Company Law of the PRC

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Chapter I — General Provisions

Article 1 — This Law is enacted in accordance with the Constitution for the purposes of regulating the organization and conduct of companies, protecting the lawful rights and interests of companies, shareholders, employees, and creditors, improving the modern enterprise system with Chinese characteristics, promoting the spirit of entrepreneurship, safeguarding the development of the socialist market economy, and facilitating economic development.

Article 2 — For the purposes of this Law, the term "company" means a limited liability company or a joint stock limited company 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 enjoy legal person property rights. A company shall bear liability for its debts to the extent of all of its property. Shareholders of a limited liability company shall bear liability for the company to the extent of their respective subscribed capital contributions. Shareholders of a joint stock limited company shall bear liability for the company to the extent of their respective subscribed shares.

Article 4 — Shareholders of a company shall enjoy asset income, participation in major decision-making, selection of managers, and other rights in accordance with the law. A limited liability company shall prepare a register of shareholders, recording the names or designations, domiciles, and amounts of capital contributions of the shareholders, as well as the dates of capital contributions. A company shall register the names of its shareholders with the company registration authority; where any registered item is changed, the change shall be registered. Without registration or change registration, the company may not assert rights against bona fide third parties.

Article 5 — When establishing a company, the company's articles of association shall be formulated in accordance with the law. The articles of association of a company shall be binding on the company, its shareholders, directors, supervisors, and senior management personnel.

Article 6 — A company shall have its own name. The name of a company shall comply with the relevant provisions of the State. A company's name shall be protected by law.

Article 7 — A company established in accordance with this Law shall have the words "limited liability company" or "joint stock limited company" indicated in its name. A company established in accordance with this Law shall have its name approved and registered by the company registration authority in accordance with the law.

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

Article 9 — The business scope of a company shall be set out in its articles of association and registered in accordance with the law. A company may amend its articles of association to change its business scope, but it shall register the change. Where the business scope of a company includes any item that is subject to approval under any law or administrative regulation, the company shall obtain the approval in accordance with the law.

Article 10 — The legal representative of a company shall be the director or manager who represents the company in executing corporate affairs as specified in the articles of association. The legal representative of a company shall bear civil liability for the consequences of his or her acts performed in the name of the company as the legal representative. Any restriction imposed by the articles of association or the shareholders' meeting on the authority of the legal representative may not be asserted against a bona fide counterparty.

Article 11 — Where the legal representative causes damage to another person in the performance of his or her duties, the company shall bear civil liability; after the company bears civil liability, it may, in accordance with the law or the articles of association, seek recourse against the legal representative at fault.

Article 12 — A limited liability company may be converted into a joint stock limited company or a joint stock limited company may be converted into a limited liability company in accordance with the law. Where a company changes its form, its claims and debts shall be succeeded to by the company after the change.

Article 13 — A company may establish subsidiaries. A subsidiary has the status of an enterprise legal person and shall independently bear civil liability in accordance with the law. A company may establish branches. A branch does not have the status of an enterprise legal person and its civil liability shall be borne by the company.

Article 14 — A company may invest in other enterprises. Where a company invests in other enterprises or provides security for others, the matter shall be decided by the board of directors or the shareholders' meeting in accordance with the articles of association. Where the articles of association impose a limit on the total amount of investment or security provided, or on the amount of a single investment or security, the company shall not exceed the limit. A company shall not become a partner with unlimited liability in a partnership enterprise, except as otherwise provided by law.

Article 15 — A company shall protect the lawful rights and interests of its employees, conclude labor contracts with its employees in accordance with the law, participate in social insurance schemes, strengthen labor protection, and achieve safe production. A company shall adopt various means to enhance the professional competence and professional ethics of its employees.

Article 16 — Employees of a company shall, in accordance with the Company Law of the People's Republic of China, organize a trade union to carry out trade union activities and protect the lawful rights and interests of employees. A company shall provide necessary conditions for the activities of the trade union of the company. A trade union shall represent employees in the execution of collective contracts with the company on matters including labor compensation, working hours, rest and vacation, occupational safety and health, and insurance benefits in accordance with the law. A company shall, through employee representative conferences or other means, practice democratic management. When a company discusses and decides on restructuring, dissolution, or the application for bankruptcy, or formulates major rules and regulations that bear directly on the immediate interests of employees, it shall listen to the opinions of the trade union and

shall adopt the opinions and suggestions of employees through the employee representative conference or other means.

Article 17 — In a company, an organization of the Communist Party of China shall be established in accordance with the provisions of the Constitution of the Communist Party of China to carry out Party activities. The company shall provide necessary conditions for the activities of the Party organization.

Article 18 — Shareholders of a company shall comply with laws, administrative regulations, and the articles of association, exercise their shareholder rights in accordance with the law, and shall not abuse their shareholder rights to damage the interests of the company or of other shareholders; nor shall they abuse the independent legal person status of the company and the limited liability of shareholders to damage the interests of the creditors of the company. Where a shareholder of a company abuses his or her shareholder rights and causes losses to the company or other shareholders, he or she 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 thereby seriously damages the interests of the creditors of the company, he or she shall bear joint and several liability for the debts of the company.

Article 19 — Where the shareholders' meeting, the board of directors, the board of supervisors or the board of directors of a single shareholder of a limited liability company makes a resolution, or the shareholders of a joint stock limited company make a resolution, and the content of the resolution violates the law or administrative regulations, it shall be void. Where the convening procedure or the voting method of a shareholders' meeting or a meeting of the board of directors or the board of supervisors violates the law, administrative regulations or the articles of association, or the content of the resolution violates the articles of association, the shareholders may, within 60 days from the date on which the resolution was made, petition the people's court for revocation. However, this shall not apply where the shareholders' meeting or the meeting of the board of directors or the board of supervisors is convened in a manner, or the voting method used is, only minorly flawed and does not substantially affect the resolution. Where a shareholder of a company files a lawsuit as set out in the preceding paragraph, it may, upon the company's petition, be required by the people's court to provide a corresponding security. Under any of the following circumstances, a resolution made by a shareholders' meeting or a meeting of the board of directors of a company shall not be revoked: (1) the resolution was not made; (2) the resolution is not adopted at the shareholders' meeting or the board meeting; (3) the number of attendees or the number of votes cast at the shareholders' meeting or the board meeting does not meet the requirements of this Law or the articles of association; (4) the proportion of affirmative votes in the resolution does not meet the requirements of this Law or the articles of association; or (5) any other circumstance where the resolution is not formed as provided for by this Law or the articles of association.

Article 20 — Where a company's shareholders, directors, or supervisors abuse the independent legal person status of the company to evade debts and seriously damage the interests of the company's creditors, they shall bear joint and several liability for the debts of the company.

Article 21 — The controlling shareholder, the actual controller, directors, supervisors, and senior management personnel of a company shall not take advantage of their related relationships to damage the interests of the company. Any person who violates the preceding paragraph and causes losses to the company shall be liable for compensation.

Article 22 — Where a resolution of the shareholders' meeting, the board of directors, or the board of supervisors of a company violates the provisions of laws or administrative regulations, or violates the articles of association, shareholders may, within 60 days from the date on which the resolution is made, petition the people's court for revocation. Where the resolution is not made within the convening procedure or voting method as stipulated by laws, administrative regulations, or the articles of association, any shareholder may petition the people's court for revocation.

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Article 23 — A company's controlling shareholder or actual controller shall not take advantage of the company to damage the interests of the state or the public interest. Where a company's shareholders abuse the independent legal person status of the company and the limited liability of shareholders, causing serious damage to the interests of the company's creditors, they shall bear joint and several liability for the company's debts. Where a shareholder controls two or more companies and abuses the independent legal person status of the companies and the limited liability of shareholders, thus evading debts and harming the interests of the company's creditors, each company controlled by the shareholder shall bear joint and several liability for the debts of any of the companies.

Article 24 — A meeting of a company may be held by means of communication such as telephone conference, video conference, or online voting, unless otherwise stipulated in the articles of association.

Article 25 — Resolutions adopted by a shareholders' meeting or a board meeting of a company that are void, revoked or confirmed as not having been adopted in accordance with the law shall not affect the validity of the civil legal relations formed between the company and bona fide counterparties on the basis of such resolutions.

Article 26 — The shareholders' meeting, board of directors or board of supervisors of a company shall be convened and presided over in accordance with the law. The shareholders' meeting, board of directors or the board of supervisors shall not revoke or change any resolution of the shareholders' meeting or the board of directors.

Article 27 — Where any procedures for convening a shareholders' meeting, a board meeting or a board of supervisors meeting are illegal, or any resolution thereof violates the articles of association, the shareholders may, within 60 days from the date on which the resolution is made, petition the people's court for revocation. However, where the shareholders' meeting or the board meeting or the board of supervisors meeting is convened by the shareholders or directors with a total of not less than 1/10 of the voting rights, the shareholders may, within 60 days from the date on which the resolution is made, petition the people's court for revocation.

Article 28 — Where a company intends to change its business scope, legal representative or any other registered item, it shall apply to the original company registration authority for registration of the change. Without registration of change, the company may not assert changes against bona fide third parties.

Chapter II — Company Registration

Article 29 — The establishment of a company shall be subject to registration with the company registration authority in accordance with the law. Where laws or administrative regulations provide that the establishment of a company is subject to approval, the approval formalities shall be completed prior to registration in accordance with the law.

Article 30 — For the registration of the establishment of a company, an application for registration of establishment shall be filed with the company registration authority together with the articles of association of the company and other documents required by laws and administrative regulations. Where the establishment of a company is subject to approval in accordance with the law, the approval documents shall be submitted when applying for registration of establishment.

Article 31 — The items to be registered upon application for the establishment of a limited liability company shall include: (1) name of the company; (2) domicile of the company; (3) amount of registered capital; (4) business scope; (5) name of the legal representative; (6) names of shareholders and their respective amounts of capital contributions; and (7) any other items required by laws or administrative regulations.

Article 32 — The items to be registered upon application for the establishment of a joint stock limited company shall include: (1) name of the company; (2) domicile of the company; (3) amount of registered

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capital and the number of shares into which it is divided; (4) business scope; (5) name of the legal representative; (6) names of the promoters and the numbers of shares subscribed for by them; and (7) any other items required by laws or administrative regulations.

Article 33 — Where a registered item of a company is changed, an application for registration of change shall be filed with the original company registration authority in accordance with the law. Without registration of change, the company may not assert the change against bona fide third parties. Where a company changes its legal representative, the registration of change shall be completed within 30 days from the date on which the resolution on the change is made.

Article 34 — Where a company is dissolved in accordance with the law, a liquidation group shall be established. The company shall apply to the original company registration authority for deregistration. Where a company is declared bankrupt in accordance with the law, its deregistration formalities shall be completed by the bankruptcy administrator in accordance with the law.

Article 35 — The company registration authority shall publicly disclose the following information on the National Enterprise Credit Information Publicity System: (1) registered items of the company; (2) information on the capital contributions by shareholders of a limited liability company, the shares held by the promoters of a joint stock limited company, and other information; and (3) administrative licensing, administrative penalties, and other regulatory information relating to the company. A company shall, in accordance with the provisions, publicize the information prescribed in the preceding paragraph and other information required to be publicized by the relevant state provisions through the National Enterprise Credit Information Publicity System.

Article 36 — Where a company applies for registration of establishment or registration of change, the applicant shall be responsible for the truthfulness, legality, and validity of the application materials.

Article 37 — Where a company registration authority considers that the application materials for company registration are complete and comply with the statutory form, it shall complete the registration within the time limit prescribed by laws and regulations; where the application materials are incomplete or do not comply with the statutory form, it shall inform the applicant of all the contents that need to be supplemented and corrected at one time.

Article 38 — A company registration authority shall not require a company to submit any materials other than those required by laws and administrative regulations.

Article 39 — A company shall use its registered name in its business activities. Where a company changes its name, it shall register the change in accordance with the law.

Article 40 — A company's business license shall specify the company's name, domicile, registered capital, business scope, name of the legal representative, and other items. Where any of the registered items is changed, the company shall make an application for registration of change, and a new business license shall be issued by the company registration authority. The date of issuance of the business license shall be the date of establishment of the company. The electronic business license of a company shall have the same legal effect as its paper business license.

Article 41 — Where a company registration authority revokes a company's registration of establishment for any of the following reasons, it shall complete the deregistration formalities: (1) the company registration authority revokes the company registration in accordance with the law on the basis of an effective legal instrument; (2) the company's business license is revoked in accordance with the law, and the company fails to apply for deregistration within the prescribed time limit; or (3) under other circumstances prescribed by laws or administrative regulations.

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Chapter III — Establishment and Organizational Structure of Limited Liability Companies

Section 1 — Establishment

Article 42 — A limited liability company shall be established by not fewer than one and not more than 50 shareholders making capital contributions.

Article 43 — A limited liability company shall have a registered capital, which shall be the total amount of capital contributions subscribed for by all shareholders as registered with the company registration authority. The registered capital of a limited liability company shall be not less than the minimum amount as prescribed by laws, administrative regulations, and decisions of the State Council.

Article 44 — Shareholders of a limited liability company shall specify in the articles of association the amount of capital contribution to be subscribed for by each shareholder and shall, in accordance with the articles of association, pay in full the capital contribution they have subscribed for within five years from the date of establishment of the company, unless otherwise provided for by laws, administrative regulations, or decisions of the State Council. Where a limited liability company increases its registered capital, the shareholders shall pay in full the capital contribution for the increased registered capital in accordance with the relevant provisions on the payment of capital contributions at the time of establishment of the company.

Article 45 — A shareholder may make capital contributions in currency or in kind, or may make capital contributions with intellectual property rights, land use rights, equity rights, or claims, or other non-currency property that may be valued in currency and transferred in accordance with the law, except for property that may not be used as capital contributions according to laws or administrative regulations. Capital contributions made in kind, intellectual property rights, land use rights, equity rights, claims, or other non-currency property that may be valued in currency and transferred in accordance with the law shall be appraised and verified, and shall not be overvalued or undervalued.

Article 46 — A limited liability company shall set up a register of shareholders, specifying the following items: (1) the names or designations and the domiciles of the shareholders; (2) the amounts of capital contributions subscribed for and paid by the shareholders and the dates of capital contributions; (3) the numbers of capital contribution certificates; and (4) the dates on which the shareholders acquired their shareholder status. Shareholders recorded in the register of shareholders may, in accordance with the register of shareholders, claim the exercise of shareholder rights.

Article 47 — After a limited liability company is established, it shall issue capital contribution certificates to its shareholders. A 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 designation of the shareholder, the amount of capital contribution subscribed for and paid by the shareholder, and the date of capital contribution; and (5) the number and date of issuance of the capital contribution certificate. A capital contribution certificate shall bear the seal of the company.

Article 48 — A limited liability company shall hold the first meeting of shareholders within 60 days from the date of its establishment. The first meeting of shareholders shall be convened and presided over by the shareholder who has made the largest capital contribution and shall exercise its powers in accordance with this Law.

Article 49 — The 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 the following powers in accordance with this Law: (1) electing and replacing directors and supervisors and deciding on the remuneration of directors and supervisors; (2) examining and approving reports of the board of directors; (3) examining and approving reports of the board of supervisors or supervisors; (4) examining and approving the annual financial budget plan and the final accounts plan of the company; (5) examining and approving the

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profit distribution plan and the plan for making up losses of the company; (6) adopting resolutions on the increase or reduction of the registered capital of the company; (7) adopting resolutions on the issue of corporate bonds; (8) adopting resolutions on merger, division, dissolution, liquidation, or change of company form; (9) amending the articles of association of the company; and (10) other powers as provided for in the articles of association. Where the shareholders express their consent in writing to the matters listed in the preceding paragraph, the shareholders' meeting may not be convened, and a decision may be made directly with the signatures or seals of all shareholders.

Article 50 — Where a shareholder fails to pay the capital contribution on schedule and in full in accordance with the provisions of the articles of association, it shall not only make the full payment to the company but also bear liability for breach of contract to the shareholders who have paid their capital contributions on schedule and in full.

Article 51 — After a limited liability company is established, the board of directors shall verify the capital contributions of the shareholders. Where it discovers that a shareholder has failed to pay the capital contribution on schedule and in full in accordance with the articles of association, the company shall issue a written demand notice to the shareholder, calling for payment of the capital contribution. Where the shareholder refuses to pay the capital contribution after receiving the demand notice, the company may, upon a resolution of the board of directors, cancel the shareholder's right to the portion of the equity interest that has not been paid for.

Article 52 — Where a company cancels a shareholder's equity interest in accordance with the provisions of the preceding article, it shall reduce its registered capital accordingly and deregister the equity interest, or transfer the equity interest to another person. Where the company fails to transfer or deregister the equity interest within six months, the other shareholders of the company shall pay the capital contribution corresponding to the equity interest in proportion to their respective capital contributions.

Article 53 — Where a company is unable to pay its due debts, but the due date for the shareholders' capital contributions that have been subscribed for but not yet paid has arrived, the company or the creditors of the company that are due shall have the right to demand that the shareholders pay the capital contributions in advance.

Article 54 — In a limited liability company established by a single shareholder, the shareholder shall not be required to prove that the company's property is independent of the shareholder's own property. Where the shareholder is unable to prove the independence of the company's property in the proceedings, the shareholder shall bear joint and several liability for the debts of the company.

Article 55 — Where a shareholder of a limited liability company transfers its equity interest to a person other than a shareholder, it shall notify the other shareholders in writing of the transfer matters. Where the other shareholders do not reply within 30 days from the date of receiving the written notice, they shall be deemed to have waived their right of first refusal. Where two or more shareholders exercise the right of first refusal, they shall determine their respective purchase ratios through negotiation; where negotiation fails, the right of first refusal shall be exercised in proportion to their respective capital contributions at the time of the transfer. The articles of association of a company may provide otherwise on the transfer of equity interests, in which case such provisions shall prevail.

Article 56 — Upon the transfer of an equity interest in a limited liability company, the company shall deregister the transferor and its capital contribution in the register of shareholders, register the transferee and the amount of its capital contribution, and amend the articles of association. No further voting by the shareholders' meeting is required for the amendment of the articles of association in this case.

Article 57 — Under any of the following circumstances, a shareholder dissenting from the resolution made by the shareholders' meeting may request the company to purchase its equity interest at a reasonable price: (1) the company has failed to distribute profits to the shareholders for five consecutive years while the company

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has been profitable for those five consecutive years and meets the conditions for profit distribution set out in this Law; (2) the company undergoes a merger, division, or transfer of its major property; or (3) upon the expiration of the business term as stipulated in the articles of association or the occurrence of any other cause of dissolution as stipulated in the articles of association, the shareholders' meeting adopts a resolution to amend the articles of association so that the company may continue to exist. Where the shareholder and the company fail to reach an equity interest purchase agreement within 60 days from the date on which the resolution of the shareholders' meeting is adopted, the shareholder may file a lawsuit with the people's court within 90 days from the date on which the resolution of the shareholders' meeting is adopted.

Section 2 — Organizational Structure

Article 58 — The 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 powers in accordance with this Law.

Article 59 — A limited liability company shall establish a board of directors with not fewer than three members. Where a limited liability company has a small scale or a small number of shareholders, it may have one director instead of a board of directors and may also have one general manager. The employees' representative on the board of directors of a limited liability company shall be democratically elected by the employees of the company through an employee representative conference, an employee meeting, or any other means. Where a limited liability company has 300 or more employees, its board of directors shall include an employee representative, unless the company has already established a board of supervisors that includes an employee representative in accordance with the law.

Article 60 — The term of office of a director shall be specified in the articles of association, provided that each term of office shall not exceed three years. A director may be re-elected upon the expiration of his or her term of office. Where no new director is elected upon the expiration of the term of office of a director, the original director shall continue to perform his or her duties in accordance with the provisions of laws, administrative regulations, and the articles of association until a new director is elected. The term of office of a director who has not been re-elected in a timely manner upon the expiration of the term of office or who has resigned during the term of office, resulting in the number of members of the board of directors falling below the quorum, shall continue until the new director takes office.

Article 61 — The board of directors shall have one chairman and may have one or more vice-chairmen. The method for the appointment of the chairman and vice-chairmen shall be stipulated in the articles of association. The chairman of the board of directors shall convene and preside over meetings of the board of directors. Where the chairman is unable or fails to perform his or her duties, the meeting shall be convened and presided over by a vice-chairman; where a vice-chairman is unable or fails to perform his or her duties, the meeting shall be convened and presided over by a director elected by a majority of the directors.

Article 62 — Meetings of the board of directors shall be convened and presided over by the chairman; where the chairman is unable or fails to perform his or her duties, the meeting shall be convened and presided over by a vice-chairman; where a vice-chairman is unable or fails to perform his or her duties, the meeting shall be convened and presided over by a director elected by a majority of the directors.

Article 63 — Meetings of the board of directors shall be held at least once a year. For each meeting of the board of directors, all directors shall be notified ten days before the meeting is held. The board of directors may decide on the method and time limit for notification. Where an interim meeting of the board of directors is held, the method and time limit for notification of the meeting may be separately stipulated.

Article 64 — The discussion methods and voting procedures of the board of directors shall be specified in the articles of association, except as otherwise provided for in this Law. A meeting of the board of directors may be held only if a majority of the directors are present. When the board of directors adopts a resolution, it shall be adopted by the affirmative votes of a majority of all directors. In the voting on a resolution of the board of

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directors, each director shall have one vote.

Article 65 — A director shall attend meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he or she may appoint another director in writing to attend on his or her behalf, and the power of attorney shall specify the scope of authorization. Directors shall be responsible for the resolutions adopted by the board of directors. Where a resolution of the board of directors violates the law, administrative regulations, the articles of association, or a resolution of the shareholders' meeting, and causes serious losses to the company, the directors who participated in the adoption of the resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his or her dissent in the voting and recorded as such in the minutes, that director may be exempted from liability.

Article 66 — A limited liability company may have a manager, who shall be appointed or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise the following powers: (1) taking charge of the production, operation, and management of the company and organizing the implementation of resolutions of the board of directors; (2) organizing the implementation of the company's annual business plan and investment plan; (3) drawing up a plan for the company's internal management structure; (4) drawing up the company's basic management system; (5) formulating the company's specific rules and regulations; (6) proposing the appointment or dismissal of the company's deputy managers and the persons in charge of finance; (7) deciding on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the board of directors; and (8) other powers conferred by the board of directors. Where the articles of association provide otherwise on the powers of the manager, such provisions shall prevail. The manager shall attend meetings of the board of directors as a non-voting delegate.

Article 67 — A limited liability company shall establish a board of supervisors with not fewer than three members. The board of supervisors shall include a representative of the shareholders and an appropriate proportion of representatives of the employees. The proportion of employee representatives shall be not less than one-third, and the specific proportion shall be stipulated in the articles of association. The employee representatives on the board of supervisors shall be democratically elected by the employees of the company through an employee representative conference, an employee meeting, or any other means. A limited liability company with a small scale or a small number of shareholders may have one supervisor instead of a board of supervisors, and may also have no supervisor if unanimously agreed by all shareholders. Directors and senior management personnel of a company shall not concurrently serve as supervisors.

Article 68 — The term of office of a supervisor shall be three years. A supervisor may be re-elected upon the expiration of his or her term of office. Where no new supervisor is elected upon the expiration of the term of office of a supervisor or where a supervisor resigns during the 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 in accordance with the provisions of laws, administrative regulations, and the articles of association until the newly elected supervisor takes office.

Article 69 — The board of supervisors shall have one chairman and may have one vice-chairman. The chairman and vice-chairman of the board of supervisors 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, the meeting shall be convened and presided over by the vice-chairman; where the vice-chairman is unable or fails to perform his or her duties, the meeting shall be convened and presided over by a supervisor elected by a majority of the supervisors.

Article 70 — Meetings of the board of supervisors shall be held at least once a year. Supervisors may propose the convening of interim meetings of the board of supervisors. The discussion methods and voting procedures of the board of supervisors shall be specified in the articles of association, except as otherwise

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provided for in this Law. A resolution of the board of supervisors shall be adopted by the affirmative votes of a majority of all supervisors. In the voting on a resolution of the board of supervisors, each supervisor shall have one vote.

Article 71 — The board of supervisors or the supervisor of a company with no board of supervisors shall exercise the following powers: (1) examining the financial affairs of the company; (2) supervising the acts of directors and senior management personnel in the performance of their company duties and proposing the removal of directors or senior management personnel who violate the law, administrative regulations, the articles of association, or a resolution of the shareholders' meeting; (3) requiring directors and senior management personnel to correct their acts that are harmful to the interests of the company; (4) proposing the convening of interim meetings of the shareholders' meeting, and convening and presiding over meetings of the shareholders' meeting when the board of directors fails to perform the duty of convening and presiding over meetings of the shareholders' meeting as provided for in this Law; (5) putting forward proposals at the shareholders' meeting; (6) instituting legal proceedings against directors and senior management personnel in accordance with the provisions of this Law; and (7) other powers as provided for in the articles of association.

Article 72 — Supervisors may attend meetings of the board of directors as non-voting delegates and may raise questions or suggestions on the matters decided by the board of directors. Where the board of supervisors or a supervisor of a company with no board of supervisors discovers that the operation of the company is abnormal, it or he or she may conduct an investigation; where necessary, it or he or she may engage an accounting firm or other intermediary institution to assist it or him or her in the work, and the expenses shall be borne by the company.

Article 73 — A limited liability company may establish an audit committee under the board of directors in accordance with the provisions of the articles of association to exercise the powers of the board of supervisors as provided for in this Law, in which case the company is not required to establish a board of supervisors or have supervisors. The members of the audit committee of a company shall be directors, provided that they shall not be directors who serve as the company's managers or financial officers. Where an employee representative on the board of directors of a company may serve as a member of the audit committee, the employee representative shall serve as a member.

Article 74 — Where a limited liability company has a relatively small scale or a relatively small number of shareholders, it may, without setting up a board of supervisors, have one supervisor to exercise the powers of the board of supervisors as provided for in this Law; where all shareholders unanimously agree, it may also have no supervisor. Where a company has no board of supervisors, the board of directors may, in accordance with the provisions of the articles of association, establish an audit committee to exercise the powers of the board of supervisors as provided for in this Law; in which case the company is not required to have a supervisor.

Article 75 — The shareholders' meeting or the board of directors of a company shall ensure that the board of supervisors or the supervisors have the opportunity to learn about the company's operations and financial status. A resolution adopted at a shareholders' meeting, a meeting of the board of directors or a meeting of the board of supervisors, or any material matter of the company, shall be reported to the board of supervisors or the supervisor on a timely basis for its or his or her review.

Article 76 — The board of supervisors or the supervisor of a company with no board of supervisors may make suggestions on matters such as the remuneration, appointment, and dismissal of directors and senior management personnel of the company. The board of supervisors or the supervisor of a company with no board of supervisors may require directors and senior management personnel to submit reports on the performance of their duties. Where directors or senior management personnel have engaged in any conduct prejudicial to the interests of the company, the board of supervisors or the supervisor of a company with no board of supervisors may require them to make corrections.

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Article 77 — Where a limited liability company has a board of supervisors, the expenses necessary for the board of supervisors to exercise its powers shall be borne by the company. Where a limited liability company does not have a board of supervisors, if the supervisor exercises his or her powers and incurs expenses, such expenses shall be borne by the company.

Article 78 — A director or senior management personnel of a limited liability company shall not concurrently serve as the supervisor of the company.

Article 79 — A limited liability company shall convene a meeting of its shareholders at least once a year. Where shareholders holding not less than one-tenth of the voting rights, or not less than one-third of the directors, or the board of supervisors or the supervisor of a company with no board of supervisors proposes the convening of an interim meeting, an interim meeting shall be convened.

Article 80 — Where a limited liability company establishes a board of directors, the shareholders' 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 vice-chairman; where a vice-chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a director elected by a majority of the directors. Where a limited liability company does not establish a board of directors, the shareholders' meeting shall be convened and presided over by the executive director. Where the board of directors or the executive director fails to perform the duty of convening the shareholders' meeting, the board of supervisors or the supervisor of a company with no board of supervisors shall convene and preside over the meeting; where the board of supervisors or the supervisor fails to convene and preside over the meeting, shareholders holding not less than one-tenth of the voting rights may convene and preside over the meeting on their own initiative.

Article 81 — Where a shareholders' meeting is held, all shareholders shall be notified 15 days before the meeting is held, unless otherwise provided for in the articles of association or agreed upon by all shareholders. The shareholders' meeting shall prepare minutes of the decisions on the matters discussed at the meeting, and the shareholders attending the meeting shall sign the minutes.

Article 82 — The shareholders' meeting shall exercise its voting rights based on the proportion of capital contributions of the shareholders, unless otherwise provided for in the articles of association. A resolution of the shareholders' meeting on amending the articles of association, increasing or reducing the registered capital, or on merger, division, dissolution, or change of company form shall be adopted by shareholders representing not less than two-thirds of the voting rights.

Article 83 — Where a limited liability company with a small scale or a small number of shareholders has only one director who also serves as the general manager, the director may exercise the powers of both the board of directors and the general manager as provided for in this Law, unless otherwise provided for in the articles of association. Such a company may also have no board of supervisors, and all its shareholders may unanimously agree to have no supervisor.

Chapter IV — Transfer of Equity Interests in 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 its equity interest to a person other than a shareholder, it shall notify the other shareholders in writing of the number of equity interests to be transferred, the price, the payment method, the payment period, and other matters. The other shareholders shall have the right of first refusal under the same conditions. Where two or more shareholders exercise the right of first refusal, they shall determine their respective purchase ratios through negotiation; where negotiation fails, the right of first refusal shall be exercised in proportion to their respective capital contributions at the time of the transfer.

Article 85 — Where a people's court transfers an equity interest in accordance with the compulsory enforcement procedures prescribed by law, it shall notify the company and all shareholders. Other

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shareholders shall have the right of first refusal under the same conditions. Where other shareholders do not exercise the right of first refusal within 20 days from the date of notification by the people's court, they shall be deemed to have waived the right of first refusal.

Article 86 — Where a shareholder transfers its equity interest, it shall notify the company in writing after the transfer and request the company to amend the register of shareholders. The company shall deregister the transferor and its capital contribution in the register of shareholders, register the transferee and its capital contribution, and issue a new capital contribution certificate to the transferee. The company shall also apply to the company registration authority for registration of the change. Where the company refuses to make the amendment or fails to make a response within a reasonable period of time, the transferor or transferee may file a lawsuit with the people's court in accordance with the law.

Article 87 — Where a shareholder transfers equity interests to a person other than a shareholder in accordance with the provisions of this Law, it shall notify the company in writing of the transferee's name or designation, domicile, the amount of capital contribution transferred, and other matters, and the company shall record the above matters in the register of shareholders.

Article 88 — Where a shareholder transfers an equity interest for which he or she has subscribed for capital contribution but the capital contribution has not yet been paid in full, the transferee shall bear the obligation to pay the capital contribution. Where the transferee fails to pay the capital contribution on schedule, the transferor shall bear supplementary liability for the portion of the capital contribution not paid by the transferee. Where there is a defect in the capital contribution for the equity interest transferred, and the transferee knew or should have known of the defect, the transferee shall bear joint and several liability with the transferor for the capital contribution.

Article 89 — Where any of the following circumstances occurs, a shareholder who voted against the matter at the shareholders' meeting may request the company to purchase his or her equity interest at a reasonable price: (1) the company has been profitable for five consecutive years and meets the conditions for profit distribution prescribed by this Law, but has failed to distribute profits to shareholders for those five consecutive years; (2) the company is merged, divided, or transfers its main property; (3) upon the expiration of the business term as stipulated in the articles of association or the occurrence of any other cause of dissolution as stipulated in the articles of association, the shareholders' meeting adopts a resolution to amend the articles of association so that the company may continue to exist. Where the shareholder and the company fail to reach an equity interest purchase agreement within 60 days from the date on which the resolution of the shareholders' meeting is adopted, the shareholder may file a lawsuit with the people's court within 90 days from the date on which the resolution of the shareholders' meeting is adopted. Where a controlling shareholder of a company abuses its shareholder rights and seriously damages the interests of the company or other shareholders, the other shareholders shall have the right to request the company to purchase their equity interests at a reasonable price.

Article 90 — A natural person shareholder may, after his or her death, have his or her lawful successor inherit the shareholder status, unless otherwise provided for in the articles of association.

Chapter V — Establishment and Organizational Structure of Joint Stock Limited Companies

Section 1 — Establishment

Article 91 — A joint stock limited company may be established by means of promotion or by means of public subscription. Establishment by promotion means the establishment of the company by the promoters subscribing for all the shares to be issued by the company. Establishment by public subscription means the establishment of the company by the promoters subscribing for a portion of the shares to be issued by the company and the remaining shares to be offered to the general public or to specific targets for subscription.

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Article 92 — Where a joint stock limited company is established, there shall be not fewer than one and not more than 200 promoters, not less than half 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 establishment of the company. The promoters shall enter into a promoters' agreement, specifying the rights and obligations of each promoter during the process of establishing the company, the amount of shares to be subscribed for by each promoter, the method of capital contribution, and other matters.

Article 94 — Where a joint stock limited company is established by promotion, the promoters shall subscribe in writing for all the shares to be issued by the company as stipulated in the articles of association and pay the full amount of the shares as scheduled. Where a joint stock limited company is established by public subscription, the shares subscribed for by the promoters shall not be less than 35 percent of the total number of shares to be issued by the company, unless otherwise provided for by any law or administrative regulation.

Article 95 — The registered capital of a joint stock limited company shall be the total amount of the share capital registered with the company registration authority. Where a joint stock limited company is established by promotion, the registered capital shall be the total amount of the share capital subscribed for by all promoters as registered with the company registration authority. The registered capital of a joint stock limited company shall be not less than the minimum amount prescribed by laws, administrative regulations, and decisions of the State Council.

Article 96 — Where a joint stock limited company is established by promotion, the promoters shall pay in full the shares they have subscribed for before the company is established in accordance with the provisions of the articles of association. Where the promoters make capital contributions in kind, intellectual property rights, land use rights, equity rights, claims, or other non-currency property that may be valued in currency and transferred in accordance with the law, they shall complete the transfer of property rights procedures before the company is established in accordance with the law.

Article 97 — 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 establishment of the company; (4) the total number of shares into which the registered capital of the company is divided, the amount of capital to be contributed by each promoter, and the method of capital contribution; (5) the composition, powers, term of office, and rules of procedure of the board of directors, and the composition of the board of supervisors; (6) the legal representative of the company; (7) the composition, powers, and rules of procedure of the board of supervisors; (8) the method for distributing profits of the company; (9) the causes of dissolution and the method of liquidation of the company; (10) the method for giving notices and making public announcements of the company; and (11) other items that the shareholders' meeting considers necessary to be specified.

Article 98 — The method for the appointment of the legal representative of a joint stock limited company shall be stipulated in the articles of association. The legal representative of the company shall be a director or the manager.

Article 99 — Where a joint stock limited company is established, the promoters shall subscribe for the shares they are required to subscribe for in accordance with the provisions. Where the promoters fail to pay the share capital in full in accordance with the provisions, they shall make up the full payment and bear default liability to the company in accordance with the promoters' agreement.

Article 100 — Where a joint stock limited company is established by public subscription, the promoters shall file an application with the securities regulatory authority under the State Council for approval in accordance with the law, and may offer shares to the public only after the approval is obtained.

Article 101 — Where a joint stock limited company is established by public subscription, the board of directors shall, within 30 days from the date on which the share capital is fully paid, convene an inaugural meeting composed of all the subscribers. The inaugural meeting shall exercise the following powers: (1) examining the report on the preparatory work for the establishment of the company prepared by the promoters; (2) adopting the articles of association; (3) electing members of the board of directors; (4) electing members of the board of supervisors; (5) examining the expenses incurred for the establishment of the company; (6) examining the valuation of the property used by the promoters as capital contributions; and (7) deciding not to establish the company where an act of force majeure occurs or there is a material change in the business conditions that directly affects the establishment of the company.

Article 102 — A resolution at the inaugural meeting shall be adopted by the affirmative votes of subscribers attending the meeting representing not less than half of the voting rights. A resolution on the non-establishment of the company as set out in item (7) of the preceding article shall be adopted by the affirmative votes of subscribers attending the meeting representing not less than two-thirds of the voting rights.

Article 103 — Where a company is not established, the promoters shall bear joint and several liability for the debts and expenses incurred in connection with the establishment activities. Where a company is not established, the promoters shall be jointly and severally liable for the return of the share capital that has been paid by the subscribers, plus interest calculated at the bank deposit interest rate for the same period.

Article 104 — During the period of establishment of a company, where a promoter causes damage to a third party in the performance of establishment activities in the name of his or her own, the promoter shall bear civil liability. Where a promoter causes damage to a third party in the performance of establishment activities in the name of the company to be established, the company shall bear civil liability after its establishment; where the company fails to be established, all promoters shall bear joint and several liability.

Article 105 — A limited liability company may be converted into a joint stock limited company in accordance with the law upon the approval of the shareholders' meeting. When converting into a joint stock limited company, the total amount of the share capital converted shall not exceed the company's net asset value. Where a limited liability company is converted into a joint stock limited company, the claims and debts of the original limited liability company shall be succeeded to by the joint stock limited company after the conversion.

Article 106 — A joint stock limited company shall prepare a register of shareholders, specifying the following items: (1) the names or designations and domiciles of the shareholders; (2) the types, numbers, and numbers of the share certificates held by the shareholders; (3) the serial numbers of the shares held by the shareholders; and (4) the dates on which the shareholders acquired the shares. Shareholders recorded in the register of shareholders may, in accordance with the register of shareholders, claim the exercise of shareholder rights.

Article 107 — A joint stock limited company shall keep the articles of association, the register of shareholders, the counterfoils of corporate bonds, the minutes of the shareholders' general meeting, the minutes of the meetings of the board of directors, the minutes of the meetings of the board of supervisors, and the financial and accounting reports at the company.

Article 108 — Shareholders of a joint stock limited company shall have the right to examine and copy the articles of association, the register of shareholders, the counterfoils of corporate bonds, the minutes of the shareholders' general meeting, the resolutions of the meetings of the board of directors, the resolutions of the meetings of the board of supervisors, and the financial and accounting reports, and may make suggestions or raise questions on the business operations of the company.

Article 109 — Where a joint stock limited company is established, it shall disclose the relevant information to the public in accordance with the law.

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Article 110 — Shareholders of a joint stock limited company holding not less than three percent of the company's shares, individually or jointly, may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is held. The board of directors shall notify the other shareholders of the proposal within two days after receiving it and shall submit the proposal to the shareholders' general meeting for deliberation. The content of the interim proposal shall fall within the scope of the powers of the shareholders' general meeting and shall have a clear subject matter and specific matters for resolution.

Section 2 — Shareholders' General Meeting

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 powers in accordance with this Law.

Article 112 — The shareholders' general meeting shall be held at least once a year. Under any of the following circumstances, an interim shareholders' general meeting shall be held within two months: (1) the number of directors is less than the number prescribed by this Law or less than two-thirds of the number stipulated in the articles of association; (2) the company's losses not yet made up have reached one-third of the total amount of the share capital; (3) shareholders holding not less than ten percent of the company's shares, individually or jointly, request the convening of a meeting; (4) the board of directors considers it necessary; (5) the board of supervisors proposes the convening of a meeting; or (6) other circumstances as stipulated in the articles of association.

Article 113 — Where a shareholders' general meeting is convened by the board of directors, it shall be 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 vice-chairman; where a vice-chairman is unable or fails to perform his or her duties, the meeting shall be presided over by a director elected by a majority of the directors. Where the board of directors 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 holding not less than ten percent of the company's shares, individually or jointly, for 90 consecutive days or more may convene and preside over the meeting on their own initiative.

Article 114 — Where a shareholders' general meeting is held, the shareholders shall be notified 20 days before the meeting is held; where an interim shareholders' general meeting is held, the shareholders shall be notified 15 days before the meeting is held. Where bearer shares are issued, an announcement on the time and place of the meeting and the matters to be deliberated shall be made 30 days before the meeting is held. Shareholders holding not less than three percent of the company's shares, individually or jointly, may submit an interim proposal in writing to the board of directors ten days before the meeting is held.

Article 115 — When a shareholder attends a shareholders' general meeting, each share held shall have one voting right, provided that the shares held by the company itself shall have no voting rights. A resolution of the shareholders' general meeting shall be adopted by the affirmative votes of shareholders attending the meeting representing not less than half of the voting rights. A resolution of the shareholders' general meeting on amending the articles of association, increasing or reducing the registered capital, or on merger, division, dissolution, or change of company form shall be adopted by the affirmative votes of shareholders attending the meeting representing not less than two-thirds of the voting rights.

Article 116 — Where the shareholders' general meeting elects directors or supervisors, cumulative voting may be implemented in accordance with the provisions of the articles of association or a resolution of the shareholders' general meeting. The term "cumulative voting" as mentioned in this Law means that when the shareholders' general meeting elects directors or supervisors, each share shall have the same number of voting rights as the number of directors or supervisors to be elected, and the voting rights held by a

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shareholder may be used in a centralized manner when voting.

Article 117 — A shareholder may attend the shareholders' general meeting in person or may appoint a proxy in writing to attend the meeting, and the proxy shall present a power of attorney to the company and shall exercise the voting rights within the scope of authorization.

Article 118 — The shareholders' general meeting shall prepare minutes of the decisions on the matters discussed at the meeting, and the chairperson and the directors attending the meeting shall sign the minutes. The minutes of the meeting shall be kept together with the signature book of the shareholders attending the meeting and the powers of attorney of the proxies attending the meeting.

Article 119 — The shareholders' general meeting of a joint stock limited company shall not pass a resolution on any matter not specified in the notice as set out in the preceding two articles. Where the shareholders' general meeting adopts a resolution on amending the articles of association, increasing or reducing the registered capital, merger, division, dissolution or change of company form, such resolution shall be adopted by the shareholders attending the meeting representing not less than two-thirds of the voting rights.

Section 3 — Board of Directors and Managers

Article 120 — A joint stock limited company shall establish a board of directors with not fewer than three members. The board of directors shall include employee representatives, who shall be democratically elected by the employees of the company through an employee representative conference, an employee meeting, or any other means. Where a joint stock limited company has 300 or more employees, its board of directors shall include an employee representative, unless the company has already established a board of supervisors that includes an employee representative in accordance with the law.

Article 121 — The board of directors shall have one chairman and may have one or more vice-chairmen. The chairman and vice-chairmen shall be elected by a majority of all directors. The chairman shall convene and preside over meetings of the board of directors and examine the implementation of resolutions of the board of directors.

Article 122 — The term of office of a director shall be specified in the articles of association, provided that each term of office shall not exceed three years. A director may be re-elected upon the expiration of his or her term of office. Where no new director is elected upon the expiration of the term of office of a director, the original director shall continue to perform his or her duties in accordance with the provisions of laws, administrative regulations, and the articles of association until a new director is elected.

Article 123 — Meetings of the board of directors shall be held at least twice a year. For each meeting of the board of directors, all directors and supervisors shall be notified ten days before the meeting is held. Where shareholders holding not less than one-tenth of the voting rights, or not less than one-third of the directors, or the board of supervisors proposes the convening of an interim meeting of the board of directors, the chairman shall convene the meeting within ten days from the date of receiving the proposal. The board of directors may decide on the method and time limit for the notification of an interim meeting of the board of directors.

Article 124 — A meeting of the board of directors may be held only if a majority of the directors are present. When the board of directors adopts a resolution, it shall be adopted by the affirmative votes of a majority of all directors. In the voting on a resolution of the board of directors, each director shall have one vote.

Article 125 — A director shall attend meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he or she may appoint another director in writing to attend on his or her behalf, and the power of attorney shall specify the scope of authorization. Directors shall be responsible for the resolutions adopted by the board of directors. Where a resolution of the board of directors violates the law, administrative regulations, the articles of association, or a resolution of the shareholders' general meeting, and causes serious losses to the company, the directors who participated in the adoption of the

resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his or her dissent in the voting and recorded as such in the minutes, that director may be exempted from liability.

Article 126 — A joint stock limited company may have a manager, who shall be appointed or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise the powers set out in Article 66 of this Law. Where the articles of association provide otherwise on the powers of the manager, such provisions shall prevail. The manager shall attend meetings of the board of directors as a non-voting delegate.

Article 127 — Where a director of a joint stock limited company is also a senior executive of the company, the total number of such directors shall not exceed half of the total number of directors of the company.

Article 128 — The board of directors of a joint stock limited company shall meet at least once every six months. The board of directors may decide by a resolution to establish special committees such as an audit committee, a nomination committee, and a compensation committee. The members of these committees shall be directors of the company and shall be responsible to the board of directors.

Article 129 — Directors shall not, by taking advantage of their positions, accept bribes or other illegal income, or misappropriate the company's property. Directors shall not, by taking advantage of their positions, seek business opportunities that belong to the company for themselves or others, or engage in the same type of business as that of the company in which they serve, or engage in activities that harm the interests of the company. Where a director engages in the activities set out in the preceding paragraph, the income derived from such activities shall belong to the company.

Article 130 — Where a director, supervisor, or senior management personnel of a company violates the law, administrative regulations, or the articles of association in the performance of his or her duties and causes losses to the company, he or she shall be liable for compensation.

Article 131 — A joint stock limited company shall disclose to its shareholders the remuneration of its directors, supervisors, and senior management personnel on a regular basis.

Section 4 — Board of Supervisors

Article 132 — A joint stock limited company shall establish a board of supervisors with not fewer than three members. The board of supervisors shall include a representative of the shareholders and an appropriate proportion of representatives of the employees. The proportion of employee representatives shall be not less than one-third, and the specific proportion shall be stipulated in the articles of association. The employee representatives on the board of supervisors shall be democratically elected by the employees of the company through an employee representative conference, an employee meeting, or any other means.

Article 133 — The board of supervisors shall have one chairman and may have one or more vice-chairmen. The chairman and vice-chairmen of the board of supervisors 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. The term of office of a supervisor shall be three years. A supervisor may be re-elected upon the expiration of his or her term of office.

Article 134 — Meetings of the board of supervisors shall be held at least once every six months. Supervisors may propose the convening of interim meetings of the board of supervisors. The discussion methods and voting procedures of the board of supervisors shall be specified in the articles of association, except as otherwise provided for in this Law. A resolution of the board of supervisors shall be adopted by the affirmative votes of a majority of all supervisors.

Article 135 — The board of supervisors shall exercise the following powers: (1) examining the financial affairs of the company; (2) supervising the performance of duties by directors and senior management personnel and proposing the removal of directors or senior management personnel who violate laws,

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administrative regulations, the articles of association or resolutions of the shareholders' general meeting; (3) requiring directors and senior management personnel to correct their acts that are harmful to the interests of the company; (4) proposing the convening of interim shareholders' general meetings, and convening and presiding over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over the shareholders' general meetings as provided for in this Law; (5) putting forward proposals at the shareholders' general meeting; (6) instituting legal proceedings against directors and senior management personnel in accordance with the provisions of Article 189 of this Law; and (7) other powers as provided for in the articles of association.

Article 136 — Supervisors may attend meetings of the board of directors as non-voting delegates and may raise questions or suggestions on the matters decided by the board of directors. Where the board of supervisors discovers that the operation of the company is abnormal, it may conduct an investigation; where necessary, it may engage an accounting firm or other intermediary institution to assist it in the work, and the expenses shall be borne by the company.

Article 137 — The board of supervisors shall prepare minutes of the decisions made at its meetings, and the supervisors attending the meeting shall sign the minutes. A supervisor may require that his or her dissent from a resolution be recorded in the minutes.

Article 138 — A joint stock limited company may establish an audit committee under the board of directors in accordance with the provisions of the articles of association to exercise the powers of the board of supervisors as provided for in this Law, in which case the company is not required to establish a board of supervisors or have supervisors.

Article 139 — The expenses necessary for the board of supervisors of a joint stock limited company to exercise its powers shall be borne by the company.

Section 5 — Special Provisions on the Organizational Structure of Listed Companies

Article 140 — A listed company shall, within one year of its shares being listed, establish independent directors. The specific measures in this regard shall be formulated by the securities regulatory authority under the State Council. An independent director shall not serve as any position in the listed company other than that of an independent director, and shall have no relationship with the listed company or its principal shareholders or actual controller that may affect his or her independent and objective judgment.

Article 141 — A listed company shall have a secretary to the board of directors, who shall be responsible for matters such as the preparation of the shareholders' general meeting and meetings of the board of directors, the safekeeping of documents, the management of the company's shareholder information, and the disclosure of information.

Article 142 — Where a director of a listed company has a related relationship with an enterprise that is the subject matter of a resolution of a meeting of the board of directors, he or she shall not exercise voting rights on the resolution. The meeting of the board of directors may be held only if a majority of the unrelated directors are present, and the resolution of the meeting of the board of directors shall be adopted by the affirmative votes of a majority of the unrelated directors. Where the number of unrelated 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 143 — A listed company shall establish an audit committee under the board of directors to exercise the powers of the board of supervisors as provided for in this Law. The audit committee shall have not fewer than three members, and independent directors shall account for the majority. The convener of the audit committee shall be an independent director and shall be a professional in accounting. The audit committee shall be responsible for reviewing the company's financial information and internal controls.

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Article 144 — Where a listed company purchases or sells major assets or provides a large amount of guarantee within one year, and the amount involved exceeds 30 percent of the company's total assets, the matter shall be resolved by the shareholders' general meeting by the affirmative votes of shareholders attending the meeting representing not less than two-thirds of the voting rights.

Article 145 — A listed company shall not directly or indirectly provide loans or other financial assistance to its directors, supervisors, senior management personnel, controlling shareholders or actual controllers, except where the company implements an employee stock ownership plan.

Article 146 — A listed company shall disclose information on its directors, supervisors, senior management personnel, controlling shareholders and actual controllers in accordance with the law.

Article 147 — Where a director or senior management personnel of a listed company is prohibited from trading the shares of the company within a certain period as required by the relevant provisions, he or she shall comply with such requirements. Directors, supervisors and senior management personnel of a listed company, and shareholders holding not less than five percent of the shares of the company, shall report to the company their holdings of the company's shares and any changes therein within the prescribed time limit.

Article 148 — Where a listed company purchases its own shares, it shall comply with the provisions of the securities regulatory authority under the State Council and shall complete the purchase through a centralized competitive trading method or by means of a tender offer or other methods approved by the securities regulatory authority under the State Council.

Article 149 — A listed company and its subsidiaries shall not provide guarantees for any person other than the company or its subsidiaries within the scope of the consolidated financial statements, except where the company implements an employee stock ownership plan.

Article 150 — A listed company shall prepare annual financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The annual financial and accounting reports shall be submitted to the shareholders' general meeting for approval within the prescribed time limit and shall be disclosed to the public in accordance with the law.

Article 151 — The controlling shareholder or actual controller of a listed company shall be faithful and diligent to the company and all its shareholders, and shall not take advantage of its or his or her controlling position to harm the interests of the company or other shareholders.

Article 152 — Where a listed company is involved in a major event such as merger, division, reorganization, material asset restructuring or change of control, the company shall hire an accounting firm, a law firm, or other intermediary institution to provide professional opinions in accordance with the law and disclose them.

Article 153 — Where a director of a listed company has any conflict of interest with the company, he or she shall be recused from voting on the relevant matter. Where the bylaws of a listed company stipulate that major matters shall be approved by the shareholders' general meeting, the board of directors shall submit such matters to the shareholders' general meeting for approval in a timely manner.

Article 154 — Where a director, supervisor or senior management personnel of a listed company violates the law, administrative regulations or the articles of association and causes losses to the company, the shareholders of the listed company may file a lawsuit with the people's court in accordance with the law.

Article 155 — A listed company shall truthfully, accurately, and completely disclose information in accordance with the law, and shall not make any false record, misleading statement, or major omission.

Article 156 — A listed company shall formulate and implement a dividend distribution system that balances the relationship between short-term interests and long-term development, and shall distribute profits to shareholders in accordance with the provisions of the articles of association and the resolutions of the

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shareholders' general meeting.

Chapter VI — Issue and Transfer of Shares of Joint Stock Limited Companies

Section 1 — Issue of Shares

Article 157 — The capital of a joint stock limited company shall be divided into shares of equal value. The shares of a company shall take the form of share certificates. A share certificate shall be a certificate issued by the company to certify the shares held by a shareholder.

Article 158 — A company may issue registered shares or bearer shares. Shares issued to promoters and legal persons shall be registered shares, on which the names of the promoters or legal persons shall be stated, and such shares may not be registered in any other person's name or the name of a representative. A company may issue bearer shares to the public, provided that such issuance shall be approved by the securities regulatory authority under the State Council.

Article 159 — A company may, in accordance with the provisions of the articles of association, issue the following types of shares different from ordinary shares: (1) preferred shares, where shareholders have priority over ordinary shareholders in the distribution of the company's profits and residual property; (2) shares with special voting rights, where each share has more or fewer voting rights than ordinary shares; (3) shares subject to transfer restrictions, where the transfer of such shares is restricted in accordance with the provisions of the articles of association; and (4) other types of shares prescribed by the State Council.

Article 160 — A company shall specify in its articles of association the matters to be specified for each type of share issued. Where a company issues shares of different types, the shareholders' meeting shall adopt a resolution on the matter by the affirmative votes of shareholders attending the meeting representing not less than two-thirds of the voting rights.

Article 161 — Where a company issues shares of different types, the shareholders' general meeting may hold a class meeting for each type of shares. A resolution of the class meeting shall be adopted by the affirmative votes of shareholders attending the meeting representing not less than two-thirds of the voting rights of that class of shares.

Article 162 — A registered share certificate shall specify the following items: (1) the name of the company; (2) the date of establishment of the company; (3) the type of share, the par value, and the number of shares represented; and (4) the number of the share certificate. A registered share certificate shall be signed by the legal representative of the company and shall bear the seal of the company. For a registered share, the name of the shareholder shall be stated on the share certificate.

Article 163 — A company may issue shares at a premium or at a discount, provided that the issue at a discount shall be subject to the approval of the securities regulatory authority under the State Council. Where a company issues shares at a premium, the premium shall be included in the company's capital reserve fund. Where a company issues shares at a discount, the issuance shall not damage the interests of the company's creditors.

Article 164 — A company may issue shares to its promoters, its employees, or other specific targets. The transfer of shares issued to specific targets shall be restricted in accordance with the relevant laws, administrative regulations, and the articles of association.

Article 165 — Where a company issues new shares, the shareholders' general meeting shall adopt a resolution on the following matters: (1) the type and number of new shares; (2) the issue price of the new shares; (3) the opening and closing dates for the issue of new shares; and (4) the type and number of new shares to be issued to the existing shareholders.

Article 166 — After a company is established, it shall issue share certificates to its shareholders within 60 days from the date of its establishment. Where a company issues new shares, it shall issue new share

certificates to the shareholders within 30 days from the date on which the share capital is fully paid.

Article 167 — Where a company issues new shares, it may decide the method for the issue of new shares based on its business and financial conditions and in accordance with the provisions of the securities regulatory authority under the State Council.

Section 2 — Transfer of Shares

Article 168 — Shares held by shareholders may be transferred in accordance with the law. The transfer of shares shall be conducted at a legally established stock exchange or by any other means prescribed by the State Council.

Article 169 — The transfer of registered shares shall be effected by the endorsement of the shareholder or by any other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name or designation 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 may be made to the registration in the register of shareholders as mentioned in the preceding paragraph, unless otherwise provided for by the law on the registration of changes in the register of shareholders of listed companies.

Article 170 — 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 stock exchange.

Article 171 — The shares of a company held by the promoters shall not be transferred within one year from the date of establishment of the company. Where a company is established before the implementation of this Law, the shares of the company held by the promoters shall not be transferred within one year from the date of implementation of this Law. The shares of a company held by its directors, supervisors, and senior management personnel shall not be transferred within one year from the date of establishment of the company. The shares of a company held by the aforesaid persons shall not be transferred within two years after they leave office, and may only be transferred within the prescribed time limit during their term of office.

Article 172 — Directors, supervisors and senior management personnel of a company shall declare to the company their holdings of the company's shares and any changes therein. During their term of office, the shares they transfer each year shall not exceed 25 percent of the total number of shares of the company held by them; the shares of the company held by them shall not be transferred within two years after they leave office, and may, within the prescribed time limit, not exceed 25 percent of the total number of shares held by them each year.

Article 173 — A company shall not purchase its own shares, except under the following circumstances: (1) to reduce the registered capital of the company; (2) to merge with another company that holds the shares of the company; (3) to use the shares for employee stock ownership plans or equity incentives; (4) where a shareholder requests the company to purchase his or her shares because he or she disagrees with a resolution of the shareholders' general meeting on the merger or division of the company; (5) to use the shares for the conversion of convertible corporate bonds issued by the company; or (6) where necessary for the listed company to safeguard the company's value and the rights and interests of shareholders. A company shall complete the purchase of its own shares through a public centralized trading method, unless otherwise provided for by laws, administrative regulations, or the securities regulatory authority under the State Council.

Article 174 — A company shall not accept its own shares as the subject matter of a pledge or lien.

Article 175 — Where a company reduces its registered capital by purchasing its own shares, the company shall, within 10 days from the date of purchase, deregister the shares. Where a company purchases its own shares for reasons under items (3), (5) or (6) of Article 173 of this Law, the total number of shares held by the company shall not exceed 10 percent of the total number of issued shares of the company, and shall be

transferred or deregistered within three years.

Article 176 — A listed company shall disclose the purchase of its own shares in accordance with the Securities Law of the People's Republic of China and the relevant provisions of the securities regulatory authority under the State Council. Where a listed company purchases its own shares, it shall complete the purchase through a public centralized trading method.

Article 177 — Where a shareholder of a listed company pledges his or her shares, he or she shall notify the company in writing within five working days from the date on which the pledge is registered and shall disclose the information to the public in accordance with the relevant provisions.

Article 178 — Where a company's shares are stolen, lost or destroyed, the shareholder may, in accordance with the procedures provided for in the Civil Procedure Law of the People's Republic of China, petition the people's court for a declaration of invalidation of the share certificates. After the people's court has made a judgment of invalidation, the shareholder may apply to the company for the reissue of share certificates.

Article 179 — Shares of a listed company shall be registered and deposited with a securities registration and settlement institution in accordance with the relevant laws and administrative regulations.

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

Article 180 — None of the following persons may serve as a director, supervisor or senior management personnel of a company: (1) a person who has no capacity for civil conduct or has limited capacity for civil conduct; (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, and not more than five years have elapsed since the completion of the sentence, or a person who has been deprived of political rights for committing a crime, and not more than five years have elapsed since the completion of the sentence; (3) a person who served as a director, factory head or manager of a company or enterprise that went bankrupt and was liquidated, and who was personally responsible for the bankruptcy of the company or enterprise, and not more than three years have elapsed since the 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 for violating the law and who was personally responsible for the violation, and not more than three years have elapsed since the date on which the business license was revoked; or (5) a person who has a relatively large amount of personal debts that are due and have not been repaid. Where a company elects or appoints a director or supervisor, or appoints senior management personnel in violation of the provisions of the preceding paragraph, the election, appointment or appointment shall be void. Where a director, supervisor or senior management personnel falls under any of the circumstances specified in the first paragraph of this Article during his or her term of office, the company shall remove him or her from the position.

Article 181 — Directors, supervisors and senior management personnel shall comply with laws, administrative regulations and the articles of association, and shall bear the duty of fidelity and the duty of diligence to the company. Directors, supervisors and senior management personnel shall not, by taking advantage of their powers, accept bribes or other illegal income, and shall not misappropriate the property of the company.

Article 182 — Directors, supervisors and senior management personnel shall not, by taking advantage of their positions, seek business opportunities that belong to the company for themselves or others, or engage in the same type of business as that of the company in which they serve without the consent of the shareholders' meeting, and shall not engage in any other activity that harms the interests of the company. The income derived by a director, supervisor or senior management personnel from any activity in violation of the provisions of the preceding paragraph shall belong to the company.

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Article 183 — Directors, supervisors and senior management personnel shall not, by taking advantage of their positions, accept any commission from a third party in connection with the company's transactions, or seek any other illegal benefits for themselves or others.

Article 184 — Directors, supervisors and senior management personnel shall not directly or indirectly enter into contracts or engage in transactions with the company without a resolution of the shareholders' meeting or the shareholders' general meeting, except as otherwise provided for in the articles of association or approved by the shareholders' meeting or the shareholders' general meeting. Where a director, supervisor or senior management personnel or a close relative of such a person, or an enterprise directly or indirectly controlled by such a person or his or her close relative, enters into a contract or engages in a transaction with the company, the director, supervisor or senior management personnel shall report the matter to the board of directors or the shareholders' meeting in accordance with the provisions of the articles of association.

Article 185 — Directors, supervisors and senior management personnel shall not take advantage of their positions to misappropriate or misappropriate the company's business opportunities. Under any of the following circumstances, a director, supervisor or senior management personnel may take advantage of a business opportunity that belongs to the company: (1) the matter is reported to the board of directors or the shareholders' meeting and approved by a resolution of the board of directors or the shareholders' meeting; or (2) the company is unable to take advantage of the business opportunity in accordance with the law, administrative regulations or the articles of association.

Article 186 — A director, supervisor or senior management personnel who violates the provisions of Articles 182 through 185 of this Law and causes losses to the company shall be liable for compensation.

Article 187 — Directors, supervisors and senior management personnel shall not disclose the company's secrets without authorization. Directors, supervisors and senior management personnel shall keep the company's trade secrets confidential, and shall not disclose the company's trade secrets to any third party or use the company's trade secrets for their own or others' benefit without authorization.

Article 188 — Where a director, supervisor or senior management personnel violates the law, administrative regulations or the articles of association in the performance of his or her company duties, he or she shall be liable for compensation for the losses caused to the company. Where a shareholder requests a director, supervisor or senior management personnel to correct his or her acts in violation of the law, administrative regulations or the articles of association, and the director, supervisor or senior management personnel refuses to make the correction, the shareholder may file a lawsuit with the people's court in accordance with the law.

Article 189 — Where a director, supervisor or senior management personnel falls under any of the circumstances specified in Article 188 of this Law, shareholders of a limited liability company holding not less than one percent of the company's shares, or shareholders of a joint stock limited company holding not less than one percent of the company's shares, individually or jointly, for 180 consecutive days or more, may request the board of supervisors or the supervisor of a company with no board of supervisors in writing to file a lawsuit with the people's court; where a supervisor falls under any of the circumstances specified in Article 188 of this Law, the shareholders may request the board of directors or the executive director of a limited liability company without a board of directors in writing to file a lawsuit with the people's court. Where the board of supervisors, the supervisor of a company with no board of supervisors, the board of directors or the executive director refuses to file a lawsuit after receiving a written request from the shareholders as specified in the preceding paragraph, or fails to file a lawsuit within 30 days from the date of receiving the request, or under urgent circumstances, where failure to file a lawsuit immediately would cause irreparable damage to the interests of the company, the shareholders specified in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own names for the benefit of the company. Where another person infringes upon the lawful rights and interests of the company and causes losses to the

company, the shareholders specified in the first paragraph of this Article may file a lawsuit with the people's court in accordance with the provisions of the two preceding paragraphs.

Article 190 — Where a director or senior management personnel of a company violates the law, administrative regulations or the articles of association and damages the interests of shareholders, the shareholders may file a lawsuit with the people's court.

Article 191 — Where a director or senior management personnel causes damage to another person in the performance of his or her duties, the company shall bear the liability for compensation; where the director or senior management personnel is at fault, he or she shall also bear the liability for compensation.

Article 192 — Where a controlling shareholder or actual controller of a company instructs a director or senior management personnel to engage in an act harmful to the interests of the company or shareholders, the controlling shareholder or actual controller and the director or senior management personnel involved shall bear joint and several liability.

Article 193 — A company may purchase liability insurance for directors during their term of office. Where a company purchases liability insurance for directors, it shall report the same to the shareholders' meeting, specifying the insured amount, coverage, insurance premium rate, and other major contents of the liability insurance.

Article 194 — Where a director, supervisor or senior management personnel of a company provides the company with false information or conceals important facts, causing losses to the company, he or she shall be liable for compensation.

Article 195 — The controlling shareholder or actual controller of a company shall be faithful and diligent to the company and shall not take advantage of his or her controlling position to harm the interests of the company. Where any such person violates the provisions of the preceding paragraph and causes losses to the company, he or she shall be liable for compensation.

Article 196 — Directors of a company shall be jointly and severally liable for the truthfulness, accuracy, and completeness of the company's financial statements and other information disclosed. Where there is any false record, misleading statement, or major omission, the directors shall be liable for compensation for the losses caused to others, except for those directors who can prove that they are not at fault.

Article 197 — Where a company is dissolved in violation of the law and fails to establish a liquidation group to carry out liquidation in accordance with the law, and the directors or the controlling shareholder of the company are the persons obligated to carry out liquidation, and such persons fail to perform their obligations, causing losses to the company or its creditors, they shall be liable for compensation.

Chapter VIII — Corporate Bonds

Article 198 — For the purposes of this Law, "corporate bonds" means marketable securities issued by a company in accordance with the statutory procedures, agreeing to repay the principal and pay interest within a certain period of time. A company may issue corporate bonds in accordance with the law and use the proceeds for purposes approved by the company's authority.

Article 199 — The issue of corporate bonds shall comply with the provisions of the Securities Law of the People's Republic of China and other relevant laws and administrative regulations. The issue of corporate bonds shall be subject to registration with the securities regulatory authority under the State Council in accordance with the law, or shall be subject to approval by the relevant authority in accordance with the law.

Article 200 — A company issuing corporate bonds shall specify the following items in the corporate bond issuance plan: (1) the name of the company; (2) the purpose for which the proceeds will be used; (3) the total amount of the bonds and the par value of each bond; (4) the method for determining the interest rate of the bonds; (5) the time limit and method for repayment of the principal and payment of interest; (6) the

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security for the bonds; (7) the issue price of the bonds and the opening and closing dates for issue; and (8) the net assets of the company.

Article 201 — A physical corporate bond certificate shall specify the following items: (1) the name of the company; (2) the par value of the bond; (3) the interest rate; (4) the time limit and method for repayment of the principal and payment of interest; and (5) the date of issue of the bond and the number of the bond. A corporate bond certificate shall be signed by the legal representative of the company and shall bear the seal of the company.

Article 202 — A company shall issue registered or bearer corporate bond certificates based on the type of the corporate bonds. Where a company issues convertible corporate bonds, it shall specify the conversion method on the corporate bond certificates and shall convert the bonds into shares for the holders of the bonds in accordance with the conversion method.

Article 203 — A company issuing corporate bonds shall prepare a corporate bond counterfoil register. Where registered corporate bonds are issued, the corporate bond counterfoil register shall specify the following items: (1) the names or designations and domiciles of the bondholders; (2) the dates on which the bondholders acquired the bonds and the numbers of the bonds; (3) the total amount of the bonds, the par value of the bonds, and the interest rate of the bonds; and (4) the time limit and method for repayment of the principal and payment of interest. Where bearer corporate bonds are issued, the corporate bond counterfoil register shall specify the total amount of the bonds, the interest rate, the time limit and method for repayment, the date of issue, and the numbers of the bonds.

Article 204 — A company issuing corporate bonds shall establish a bondholders' meeting, which shall be composed of all bondholders. The bondholders' meeting shall have the right to take necessary measures to protect the interests of the bondholders. Decisions made by the bondholders' meeting shall be binding on all bondholders.

Article 205 — Where a company issues corporate bonds, it may engage a bond trustee to protect the interests of the bondholders. A bond trustee shall be a securities company, a bank, or any other institution approved by the securities regulatory authority under the State Council. A bond trustee shall perform its duties with diligence and good faith and shall not damage the interests of the bondholders.

Article 206 — The proceeds from the issue of corporate bonds shall be used for the purposes approved by the company's authority and shall not be used to make up for the company's losses or for non-productive expenditures. Where a company issues corporate bonds, it shall disclose the method for using the proceeds raised and shall use the proceeds in accordance with the stated purpose. Where the use of the proceeds is changed, the matter shall be resolved by the bondholders' meeting.

Article 207 — A company may issue convertible corporate bonds, which may be converted into shares of the company in accordance with the method and at the time agreed upon by the company and the bondholders. Where a company issues convertible corporate bonds, it shall specify the conversion method on the corporate bond certificates and shall issue new shares to the bondholders in accordance with the conversion method, provided that the total amount of the bonds that may be converted into shares shall comply with the conditions for the issue of new shares by the company.

Article 208 — A company may issue exchangeable corporate bonds, the holders of which may exchange the bonds for shares of another listed company held by the issuing company, in accordance with the method and within the time limit agreed upon by the company and the bondholders.

Article 209 — Where a company issues corporate bonds, it shall properly keep the corporate bond counterfoil register. The transfer of registered corporate bonds shall be recorded by the company in the corporate bond counterfoil register upon the endorsement of the bondholder. The transfer of bearer corporate bonds shall take effect upon the delivery of the bonds by the bondholder to the transferee at a

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legally established stock exchange.

Article 210 — The transfer of corporate bonds of a listed company shall be conducted at a legally established stock exchange, and shall not be conducted outside such an exchange. The transfer price of corporate bonds shall be agreed upon between the transferor and the transferee.

Article 211 — A company shall set aside a sinking fund for the redemption of its corporate bonds. A company shall specify the method for the establishment and use of the sinking fund for the redemption of its corporate bonds in its articles of association or in the corporate bond issuance plan.

Article 212 — Where a listed company issues corporate bonds, it shall disclose the issuance and listing of the bonds to the public in accordance with the law.

Chapter IX — Financial Affairs and Accounting of Companies

Article 213 — A company shall establish its financial and accounting systems in accordance with the provisions of laws, administrative regulations, and the financial and accounting rules of the finance department under the State Council.

Article 214 — A company shall prepare its financial and accounting reports at the end of each fiscal year and shall have them audited by an accounting firm in accordance with the law. Financial and accounting reports shall be prepared in accordance with the provisions of laws, administrative regulations, and the rules of the finance department under the State Council.

Article 215 — A limited liability company shall, in accordance with the time limit stipulated in the articles of association, send its financial and accounting reports to each shareholder. The financial and accounting reports of a joint stock limited company shall be made available at the company for review by shareholders 20 days before the annual shareholders' general meeting is held; a joint stock limited company that issues its shares to the public shall make public announcements of its financial and accounting reports.

Article 216 — When a company distributes the after-tax profits of the current year, it shall allocate 10 percent of the profits to the company's statutory common reserve fund. Where the cumulative amount of the company's statutory common reserve fund exceeds 50 percent of the company's registered capital, the company is no longer required to make further allocations. Where the company's statutory common reserve fund is insufficient to make up for the company's losses of the previous year, the company shall first use the profits of the current year to make up for the losses before making allocations to the statutory common reserve fund in accordance with the provisions of the preceding paragraph. After the company has made allocations to the statutory common reserve fund from its after-tax profits, the company may, upon a resolution of the shareholders' meeting or shareholders' general meeting, make allocations to the discretionary common reserve fund from the after-tax profits. The after-tax profits remaining after the company has made up for its losses and made allocations to the common reserve funds shall be distributed to shareholders in accordance with the provisions of the articles of association or in proportion to their respective capital contributions, unless otherwise provided for in the articles of association. Where the shareholders' meeting, the shareholders' general meeting or the board of directors violates the provisions of the preceding paragraphs by distributing profits to shareholders before the company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders shall return the profits distributed in violation of the provisions to the company. The profits distributed by the company to the shares held by the company itself shall not be subject to distribution.

Article 217 — The company's common reserve fund shall be used to make up for the company's losses, to expand the company's production and operation, or to increase the company's capital. The common reserve fund used to increase the capital shall be subject to a resolution of the shareholders' meeting or the shareholders' general meeting. When the common reserve fund is converted into capital, the amount of the common reserve fund retained shall not be less than 25 percent of the company's registered capital before

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the conversion. The statutory common reserve fund shall not be used to distribute dividends to shareholders.

Article 218 — Where a company hires or dismisses an accounting firm to undertake the audit of the company, the matter shall be decided by the shareholders' meeting, the shareholders' general meeting or the board of directors in accordance with the provisions of the articles of association. Where the shareholders' meeting, the shareholders' general meeting or the board of directors votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its opinions.

Article 219 — A company shall provide truthful and complete accounting vouchers, accounting books, financial and accounting reports, and other accounting information to the accounting firm it hires, and shall not refuse to provide, conceal or make false statements. Where a company fails to provide truthful and complete accounting information as required, the accounting firm may refuse to issue an audit report or may issue a report with an explanatory note or a disclaimer of opinion.

Article 220 — A company shall not establish any separate account book other than the statutory account book. A company shall not deposit its assets in any account opened in the name of any individual.

Article 221 — Where a company violates the provisions of this Law by establishing a separate account book other than the statutory account book, the finance department under the people's government at or above the county level shall order it to make corrections and shall impose a fine of not less than RMB 50,000 but not more than RMB 500,000 on the company.

Article 222 — A company shall strictly control the provision of guarantees to others and shall not provide guarantees in violation of the provisions of the articles of association. Where a company provides a guarantee to its shareholder or actual controller, the matter shall be resolved by the shareholders' meeting or the shareholders' general meeting. Where a company provides a guarantee to another person, the matter shall be decided by the board of directors, the shareholders' meeting or the shareholders' general meeting in accordance with the provisions of the articles of association.

Article 223 — A company shall not directly or indirectly provide loans or other financial assistance to its directors, supervisors, senior management personnel, controlling shareholders or actual controllers, except where the company implements an employee stock ownership plan. Where any director, supervisor, senior management personnel, controlling shareholder or actual controller of a company violates the provisions of the preceding paragraph and causes losses to the company, he or she shall be liable for compensation.

Article 224 — Where a company is merged or divided, its registered capital shall be verified by a capital verification institution and a capital verification report shall be issued. Where a company reduces its registered capital, it shall notify its creditors within ten days from the date of adopting the resolution on the reduction of registered capital and shall make an announcement in a newspaper or on the National 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 security within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if they did not receive the notice.

Article 225 — Where a company increases its registered capital, the shareholders shall pay the capital contribution for the increased registered capital in accordance with the relevant provisions on the payment of capital contributions at the time of the establishment of the company. Where a company reduces its registered capital, it shall do so in accordance with the provisions of the articles of association and the law. The registered capital of a company shall not be less than the minimum amount prescribed by laws, administrative regulations and decisions of the State Council after the reduction.

Chapter X — Merger, Division, Increase and Reduction of Capital

Article 226 — A company may be merged by absorption or by the establishment of a new company. Where one company absorbs another, the absorbed company is dissolved. Where two or more companies merge to

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establish a new company, the original companies are dissolved.

Article 227 — Where companies are merged, the parties to the merger shall sign a merger agreement and shall prepare a balance sheet and a property inventory. The parties to the merger shall notify their creditors within ten days from the date of adopting the resolution on the merger and shall make an announcement in a newspaper or on the National 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 security within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if they did not receive the notice.

Article 228 — Where companies are merged, the claims and debts of the original companies shall be succeeded to by the company surviving the merger or the newly established company after the merger.

Article 229 — Where a company is divided, its property shall be divided accordingly. Where a company is divided, it shall prepare a balance sheet and a property inventory. The company shall notify its creditors within ten days from the date of adopting the resolution on the division and shall make an announcement in a newspaper or on the National 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 security within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if they did not receive the notice.

Article 230 — The companies resulting from the division of a company shall bear joint and several liability for the debts of the company before the division, unless otherwise agreed upon in writing by the company and its creditors before the division.

Article 231 — Where a company reduces its registered capital, it shall prepare a balance sheet and a property inventory. The company shall notify its creditors within ten days from the date of adopting the resolution on the reduction of registered capital and shall make an announcement in a newspaper or on the National 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 security within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if they did not receive the notice.

Article 232 — Where a company reduces its registered capital, it shall reduce its registered capital in accordance with the proportion of capital contributions or shares held by its shareholders, unless otherwise provided for by laws or administrative regulations, or unanimously agreed upon by all the shareholders of a limited liability company, or otherwise stipulated in the articles of association of a joint stock limited company.

Article 233 — Where a company reduces its registered capital, the amount of the registered capital after the reduction shall not be less than the minimum amount prescribed by laws, administrative regulations and decisions of the State Council. Where a company reduces its registered capital by purchasing its own shares, it shall deregister the purchased shares within ten days from the date of the purchase. Where such shares are not deregistered within the time limit, the company registration authority shall order the company to make corrections and may impose a fine of not less than RMB 10,000 but not more than RMB 100,000 on the company.

Article 234 — Where a company increases its registered capital, its shareholders shall pay the capital contribution in accordance with the provisions of this Law on the payment of capital contributions for the establishment of a limited liability company or the subscription for shares for the establishment of a joint stock limited company. Where a limited liability company increases its registered capital, the priority of its shareholders to subscribe for the increased capital shall be governed by the provisions of the articles of association or the shareholders' meeting.

Article 235 — Where a company reduces its registered capital by making up for losses, the reduced registered capital shall not be distributed to its shareholders, nor shall it exempt the shareholders from their

obligation to pay the capital contribution. Where a company reduces its registered capital by making up for losses, it shall not be exempted from the obligation to pay off the debts of its creditors, and the company shall not distribute profits to its shareholders before the registered capital reaches the amount before the reduction.

Chapter XI — Dissolution and Liquidation

Article 236 — A company shall be dissolved under any of the following circumstances: (1) the business term as stipulated in the articles of association expires or any other cause of dissolution as stipulated in the articles of association occurs; (2) the shareholders' meeting or shareholders' general meeting adopts a resolution on dissolution; (3) the company needs to be dissolved due to a merger or division; (4) the company's business license is revoked in accordance with the law, the company is ordered to close down or is revoked, or the company's registration is revoked by the company registration authority; or (5) where the people's court decides to dissolve the company in accordance with the provisions of Article 237 of this Law. Where a company falls under the circumstance in item (1) of the preceding paragraph, it may continue to exist by amending its articles of association, provided that the amendment of the articles of association for a limited liability company shall be subject to the affirmative votes of shareholders holding not less than two-thirds of the voting rights, and that for a joint stock limited company, the amendment shall be subject to the affirmative votes of shareholders attending the shareholders' general meeting holding not less than two-thirds of the voting rights.

Article 237 — Where a company encounters serious difficulties in its operation and management, and its continued existence would cause material losses to the interests of its shareholders, and the situation cannot be resolved by any other means, shareholders holding not less than 10 percent of the voting rights of all shareholders of the company may petition the people's court to dissolve the company.

Article 238 — Where a company is dissolved due to the provisions of items (1), (2), (4) or (5) of Article 236 of this Law, a liquidation group shall be established within 15 days from the date on which the cause of dissolution occurs to commence liquidation. The liquidation group of a limited liability company shall be composed of its shareholders, and the liquidation group of a joint stock limited company shall be composed of its directors or any other persons designated by the shareholders' general meeting. Where a liquidation group is not established within the time limit, the creditors may petition the people's court to designate relevant persons to form the liquidation group to carry out liquidation. The people's court shall accept such petition and organize the liquidation group in a timely manner to carry out liquidation.

Article 239 — A liquidation group shall exercise the following powers during the period of liquidation: (1) taking stock of the company's property, and preparing a balance sheet and a property inventory; (2) notifying creditors and making public announcements; (3) dealing with and liquidating the company's outstanding business; (4) paying off the taxes owed by the company and the taxes arising in the course of liquidation; (5) settling claims and debts; (6) dealing with the company's residual property after the settlement of debts; and (7) participating in civil litigation on behalf of the company.

Article 240 — The liquidation group shall notify the creditors within ten days from the date of its establishment and shall make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System 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 if they did not receive the notice. When declaring a claim, a creditor shall explain the relevant matters of the claim and provide supporting materials. The liquidation group shall register the claims. During the period of claim declaration, the liquidation group shall not pay off debts to creditors.

Article 241 — After taking stock of the company's property and preparing the balance sheet and the property inventory, the liquidation group shall formulate a liquidation plan and submit it to the shareholders' meeting, the shareholders' general meeting or the people's court for confirmation. The remaining property of the

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company after the payment of the liquidation expenses, the wages of employees, social insurance premiums and statutory compensation, the taxes owed, and the debts of the company shall be distributed by a limited liability company in proportion to the capital contributions of its shareholders and by a joint stock limited company in proportion to the shares held by its shareholders. During the period of liquidation, the company shall continue to exist, but shall not engage in any business activities unrelated to liquidation. The property of the company shall not be distributed to shareholders until it has been distributed in accordance with the provisions of the preceding paragraph.

Article 242 — Where the liquidation group, in the course of liquidating the company's property and preparing the balance sheet and the property inventory, discovers that the company's property is insufficient to pay off its debts, it shall apply to the people's court for declaration of bankruptcy in accordance with the law. After the company is declared bankrupt by a ruling of the people's court, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Article 243 — After the liquidation of the company is completed, the liquidation group shall prepare a liquidation report and submit it to the shareholders' meeting, the shareholders' general meeting or the people's court for confirmation, and shall submit it to the company registration authority to apply for deregistration of the company and make an announcement of the termination of the company. Where a company is terminated after the liquidation, its liquidation group shall continue to exist and be responsible for dealing with the outstanding matters of the company's liquidation.

Article 244 — Members of the liquidation group shall be faithful and diligent in the performance of their duties and shall perform their liquidation obligations in accordance with the law. Members of the liquidation group shall not, by taking advantage of their powers, accept bribes or other illegal income, or misappropriate the company's property. Where any member of the liquidation group causes losses to the company or its creditors due to his or her intentional act or gross negligence, he or she shall be liable for compensation.

Article 245 — Where a company is dissolved in accordance with the provisions of item (4) of Article 236 of this Law, and fails to establish a liquidation group for liquidation within 15 days from the date on which the cause of dissolution occurs, the competent department that made the administrative penalty decision or the company registration authority may apply to the people's court for the designation of relevant persons to form a liquidation group to carry out liquidation.

Article 246 — Where a company is dissolved, and neither establishes a liquidation group to carry out liquidation within the time limit nor applies for deregistration, the company registration authority may, after making a public announcement, revoke the company's registration in accordance with the law.

Article 247 — Where a company applying for deregistration has no outstanding debts after the company has settled all its employees' wages, social insurance premiums, statutory compensation, and taxes owed, and this is undertaken by all shareholders, the company may apply for deregistration through simplified procedures. Where a company applies for deregistration through simplified procedures, it shall make a public announcement through the National Enterprise Credit Information Publicity System, and the period of public announcement shall be not less than 20 days. Where there is no objection after the expiration of the public announcement period, the company may apply to the company registration authority for deregistration. Where a company applies for deregistration through simplified procedures and the shareholders' commitment is found to be false, the shareholders shall bear joint and several liability for the debts of the company before the deregistration.

Article 248 — Where a company is deregistered, its legal person status shall terminate. The liquidation group shall complete the liquidation within 180 days from the date of its establishment. Where the liquidation cannot be completed within the time limit, an application for an extension may be made to the people's court or the shareholders' meeting, but the extension shall not exceed 90 days.

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Article 249 — Where a company is deregistered, its account books, documents, and other materials shall be properly kept. Where a company's shareholders fail to keep the company's account books, documents, and other materials in accordance with the law, causing losses to the company or its creditors, they shall be liable for compensation.

Article 250 — Where a company is deregistered, its shareholders or the liquidation group shall be responsible for the outstanding matters after the liquidation. Where a company is terminated without liquidation in accordance with the law, its shareholders, directors, or the actual controller shall bear civil liability for the company's debts in accordance with the law.

Article 251 — Where a company is deregistered, the company's trade secrets and personal information shall be properly handled in accordance with the law.

Chapter XII — Special Provisions on Branches of Foreign Companies

Article 252 — For the purposes of this Law, "foreign company" means a company registered and established outside the territory of the People's Republic of China in accordance with the law of a foreign country.

Article 253 — Where a foreign company intends to establish a branch within the territory of the People's Republic of China, it shall file an application with the competent authority of the People's Republic of China and submit the articles of association of the company, the company registration certificate issued by the country where the company is registered, and other relevant documents. Upon approval, the company shall register with the company registration authority and obtain a business license. The measures for the examination and approval of branches of foreign companies shall be formulated by the State Council.

Article 254 — A branch of a foreign company established within the territory of the People's Republic of China shall not have the status of a Chinese legal person. The foreign company shall bear civil liability for the business activities of its branch within the territory of the People's Republic of China.

Article 255 — A branch of a foreign company established within the territory of the People's Republic of China in accordance with the law shall engage in business activities in accordance with the provisions of this Law and other relevant laws and administrative regulations and shall not damage the public interest of the People's Republic of China.

Chapter XIII — Legal Liability

Article 256 — Where a company, in the course of registration of establishment or registration of change, makes a false statement of its registered capital, submits false supporting materials, or conceals important facts by other fraudulent means, the company registration authority shall order it to make corrections and shall impose a fine of not less than RMB 50,000 but not more than RMB 200,000 on the company that makes the false statement of its registered capital or the company that submits false supporting materials or conceals important facts. Where the circumstances are serious, the company registration authority shall revoke the company's registration or its business license.

Article 257 — Where a company fails to make a public announcement or notify its creditors in accordance with the provisions of this Law when it is merged, divided, reduces its registered capital, or carries out liquidation, the company registration authority shall order it to make corrections and shall impose a fine of not less than RMB 10,000 but not more than RMB 100,000 on the company. Where a company, in the course of liquidation, conceals its property, makes a false record in its balance sheet or property inventory, or distributes the company's property before paying off its debts, the company registration authority shall order it to make corrections and shall impose a fine of not less than five percent but not more than ten percent of the value of the concealed property or the amount of the property distributed before the payment of debts on the company, and shall impose a fine of not less than RMB 10,000 but not more than RMB 100,000 on the directly responsible person in charge and other directly responsible persons.

Article 258 — Where a company fails to commence its business operations more than six months after its establishment without justifiable reasons, or, after commencing its business operations, suspends its business operations on its own initiative for six consecutive months or more, the company registration authority may revoke its business license. Where a company fails to apply for registration of change in accordance with this Law where its registered items change, the company registration authority shall order it to register the change within a time limit; where it fails to register the change within the time limit, a fine of not less than RMB 10,000 but not more than RMB 100,000 shall be imposed.

Article 259 — 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 company registration authority shall order it to make corrections or close it down and may impose a fine of not less than RMB 50,000 but not more than RMB 200,000.

Article 260 — Where a company engages in business activities in the name of a company without legally registering as a company, the company registration authority shall order it to make corrections or ban it, and may impose a fine of not less than RMB 10,000 but not more than RMB 100,000. Where a company engages in serious illegal activities, its business license shall be revoked.

Article 261 — Where a company establishes a separate account book other than the statutory account book, the finance department under the people's government at or above the county level shall order it to make corrections and shall impose a fine of not less than RMB 50,000 but not more than RMB 500,000 on the company.

Article 262 — Where an institution undertaking the valuation or verification of assets or the verification of certificates of a company provides false supporting materials, the company registration authority shall confiscate its illegal income and shall impose a fine of not less than one time but not more than five times its illegal income, and the competent authority may order the institution to suspend business for rectification or revoke the qualification certificates of the directly responsible persons in accordance with the law. Where an institution undertaking the valuation or verification of assets or the verification of certificates of a company provides a report with a major omission due to its fault, the company registration authority shall order it to make corrections; where the circumstances are relatively serious, a fine of not less than one time but not more than five times the income derived from the provision of the report shall be imposed, and the competent authority may order the institution to suspend business for rectification or revoke the qualification certificates of the directly responsible persons in accordance with the law. Where the institution undertaking the valuation or verification of assets or the verification of certificates causes losses to the creditors of the company, it shall be liable for compensation to the extent of the amount of the valuation or verification, unless it can prove that it is not at fault.

Article 263 — Where the company registration authority of a people's government at or above the county level fails to perform its duties or abuses its powers, the directly responsible person in charge and other directly responsible persons shall be given administrative sanctions in accordance with the law; where a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 264 — Where a company, in violation of the provisions of this Law, undertakes any activity that constitutes a crime, criminal liability shall be pursued in accordance with the law.

Chapter XIV — Supplementary Provisions

Article 265 — For the purposes of this Law, the following terms shall have the following meanings: (1) "senior management personnel" means the manager, deputy managers, the person in charge of finance, the secretary of the board of directors of a listed company, and other persons as provided for in the articles of association; (2) "controlling shareholder" means 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

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more of the total share capital of a joint stock limited company, or a shareholder whose capital contribution or shares are less than 50 percent but whose voting rights under his or her capital contribution or shares are sufficient to have a material impact on the resolutions of the shareholders' meeting or the shareholders' general meeting; (3) "actual controller" means a person who, though not a shareholder, is able to actually control the acts of a company through an investment relationship, an agreement, or any other arrangement; and (4) "related relationship" means the relationship between a company's controlling shareholder, actual controller, director, supervisor or senior management personnel and the enterprise directly or indirectly controlled by such a person, and any other relationship that may cause a transfer of the company's interests. However, state-controlled enterprises shall not be deemed to have a related relationship simply because they are controlled by the state.

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

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