of a change in registered items, change registration shall be completed. Without registration or change registration, a shareholder shall not assert rights against a third party.

Article 53 — Shareholders of a limited liability company may request to inspect the articles of association, the minutes of shareholders' meetings, the resolutions of the board of directors, the resolutions of the board of supervisors, the financial and accounting reports, and the accounting books of the company. Where a shareholder requests to inspect the accounting books of the company, the shareholder shall submit a written request to the company stating the purpose of the inspection. Where the company has reasonable grounds to believe that the shareholder's inspection of the accounting books is for an improper purpose that may

harm the lawful interests of the company, the company may refuse to provide the inspection and shall give a written reply to the shareholder stating the reasons within 15 days from the date of the shareholder's written request. Where the company refuses to provide the inspection, the shareholder may apply to a people's court to request the company to provide the inspection.

Article 54 — Shareholders of a limited liability company shall distribute profits in proportion to the amounts of their actual capital contributions, unless all shareholders agree that the distribution shall not be made in proportion to the amounts of capital contributions.

Article 55 — The shareholders' meeting of a limited liability company shall be composed of all shareholders. The shareholders' meeting shall exercise the following functions and powers: (1) to elect and replace directors and supervisors, and decide on matters relating to the remuneration of directors and supervisors; (2) to examine and approve the reports of the board of directors; (3) to examine and approve the reports of the board of supervisors or supervisors; (4) to examine and approve the annual financial budget plan and final accounts of the company; (5) to examine and approve the profit distribution plan and loss recovery plan of the company; (6) to resolve on the increase or decrease of the registered capital of the company; (7) to resolve on the issuance of corporate bonds; (8) to resolve on merger, division, dissolution, liquidation or change of corporate form of the company; (9) to amend the articles of association of the company; and (10) other functions and powers specified in the articles of association of the company.

Article 56 — The first shareholders' meeting of a limited liability company shall be convened and presided over by the shareholder with the largest capital contribution, and shall exercise its functions and powers in accordance with this Law.

Article 57 — Regular shareholders' meetings of a limited liability company shall be convened in accordance with the articles of association. An interim shareholders' meeting may be convened by 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 or the supervisor of a company without a board of supervisors.

Article 58 — Where a limited liability company has established a board of directors, the shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board; where the chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a deputy chairman jointly designated by a majority of the directors; where the deputy chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a director jointly designated by a majority of the directors. Where a limited liability company has not established a board of directors, the shareholders' meeting shall be convened and presided over by the executive director appointed by the executor.

Article 59 — A notice of the shareholders' meeting shall be given to all shareholders 15 days before the meeting is convened, unless otherwise provided in the articles of association or agreed by all shareholders. The shareholders' meeting shall prepare minutes of the decisions made on matters discussed at the meeting, and the shareholders attending the meeting shall sign or affix their seals to the minutes.

Article 60 — The voting rights of shareholders at a shareholders' meeting shall be exercised in proportion to their capital contributions, unless otherwise provided in the articles of association. Resolutions of the shareholders' meeting on amending the articles of association, increasing or decreasing registered capital, merger, division, dissolution or change of corporate form shall be adopted by shareholders representing two-thirds or more of the voting rights.

Article 61 — A limited liability company with a relatively small scale or a relatively small number of shareholders may have one executive director and no board of directors. The executive director may concurrently serve as the manager of the company. The functions and powers of the executive director shall be specified in the articles of association.

Article 62 — The board of directors of a limited liability company shall be composed of three or more members. The directors shall be elected by the shareholders' meeting. The term of office of a director shall be specified in the articles of association, provided that each term shall not exceed three years. A director may serve consecutive terms upon re-election. Where no re-election is held in a timely manner upon expiration of a director's term of office, or where a director resigns during his or her term of office resulting in the number of members of the board of directors falling below the quorum, the original director shall continue to perform his or her duties as a director in accordance with the law and the articles of association until the newly elected director assumes office.

Article 63 — The board of directors shall have one chairman, and may have deputy chairmen. The method for the election of the chairman and deputy chairmen shall be specified in the articles of association of the company.

Article 64 — The board of directors shall be convened and presided over by the chairman. In cases where the chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a deputy chairman; where the deputy chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a director jointly designated by a majority of the directors.

Article 65 — The methods of deliberation and voting procedures of the board of directors shall be specified in the articles of association of the company, unless otherwise provided in this Law. A resolution of the board of directors shall be adopted by a majority of all directors. The board of directors shall prepare minutes of the decisions made on matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

Article 66 — A limited liability company may have a manager who shall be appointed by the board of directors. The manager shall be responsible to the board of directors and shall exercise the following functions and powers: (1) to be in charge of the production, operation and management of the company, and organize the implementation of the resolutions of the board of directors; (2) to organize the implementation of the annual business plan and investment plan of the company; (3) to formulate plans for the internal management structure of the company; (4) to formulate the basic management system of the company; (5) to formulate specific rules of the company; (6) to propose the appointment or removal of the deputy manager(s) and the person in charge of finance of the company; (7) to decide on the appointment or removal of management personnel other than those required to be decided by the board of directors; and (8) other functions and powers granted by the board of directors. Where the articles of association provide otherwise for the functions and powers of the manager, such provisions shall prevail. The manager shall attend meetings of the board of directors.

Article 67 — A limited liability company shall have a board of supervisors, which shall be composed of three or more members. The board of supervisors shall include representatives of shareholders and an appropriate proportion of representatives of employees, the proportion of employee representatives shall not be less than one-third, and the specific proportion shall be specified in the articles of association of the company. The employee representatives on the board of supervisors shall be elected democratically by the employees of the company through the employee representative meeting, employee meeting or other means. The board of supervisors shall have one chairman, who shall be elected by a majority of all supervisors. The chairman of the board of supervisors shall convene and preside over meetings of the board of supervisors. Where the chairman of the board of supervisors is unable or fails to perform his or her duties, a supervisor jointly designated by a majority of the supervisors shall convene and preside over the meeting of the board of supervisors. Directors and senior management personnel shall not concurrently serve as supervisors.

Article 68 — The term of office of a supervisor shall be three years. A supervisor may serve consecutive terms upon re-election. Where no re-election is held in a timely manner upon expiration of a supervisor's term of office, or where a supervisor resigns during his or her term of office resulting in the number of

members of the board of supervisors falling below the quorum, the original supervisor shall continue to perform his or her duties as a supervisor in accordance with the law and the articles of association until the newly elected supervisor assumes office.

Article 69 — A limited liability company with a relatively small scale or a relatively small number of shareholders may have one or two supervisors and no board of supervisors. Where no board of supervisors is established, the supervisors shall exercise the functions and powers of the board of supervisors under this Law.

Article 70 — The board of supervisors or the supervisor of a company without a board of supervisors shall exercise the following functions and powers: (1) to examine the financial affairs of the company; (2) to supervise the conduct of the directors and senior management personnel in performing the duties of the company, and to propose the removal of directors and senior management personnel who violate laws, administrative regulations, the articles of association, or resolutions of the shareholders' meeting; (3) to demand that directors and senior management personnel correct their conduct when such conduct is detrimental to the interests of the company; (4) to propose the convening of interim shareholders' meetings, and to convene and preside over shareholders' meetings when the board of directors fails to perform the function of convening and presiding over shareholders' meetings as provided in this Law; (5) to make proposals to the shareholders' meeting; (6) to initiate legal proceedings against directors and senior management personnel in accordance with the law; and (7) other functions and powers specified in the articles of association of the company. Supervisors may attend meetings of the board of directors and raise questions or suggestions regarding the resolutions of the board of directors.

Article 71 — The board of supervisors shall hold at least one meeting each year. Supervisors may propose the convening of interim meetings of the board of supervisors. The methods of deliberation and voting procedures of the board of supervisors shall be specified in the articles of association of the company, unless otherwise provided in this Law. A resolution of the board of supervisors shall be adopted by a majority of all supervisors. The board of supervisors shall prepare minutes of the decisions made on matters discussed at the meeting, and the supervisors attending the meeting shall sign the minutes.

Article 72 — The expenses necessary for the board of supervisors or the supervisor of a company without a board of supervisors to perform its or his or her duties shall be borne by the company.

Article 73 — Where a limited liability company has a relatively small number of shareholders, with the consent of all shareholders, the company may not have a board of supervisors, or may have a supervisor who exercises the functions and powers of the board of supervisors under this Law.

Article 74 — Where a director or senior management personnel of a company violates laws, administrative regulations or the articles of association in the performance of his or her duties and thereby causes loss to the company, shareholders may request the board of supervisors in writing to file a lawsuit in a people's court. Where a supervisor violates the provisions of laws, administrative regulations or the articles of association in the performance of his or her duties and thereby causes loss to the company, shareholders may request the board of directors in writing to file a lawsuit in a people's court.

Article 75 — Where the board of supervisors, the board of directors or the executive director receives a written request from shareholders as provided in the preceding article and refuses to file a lawsuit, or fails to file a lawsuit within 30 days from the date of receipt of the request, or where the circumstances are urgent and failure to file a lawsuit immediately would result in irreparable damage to the interests of the company, the shareholders shall have the right to file a lawsuit directly in a people's court in their own name for the benefit of the company.

Article 76 — Where a director or senior management personnel of a company harms the interests of shareholders by violating laws, administrative regulations or the articles of association, the shareholders may file a lawsuit in a people's court.

Article 77 — The provisions of Articles 42 through 76 of this Law shall apply to the formation and organizational structure of a one-person limited liability company, unless otherwise provided in this section. A one-person limited liability company refers to a limited liability company with only one natural person shareholder or one legal person shareholder.

Article 78 — The registered capital of a one-person limited liability company shall be the capital contribution subscribed by the shareholder. The shareholder shall complete the payment of the subscribed capital contribution in a lump sum within the time limit specified in the articles of association of the company.

Article 79 — A natural person may only establish one one-person limited liability company. The one-person limited liability company established by a natural person may not establish a new one-person limited liability company.

Article 80 — A one-person limited liability company shall indicate in its business license whether it is wholly owned by a natural person or a legal person.

Article 81 — A one-person limited liability company does not have a shareholders' meeting. When a shareholder makes a decision on a matter that falls within the scope of functions and powers of the shareholders' meeting, the shareholder shall make the decision in writing, sign or affix the seal thereto, and keep it at the company.

Article 82 — A one-person limited liability company shall prepare financial and accounting reports at the end of each fiscal year and have such reports audited by an accounting firm.

Article 83 — Where the shareholder of a one-person limited liability company is unable to prove that the property of the company is independent of the shareholder's own property, the shareholder shall be jointly and severally liable for the debts of the company.

## Chapter IV — Equity Transfer of Limited Liability Companies

Article 84 — Shareholders of a limited liability company may transfer all or part of their equity interests among themselves. Where a shareholder transfers equity interests to a person other than a shareholder, the transfer shall be subject to the consent of a majority of the other shareholders. The shareholder shall notify the other shareholders in writing of the intended transfer and request their consent. Where the other shareholders fail to reply within 30 days from the date of receipt of the written notice, they shall be deemed to have consented to the transfer. Where half or more of the other shareholders do not consent to the transfer, the dissenting shareholders shall purchase the equity interests to be transferred; where they do not purchase the equity interests, they shall be deemed to have consented to the transfer. Under the same conditions, the other shareholders shall have a preemptive right to purchase the equity interests to be transferred with the consent of the shareholders. Where two or more shareholders exercise the preemptive right, the purchase proportions shall be determined through negotiation between them; where the negotiation fails, the purchase shall be made in proportion to their respective capital contributions.

Article 85 — Where a people's court transfers the equity interests of a shareholder in accordance with the mandatory enforcement procedures prescribed by law, it shall notify the company and all shareholders. Under the same conditions, the other shareholders shall have a preemptive right. Where the other shareholders fail to exercise the preemptive right within 20 days from the date of the court's notice, they shall be deemed to have waived the preemptive right.

Article 86 — After the transfer of equity interests in accordance with this Law, the company shall cancel the capital contribution certificate of the original shareholder and issue the capital contribution certificate to the new shareholder, and correspondingly amend the register of shareholders and the articles of association with respect to the names or titles of the shareholders and their capital contributions. No resolutions of the shareholders' meeting shall be required for such amendment to the articles of association.

Article 87 — Under any of the following circumstances, a shareholder who votes against the resolution of the shareholders' meeting may request the company to purchase his or her equity interests at a reasonable price: (1) where the company has not distributed profits for five consecutive years, while the company has made profits for each of those five years and meets the conditions for profit distribution under this Law; (2) where the company undergoes merger, division or transfers its main assets; or (3) where the company, upon expiration of the term of operation specified in the articles of association or the occurrence of other grounds for dissolution specified in the articles of association, adopts a resolution at the shareholders' meeting to amend the articles of association so as to continue the existence of the company. Where a shareholder and the company fail to reach an agreement on the purchase of equity interests within 60 days from the date of adoption of the resolution of the shareholders' meeting, the shareholder may file a lawsuit in a people's court within 90 days from the date of adoption of the resolution of the shareholders' meeting.

Article 88 — After the death of a natural person shareholder, his or her lawful heir may inherit the shareholder status, unless otherwise provided in the articles of association.

Article 89 — Where equity interests of a limited liability company are transferred by agreement, the transferor shall notify the other shareholders. The transfer shall not take effect against the company until the transferor has performed the notification obligation. The transfer shall not take effect against bona fide third parties before the change registration for shareholders is completed with the company registration authority.

Article 90 — Where a limited liability company and a joint stock limited company convert into each other, the conditions for such conversion shall conform to the provisions of this Law on the respective company types. A joint stock limited company that is converted from a limited liability company shall have the total amount of its shares equal to the amount of the net assets of the company, as verified by a legally established capital verification institution. Where a limited liability company is converted from a joint stock limited company, the registered capital shall be equal to the total amount of the shares of the company, as verified by a legally established capital verification institution. When a limited liability company and a joint stock limited company convert into each other, the claims and debts of the company prior to the conversion shall be succeeded by the company after the conversion.

## Chapter V — Formation and Organizational Structure of Joint Stock Limited Companies

Article 91 — The formation of a joint stock limited company may be initiated by way of promotion or by way of share offer. Formation by promotion means that the promoters subscribe for all of the shares to be issued by the company and the company is thereby formed. Formation by share offer means that the promoters subscribe for a portion of the shares to be issued by the company, and the remaining shares are offered to the public or to specific targets, and the company is thereby formed.

Article 92 — To form a joint stock limited company, there shall be one or more promoters, half or more of whom shall have their domiciles within the territory of the People's Republic of China.

Article 93 — The promoters of a joint stock limited company shall undertake the preparatory work for the formation of the company. The promoters shall enter into a promoters' agreement specifying the rights and obligations of the parties during the process of formation of the company.

Article 94 — Where a joint stock limited company is formed by way of promotion, the registered capital shall be the total amount of the share capital subscribed by all promoters registered with the company registration authority. The promoters shall pay the share capital in full and on time in accordance with the provisions of the articles of association. Where a joint stock limited company is formed by way of share offer, the registered capital shall be the total amount of the actually collected share capital registered with the company registration authority.



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Article 95 — The articles of association of a joint stock limited company shall specify the following items: (1) the name and domicile of the company; (2) the business scope of the company; (3) the method of formation of the company; (4) the total number of shares of the company, the value of each share, and the registered capital; (5) the names or titles of the promoters, the number of shares subscribed by them, and the method and time of capital contribution; (6) the composition, functions and powers, and rules of procedure of the board of directors; (7) the legal representative of the company; (8) the composition, functions and powers, and rules of procedure of the board of supervisors; (9) the method for profit distribution of the company; (10) the reasons for dissolution of the company and the method of liquidation; (11) the method for giving notice and making public announcements of the company; and (12) other matters required by the promoters to be specified.

Article 96 — The capital contributions of the promoters of a joint stock limited company shall be subject to the provisions of Article 48 of this Law on the form of capital contributions of shareholders of a limited liability company.

Article 97 — Where a joint stock limited company is formed by way of promotion, the promoters shall subscribe for all of the shares specified in the articles of association of the company. Where a joint stock limited company is formed by way of share offer, the shares subscribed by the promoters shall not be less than 35 percent of the total number of shares of the company.

Article 98 — Where a joint stock limited company is formed by way of share offer, the promoters shall announce the share offer to the public and prepare a prospectus. The prospectus shall specify the following items: (1) the number of shares subscribed by the promoters; (2) the par value and issue price of each share; (3) the total number of bearer shares issued; (4) the purposes of the funds raised; (5) the rights and obligations of subscribers; and (6) the beginning and ending dates of the share offer and a statement that subscribers may withdraw their subscriptions if the shares are not fully subscribed by the end of the share offer period.

Article 99 — An inaugural meeting shall be convened within 30 days from the date on which the share capital is fully paid up. The inaugural meeting shall be composed of the subscribers. The inaugural meeting shall exercise the following functions and powers: (1) to examine the report of the promoters on the preparatory work for the formation of the company; (2) to adopt the articles of association of the company; (3) to elect the members of the board of directors; (4) to elect the members of the board of supervisors; (5) to examine the expenses incurred for the formation of the company; and (6) to decide on the major issues such as whether the company is to be formed or not.

Article 100 — The resolutions of the inaugural meeting shall be adopted by a majority of the voting rights held by the subscribers attending the meeting. Where the promoters fail to convene the inaugural meeting within 30 days from the date on which the share capital is fully paid up, the subscribers may demand the promoters to refund the share capital plus interest calculated at the bank deposit interest rate for the same period.

Article 101 — The board of directors shall, within 30 days from the date of the inaugural meeting, apply to the company registration authority for registration of establishment.

Article 102 — Where a joint stock limited company is unable to be formed, the promoters shall bear joint and several liability for the debts and expenses incurred as a result of the formation activities. The promoters shall bear joint and several liability for the refund of the share capital paid by subscribers plus interest calculated at the bank deposit interest rate for the same period.

Article 103 — In the course of formation of a joint stock limited company, where the promoters cause loss to the company due to their fault, the promoters shall be liable for compensation to the company.

Article 104 — The promoters and subscribers of a joint stock limited company shall not withdraw their share capital after paying the share capital or making capital contributions for offset against the share capital, except where the total number of shares has not been fully subscribed, or the promoters fail to convene the inaugural meeting upon the expiry of the time limit, or the inaugural meeting resolves not to form the company.

Article 105 — The board of directors of a joint stock limited company shall submit the articles of association and other documents to the company registration authority for registration.

Article 106 — After the establishment of a joint stock limited company, the company shall issue share certificates to shareholders. The share certificates shall be signed by the legal representative and affixed with the seal of the company. Share certificates shall specify the following items: (1) the name of the company; (2) the date of establishment of the company; (3) the type of shares, the par value, and the number of shares represented; and (4) the number of the share certificate. For registered shares, the name of the shareholder shall also be specified.

Article 107 — The shares of a joint stock limited company shall be issued in a fair and just manner. Shares of the same class shall carry the same rights. The shares issued at the same time shall be issued on the same conditions and at the same price. The same price shall be paid by all subscribers for shares.

Article 108 — Shares may be issued at par value or above par value, but shall not be issued below par value. Where shares are issued above par value, the matter shall be subject to the approval of the securities regulatory authority of the State Council.

Article 109 — Shares shall be in paper form or in other forms prescribed by the securities regulatory authority of the State Council.

Article 110 — A joint stock limited company shall maintain a register of shareholders specifying the following items: (1) the names or titles and domiciles of the shareholders; (2) the types and numbers of shares held by the shareholders; (3) the serial numbers of the share certificates held by the shareholders; and (4) the dates on which the shareholders acquired their shares. The shareholders recorded in the register of shareholders may exercise the rights of shareholders based on the register of shareholders. The company shall register the names or titles of the shareholders with the company registration authority.

Article 111 — The shareholders' general meeting of a joint stock limited company shall be composed of all shareholders. The shareholders' general meeting shall be the authority of the company and shall exercise its functions and powers in accordance with this Law.

Article 112 — The provisions of Article 55 of this Law on the functions and powers of the shareholders' meeting of a limited liability company shall apply to the shareholders' general meeting of a joint stock limited company. Where a joint stock limited company has only one shareholder, the provisions on one-person limited liability companies relating to shareholders exercising the functions and powers of the shareholders' meeting shall apply.

Article 113 — An annual shareholders' general meeting shall be held once each year. An interim shareholders' general meeting shall be convened within two months under any of the following circumstances: (1) where the number of directors falls below the number prescribed by this Law or below two-thirds of the number specified in the articles of association; (2) where the losses of the company that have not been made up exceed one-third of the total amount of the actually collected share capital; (3) where shareholders individually or jointly holding 10 percent or more of the shares of the company request to convene a shareholders' general meeting; (4) where the board of directors deems it necessary; (5) where the board of supervisors proposes to convene a shareholders' general meeting; or (6) other circumstances specified in the articles of association.

Article 114 — The shareholders' general meeting shall be convened by the board of directors and presided over by the chairman. Where the chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a deputy chairman; where the deputy chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a director jointly designated by a majority of the directors. Where the board of directors is unable or fails to perform the duty of convening the shareholders' general meeting, the board of supervisors shall convene and preside over the meeting in a timely manner. Where the board of supervisors fails to convene and preside over the meeting, shareholders individually or jointly holding 10 percent or more of the shares of the company for 90 consecutive days or more may convene and preside over the meeting on their own.

Article 115 — A notice of the shareholders' general meeting shall be given to all shareholders 20 days before the meeting is convened. Where the meeting is an interim shareholders' general meeting, a notice shall be given to shareholders 15 days before the meeting. Where bearer shares are issued, an announcement of the time and place of the shareholders' general meeting and the matters to be discussed shall be made 30 days before the meeting. Shareholders individually or jointly holding 3 percent or more of the shares of the company may make interim proposals and submit them in writing to the board of directors 10 days before the shareholders' general meeting. The board of directors shall notify the other shareholders within two days after receipt of the proposals and submit the interim proposals to the shareholders' general meeting for deliberation.

Article 116 — Shareholders attending the shareholders' general meeting shall have one vote for each share held. However, shares held by the company itself shall not carry voting rights. Resolutions of the shareholders' general meeting shall be adopted by a majority of the voting rights held by the shareholders attending the meeting.

Article 117 — Resolutions of the shareholders' general meeting on amending the articles of association, increasing or decreasing registered capital, merger, division, dissolution or change of corporate form shall be adopted by shareholders representing two-thirds or more of the voting rights held by the shareholders attending the meeting.

Article 118 — The shareholders' general meeting shall elect directors and supervisors in accordance with the articles of association and the cumulative voting system may be adopted in accordance with the provisions of the articles of association or the resolution of the shareholders' general meeting. The term "cumulative voting system" as used in this Law means that when the shareholders' general meeting elects directors or supervisors, the number of votes for each share is equal to the number of directors or supervisors to be elected, and the shareholders may concentrate their voting rights in voting for one candidate or distribute them among several candidates.

Article 119 — A shareholder may entrust a proxy to attend the shareholders' general meeting on his or her behalf. The proxy shall present a power of attorney to the company and exercise the voting rights within the scope of authorization.

Article 120 — A joint stock limited company shall have a board of directors, which shall be composed of three or more members. The board of directors shall include employee representatives. The employee representatives on the board of directors shall be elected democratically by the employees of the company through the employee representative meeting, employee meeting or other means. The term of office of a director shall be specified in the articles of association, provided that each term shall not exceed three years. A director may serve consecutive terms upon re-election.

Article 121 — The board of directors shall exercise the functions and powers of the board of directors of a limited liability company as provided in Article 23 of this Law.

Article 122 — The board of directors shall have one chairman and may have deputy chairmen. The chairman and the deputy chairmen shall be elected by a majority of all directors. The chairman shall convene and

preside over the meetings of the board of directors and inspect the implementation of the resolutions of the board of directors. The deputy chairmen shall assist the chairman in his or her work and, where the chairman is unable or fails to perform his or her duties, the deputy chairman jointly designated by a majority of the directors shall perform the duties of the chairman.

Article 123 — Meetings of the board of directors shall be held at least twice each year. A notice of the meeting shall be given to all directors and supervisors 10 days before the meeting. Where shareholders representing one-tenth or more of the voting rights, or one-third or more of the directors, or the board of supervisors proposes to convene an interim meeting of the board of directors, the chairman shall convene the meeting within 10 days from the date of receipt of the proposal.

Article 124 — A meeting of the board of directors may be held only if a majority of the directors are present. A resolution of the board of directors shall be adopted by a majority of all directors. Each director shall have one vote. Directors shall be personally liable for the resolutions of the board of directors. Where a resolution of the board of directors violates laws, administrative regulations or the articles of association, or a resolution of the shareholders' general meeting, and thereby causes serious loss to the company, the directors who participated in the adoption of the resolution shall be liable for compensation to the company. Where a director is proved to have objected to the resolution at the time of voting and such objection is recorded in the meeting minutes, the director may be exempted from liability.

Article 125 — A joint stock limited company may have a manager who shall be appointed by the board of directors. The manager shall be responsible to the board of directors and shall exercise the functions and powers provided in Article 66 of this Law. Where the articles of association provide otherwise for the functions and powers of the manager, such provisions shall prevail.

Article 126 — The board of directors of a company may decide that a member of the board of directors shall concurrently serve as the manager.

Article 127 — A joint stock limited company shall not directly or indirectly lend money to its directors, supervisors or senior management personnel.

Article 128 — A joint stock limited company shall periodically disclose to its shareholders the remuneration received by the directors, supervisors and senior management personnel of the company.

Article 129 — Where a director or senior management personnel of a joint stock limited company violates laws, administrative regulations or the articles of association in the performance of his or her duties and thereby causes loss to the company, the shareholders may initiate a lawsuit in accordance with Articles 74 and 75 of this Law.

Article 130 — The provisions of this Chapter on the obligations of directors shall apply to the supervisors and senior management personnel of a joint stock limited company.

Article 131 — A joint stock limited company shall have a board of supervisors, which shall be composed of three or more members. The composition and functions and powers of the board of supervisors, and the term of office of supervisors shall be subject to the provisions of Articles 67 through 72 of this Law on the board of supervisors of limited liability companies.

Article 132 — The board of supervisors shall hold at least one meeting every six months. Supervisors may propose the convening of interim meetings of the board of supervisors. The methods of deliberation and voting procedures of the board of supervisors shall be specified in the articles of association of the company, unless otherwise provided in this Law. A resolution of the board of supervisors shall be adopted by a majority of all supervisors.

Article 133 — The expenses necessary for the board of supervisors of a joint stock limited company to perform its duties shall be borne by the company.

Article 134 — Where a joint stock limited company has a relatively small scale, with the consent of all shareholders, the company may not have a board of supervisors, but shall have one supervisor who exercises the functions and powers of the board of supervisors under this Law.

Article 135 — A listed company shall have independent directors. The specific measures shall be prescribed by the securities regulatory authority of the State Council.

Article 136 — A listed company shall have a board secretary, who shall be responsible for the preparation of the shareholders' general meeting and the meetings of the board of directors of the company, the safekeeping of documents, the management of shareholders' information, the handling of information disclosure, and other matters.

Article 137 — Where a resolution of the board of directors of a listed company involves an affiliated enterprise, the affiliated director shall not exercise voting rights on the resolution, nor shall the director exercise voting rights on behalf of another director. The meeting of the board of directors may be held if a majority of the non-affiliated directors are present, and the resolution of the board of directors shall be adopted by a majority of the non-affiliated directors. Where the number of non-affiliated directors attending the meeting of the board of directors is less than three, the matter shall be submitted to the shareholders' general meeting of the listed company for deliberation.

Article 138 — A listed company shall establish a special committee under the board of directors in accordance with the provisions of laws and administrative regulations.

Article 139 — A listed company shall publicly disclose its financial and accounting reports in accordance with the law.

Article 140 — Where a listed company acquires shares of the company, it shall complete the acquisition in accordance with the law and perform the obligation of information disclosure. Where a listed company acquires shares of the company, it shall not hold such shares for more than six months and shall not exercise voting rights in respect of the shares held.

Article 141 — The shares of a listed company shall be listed and traded on a stock exchange in accordance with the relevant laws and administrative regulations.

## Chapter VI — Share Issuance and Equity Transfer of Joint Stock Limited Companies

Article 142 — The capital of a joint stock limited company shall be divided into shares of equal value. The shares of a company shall be in the form of share certificates. The shares are issued by the company, and the shareholders of the company hold the shares and enjoy the rights and bear the obligations in accordance with the types and proportions of the shares held by them.

Article 143 — A company may, in accordance with the articles of association, issue the following classes of shares: (1) shares with the same rights as ordinary shares; (2) preferred shares, where the holders have the right to receive distribution of profits or residual assets in priority to holders of ordinary shares, but do not have voting rights when attending shareholders' general meetings; (3) shares with different voting rights, where each share has more or fewer voting rights than ordinary shares; (4) shares with a conversion right, where the holders may convert the shares into shares of another class; and (5) other classes of shares provided by the State Council. The matters relating to the issuance of preferred shares and shares with different voting rights by a public company shall be subject to the provisions of the State Council.

Article 144 — Where the articles of association of a company provide for the matters relating to the issuance of preferred shares, the articles of association shall specify the following items: (1) the proportion of preferred shares in the total number of shares and the total amount of the issue; (2) the amount of preferred dividends and the method of distribution; (3) the order of distribution of residual assets in preference to ordinary



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shareholders and the scope of distribution; (4) the circumstances under which the holders of preferred shares exercise voting rights; (5) the conditions, price and proportion of conversion; and (6) other matters agreed by the shareholders.

Article 145 — A company shall, in accordance with the law, prepare a register of shareholders and register with the company registration authority. The transfer of shares shall be registered by the company or the securities registration and clearing institution in accordance with the law.

Article 146 — The transfer of registered shares shall be effective upon endorsement by the shareholder in accordance with the law or by other means prescribed by laws and administrative regulations. After the transfer, the company shall register the name or title and domicile of the transferee in the register of shareholders. Within 20 days before the convening of a shareholders' general meeting or within five days before the record date for the distribution of dividends, no change shall be registered in the register of shareholders, unless otherwise provided by law on the registration of changes in the register of shareholders of listed companies.

Article 147 — The transfer of bearer shares shall take effect upon the delivery of the share certificates by the shareholder to the transferee at a legally established securities exchange.

Article 148 — The shares of a company held by the promoters of the company shall not be transferred within one year from the date of establishment of the company. The shares of the company held by the directors, supervisors and senior management personnel of the company shall not be transferred within one year from the date the company shares are listed and traded. The directors, supervisors and senior management personnel specified in the preceding paragraph shall report to the company the number of shares they hold and the changes in their shareholdings. During their terms of office, the number of shares they transfer each year shall not exceed 25 percent of the total number of shares of the company they hold. The shares of the company they hold shall not be transferred within one year from the date the company shares are listed and traded. The persons specified in the preceding paragraph shall not transfer the shares of the company they hold within six months after they leave office. The articles of association of the company may impose other restrictive provisions on the transfer of shares of the company held by the directors, supervisors and senior management personnel.

Article 149 — A company shall not acquire shares of the company itself, except under any of the following circumstances: (1) to reduce the registered capital of the company; (2) to merge with another company that holds shares of the company; (3) to use the shares for employee stock ownership plans or equity incentives; (4) where shareholders request the company to acquire their shares because they object to the resolution of the shareholders' general meeting on merger or division of the company; (5) to use the shares for the conversion of convertible corporate bonds issued by the listed company; or (6) where it is necessary for a listed company to safeguard the value of the company and the rights and interests of shareholders. Where a company acquires shares of the company itself under items (1) and (2) of the preceding paragraph, the matter shall be subject to resolution of the shareholders' general meeting. Where a company acquires shares of the company itself under items (3), (5) and (6) of the preceding paragraph, the matter may be decided by a resolution of the board of directors at a meeting attended by two-thirds or more of the directors in accordance with the provisions of the articles of association or the authorization of the shareholders' general meeting.

Article 150 — Where a company acquires shares of the company itself in accordance with this Law, it shall complete the procedures for change of registered capital or the transfer or cancellation of the shares within the statutory time limit. The company shall not hold shares of the company itself for more than six months, nor shall the company exercise voting rights in respect of the shares of the company itself held by it.

Article 151 — A company shall not accept the shares of the company itself as the subject matter of a pledge. Where shares are used as the subject matter of a pledge, the pledgee may not transfer the shares before the

pledge is discharged, unless otherwise agreed by the pledgor and the pledgee.

Article 152 — Where registered shares are lost, stolen or destroyed, the shareholder may apply to a people's court for a public notice of the invalidation of the share certificate in accordance with the procedures for public summons for assertion of claims prescribed in the Civil Procedure Law of the People's Republic of China. After the people's court has declared the share certificate invalid, the shareholder may apply to the company for a replacement share certificate.

Article 153 — The shares of a listed company shall be listed and traded on a stock exchange in accordance with the relevant laws, administrative regulations and the trading rules of the stock exchange.

Article 154 — A listed company shall disclose information such as its financial status, business conditions and material lawsuits in accordance with the law, and shall publish its financial and accounting reports every six months and each fiscal year.

Article 155 — Where a listed company has any of the following circumstances, the stock exchange may decide to suspend the listing and trading of its shares: (1) where the total share capital or the shareholding distribution of the company changes and no longer meets the listing requirements; (2) where the company fails to disclose its financial status in accordance with the regulations, or makes false records in its financial and accounting reports, and fails to make rectification within the prescribed time limit; (3) where the company has committed a material illegal act; (4) where the company has incurred losses for the last three consecutive years; or (5) other circumstances specified in the listing rules of the stock exchange.

Article 156 — Where a listed company has any of the following circumstances, the stock exchange may decide to terminate the listing and trading of its shares: (1) where the total share capital or shareholding distribution of the company changes and no longer meets the listing requirements, and the company fails to meet the listing requirements within the time limit prescribed by the stock exchange; (2) where the company fails to disclose its financial status in accordance with the regulations, or makes false records in its financial and accounting reports, and refuses to make rectification; (3) where the company has incurred losses for the last three consecutive years and fails to turn profitable within the subsequent year; (4) where the company is dissolved or declared bankrupt; or (5) other circumstances specified in the listing rules of the stock exchange.

Article 157 — The transfer of shares of a joint stock limited company that is not a listed company shall be subject to the provisions of this Chapter and the articles of association of the company. The method for the transfer shall be agreed by the transferor and the transferee.

Article 158 — Shareholders of a joint stock limited company may transfer their shares in accordance with the law. Where the articles of association impose restrictions on the transfer of shares by shareholders who are directors, supervisors or senior management personnel, such restrictions shall not exceed the restrictions prescribed by this Law.

Article 159 — Where the articles of association of a joint stock limited company impose restrictions on the transfer of shares, such restrictions shall be reasonable and shall be binding on shareholders who acquire the shares with knowledge of such restrictions. The restrictions on share transfer stipulated in the articles of association shall not apply to share transfers conducted through securities trading venues in accordance with the law.

Article 160 — Where a natural person shareholder of a joint stock limited company dies, his or her lawful heir may inherit the shareholder status, unless otherwise provided in the articles of association.

Article 161 — A shareholder of a joint stock limited company who objects to the resolution of the shareholders' general meeting on merger or division of the company may request the company to acquire his or her shares. Where the company acquires shares under the preceding paragraph, it shall transfer or cancel the shares within six months.

Article 162 — Where a joint stock limited company reduces its registered capital, it shall do so through the share repurchase method, and the share repurchase shall be subject to the provisions of Articles 149 and 150 of this Law.

Article 163 — A joint stock limited company shall not provide financial assistance to others for the acquisition of shares of the company, except where the company implements an employee stock ownership plan. Where the company provides financial assistance in violation of the preceding paragraph, the person responsible shall be liable for compensation for any loss caused to the company.

Article 164 — Where shares or corporate bonds are issued by a joint stock limited company to the public, an underwriting agreement shall be entered into with a legally established securities company in accordance with the law.

Article 165 — The issuance of new shares by a joint stock limited company shall be subject to the following procedures: (1) making a resolution on the issuance of new shares by the shareholders' general meeting; (2) applying to the relevant authority for approval, where such approval is required by laws or administrative regulations; (3) entering into an underwriting agreement; (4) collecting the share capital; (5) convening a shareholders' general meeting to amend the articles of association and elect new directors and supervisors; and (6) applying for change registration and making a public announcement.

Article 166 — A joint stock limited company may, upon a resolution of the shareholders' general meeting or the board of directors, issue new shares to specific targets that do not exceed 200 in number. The issuance of new shares to specific targets shall not be conducted through public solicitation or disguised public solicitation.

Article 167 — Where a joint stock limited company issues new shares, the shareholders' general meeting shall adopt a resolution on the following items: (1) the type and number of new shares; (2) the issue price of new shares; (3) the beginning and ending dates of the issuance of new shares; and (4) the type and number of new shares to be issued to existing shareholders.

Article 168 — Where a joint stock limited company issues new shares, the shareholders shall have the preemptive right to subscribe for new shares under the same conditions, unless otherwise provided in the articles of association or resolved by the shareholders' general meeting.

## Chapter VII — Qualifications and Obligations of Directors, Supervisors and Senior Management Personnel

Article 169 — None of the following persons shall serve as a director, supervisor or senior management personnel of a company: (1) a person who does not have full civil capacity; (2) a person who has been sentenced to a criminal penalty for corruption, bribery, misappropriation of property, embezzlement of property, or disruption of the order of the socialist market economy, where five years have not elapsed since the completion of the sentence, or a person who has been sentenced to a criminal penalty and deprived of political rights, where five years have not elapsed since the completion of the sentence; (3) a person who served as a director, factory director or manager of a company or enterprise that was declared bankrupt and liquidated, and who was personally liable for the bankruptcy, where three years have not elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise; (4) a person who served as the legal representative of a company or enterprise whose business license was revoked due to violation of laws, and who was personally liable for the revocation, where three years have not elapsed since the date of revocation of the business license; (5) a person who has a relatively large amount of personal debts that are overdue; or (6) a person who is prohibited by laws or administrative regulations from serving as a director, supervisor or senior management personnel of a company. Where a company elects or appoints a director or supervisor or engages a senior management personnel in violation of the preceding paragraph, such election, appointment or engagement shall be invalid. Where a director, supervisor or senior management

personnel falls under any of the circumstances specified in the first paragraph during his or her term of office, the company shall remove him or her from the position.

Article 170 — Directors, supervisors and senior management personnel shall comply with laws, administrative regulations and the articles of association of the company, and owe a duty of loyalty and a duty of diligence to the company. Directors, supervisors and senior management personnel shall not use their functions and powers to accept bribes or other unlawful income, nor shall they misappropriate the property of the company.

Article 171 — Directors, supervisors and senior management personnel shall not commit the following acts: (1) misappropriating the funds of the company; (2) opening an account for depositing the funds of the company in their own name or in the name of any other person; (3) lending the funds of the company to another person or providing a guarantee with the property of the company for another person in violation of the provisions of the articles of association, without the consent of the shareholders' meeting, shareholders' general meeting or board of directors; (4) entering into a contract or conducting a transaction with the company in violation of the provisions of the articles of association or without the consent of the shareholders' meeting or shareholders' general meeting; (5) taking advantage of their positions to seek business opportunities that belong to the company for themselves or for others, or operating for themselves or for others businesses similar to the business of the company, without the consent of the shareholders' meeting or shareholders' general meeting; (6) accepting commissions in respect of transactions between the company and others and taking them as their own; (7) disclosing the secrets of the company without authorization; or (8) other acts that violate the duty of loyalty to the company. The income derived by a director, supervisor or senior management personnel from any of the acts listed in the preceding paragraph shall be returned to the company.

Article 172 — Where a director, supervisor or senior management personnel of a company violates laws, administrative regulations or the articles of association in the performance of his or her duties and thereby causes loss to the company, the director, supervisor or senior management personnel shall be liable for compensation.

Article 173 — Where a director, supervisor or senior management personnel of a company is required by the shareholders' meeting or shareholders' general meeting to attend the meeting as a non-voting participant and accept inquiries from shareholders, the director, supervisor or senior management personnel shall attend the meeting as a non-voting participant and accept the inquiries from the shareholders. Directors and senior management personnel shall truthfully provide relevant information and materials to the board of supervisors or the supervisor of a limited liability company without a board of supervisors, and shall not obstruct the board of supervisors or the supervisor from exercising its or his or her functions and powers.

Article 174 — Where a director or senior management personnel of a company commits any of the acts specified in Article 171 of this Law, shareholders of a limited liability company, or shareholders of a joint stock limited company individually or jointly holding 1 percent or more of the shares of the company for 180 consecutive days or more, may request the board of supervisors in writing to file a lawsuit in a people's court. Where a supervisor commits the act specified in Article 171 of this Law, the shareholders specified above may request the board of directors in writing to file a lawsuit in a people's court.

Article 175 — A director or senior management personnel who engages in business that competes with the company without the consent of the shareholders' meeting or shareholders' general meeting, and thereby causes loss to the company, shall be liable for compensation. When a director or senior management personnel engages in self-dealing or related-party transactions with the company without fulfilling the obligation of information disclosure, and thereby causes loss to the company, the director or senior management personnel shall be liable for compensation.

Article 176 — Where a state-owned enterprise is restructured into a joint stock company or a state-owned asset is invested in a company, the relevant state-owned asset supervision and administration authority or other department or institution shall appoint representatives to attend the shareholders' meeting or shareholders' general meeting. The directors and supervisors appointed by the state-owned asset supervision and administration authority or other department or institution shall comply with laws, administrative regulations and the articles of association of the company, and owe a duty of loyalty and a duty of diligence to the company. They shall not commit any act that harms the interests of the state-owned asset.

Article 177 — Directors, supervisors and senior management personnel of a state-funded company shall not take advantage of their positions to seek personal gain or harm the interests of the state-owned asset through collusion with others, transferring assets at low prices, or other means.

Article 178 — Where a director, supervisor or senior management personnel of a company performs his or her duties in violation of laws, administrative regulations or the articles of association of the company and thereby causes loss to the company, the director, supervisor or senior management personnel shall be liable for compensation. The shareholders' meeting or shareholders' general meeting may resolve to remove the director or supervisor, or the board of directors may resolve to remove the senior management personnel from the position.

Article 179 — Directors, supervisors and senior management personnel who cause damage to the interests of shareholders by violating laws, administrative regulations or the articles of association shall be liable for compensation to the shareholders.

Article 180 — Where the controlling shareholder, actual controller, director, supervisor or senior management personnel of a company takes advantage of an affiliated relationship to cause loss to the company, the person shall be liable for compensation. Where the controlling shareholder or actual controller of a company instructs a director or senior management personnel of the company to engage in conduct that harms the interests of the company or the shareholders of the company, the controlling shareholder or actual controller shall be jointly and severally liable with the director or senior management personnel.

Article 181 — Where a director, supervisor or senior management personnel of a company directly causes loss to another person in the performance of his or her duties, the director, supervisor or senior management personnel shall be liable for compensation. Where the company is also liable for compensation, the company may recover from the director, supervisor or senior management personnel after making the compensation.

Article 182 — A company shall purchase liability insurance for directors during their terms of office, unless otherwise resolved by the shareholders' meeting. Where the company purchases liability insurance for directors, the board of directors shall report to the shareholders' meeting or shareholders' general meeting on the amount insured, scope of coverage, insurance premium rate, and other main contents of the liability insurance.

Article 183 — Where the controlling shareholder or actual controller of a company fails to perform the obligations of making capital contributions, the company or other shareholders may demand that the shareholder or actual controller perform the obligations. Where loss is caused to the company, the shareholder or actual controller shall be liable for compensation.

Article 184 — Where a director, supervisor or senior management personnel of a company violates the provisions of this Law and thus causes loss to the company or shareholders, the directors, supervisors and senior management personnel shall be liable for compensation in accordance with the law. Where shareholders file a lawsuit in accordance with the provisions of the preceding two articles, they may request the people's court to order the defendant to provide a corresponding guarantee.

Article 185 — Where a director, supervisor or senior management personnel violates the provisions of laws, administrative regulations or the articles of association and thereby causes loss to the company or shareholders, and the company fails to file a lawsuit or take other measures, shareholders may file a lawsuit in a people's court in their own name.

Article 186 — Where a resolution of the shareholders' meeting, shareholders' general meeting or board of directors of a company violates the provisions of laws or administrative regulations, and the shareholders initiate a lawsuit, the people's court may, upon the request of the company, order the shareholders to provide corresponding guarantees. Where the company requests a shareholder to provide a guarantee in accordance with the preceding paragraph, it shall provide evidence proving that the shareholder's lawsuit is malicious.

Article 187 — Where a director, supervisor or senior management personnel of a company violates the provisions of laws or administrative regulations during the performance of his or her duties and thereby causes loss to the company, and the company fails to file a lawsuit, the shareholders may file a lawsuit in a people's court in their own name.

Article 188 — Where shareholders file a lawsuit in accordance with the provisions of this Law, they may request the people's court to preserve the property of the company or to take other preservation measures.

Article 189 — Where the controlling shareholder or actual controller of a company abuses the rights of shareholders or the position of actual controller to harm the interests of the company or other shareholders, the shareholder or actual controller shall be liable for compensation. Where the controlling shareholder or actual controller of a company commits any of the following acts to seriously harm the interests of the company, the shareholders may demand that the company acquire their equity interests at a reasonable price: (1) transferring the main assets of the company or embezzling the funds of the company without authorization; or (2) forcing the company to provide a guarantee for another person without the consent of the shareholders' meeting or shareholders' general meeting.

Article 190 — A shareholder of a company may file a lawsuit directly in a people's court against a director, supervisor or senior management personnel of the company for violation of laws, administrative regulations or the articles of association of the company that harms the interests of the shareholder.

Article 191 — Where a director, supervisor or senior management personnel of a company violates the provisions of laws or administrative regulations in the performance of his or her duties and thereby causes loss to a third party, the director, supervisor or senior management personnel shall be liable for compensation. Where the company is also liable for compensation, the company may recover from the director, supervisor or senior management personnel after making the compensation.

Article 192 — Where the controlling shareholder or actual controller of a company instructs a director or senior management personnel to engage in conduct that harms the interests of the company or shareholders, the controlling shareholder or actual controller shall be jointly and severally liable with the director or senior management personnel.

Article 193 — Where a company purchases liability insurance for directors, the insurer may exercise the right of subrogation against the directors in accordance with the provisions of the insurance contract and the law.

## Chapter VIII — Corporate Bonds

Article 194 — The term "corporate bonds" as used in this Law refers to securities issued by a company in accordance with statutory procedures, with the principal and interest to be repaid within an agreed period.

Article 195 — The issuance of corporate bonds shall comply with the provisions of the Securities Law of the People's Republic of China, this Law, and other relevant laws and administrative regulations.

Article 196 — A company that issues corporate bonds shall meet the issuance conditions prescribed by laws and administrative regulations and shall report to the securities regulatory authority of the State Council or a department authorized by the State Council for registration.

Article 197 — Where a company issues corporate bonds, the application for the issuance shall specify the following items: (1) the name of the company; (2) the intended use of the funds raised and the plan for their utilization; (3) the total amount and par value of the corporate bonds; (4) the method for determining the interest rate of the bonds; (5) the time limit and method for repayment of principal and payment of interest; (6) the guarantee for the bonds; (7) the issue price of the bonds and the beginning and ending dates of the issuance; and (8) the net assets of the company.

Article 198 — After a company has issued corporate bonds upon approval, it shall prepare a corporate bond counterfoil register. Where registered corporate bonds are issued, the following items shall be specified in the corporate bond counterfoil register: (1) the names or titles and domiciles of the bondholders; (2) the dates on which the bondholders acquired the bonds and the serial numbers of the bonds; (3) the total amount of the bonds, the par value of the bonds, the interest rate of the bonds, and the time limit and method for repayment of principal and payment of interest; and (4) the date of issuance of the bonds. Where bearer corporate bonds are issued, the total amount of the bonds, the interest rate, the time limit and method for repayment of principal and payment of interest, the date of issuance of the bonds, and the serial numbers of the bonds shall be specified in the corporate bond counterfoil register.

Article 199 — The transfer of registered corporate bonds shall be effected by the bondholder by way of endorsement or by other means prescribed by laws and administrative regulations. After the transfer, the company shall record the name or title and domicile of the transferee in the corporate bond counterfoil register. The transfer of bearer corporate bonds shall take effect upon the delivery of the bonds by the bondholder to the transferee at a legally established securities exchange.

Article 200 — A joint stock limited company that meets the conditions for the issuance of convertible corporate bonds may, upon a resolution of the shareholders' general meeting, issue convertible corporate bonds that can be converted into shares of the company. The conversion shall be effected at the conversion method specified in the corporate bond offer method. The issuance of convertible corporate bonds shall, in addition to satisfying the conditions for the issuance of corporate bonds, satisfy the conditions for the issuance of shares of the company. The specific measures for the issuance of convertible corporate bonds shall be prescribed by the State Council.

Article 201 — Where a company issues convertible corporate bonds, it shall indicate the conversion method on the bonds. The conversion of convertible corporate bonds into shares shall not be subject to the provisions of the relevant laws and regulations on the increase of registered capital.

Article 202 — Where a company issues corporate bonds with attached warrants, it shall indicate the warrant on the bonds. The holder of corporate bonds with attached warrants may transfer the bonds and the warrants together or separately.

Article 203 — A company that issues corporate bonds shall establish a bondholder meeting system. The bondholder meeting shall be composed of all bondholders. The bondholder meeting shall exercise the following functions and powers in accordance with the law: (1) to protect the interests of bondholders; (2) to adopt resolutions on matters relating to material changes in the corporate bonds during the term of the bonds; (3) to decide on the appointment and replacement of the bond trustee; and (4) other matters agreed with the issuer.

Article 204 — A company that issues corporate bonds shall appoint a bond trustee. The bond trustee shall perform the duties of a trustee in accordance with the law and the agreement, safeguard the interests of bondholders, and shall not harm the interests of bondholders.

Article 205 — A company that issues corporate bonds shall disclose information in accordance with the provisions of the securities regulatory authority of the State Council and other relevant provisions.

Article 206 — A listed company may, in accordance with the law and the articles of association, resolve at the shareholders' general meeting to issue corporate bonds, and the specific matters relating to the issuance may be authorized by the shareholders' general meeting to be decided by the board of directors.

## Chapter IX — Financial Affairs and Accounting of Companies

Article 207 — A company shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of the financial and taxation authorities under the State Council.

Article 208 — A company shall prepare financial and accounting reports at the end of each fiscal year, and the reports shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the provisions of laws, administrative regulations and the financial and taxation authorities under the State Council.

Article 209 — The financial and accounting reports of a limited liability company shall be submitted to each shareholder within the time limit specified in the articles of association. The financial and accounting reports of a joint stock limited company shall be available at the company for inspection by shareholders 20 days before the annual shareholders' general meeting. The financial and accounting reports of a joint stock limited company that issues shares to the public shall be publicly announced.

Article 210 — When a company distributes the after-tax profits of the current year, it shall allocate 10 percent of the profits to the statutory surplus reserve of the company. Where the cumulative amount of the statutory surplus reserve of the company exceeds 50 percent of the registered capital of the company, further allocation may not be made. Where the statutory surplus reserve of the company is insufficient to make up for the losses of the company in the previous years, the profits of the current year shall first be used to make up for the losses before the statutory surplus reserve is allocated in accordance with the provisions of the preceding paragraph. After the allocation of the statutory surplus reserve from the after-tax profits of the company, whether to allocate to the discretionary surplus reserve shall be resolved by the shareholders' meeting or shareholders' general meeting.

Article 211 — Where the shareholders' meeting, shareholders' general meeting or board of directors of a company violates the provisions of the preceding article by distributing profits to shareholders before the company has made up for its losses and allocated to the statutory surplus reserve, the shareholders must return the profits distributed in violation of the provisions to the company. Where the company holds shares of the company itself, no profit distribution shall be made in respect of such shares.

Article 212 — The surplus reserve of a company shall be used to make up for the losses of the company, expand the production and operation of the company, or be converted into an increase in the capital of the company. Where the surplus reserve is converted into an increase in the capital, the amount of the surplus reserve retained shall not be less than 25 percent of the registered capital of the company prior to the conversion. The capital surplus reserve of a company shall not be used to make up for the losses of the company.

Article 213 — Where a company employs an accounting firm to undertake the audit of the company, the matter shall be decided by the shareholders' meeting, shareholders' general meeting or board of directors in accordance with the provisions of the articles of association. Where the shareholders' meeting, shareholders' general meeting or board of directors of a company votes on the dismissal of an accounting firm, the accounting firm to be dismissed shall be allowed to state its views.

Article 214 — A company shall provide the accounting firm it employs with truthful and complete accounting documents, accounting books, financial and accounting reports and other accounting materials, and shall not

refuse to provide, conceal or make false statements.

Article 215 — A company shall not maintain any accounting books other than those prescribed by law. No account shall be opened in the name of any individual for keeping the funds of the company.

Article 216 — The assets of a company shall not be misappropriated by any individual or unit. Without the consent of the shareholders' meeting, shareholders' general meeting or board of directors, the funds of a company shall not be loaned to another person, nor shall the assets of a company be used as a guarantee for another person.

Article 217 — A company shall extract a certain proportion of its profits each year as the statutory public welfare fund. The specific measures shall be prescribed by the State Council.

## Chapter X — Merger, Division, Capital Increase and Decrease of Companies

Article 218 — The merger of companies may be by way of absorption merger or consolidation merger. Absorption merger means that one company absorbs another company, and the company absorbed is dissolved. Consolidation merger means that two or more companies merge to form a new company, and all the original companies are dissolved. Where companies merge, the claims and debts of all the parties to the merger shall be succeeded by the company surviving the merger or the newly formed company.

Article 219 — Where companies merge, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. A company shall notify its creditors within 10 days from the date of adoption of the merger resolution and shall publish an announcement in a newspaper or through the enterprise credit information publicity system within 30 days. The creditors may, within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement for creditors who do not receive the notice, demand that the company pay off its debts or provide corresponding guarantees.

Article 220 — Where companies merge, where the surviving company or the newly formed company succeeds the claims and debts of all parties to the merger, no resolution of the board of directors or shareholders' meeting shall be required for the approval by the creditors, unless otherwise provided by law.

Article 221 — The division of a company means that the property of the company is divided accordingly, and the company is divided into two or more companies. Where a company is divided, a division agreement shall be entered into, and a balance sheet and an inventory of assets shall be prepared.

Article 222 — Where a company is divided, it shall notify its creditors within 10 days from the date of adoption of the division resolution and shall publish an announcement in a newspaper within 30 days. The creditors may, within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement for creditors who do not receive the notice, demand that the company pay off its debts or provide corresponding guarantees. Where, following the division, the company or the newly formed companies do not reach an agreement with the creditors on the payment of the debts or the provision of guarantees, the companies surviving the division shall bear joint and several liability for the debts of the company prior to the division, unless otherwise agreed in writing by the company and the creditors prior to the division with respect to the payment of the debts.

Article 223 — Where a company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The company shall notify its creditors within 10 days from the date of adoption of the resolution on reducing the registered capital and shall publish an announcement in a newspaper or through the enterprise credit information publicity system within 30 days. The creditors shall have the right to demand that the company pay off its debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement for creditors who do not receive the notice. The registered capital of a company after the reduction shall not be less than the statutory minimum amount.



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Article 224 — Where a limited liability company increases its registered capital, the capital contributions of the shareholders for the newly increased capital shall be subject to the relevant provisions of this Law on the payment of capital contributions for the establishment of a limited liability company. Where a joint stock limited company issues new shares to increase its registered capital, the subscription of the new shares by the shareholders shall be subject to the relevant provisions of this Law on the payment of share capital for the establishment of a joint stock limited company.

Article 225 — Where a company increases or decreases its registered capital, it shall apply to the company registration authority for change registration in accordance with the law.

Article 226 — Where a company is merged or divided, the registered items of the company shall be subject to change registration, and where a company is newly formed as a result of merger or division, registration of establishment shall be applied for, and where a company is dissolved as a result of merger or division, registration of deregistration shall be applied for. Where a company increases or decreases its registered capital, it shall apply to the company registration authority for change registration.

Article 227 — Where a company is merged or divided, the registration of establishment, change of registration or deregistration shall be subject to announcement by the company registration authority in accordance with the law.

Article 228 — Where a company is merged, divided, has its registered capital increased or decreased, or its business scope changed, if the matter is subject to approval under laws or administrative regulations, the company shall complete the approval procedures in accordance with the law before making changes to the registration.

## Chapter XI — Dissolution and Liquidation of Companies

Article 229 — A company shall be dissolved for any of the following reasons: (1) the term of operation specified in the articles of association of the company expires or other grounds for dissolution specified in the articles of association occur; (2) the shareholders' meeting or shareholders' general meeting resolves to dissolve the company; (3) the company needs to be dissolved due to merger or division; (4) the business license of the company is revoked, the company is ordered to close down, or the company is deregistered in accordance with the law; or (5) where a people's court orders the dissolution of the company in accordance with the law. Where a company falls under item (1) of the preceding paragraph, the company may continue to exist by amending its articles of association. The amendment of the articles of association under the preceding paragraph shall be subject to the adoption by shareholders of a limited liability company holding two-thirds or more of the voting rights, or by shareholders of a joint stock limited company holding two-thirds or more of the voting rights attending the shareholders' general meeting.

Article 230 — Where a company encounters serious difficulties in its operation and management, and its continued existence would cause material loss to the interests of the shareholders, and such situation cannot be resolved through other means, shareholders holding 10 percent or more of all the voting rights of the company may apply to a people's court for dissolution of the company.

Article 231 — Where a company is dissolved for the reasons specified in items (1), (2), (4) or (5) of Article 229 of this Law, a liquidation group shall be formed within 15 days from the date of occurrence of the grounds for dissolution to carry out liquidation. The liquidation group of a limited liability company shall be composed of shareholders. The liquidation group of a joint stock limited company shall be composed of directors or the persons whose appointment is resolved by the shareholders' general meeting. Where a liquidation group is not formed within the time limit to carry out liquidation, the creditors may apply to a people's court to appoint relevant personnel to form a liquidation group to carry out liquidation. The people's court shall accept the application and form the liquidation group in a timely manner. The liquidation group shall be composed of shareholders of the company, directors, supervisors, senior management personnel,

intermediaries, and other persons designated by law.

Article 232 — A liquidation group shall exercise the following functions and powers during the liquidation period: (1) to check and sort out the assets of the company, and prepare a balance sheet and an inventory of assets; (2) to notify creditors and make a public announcement; (3) to deal with the outstanding business of the company relating to the liquidation; (4) to pay off all outstanding taxes and taxes incurred during the liquidation process; (5) to clear the claims and debts of the company; (6) to deal with the residual assets of the company after the payment of debts; and (7) to participate in civil litigation activities on behalf of the company.

Article 233 — The liquidation group shall notify creditors within 10 days from the date of its formation and shall publish an announcement within 60 days. Creditors shall declare their claims to the liquidation group within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement for creditors who do not receive the notice. When declaring a claim, a creditor shall specify the relevant items of the claim and provide supporting materials. The liquidation group shall register the claims. During the declaration period, the liquidation group shall not pay off any claims.

Article 234 — After sorting out the assets of the company and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan and submit it to the shareholders' meeting, shareholders' general meeting or the people's court for confirmation. The assets of the company shall be used to pay the liquidation expenses, the wages of employees, the social insurance premiums and the statutory compensation, the outstanding taxes, and the debts of the company in that order. After the payment of the liquidation expenses, the wages of employees, the social insurance premiums and the statutory compensation, the outstanding taxes, and the debts of the company with the assets of the company, the residual assets shall be distributed to the shareholders in proportion to their capital contributions or shares, unless otherwise provided in the articles of association.

Article 235 — When the liquidation group is sorting out the assets of the company and preparing a balance sheet and an inventory of assets, and discovers that the assets of the company are insufficient to pay off all the debts, it shall apply to a people's court for declaration of bankruptcy in accordance with the law. After the company is declared bankrupt by a people's court, the liquidation group shall transfer the liquidation matters to the people's court.

Article 236 — Members of a liquidation group shall be devoted to their duties and shall perform their liquidation obligations in accordance with the law. Members of a liquidation group shall not take advantage of their positions to accept bribes or other unlawful income, nor shall they misappropriate the assets of the company. Where a member of a liquidation group causes loss to the company or creditors by reason of intentional act or gross negligence, the member shall be liable for compensation.

Article 237 — Where a company is dissolved for the reasons specified in item (3) of Article 229 of this Law, the parties to the merger or division shall bear the corresponding liabilities in accordance with the provisions of this Law and the merger agreement or division agreement.

Article 238 — Where a company is dissolved for the reasons specified in item (1), (2), (4) or (5) of Article 229 of this Law, and the liquidation group has completed the liquidation, the liquidation group shall prepare a liquidation report, submit it to the shareholders' meeting, shareholders' general meeting or the people's court for confirmation, and submit it to the company registration authority to apply for deregistration of the company and announce the termination of the company.

Article 239 — After the deregistration of a company is completed, the company shall be terminated. The company shall cease to exist as a legal entity and shall not engage in any business activities. However, for the purposes of liquidation or other necessary matters, the company may continue to exist for a limited period.

Article 240 — Where a company is declared bankrupt, the bankruptcy liquidation shall be carried out in accordance with the provisions of the Enterprise Bankruptcy Law of the People's Republic of China and other relevant laws.

Article 241 — Where a company is dissolved, the relevant administrative licenses obtained by the company involving administrative approval shall be cancelled or transferred in accordance with the provisions of the relevant laws and administrative regulations.

Article 242 — Where a company is dissolved in accordance with the law, its branch offices shall also be dissolved and the deregistration procedures shall be completed for the branch offices.

## Chapter XII — Branches of Foreign Companies

Article 243 — The term "foreign company" as used in this Law refers to a company registered and established outside the territory of the People's Republic of China in accordance with foreign laws. A foreign company that intends to establish a branch within the territory of the People's Republic of China shall submit an application to the Chinese competent authority and shall submit its articles of association, the company registration certificate of the country where it is registered, and other relevant documents. Upon approval, application for registration shall be made to the company registration authority, and a business license for the branch shall be obtained. The measures for the examination and approval of the establishment of branches of foreign companies shall be prescribed by the State Council.

Article 244 — When a foreign company establishes a branch within the territory of the People's Republic of China, it shall appoint a representative or an agent in charge of the branch within the territory of the People's Republic of China and shall allocate to the branch funds commensurate with the business activities to be carried out by the branch. Where a minimum amount of operating funds for a branch of a foreign company is required, the State Council shall prescribe the minimum amount separately.

Article 245 — A branch of a foreign company shall indicate in its name the nationality and the form of liability of the foreign company. A branch of a foreign company shall make available at its domicile the articles of association of the foreign company for inspection.

Article 246 — A branch established by a foreign company within the territory of the People's Republic of China does not have the status of a legal person under Chinese law. The foreign company shall bear civil liability for the business operations carried out by its branch within the territory of the People's Republic of China.

Article 247 — A branch established by a foreign company within the territory of the People's Republic of China shall, when engaging in business activities, comply with the laws of China, shall not harm the public interests of China, and shall have its lawful rights and interests protected by Chinese law.

Article 248 — Where a foreign company intends to deregister its branch within the territory of the People's Republic of China, it shall pay off the debts of the branch in accordance with the law, carry out liquidation in accordance with the provisions of this Law on the liquidation procedures of companies, and shall not transfer the assets of the branch out of the territory of the People's Republic of China before the debts are paid off.

Article 249 — Where a foreign company violates the provisions of this Law by establishing a branch within the territory of the People's Republic of China without authorization, the branch shall be ordered to rectify or be closed down by the company registration authority, and a fine of not less than RMB 50,000 and not more than RMB 200,000 may be imposed.

## Chapter XIII — Legal Liability

Article 250 — Where a company, in the process of registration, falsely declares its registered capital, submits false materials, or conceals important facts by other fraudulent means to obtain company registration, the



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company registration authority shall order rectification and impose a fine of not less than five percent and not more than 15 percent of the amount of the falsely declared registered capital or the amount of capital that has been actually paid but not declared. Where the circumstances are serious, the company registration authority shall revoke the company registration or the business license.

Article 251 — Where a shareholder of a company makes a false capital contribution or fails to pay the capital contribution in full and on time, the company registration authority shall order rectification and may impose a fine of not less than five percent and not more than 15 percent of the amount of the false capital contribution or the outstanding capital contribution.

Article 252 — Where a promoter or shareholder of a company withdraws his or her capital contribution after the establishment of the company, the company registration authority shall order rectification and impose a fine of not less than five percent and not more than 15 percent of the amount of the capital contribution withdrawn.

Article 253 — Where a company fails to commence its business operations for more than six months without justifiable reasons after its establishment or, after having commenced its business operations, voluntarily suspends its business operations for more than six consecutive months, the company registration authority may revoke its business license. Where a company fails to apply for cancellation of registration of a change in registered items, the company registration authority shall order registration within a specified time limit; where the company fails to register within the time limit, a fine of not less than RMB 10,000 and not more than RMB 100,000 shall be imposed.

Article 254 — Where a company engages in business activities beyond its registered business scope without the approval required by laws or administrative regulations, the company registration authority shall order rectification and may impose a fine of not less than RMB 10,000 and not more than RMB 100,000. Where the circumstances are serious, the business license shall be revoked.

Article 255 — Where a company conceals facts or makes false statements in its annual report, financial and accounting reports, or other materials submitted to the relevant authorities, the company registration authority or other relevant authorities shall order rectification and impose a fine of not less than RMB 10,000 and not more than RMB 100,000 on the company and the directly responsible persons in charge and other directly responsible persons.

Article 256 — Where a company commits any of the following acts, the company registration authority shall order rectification and impose a fine: (1) failing to notify or announce to creditors in accordance with the provisions of this Law when merging, dividing, reducing registered capital or carrying out liquidation; (2) concealing assets when carrying out liquidation, making false records on the balance sheet or inventory of assets, or distributing the assets of the company before paying off debts; or (3) engaging in business activities relating to the liquidation during the liquidation period.

Article 257 — Where an institution undertaking capital verification, asset appraisal, capital verification or verification provides false materials, the company registration authority shall confiscate the illegal gains and impose a fine of not less than one time and not more than five times the illegal gains, and the relevant competent authority may order the institution to suspend business for rectification or revoke the qualification certificate or business license of the persons directly responsible.

Article 258 — Where the company registration authority fails to register or process the application of a company in accordance with the law, the applicant may apply for administrative reconsideration or file an administrative lawsuit in accordance with the law. Where the relevant competent authority fails to perform its examination and approval duties in accordance with the law, the applicant may apply for administrative reconsideration or file an administrative lawsuit in accordance with the law.

Article 259 — Where a company fails to establish a trade union in accordance with the law, the relevant competent authority shall order rectification. Where the circumstances are serious, the relevant competent authority may impose a fine in accordance with the law.

Article 260 — Where a director, supervisor or senior management personnel of a company violates the provisions of laws, administrative regulations or the articles of association in the performance of his or her duties, and the case does not constitute a crime, the company may remove the person from his or her position, and the illegal gains, if any, shall be confiscated by the relevant authorities in accordance with the law. Where loss is caused to the company, the person shall be liable for compensation in accordance with the law.

Article 261 — Where the acts of a company or its shareholders, directors, supervisors or senior management personnel violate the provisions of this Law and constitute a crime, criminal liability shall be pursued in accordance with the law.

## Chapter XIV — Supplementary Provisions

Article 262 — The term “senior management personnel” as used in this Law refers to the manager, deputy manager(s), the person in charge of finance of a company, the secretary of the board of directors of a listed company, and other persons specified in the articles of association of the company. The term “controlling shareholder” as used in this Law refers to a shareholder whose capital contribution accounts for 50 percent or more of the total capital of a limited liability company, or whose shares account for 50 percent or more of the total shares of a joint stock limited company, or a shareholder whose voting rights under the capital contribution or shares, although less than 50 percent, are sufficient to have a material impact on the resolution of the shareholders’ meeting or shareholders’ general meeting. The term “actual controller” as used in this Law refers to a person who, though not a shareholder of the company, is able to actually control the acts of the company through investment relationships, agreements or other arrangements. The term “affiliated relationship” as used in this Law refers to the relationship between the controlling shareholder, actual controller, director, supervisor or senior management personnel of the company and the enterprise directly or indirectly controlled by such person, and other relationships that may lead to the transfer of the interests of the company.

Article 263 — The specific measures for the administration of the registration of branch offices of foreign companies within the territory of the People’s Republic of China shall be prescribed by the State Council.

Article 264 — This Law shall apply to limited liability companies and joint stock limited companies established within the territory of the People’s Republic of China. Matters not covered by this Law shall be subject to the provisions of the relevant laws and administrative regulations.

Article 265 — Matters relating to the formation, organization and activities of state-owned companies shall be governed by this Law in addition to the provisions of the Law of the People’s Republic of China on State-Owned Assets of Enterprises and other relevant laws and administrative regulations.

Article 266 — This Law shall come into force as of July 1, 2024.

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