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Company Law of the People's Republic of China (2005)

The revised **Company Law** of the People's Republic of China was adopted at the 18th Meeting of the Standing Committee of the Tenth National People's Congress of the People's Republic of China on October 27, 2005, is hereby promulgated and shall come into effect as of January 1, 2006.

The President of the People's Republic of China: Hu Jintao
October 27, 2005

(Adopted at the fifth meeting of the standing committee of the eighth National People's Congress on December 29, 1993, revised for the first time in accordance with the Decision on Amending the **Company Law** of the People's Republic of China adopted at the 13th meeting of the Standing Committee of the 9th National People's Congress on December 25, 1999; revised for the second time in accordance with the Decision on Amending the **Company Law** of the People's Republic of China adopted at the 11th Meeting of the Standing Committee of the tenth National People's Congress on August 28, 2004; and revised for the third time in accordance with the Decision on Amending the **Company Law** of the People's Republic of China adopted at the 18th Meeting of the Standing Committee of the tenth National People's Congress on October 27, 2005)

Chapter 1 General Provisions

Article 1

This Law is enacted in order to standardize the organization and activities of companies, to protect the legitimate rights and interests of companies, shareholders and creditors, to maintain socio-economic order and to promote the development of the socialist market economy.

Article 2

The Term "company" referred to in this Law shall mean a limited liability company or a joint stock limited company incorporated within the territory of the People's Republic of China in accordance with this Law.

Article 3

A company is an enterprise legal person, has independent property of legal person, and shall enjoy the right to the entire property of the legal person. A company shall be liable for its debts to the extent of all its assets.

In the case of a limited liability company, shareholders shall assume liability towards the company to the extent of the amount of the capital contribution subscribed for by them respectively; in the case of a joint stock limited company, shareholders shall assume liability towards the company to the extent of the shares subscribed for by them respectively.

Article 4

The shareholders of a company shall, according to law, enjoy such rights of owners as benefiting from assets of the company, making major decisions and selecting managerial personnel.

Article 5

A company must, when engaging in business activities, abide by the laws and administrative regulations, observe social morals and commercial ethics, be in integrity and good faith, accept supervision of the government and the public, and undertake social liability.

The legitimate rights and interests of companies shall be protected by law and shall be inviolable.

Article 6

Application shall be made to the company registration authority for registration of the incorporation of a company. Companies meeting the conditions on incorporation provided by this Law shall be registered as limited liability companies or joint stock limited companies respectively; while companies failing to meet the conditions on incorporation provided by this Law shall not be registered as limited liability companies or joint stock limited companies.

If the incorporation of a company must be reported for approval in accordance with the provisions of laws or administrative regulations, the procedure for approval shall be handled prior to the registration of the company according to law.

The public may apply to the company registration authority for enquiry of the registered items of a company, and the company registration authority shall provide the service of such enquiry.

Article 7

The company registration authority shall issue a business license to a company incorporated according to law. The date of the issuance of the company's business license shall be the date of the incorporation of the company.

The business license of the company shall state such matters as the name, domicile, registered capital, business scope and the name of the legal representative of the company.

In case of any change in any item recorded in the company's business license, the company shall apply for registration of the change according to law, and the company registration authority shall reissue the business license.

Article 8

A limited liability company established according to this Law must clearly indicate the words "limited Liability company" in its name.

A joint stock limited company established according to this Law must clearly indicate the words "joint limited company" in its name.

Article 9

If a limited liability company is to be converted into a joint stock limited company, it shall satisfy the requirements for a joint stock limited company stipulated by this Law. If a joint stock limited company is to be converted into a limited liability company, it shall satisfy the requirements for a limited liability company stipulated by this Law.

Where a limited liability company is converted into a joint stock limited company or a joint stock limited company is converted into a limited liability company, the claims and debts of the original company shall be succeeded to the converted company.

Article 10

A company's domicile shall be the place where its main administrative organization is located.

Article 11

Articles of association must be formulated according to law when a company is incorporated. A company's articles of association shall have binding force on the company, its shareholders, directors, supervisors and senior executives.

Article 12

A company's scope of business shall be defined in its articles of association and registered according to law. The company may revise its articles of association and change its business scope, provided that it shall apply for registration of such revision and change.

Items within the company's business scope that shall be subject to approval under laws, administrative regulations shall be approved according to law.

Article 13

The post of a company's legal representative shall be held by the chairman of the board of directors, executive director or the manager of the company and shall be registered according to law. If the company's legal representative is changed, the company shall handle the

procedure for registration of the change.

Article 14

A company may establish branches. The company shall, if establishing branches, apply to the company registration authority for registration of the establishment and acquire the business license of the branches. The branches do not possess the status of legal person and their civil liabilities shall be borne by the company.

A company may establish subsidiaries, which shall possess the status of legal person, and shall independently bear civil liabilities according to law.

Article 15

A company may invest in other enterprises; provided that, the company shall not become the investor undertaking the joint and several liability for the debts of the invested enterprises, except as otherwise provided by laws.

Article 16

Where a company is to invest in other enterprise or provide guarantee for others, it shall be decided by the board of directors or the shareholders meeting or the shareholders general meeting in accordance with the provisions of its articles of association; if the articles of association of the company stipulate the limit of the total amount of the investment or the guarantee, or the amount of the investment or the guarantee in single item, then, the limit shall not be exceeded.

If a company is to provide guarantee for its shareholders or actual controllers, it shall be decided by the shareholders meeting or the shareholders general meeting.

The shareholders as provided in the preceding Paragraph and the shareholders controlled by the actual controllers as provided in the preceding Paragraph shall not participate in the voting for the matter provided in the preceding Paragraph. Such voting shall be passed based on more than half of the voting rights held by other shareholders attending the meeting.

Article 17

Companies must protect the lawful rights and interest of their staff and workers, sign labor contracts with their staff and workers according to law, participate in social insurance, and strengthen labor protection so as to achieve safety in production.

Companies shall apply various forms to strengthen professional education and on-the-job training for their staff and workers so as to improve their quality.

Article 18

Company's staff and workers shall, in accordance with the Trade Union Law of the People's Republic of China, organize a trade union to carry out the trade union activities and protect the lawful rights and interests of the staff and workers. The company shall provide its trade union

with conditions necessary for carrying out its activities. The trade union of the company shall, on behalf of the staff and works of the company and according to law, sign with the company a collective contract on such matters as labor salaries, working hours, welfare, insurance and labor safety and health of the staff and works.

Companies shall, through the staff and workers congress or other forms, practice democratic management in accordance with the provisions of the Constitution and relevant laws.

If a company is to make decision on system reform, major issues on business operation or formulation of important rules and regulations, it shall solicit the opinions of its trade union, and solicit the opinions and suggestions of its staff and workers through the staff and workers congress or other forms.

Article 19

In accordance with the Constitution of the Communist Party of China, the organization of the Communist Party of China shall be established in a company so as to carry out their activities of the communist Party. The company shall provide its communist organization with conditions necessary for carrying out its activities.

Article 20

The shareholders of a company shall abide by laws, administrative regulations and the articles of association of the company, exercise their rights according to law, and shall not abuse their rights to damage the interests of the company or other shareholders nor abuse the independent status of corporate legal person and shareholders' limited liability to damage the interests of the company's creditors.

The shareholders, who abuse their rights so as to cause losses to the company or other shareholders, shall undertake the liability for compensation.

If the shareholders of a company abuse the independent status of corporate legal person and shareholders' limited liability to avoid debts and damage the interests of the company's creditors, they shall undertake the joint and several liability for the company's debts.

Article 21

The holding shareholders, actual controllers, directors, supervisors, senior executives of a company shall not, by taking advantage of their affiliate relationship, damage the interests of the company.

They shall, in violation of the provisions of the preceding Paragraph, undertake the liability for compensation if any loss is caused to the company thereby.

Article 22

The contents in the resolutions of the shareholders meeting or the shareholders general meeting or the board of directors of a company, if in violation of the laws or administrative

regulations, shall be null and void.

If the procedure for convening meetings or the voting method of the shareholders meeting or the shareholders general meeting or the board of directors of a company are in violation of the laws, administrative regulations or the articles of association of the company, or the contents in the resolutions thereof are in violation of the articles of association, the shareholders of the company may, within 60 days upon the date of making the resolution, request the people's court to cancel them.

If the shareholders bring a lawsuit in accordance with the provisions of the preceding Paragraph, the people's court may, upon the request the company, require the shareholders to provide the relevant guarantee.

If the company has handled the procedure for registration of change in accordance with such resolutions of its shareholders meeting or the shareholders general meeting or the board of directors, the people's court shall declare such resolutions invalid, or, after such resolutions are cancelled, the company shall apply to the company registration authority for cancellation of the registration of change.

Chapter 2 Incorporation and Organizational Structure of the Limited Liability Companies

Section 1 Incorporation

Article 23

The following conditions shall be fulfilled for the incorporation of a limited liability company:

- (1) the number of shareholders shall conform to the statutory number;
- (2) the capital contributions of the shareholders shall reach the statutory minimum amount of capital;
- (3) the shareholders shall have jointly formulated the articles of association of the company;
- (4) the company shall have a name and an organizational structure established in compliance with the requirements for a limited liability company; and
- (5) the company shall have a domicile.

Article 24

A limited liability company shall be jointly invested in and incorporated by not more than 50 shareholders.

Article 25

The articles of association of a limited liability company shall specify the following particulars:

- (1) the name and domicile of the company;
- (2) the scope of business of the company;
- (3) the registered capital of the company;
- (4) the names or titles of the shareholders;
- (5) the method and amount of capital contributions by the shareholder;
- (6) the organization of the company, its method of creation, functions and powers and the rules of procedure;
- (7) the legal representative of the company;
- (8) other items which the shareholders meetings deem necessary to be specified.

The shareholders shall sign and affix their seals to the company's articles of association.

Article 26

The registered capital of a limited liability company shall be the amount of the capital contributions subscribed for by all of its shareholders as registered with the company registration authority. The amount of initial capital contributions paid by all the shareholders of the company shall not be less than 20% of the registered capital of the company nor less than the statutory minimum amount of registered capital, and the remaining of the registered capital may be paid up by the shareholders within two year upon the incorporation of the company, provided that, in case of a investment company, it may be paid up within five years upon the incorporation of the company.

The minimum amount of the registered capital of a limited liability company shall be RMB 30,000. If a higher minimum amount of the registered capital of a limited liability company than that as stipulated in the preceding sentence is provided by laws or administrative regulations, such provisions shall prevail.

Article 27

A shareholder may make its capital contributions to a company in currency or by contributing such non-currency property as material objects, intellectual property rights, land-use rights at their appraised value that may be evaluated in currency and may be transferred according to law; except those properties that shall not be contributed as capital in accordance with the provisions of laws or administrative regulations.

The non-currency property contributed as capital shall undergo an appraisal, valuation and verification, and shall not be overvalued or undervalued. If the appraisal and valuation of such property is provided by laws or administrative regulations, such provisions shall apply.

The amount of capital contribution in currency by all shareholders shall not be less than 30% of the registered capital of the limited liability company.

Article 28

Each shareholder shall make in full the amount of the capital contribution subscribed for by it under the articles of association of the company. Where a shareholder makes its capital contribution in currency, it shall deposit the full amount of such capital contribution in currency in the bank account opened by the limited liability company. Where a shareholder makes its capital contribution in the form of non-currency property, the transfer procedures for the property rights shall be handled according to law.

Shareholders failing to make the capital contributions in accordance with the preceding Paragraph shall be liable for breach of contract towards the shareholders who have made their capital contributions in full and on time.

Article 29

After all shareholders have made their capital contribution in full, such contributions must be verified by a statutory capital verification institution which shall issue capital verification certificates.

Article 30

After the total capital contributions of the shareholders have been verified by a statutory capital verification institution, application shall be made to the company registration authority for registration of the incorporation of the company by a representative designated by all the shareholders or by an agent jointly entrusted by them, who shall submit such documents as an application for registration, the articles of association and the capital verification certificate.

Article 31

Where, after the incorporation of a limited liability company, it is discovered that the actual value of the non-currency property as capital is notably less than the value stated in the articles of association, the shareholders that made such contributions shall make up the deficiency; those who are shareholders at the time of the incorporation of the company shall bear joint and several liability therefor.

Article 32

After a limited liability company has been incorporated, 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 the incorporation of the company;
- (3) the registered capital of the company;
- (4) the names or titles of the shareholders, the amount and date of their capital contribution;
and
- (5) the serial number of the capital contribution certificate and the date of its verification and issuance.

A capital contribution certificate shall bear the seal of the company on it.

Article 33

A limited liability company shall prepare a roster of its shareholders with the following items therein:

- (1) the names or titles and domiciles of the shareholders;
- (2) the amounts of capital contributions of the shareholders; and
- (3) the serial numbers of the capital contribution certificates.

The shareholders recorded in the roster may claim to exercise the shareholder's right based on the roster.

The company shall register with the company registration authority the names or titles and the amounts of capital contributions of its shareholders; in case of change of such registered items, the registration of the change shall be handled. If the company fails to register such items or such change, it shall not counter any third party.

Article 34

A shareholder shall have the right to look up and copy the articles of association, the minutes of shareholders meetings, the resolutions of the meeting of the board of directors, the resolutions of the meetings of the supervisory board and the financial statements of the company.

The shareholders may require to look up the accounting books of the company. A shareholder shall, if requiring to look up the accounting books of the company, submit to the company a written request specifying the purpose. If the company reasonably holds that the shareholder's request for looking up the accounting books is for undue purpose and may damage the legal interests of the company, it may refuse to provide the access to the accounting books, and

shall, within 15 days upon its receipt of the shareholder's written request, give to the shareholder a written reply specifying the reason. If the company refuses to provide the access to the accounting books, the shareholder may request the people's court to require the company to provide the access to the accounting books.

Article 35

Shareholders shall draw dividends in proportion to their paid-up capital contributions. Where a company increases capital, the existing shareholders shall have the priority to subscribe for new shares in proportion to their paid-up capital contributions, except as otherwise agreed by all the shareholders.

Article 36

Once a company is incorporated, its shareholders shall not withdraw their capital contributions.

Section 2 Organizational Structure

Article 37

The shareholders meeting of a limited liability company shall be composed of all the shareholders. The shareholders meeting shall be the organ of power of the company and shall exercise its functions and powers in accordance with this Law.

Article 38

The shareholders meeting shall exercise the following functions and power:

- (1) to decide on the business policy and investment plan of the company;
- (2) to elect and recall directors and supervisors not acted as by the representatives of the staff and workers, and to decide on matters concerning the remuneration of directors and supervisors;
- (3) to examine and approve reports of the board of directors;
- (4) to examine and approve the reports of the supervisory board or supervisors;
- (5) to examine and approve the annual financial budget plan and final accounts plan of the company;
- (6) to examine and approve plans for profit distribution of the company and plans for making up losses;
- (7) to adopt resolution on the increase or reduction of the registered capital of the company;
- (8) to adopt resolutions on the issuance of company bonds;

(9) to adopt resolutions on matters such as the merger, division, transformation, dissolution and liquidation of the company; and

(10) to amend the articles of association of the company; and

(11) to exercise other functions and powers as stipulated in the articles of association.

If all the shareholders reach a written agreement upon the matters as listed in the preceding Paragraph, then a decision may be made directly instead of convening the shareholders meeting, and in such case, all the shareholders shall sign and affix their seals on the written decision.

Article 39

The first shareholders meeting of a company shall be convened and presided over by the shareholder who has made the biggest capital contribution to the company and shall exercise its functions and powers in accordance with this Law.

Article 40

Shareholders meetings shall be divided into regular meetings and interim meetings. Regular shareholders meetings shall be convened on time as stipulated by the articles of association of the company. Interim shareholders meetings shall be convened upon proposal made by shareholders representing one-tenth or more of the voting rights, or, by one-third or more of directors or by the supervisory board or by the supervisors of the company having no the supervisory board.

Article 41

Where a limited liability company has set up a board of directors, its shareholders meetings shall be convened by the board of directors and presided over by the chairman of the board. Where special circumstances preclude the chairman of the board from performing his functions, the meetings shall be presided over by a vice-chairman; if the vice-chairman cannot or fails to perform his function, the meetings shall be presided over by a director elected by half or more of the directors.

Where a limited liability company has not set up a board of director, the shareholders meetings shall be convened and presided over by the executive director.

If the board of directors or the executive director of the company cannot or fails to perform the functions to convene the shareholders meetings, then the supervisory board or the supervisors of the company having no the supervisory board shall be responsible for convening and presiding over the shareholders meetings; if the supervisory board or the supervisors fail to convene and preside over the shareholders meeting, the shareholders representing one-tenth voting rights may convene and preside over the shareholders meeting at their own discretion.

Article 42

All shareholders shall be notified 15 days prior to the convening of a shareholders meeting; except as otherwise provided in the articles of association of the company or otherwise agreed by all shareholders.

The shareholders meeting shall keep minutes of their decision on matters discussed at it, and the shareholders present at the meeting shall sign the minutes.

Article 43

Shareholders shall exercise their voting rights at the shareholders meeting in proportion to their capital contributions, except as otherwise provided in the articles of association of the company.

Article 44

The rules of deliberation and voting procedures of the shareholders meeting shall, except otherwise provided for by this Law, be stipulated by the articles of association of the company.

Resolutions of the shareholders meeting on the increase or reduction of the registered capital, the division, merger, dissolution, or transformation of the company must be adopted by shareholders of the company representing two-thirds or more of the voting rights.

Article 45

A limited liability company shall have a board of directors, which shall be composed of three to 13 members.

Except as otherwise provided in Article 51 of this Law, The members of the board of directors of a limited liability company invested in and established by two or more State-owned enterprises, or by two or more other State-owned investment entities shall include representatives of the staff and workers of the company. Such representative of the staff and workers shall be democratically elected by the staff and workers of the company through the staff and workers congress, workers' assembly or other forms.

A board of directors shall have a chairman and may have vice-chairmen. The method for the creation of the chairman and vice-chairmen shall be stipulated in the articles of association of the company.

Article 46

The term of office of directors shall be stipulated by the articles of association of the company but shall not exceed three years. A director may, if reflected upon expiration of his term of office, serve consecutive terms.

If the members of the board of directors are less than the quorum because reselection is not conducted upon expiry of the term office of a director, or a director resigns during his term of

office, then, before the reselected director takes his office, the original director shall, in accordance with the provisions of laws, administrative regulations and the articles of association, perform director's function.

Article 47

The board of directors shall be responsible to the shareholders meeting, and exercise the following functions and powers:

- (1) to be responsible for convening shareholders meetings and to report on its work to the shareholders meetings;
- (2) to implement the resolutions of the shareholders meetings;
- (3) to decide on the business plans and investment plan of the company;
- (4) to formulate the annual financial budget plan and final accounts plan of the company;
- (5) to formulate plans for profit distribution and plans for making up losses of the company;
- (6) to formulate plans for the increase or reduction of the registered capital and issuance of company bond of the company;
- (7) to formulate plans for the merger, division, transformation and dissolution of the company;
- (8) to decide on the establishment of the company's internal management organs;
- (9) to decide on appointment and dismiss the company's manager and the matter on the manager's remuneration, and, upon recommendation of the manager, to decide on appointment and dismiss the company's deputy manager(s) and persons in charge of the financial affairs of the company and the matters concerning their remuneration;
- (10) to formulate the basic management system of the company; and
- (11) to exercise other functions and powers provided in the articles of association of the company.

Article 48

Meetings of the board of directors shall be convened and presided over by the chairman of the board. If the chairman cannot or fails to perform his function, the meeting shall be convened and presided over by a vice-chairman; if the vice-chairman cannot or fails to perform his function, the meeting shall be convened and presided over by a director elected by half or more of the directors.

Article 49

The rules of deliberation and voting procedures of the Board of directors shall, except as otherwise provided for by this Law, be stipulated by the articles of association of the company.

The board meeting shall keep minutes of decisions on matters discussed at it; directors present at the meeting shall sign the minutes.

The voting of the board meeting shall practice the system of one man, one vote.

Article 50

A limited liability company shall 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 functions and powers:

- (1) to be in charge of the production, operation and management of the company, and to organize the implementation of the resolutions of the board of directors;
- (2) to organize the implementation of the annual business plans and investment plans of the company;
- (3) to draw up plans on the establishment of the internal management organs of the company;
- (4) to draw up the basic management system of the company;
- (5) to formulate specific rules and regulations of the company;
- (6) to recommend the appointment or dismissal of the deputy manager(s) and of persons in charge of the financial affairs of the company;
- (7) to appoint or dismiss management personnel other than those to be appointed or dismissed by the board of directors; and
- (8) other functions and powers granted by the board of directors.

If the manager's functions and powers are otherwise provided in the articles of association, such provisions shall apply. The manager shall attend meetings of the board of directors as a non-voting attendee.

Article 51

Where a limited liability company has a small number of shareholders or is comparatively small in scale, it may have an executive director instead of a board of directors. The executive director may concurrently serve as the manager of the company.

The functions and powers of the executive director shall be stipulated by the articles of association of the company.

Article 52

A limited liability company shall have a supervisory board composed of no less than three members. Where a limited liability company has a small number of shareholders or is comparatively small in scale, it may have one or two supervisors instead of a supervisory board.

The supervisory board shall be composed of representatives of the shareholders and an appropriate proportion of the staff and workers of the company, among which, the proportion of the staff and workers shall not be less than one-third and the exact proportion shall be stipulated in the articles of association of the company. The representatives of the staff and workers in the supervisory board shall be democratically elected by the staff and workers of the company through the staff and workers congress, workers' assembly or other forms.

The supervisory board shall have a chairman who shall be elected by more than half of all supervisors. The chairman of the supervisory board shall convene and preside over the meetings of the supervisory board; if the chairman cannot or fails to perform his function, the meetings shall be convened and presided over by a supervisor elected by more than half of the supervisor.

Directors and senior executives of the company shall not concurrently serve as supervisors.

Article 53

The term of office of a supervisor shall be three years. A supervisor may, if reflected upon expiration of his term of office, serve consecutive terms.

If the members of the supervisory board are less than the quorum because reselection is not timely conducted upon expiry of the term office of a supervisor, or a supervisor resigns during his term of office, then, before the reselected supervisor takes his office, the original supervisor shall, in accordance with the provisions of laws, administrative regulations and the articles of association, perform supervisor's function.

Article 54

The supervisory board or the supervisors of the company having no the supervisory board shall exercise the following functions and powers:

- (1) to examine the financial affairs of the company;
- (2) to supervise the acts of the directors and senior executives performing their functions, and to bring the proposal to dismiss those directors and senior executives violating the laws, administrative regulations, the articles of association of the company or the resolutions of the shareholders meetings;
- (3) to demand directors and senior executives to make corrections if any of their acts is found

to have damaged the interests of the company;

(4) to propose the convening of interim shareholders meetings, and to convene and preside over the shareholders meetings in case the board of directors fails to its function of convening and presiding over the shareholders meetings as provided by this Law;

(5) to bring proposal to the shareholders meetings;

(6) to bring a lawsuit against the directors or senior executives in accordance with the provisions of Article 152 of this Law; and

(7) to exercise other functions and powers as provided in the articles of association of the company.

Article 55

The supervisors may attend the meetings of the board of directors as non-voting attendees, and may bring enquiry and suggestion on the matters decided by the board of directors.

The supervisory board or the supervisor of the company having no the supervisory board may, in case finding the business situation of the company abnormal, conduct investigation, and, if necessary, may engage any accountant's firm to assist its work at the expenses of the company.

Article 56

The meeting of the supervisory board shall be convened at least once each year, and the supervisors may propose to convene interim meeting of the supervisory board.

Except as otherwise provided by this Law, the method of deliberation and voting procedures shall be stipulated by the articles of association of the company.

The resolutions of the supervisory board shall be passed by more than half of the supervisors. The supervisory board shall keep minutes of their decision on matters discussed at it, and the supervisors present at the meeting shall sign the minutes.

Article 57

The expenses required for exercise of the supervisor's functions and powers by the supervisory board or the supervisor of the company having no the supervisory board shall be borne by the company.

Section 3 Special Provisions on One-person Limited Liability Companies

Article 58

The incorporation and organizational structure of a one-person limited liability company shall be applied to by the provisions of this Section; in case of no relevant provisions in this

Section, the provisions of Section 1 and Section 2 of this Chapter shall apply.

A "One-person limited liability company" referred to in this Law shall mean a limited liability company that has only one shareholder of natural person or legal person.

Article 59

The minimum amount of registered capital of a one-person limited liability company shall be RMB 100,000. The shareholder of the company shall, in a lump sum and in full, pay the amount of capital contribution as provided in the articles of association.

One natural person may invest to establish only one one-person limited liability company. Such one-person limited liability company shall not invest to establish another one-person limited liability company.

Article 60

Any one-person limited liability company shall clearly indicate "sole proprietorship of natural person" or "sole proprietorship of legal person" in the registration of the company, and shall record it in the business license of the company.

Article 61

The articles of association of any one-person limited liability company shall be formulated by its shareholder.

Article 62

Any one-person limited liability company shall not have a shareholder meeting. The shareholder shall, when making the decisions as listed in Paragraph 1 of Article 38 of this Law, adopt the form in writing and keep them in the company after they being signed by the shareholder.

Article 63

At the end of each fiscal year, any one-person limited liability company shall compile the financial statements that shall be audited by an accounting firm.

Article 64

If the shareholder of a one-person limited liability company cannot prove that the property of the company is independent of the shareholder's own property, the shareholder shall bear the joint and several liability for the company's debts.

Section 4 Special Provisions on Wholly State-owned Companies

Article 65

The incorporation and structural organizations of a wholly State-owned company shall be governed by the provisions of this Section; in case of no relevant provision in this Section, the provision of Section 1 and Section 2 of this Chapter shall apply.

A wholly State-owned company referred to in this Law shall mean a limited liability company invested solely by the State, and the investor's functions of which are performed by the State-owned assets supervision and administration authority of the people's government at the corresponding level under the entrustment of the State Council or the local people's government.

Article 66

The articles of association of a wholly State-owned company shall be formulated by the competent State-owned assets supervision and administration authority, or be formulated by the board of directors of the company and submitted for the approval of the competent State-owned assets supervision and administration authority.

Article 67

A wholly State-owned company shall not have a shareholder meeting, and the competent State-owned assets supervision and administration authority shall exercise the functions and powers of the shareholder meeting. The competent State-owned assets supervision and administration authority may authorize the board of directors of the company to exercise part of the functions and powers of the shareholder meeting and to make decisions on important matters of the company. However, the merger, division, dissolution, increase and reduction of capital, and issuance of company bonds must be decided by the competent State-owned assets supervision and administration authority; among which, the merger, division, dissolution, application for bankruptcy of any major wholly State-owned company shall, upon the examination and approval of the competent State-owned assets supervision and administration authority, submitted to the people's government at the corresponding level for approval.

The major wholly State-owned company referred to in the preceding Paragraph shall be defined according to the provisions of the State Council.

Article 68

A wholly State-owned company shall have a board of directors that shall exercise its functions and powers in accordance with the provisions of Article 47 and Article 67 of this Law. Each term of office of the board of directors shall not exceed three years. The board of directors shall include representatives of the staff and workers of the company.

The members of the board of directors shall be appointed by the competent State-owned assets supervision and administration authority; provided that, the representatives of the staff and workers on the board of directors shall be elected by the staff and workers congress.

The board of directors shall have a chairman and may have vice-chairmen. The chairman and vice-chairmen shall be appointed by the competent State-owned assets supervision and administration authority from the members of the board of directors.

Article 69

A wholly State-owned company shall have a manager, who shall be engaged and dismissed by the board of directors. The manager shall exercise his functions and powers in accordance with the provisions of Article 50 of this Law.

A member of the board of directors may, subject to the consent of the competent State-owned assets supervision and administration authority, serve concurrently as manager.

Article 70

The chairman, vice-chairmen and directors of the board of directors and the senior executives of a wholly State-owned company shall not, without the consent of the competent State-owned assets supervision and administration authority, serve concurrently a post in other limited liability companies, joint-stock limited companies or other business organizations.

Article 71

The members of the supervisory board of a wholly State-owned company shall be no less than five persons, among which, the proportion of the representatives of the staff and workers shall not be less than one-third and the exact proportion shall be stipulated in the articles of association of the company.

The members of the supervisory board shall be appointed by the competent State-owned assets supervision and administration authority; provided that, the representatives of the staff and workers on the supervisory board shall be elected at the staff and workers congress of the company. The chairman of the supervisory board shall be appointed by the competent State-owned assets supervision and administration authority from the members of the supervisory board.

The supervisory board shall exercise the functions and powers specified in Items (1) and (2) of Article 54 of this Law and other functions and powers specified by the State Council.

Chapter 3 Transfer of Stock Ownership of Limited Liability Companies

Article 72

The shareholders of a limited liability company may transfer among themselves all or part of their stock ownership.

Where a shareholder intends to transfer its stock ownership to persons who are not shareholders of the company, the consent of over half of all the shareholders must be secured. Such shareholder shall notify in writing other shareholders for consent of the matter on the transfer of its stock ownership, and, if the other shareholders fail to give a reply within 30 days upon their receipt of such written notice, they shall be deemed to have consented to such transfer. If over half of the other shareholders disapprove such transfer, then, those shareholders disapproving the transfer shall purchase the stock ownership to be transferred. If such shareholders do not make the purchase, they shall be deemed to have consented to the

transfer.

Under equal conditions, the other shareholders shall have the priority to purchase the stock ownership to be transferred with the consent of the shareholders. If two or more shareholders claim to exercise the priority, they shall, through consultation, determine the respective proportion of purchase; failing which, they shall exercise the priority in proportion to their respective capital contributions at the time of the transfer.

If the transfer of stock ownership is otherwise provided in the articles of association, such provisions shall apply.

Article 73

When the people's court transfers the stock ownership of a shareholder of a limited liability company in accordance with the enforcement procedures as stipulated by laws, it shall notify the company and all of its shareholders, and in such case, other shareholders shall have the priority to purchase the stock ownership under equal conditions. If other shareholders fail to exercise their priority to purchase within 20 days upon the date of the notice of the people's court, they shall be deemed to have waived their priority to purchase.

Article 74

After the stock ownership is transferred in accordance with Article 72 and Article 73 of this Law, the company shall cancel the capital contribution certificates of the original shareholders, issue the capital contribution certificates to the new shareholders, and revise the records on the shareholders and the amounts of their capital contribution in the articles of association and the roster of shareholders. Such revision of the articles of association does not require the voting of the shareholders meeting.

Article 75

Under any of the following conditions, any shareholder, who casts a negative vote against such resolution of the shareholders meeting, may require the company to purchase his stock ownership at a reasonable price:

(1) where the company fails to distribute profits to its shareholders for continuous five years, while the company has been continuously profitable for such five years and meets the conditions on distribution of profits as stipulated in this Law;

(2) where the company merges, divides or transfers its substantial assets; or

(3) where the term of operation of the company expires as stipulated in the articles of association or other events occur for dissolution as stipulated in the articles of association, while the shareholders meeting adopts a resolution on revision of the articles of association to make the company continue to exist.

If, within 60 days upon the date of adoption of the resolution of the shareholders meeting, the

shareholders and the company cannot reach an agreement upon purchase of the stock ownership the shareholders may bring a lawsuit in the people's court within 90 days upon the date of adoption of the resolution of the shareholders meeting.

Article 76

After a natural person shareholder is deceased, his legitimate heir may succeed to his shareholder qualification; except as otherwise provided in the articles of association of the company.

Chapter 4 Incorporation and Organizational Structure of Joint Stock Limited Companies

Section 1 Incorporation

Article 77

To incorporate a joint stock limited company, the following conditions must be satisfied;

- (1) the number of sponsors shall conform to the statutory number;
- (2) the share capital subscribed for by the sponsors and raised shall reach the statutory minimum amount of capital;
- (3) the issuance of shares and preparations for incorporation shall be in conformity with the provisions of laws;
- (4) the articles of association of the company shall be formulated by the sponsors, and, in case of incorporation by means of share offer, shall be adopted at the inaugural meeting;
- (5) the company shall have a name and an organizational structure required for the incorporation of a joint stock limited company; and
- (6) the company shall have a domicile.

Article 78

Joint stock limited companies may be incorporated by means of sponsorship or by means of share offer.

Incorporation by means of sponsorship means incorporation of a company by means of subscription by the sponsors for all the shares to be issued by the company.

Incorporation by means of share offer means incorporation of a company by means of subscription by the sponsors for a portion of the shares to be issued by the company and offer of the rest to the general public or to specific target.

Article 79

To incorporate a joint stock limited company, there shall be not less than two and not more than 200 sponsors, of which more than half must have their domicile within the territory of the People's Republic of China.

Article 80

The sponsors of a joint stock limited company shall undertake the matters concerning the preparation for the incorporation of the company. The sponsors shall sign a sponsors' agreement defining their respective rights and obligations during the incorporation of the company.

Article 81

Where a joint stock limited company is incorporated by means of sponsorship, the registered capital shall be the total amount of the share capital subscribed for by all sponsors and registered with the company registration authority. The amount of initial capital contributions of all sponsors shall not be less than 20% of the registered capital, and the remaining of the registered capital may be paid up by the sponsors within two year upon incorporation of the company; provided that, in case of a investment company, it may be paid up within five years upon incorporation of the company. Prior to full payment of the registered capital, the company shall not offer shares to others.

Where a joint stock limited company is incorporated by means of share offer, the registered capital shall be the total amount of the paid-up share capital registered with the company registration authority.

The minimum amount of the registered capital of a joint stock limited company shall be RMB 5,000,000. If a higher minimum amount of the registered capital of a joint stock limited company is provided by laws or administrative regulations, such provisions shall prevail.

Article 82

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 scope of business of the company;
- (3) the method of incorporation of the company;
- (4) the total number of shares, the amount of each share and the registered capital of the company;
- (5) the names or titles of the sponsors, the numbers of shares subscribed for by the sponsors, and the method and time of capital contribution by the sponsors;

(6) the composition, functions and powers, the term of office and the deliberation rules of the board of directors;

(7) the legal representative of the company;

(8) the composition, functions and powers, the term of office and the deliberation rules of the supervisory board;

(9) methods for the distribution of the company's profit;

(10) the reasons for dissolution of the company and liquidation method;

(11) methods for notices and announcements of the company; and

(12) other matters that the shareholders general meeting deems necessary to be specified.

Article 83

The method of capital contribution by the sponsors shall be governed by Article 72 of this Law.

Article 84

Where a joint stock limited company is incorporated by means of sponsorship, the sponsors shall confirm in full and in writing their subscription of the shares to be issued to them according to the articles of association of the company; in case of payment in a lump sum, all capital contributions shall be paid up immediately; in case of payment in installments, the initial capital contribution shall be paid up immediately. If the capital contributions are made in non-currency, the transfer procedures for property rights shall be handled according to law.

If the sponsors fail to pay their capital contribution in accordance with the provisions of the preceding Paragraph, they shall undertake the liability for breach of contract in accordance with the sponsors' agreement.

After the sponsors make their initial capital contributions, they shall elect the board of directors and supervisory board. The board of directors shall submit the articles of association of the company, capital verification certificate issued by the capital verification institution established according to law and other documents required by laws or administrative regulations to the company registration authority for registration of incorporation.

Article 85

Where a joint stock limited company is incorporated by means of share offer, the shares subscribed for by the sponsors shall not be less than 35% of the total amount of the company's shares; except as otherwise provided by laws or administrative regulations.

Article 86

Where shares are to be offered to the general public, the sponsors must publish the company's prospectus on share offer and prepare subscription forms. The subscription forms shall contain the items listed in Article 87 of this Law, and the subscribers shall fill in the number of shares subscribed for, the amount of money contributed to, and their respective domiciles on the forms, and shall sign and seal such forms. The subscribers shall pay their subscription money in accordance with the number of shares subscribed for.

Article 87

A prospectus on share offer shall have the articles of association of the company formulated by the sponsors attached, and shall specify the following:

- (1) the number of shares subscribed for by the sponsors;
- (2) the face value and the issue price of each share;
- (3) the total number of bearer shares issued;
- (4) the purpose of the fund raised;
- (5) the rights and obligations of the subscribers; and
- (6) the term of the share offer and a statement to the effect that subscribers may withdraw their share subscriptions if all the shares are not taken up within the time limit.

Article 88

When sponsors offer shares to the public, the shares shall be distributed by a securities company established according to law, with which a distribution agreement shall be concluded.

Article 89

Where shares are to be offered to the public, the sponsors shall enter into an agreement with a bank on the collection of subscription money on behalf of the company.

The bank entrusted with collecting the subscription money shall, in accordance with its agreement, collect and keep the subscription money, issue receipts to the subscribers for their payments, and bear an obligation to issue certification of receipts to the subscribers' money to the relevant departments.

Article 90

After payment in full of the subscription money for all shares is made, a statutory capital verification institution shall be commissioned to conduct a verification of the funds and produce a verification certificate. The sponsors shall, within 30 days thereafter, convene and preside over an inaugural meeting composed of all the subscribers.

If the number of shares has not been fully subscribed for within the time limit specified in the prospectus on share offer or, if sponsors fail to hold an inaugural meeting within 30 days after payment in full of the subscription money for the total share is made, the subscribers may claim a refund from the sponsors according to the paid-up share subscription money plus bank deposit interest calculated for the same period.

Article 91

The sponsors shall notify each subscriber of the date of the inaugural meeting or make a public announcement 15 days prior to the convening of the meeting. The inaugural meeting may be convened only if subscribers representing more than half of the total shares issued are present.

The following functions and powers shall be exercised at an inaugural meeting:

- (1) to examine the sponsors report on the preparation for the incorporation of the company;
- (2) to adopt the articles of association of the company;
- (3) to elect members of the board of directors;
- (4) to elect members of the supervisory board;
- (5) to examine and verify the expenses incurred in the incorporation of the company;
- (6) to examine and verify the valuation of the property used by the sponsors to pay for subscription money; and
- (7) to resolve not to incorporate the company in the event that a force majeure or major changes in business operation conditions directly affect the incorporation of the company.

The resolution made at the inaugural meeting on the issues listed in the preceding Paragraph must be approved by subscribers attending the meeting who represent more than half of the voting rights.

Article 92

Sponsors and subscribers shall not withdraw their share capital after paying their subscription money or making their capital contributions as substitutes for subscription money, except where the total share issue is not fully subscribed for within the time limit or the sponsors fail to convene the inaugural meeting according to the schedule, or the inaugural meeting resolves not to incorporate the company.

Article 93

The board of directors shall, within 30 days after the inaugural meeting, submit the following

documents to the company registration authority and apply for registration of the incorporation of the company;

- (1) the written application for registration of the company;
- (2) the minutes of the inaugural meeting;
- (3) the articles of association of the company;
- (4) the capital verification certificate;
- (5) the appointment documents and identity certificates of the legal representative, directors and supervisors;
- (6) the certificates of legal person qualification or natural person identity of the sponsors; and
- (7) the certificate of the company's domicile.

Where the joint stock limited company is incorporated by means of share offer and shares are issued publicly, the approval document of the securities regulatory authority under the State Council shall be filed to the company registration company.

Article 94

Where, after the incorporation of a joint stock limited company, the sponsors fail to make the capital contribution in full in accordance with the provisions of the articles of association of the company, the sponsors shall make up the deficiency; other sponsors shall bear joint and several liability therefore.

Where, after the incorporation of a joint stock limited company, it is discovered that the actual value of the property in non-currency contributed as capital is notably less than the value stated in the articles of association, the sponsors that made such contributions shall make up the deficiency; other sponsors shall bear joint and several liability therefore.

Article 95

The sponsors of a joint stock limited company shall bear the following responsibilities:

- (1) in the event of the company failing to be incorporated, joint and several liabilities for all debts and expenses incurred in the act of the incorporation;
- (2) in the event of the company failing to be incorporated, joint and several liabilities for refunding to the subscribers the paid-up subscription money plus bank deposit interest calculated for the same period of time; and
- (3) in the event of the interests of the company being damaged during the course of its

incorporation due to fault of the sponsors, liability for compensation to the company.

Article 96

Where a limited liability company is converted into a joint stock limited company, the total amount of its paid-up share capital converted shall not be more than the amount of its net assets. Where a limited liability company that is converted into a joint stock limited company issues shares publicly for the purpose of increasing its capital, it shall be handled according to law.

Article 97

A joint stock limited company shall keep its articles of association, roster of the shareholders, the counterfoil of company bonds, minutes of the shareholders general meetings, minutes of the meetings of the board of directors, minutes of the meetings of the supervisory board and financial statements at the company.

Article 98

The shareholders shall have the rights to check and review the articles of association of the company, the register of the shareholders, the stubs of the company bonds, the meeting minutes of the shareholders' general meeting, the resolutions of the board of directors, the resolutions of the board of supervisors, and the financial and accounting reports, and to raise suggestions and interpellation on the operations of the company.

Section 2 Shareholders General Meetings

Article 99

A joint stock limited company shall form a shareholders general meeting which shall be composed of all the shareholders. The shareholders general meeting is the organ of power of the company and shall exercise its functions and powers in accordance with this Law.

Article 100

The provisions of Paragraph 1 of Article 38 of this Law on the functions and powers of a limited liability company shall be applicable to any joint stock limited company.

Article 101

The annual meeting of the shareholders general meeting shall be convened once each year. An interim shareholders general meeting shall be convened within two months if any of the following situations occurs:

- (1) if the number of directors is less than the number stipulated by this Law, or less than two-thirds of the number required by the articles of association of the company;
- (2) if the amount of the company's losses that have not been made up reaches one-third of the total amount of its paid-up share capital;

- (3) if shareholders holding separately or jointly ten percent or more of the company's shares request to convene a shareholders meeting;
- (4) if the board of directors deems it necessary;
- (5) if the supervisory board proposes that such a meeting be convened; and
- (6) if other circumstances occur as stipulated in the articles of association of the company.

Article 102

A shareholders general meeting shall be convened by the board of directors and presided over by the Chairman of the board. Where the Chairman is unable to or fails to perform his duties, the meeting shall be presided over by the vice-chairman of the board; if the vice-chairman is unable to or fails to perform his duties, the meeting shall be presided over by a director jointly elected by half or more of shareholders.

Where the board of directors is unable to or fails to perform its function of convening the shareholders general meeting, the supervisory board shall timely convene and preside over the meeting; if the supervisory board fails to convene and preside the meeting, the shareholders, who separately or jointly hold ten percent or more of the company's shares for continuous 90 days, may convene and preside over the meeting in their own discretion.

Article 103

Where a shareholders general meeting is to be held, the shareholders shall be notified of the time and place of holding the meeting and matters to be considered at the meeting 20 days prior to the holding of the meeting; where an interim shareholders general meeting is to be held, the shareholders shall be notified of the same fifty days prior to the holding of the meeting; Where bearer shares are issued, the same shall be publicly announced 30 days prior to the holding of the meeting.

The shareholders separately or jointly holding three percent of the company's shares may bring interim proposals and submit them to the board of directors ten days prior to the holding of the shareholders general meeting; the board of directors shall notify other shareholders within two days upon its receipt of the proposals and submit the proposals to the shareholders general meeting for consideration. The contents of the interim shall fall within the scope of the functions and powers of the shareholders general meeting and shall have definite topics and specific matters to be discussed.

No resolutions may be adopted at the shareholders general meeting in respect of matters not listed in the notices referred to in the two preceding Paragraphs. Holders of bearer shares attending the shareholders general meeting shall deposit their share certificates with the company for the period from five days prior to the holding of the meeting until the end of the meeting.

Article 104

Shareholders attending a shareholders general meeting shall have the right to one vote for each share held, but the company's shares held by the company shall have no voting right. A resolution of the shareholders general meeting must be passed by more than one half of the voting rights held by the shareholders present at the meeting. Resolutions on the merger, division, dissolution or transformation of the company adopted by the shareholders general meeting must require more than two-thirds of the voting rights held by the shareholders present at the meeting.

Article 105

In respect of such matters as transfer or acceptance major assets or provision of external guarantee on which a resolution must be made at the shareholders general meeting in accordance with this Law and the articles of association, the board of directors shall timely convene a shareholders general meeting and the meeting shall vote on the said matters.

Article 106

When a shareholders general meeting elects directors or supervisors, the accumulative voting system may be practiced in accordance with the provisions of the articles of association or the resolution of the shareholders general meeting. The accumulative voting system referred to in this Law shall mean the system that, when a shareholders general meeting elects directors or supervisors, each share has the voting rights equal to the number of the directors or supervisor to be elected, and concentrated use of the voting rights held by a shareholder is permitted.

Article 107

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

Article 108

Resolutions on matters discussed at a shareholders general meeting shall be minuted down. The directors attending the meeting shall sign the minutes. The minutes of the meeting shall be kept together with the roster of the signatures of the shareholders attending the meeting and the powers of attorney of attending proxies.

Section 3 Board of Directors and Manager

Article 109

A joint stock limited company shall have a board of directors composed of five to 19 members.

The board of directors shall be responsible to the shareholders general meeting and exercise the following functions and powers:

The members of the board of directors may include the representatives of the staff and

workers of the company. The representatives of the staff and workers on the board of directors shall be democratically elected by the staff and workers of the company through the staff and workers congress, workers' assembly or other forms.

The provision of Article 46 of this Law on the term of office of the directors of a limited liability company shall be applicable to the directors of a joint stock limited company.

The provision of Article 47 of this Law on the functions and powers of the board of directors of a limited liability company shall be applicable to the board of directors of a joint stock limited company.

Article 110

The board of directors shall have one chairman and may have vice-chairmen. The chairman and vice-chairmen shall be elected by the affirmative votes of more than half of all the directors.

The chairman shall convene and preside over the board meeting and examine the implementation of resolutions of the board of directors. The vice-chairmen shall assist the chairman in his work. Where the Chairman is unable to or fails to perform his duties, a vice-chairman shall perform the duties; if the vice-chairman is unable to or fails to perform his duties, half or more of the directors shall jointly elect a director to perform the duties.

Article 111

Meetings of the board of directors shall be held at least twice a year. All the directors and supervisor shall be notified of the meeting ten days prior to the holding of the meeting. Interim board meetings may be convened upon proposal made by shareholders representing one-tenth or more of the voting rights, or, by one-third or more of directors or the supervisory board. The chairman shall, within ten days upon its receipt of the proposal, convene and preside over the board meeting. The notification method and notification period for convening interim board meetings may be separately decided.

Article 112

A meeting of the board of directors shall be convened only if more than one half of all the directors are present. Any resolution of the board must be adopted by the affirmative votes of more than one half of all the directors.

The voting for the resolution of the board shall practice the system of one man, one vote.

Article 113

Meetings of the board of directors shall be attended by the directors in person. If a director is unable to attend the meetings for certain reasons, he may entrust another director in writing with attending the meeting on his behalf. The power of attorney shall define the scope of authorization.

Decisions on matters discussed at a meeting of the board of directors shall be minutes. Such minutes of the meeting shall be signed by the directors present at the meeting.

Directors shall be responsible for resolutions passed by the board of directors. If a resolution of the board violates the law, administrative regulations or the articles of association of the company and thus causes serious losses to the company, the directors who participated in the adoption of such a resolution shall be liable for compensation to the company. However, if a director is proved to have expressed his objection to such a resolution when it was put to the vote and his objection was recorded in the minutes of the meeting, he may be exempted from such liability.

Article 114

A joint stock limited company shall have a manager, who shall be engaged or dismissed by the board of directors.

The provision of Article 50 of this Law on the functions and powers of the manager of a limited liability company shall be applicable to the manager of a joint stock limited company.

Article 115

The board of directors may decide that one of its members shall concurrently serve as the manager of the company.

Article 116

The company shall not, directly or through its subsidiaries, provide any loan to any of its directors, supervisors or senior executives.

Article 117

The company shall periodically disclose to its shareholders the information on the remuneration obtained by its directors, supervisors or senior executives from the company.

Section 4 Supervisory Board

Article 118

A joint stock limited company shall have a supervisory board composed of no less than three members.

The supervisory board shall be composed of shareholders' representatives and an appropriate proportion of representatives of the staff and workers of the company, the proportion of such representatives shall not be less than one-third and the specific proportion shall be provided for by the articles of association of the company. The representatives of the staff and workers on the supervisory board shall be democratically elected by the staff and workers of the company through the staff and workers congress, workers' assembly or other forms.

The supervisory board shall have a chairman and may have vice-chairmen. The chairman and

vice-chairmen shall be elected by affirmative votes of more than half of all supervisors. The meetings of the supervisory board shall be convened and presided over by the chairman; if the chairman is unable to or fails to perform his duties, the meetings shall be presided over by a vice-chairman; if the vice-chairman is unable to or fails to perform his duties, the meetings shall be convened and presided over by a supervisor jointly elected by half or more of all supervisors.

Directors and senior executives shall not serve concurrently as supervisors.

The provisions of Article 53 of this Law on the term of office of the supervisors of a limited liability company shall be applicable to the supervisors of a joint stock limited company.

Article 119

The provisions of Article 54 and Article 55 of this Law on the term of office of the supervisory board of a limited liability company shall be applicable to the supervisory board of a joint stock limited company.

The expenses required for exercise of the functions and powers of the supervisory board shall be borne by the company.

Article 120

The meetings of the supervisory board shall be held at least once for each six months. The supervisors may propose to hold interim meetings of the supervisory board.

The method of deliberation and voting procedures of the supervisory board shall be stipulated in the articles of association of the company.

The supervisory board shall make minutes of the decisions on the matters discussed at its meetings, and the supervisors present at the meetings shall sign the minutes.

Section 5 Special Provisions on Organizational Structure of Listed Companies

Article 121

A listed company referred to in this Law shall mean a joint stock limited company which has its stocks listed and traded at stock exchanges.

Article 122

Where the major assets purchased or sold by a listed company or the amount of guarantee provided by it may exceed 30% of the total amount of its assets within one year, it shall be resolved at the shareholders general meeting and adopted on an affirmative vote of two-thirds of the voting rights held by the shareholders attending the meeting.

Article 123

A listed company shall have independent directors and the specific measures therefor shall be

stipulated by the State Council.

Article 124

A listed company shall have a secretary of the board of directors, who shall be responsible for such matters as preparing for the shareholders general meetings and the meetings of the board of directors, keeping files, managing the company's equity and handling the information disclosure affairs.

Article 125

Where any director of a listed company has the affiliate relationship with the enterprises related to the matters to be resolved at the meetings of the board of directors, such director shall not exercise the voting rights upon such resolutions nor may exercise the voting rights on behalf of other directors. The meetings of the board of directors may be held if more than half of the directors having no such affiliate relationship attend the meetings, and the resolution made at the meetings of the board of directors shall be passed by more than half of directors having no such affiliate relationship. Where the number of the directors having no such affiliate relationship who attend the meetings is less than three, such matters shall be submitted to the shareholders general meeting of the listed company for examination and discussion.

Chapter 5 Issue and Transfer of Shares of Joint Stock Limited Companies

Section 1 Issue of Shares

Article 126

The capital of a joint stock limited company shall be divided into shares of equal value.

The shares of the company shall take the form of share certificates, which are vouchers issued by the company to certify the shares held by their shareholders.

Article 127

The issue of shares shall be in compliance with the principles of fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same issue shall be issued on the same conditions and at the same price. A unit or an individual subscribing to shares shall pay the same price for each share.

Article 128

Shares may be issued at or above par but not below par.

Article 129

Share certificates may be in paper form or in such other forms as stipulated by the securities regulatory authority under the State Council.

The following main particulars shall be clearly stated on a share certificate:

- (1) the name of the company;
- (2) the date of the incorporation of the company;
- (3) the class of the shares, the par value and the number of shares represented by the certificate; and
- (4) the serial number of the share certificate.

A share certificate shall be signed by the legal representative and affixed with the seal of the company.

In the case of share certificates owned by sponsors, the words "sponsor's share certificate" shall be clearly stated on the share certificates.

Article 130

Shares issued by a company may be either registered shares or bearer shares.

Shares issued by a company to sponsors or legal persons shall be registered shares which shall state the names or titles of the sponsors or legal person. Such shares shall not be registered in other names, nor in the names of their representatives.

Article 131

Where registered shares are issued, the company shall prepare a roster of the shareholders, in which the following items shall be recorded:

- (1) the names or titles, and domiciles of the shareholders;
- (2) the number of shares held by each shareholder;
- (3) the serial numbers of the share certificates held by each shareholder; and
- (4) the date on which each shareholder obtained his share.

Where bearer shares are issued, the company shall keep a record of the number, the serial numbers and the issue date of the share certificates.

Article 132

The State Council may formulate separate regulations on the issue of other classes of shares which are not provided for in this Law.

Article 133

A joint stock limited company shall formally deliver share certificates to its shareholders upon its incorporation. No company may deliver share certificates to its shareholders prior to its incorporation.

Article 134

Where a company issues new shares, resolutions on the following matters shall be adopted by the shareholders general meeting or the board of directors in accordance with the provisions of the articles of association:

- (1) the class and number of the new shares;
- (2) the issue price of the new shares;
- (3) the opening and closing dates of the new share issue; and
- (4) the class and number of new shares issued to existing shareholders.

Article 135

When a company obtains the approval of the securities regulatory authority under the State Council to publicly issue new shares, it must publicly announce its prospectus on new share offer and its financial accounting statements, and shall prepare subscription application forms.

The provisions of Article 88 and Article 89 of this Law shall be applicable to public issue of new shares by a company.

Article 136

Where a company issues new shares, it may determine the pricing proposal for new shares based upon its business operation situation and financial standing.

Article 137

Where the new share issue of a company is fully subscribed for, the company shall apply to the company registration authority for registration of the change and make a public announcement thereafter.

Section 2 Transfer of Shares

Article 138

Shares held by shareholders may be transferred according to law.

Article 139

Transfer of shares by shareholders shall be conducted through stock exchanges established according to law or through other forms as stipulated by the State Council.

Article 140

Registered shares shall be transferred by means of endorsement by the shareholders or by such other means as provided for by laws and administrative regulations; When registered shares are transferred, the company shall register the transferee's name or title and domicile in its roster of shareholders.

No registration of change in the roster of shareholders as stipulated in the preceding Paragraph shall be made within 20 days prior to the convening of a shareholders general meeting or within five days prior to the base date decided by the company for the distribution of dividends, except as otherwise stipulated by laws on the registration of change in the roster of shareholders.

Article 141

Transfer of bearer shares shall become effective immediately after the shareholder delivers the share certificates to the transferee.

Article 142

Shares held by the sponsors of a company shall not be transferred within one year upon the date of incorporation of the company. The shares issued prior to public issue of shares of a company shall not be transferred within one year upon the date when the company's share certificates are listed and traded at stock exchanges.

Directors, supervisors and senior executives shall declare to the company the numbers of shares of the company held by them and the change therein, and such shares transferred by them each year during their terms of office shall not exceed 25% of the total number of the shares of the company held by them; the share of the company held by them shall not be transferred within one year upon the date when the company's share certificates are listed and traded at stock exchanges. The above personnel shall not the shares of the company held by them within half a year after they leave their posts. The articles of association of the company may impose other restrictive provisions on the transfer by the company's directors, supervisors and senior executives of the company's shares held by them.

Article 143

A company shall not purchase its own shares except under any of the following conditions:

- (1) where the company is to reduce its registered capital;
- (2) where the company merges with other companies holding its shares;
- (3) where the company is to offer its shares to its staff and workers as a reward; or
- (4) where any shareholder of the company has objection to the resolution on division or merger of the company adopted by the shareholders general meeting, so, requires the company to purchase his shares.

Where the company purchases its own share by reason of Item (1) to (3) of the preceding Paragraph, a resolution thereupon shall be adopted at the shareholders general meeting. After the company purchases its own share in accordance with the provisions of the preceding Paragraph, in case of the circumstances of Item (1), the shares purchased by the company shall be cancelled within ten days upon the purchase; in case of the circumstances of Item (1) or (4), the shares purchased by the company shall be transferred or cancelled within six months upon the purchase.

The shares of the company purchased by the company in accordance with the provisions of Item (3) of Paragraph 1 shall not exceed 5% of the total amount of the shares issued by the company; the fund for the purchase shall be paid from the after-tax profits of the company; the shares purchased shall be transferred to the staff and workers within one year upon the purchase.

A company shall not accept its own shares as the subject matter of pledge.

Article 144

Where any registered share certificate are stolen, lost or destroyed, the shareholder may, in accordance with the procedure of public summons for exhortation provided for in the Civil Procedure Law of the People's Republic of China, request a people's court to declare such share certificate as void. After the share certificate has been declared void by a people's court, the shareholder may apply to the company for a replacement of the share certificates.

Article 145

The shares of a listed company shall be listed and traded in accordance with the relevant laws and administrative regulations and the transaction rules of the stock exchanges.

Article 146

A listed company must, in compliance with the provisions of the laws and administrative regulations, make public its financial and business situations and major lawsuits, and shall publicize the financial statements every half year of each fiscal year.

Chapter 6 Qualification and Obligations of Corporate Directors, Supervisors and Senior Executives

Article 147

None of the following persons may hold the position of director, supervisor or senior executive of a company:

- (1) A person without capacity or with restricted capacity for civil acts;
- (2) A person who was sentenced to criminal punishment for the crime of embezzlement, bribery, seizure of property or misappropriation of property or for undermining the socialist

market economy order, where not more than five years have elapsed since the expiration of the enforcement period; or a person who was deprived of his political rights for committing a crime, where not more than five years have elapsed since the expiration of the enforcement period;

(3) A director, or factory head or manager of a bankrupt and liquidated company or enterprise who was personally responsible for the bankruptcy of the company or enterprise, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation;

(4) A legal representative of the company or enterprise that had the business license revoked for violating the law, where such legal representative bears individual liability therefor and not more than three years have elapsed since the date of revocation of the business license; and

(5) A person with relatively large amount of personal debts that have fallen due but have not been repaid.

Where a company elects or appoints a director or supervisor or engages senior executives in violation of the preceding Paragraph, such election, appointment or engagement shall be invalid. Where any director, supervisor or senior executive of a company during his term of office occurs any circumstance as listed in Paragraph 1 of this Article, the company shall remove him from office.

Article 148

The directors, supervisors and senior executives of a company shall comply with the laws, administrative regulations and the articles of association of the company, and bear the duties of loyalty and due diligence towards the company.

The directors, supervisors and senior executives of a company shall not, by taking advantage of their positions and powers, accept bribes or other unlawful incomes, nor may they misappropriate the property of the company.

Article 149

The directors, supervisors and senior executives of a company shall not commit any of the following acts:

(1) Misappropriate the company's funds;

(2) Deposit the company's assets in their own personal accounts or in personal accounts of other individuals;

(3) In violation of the company's articles of association and without the consent of the shareholders meeting or the shareholders general meeting or the board of directors, lend the company's funds to others or use the company's property to provide guarantee to others;

(4) In violation of the company's articles of association or without the consent of the shareholders meeting or the shareholders general meeting or the board of directors, enter into contracts or conduct transactions with the company;

(5) Without the consent of the shareholders meeting or the shareholders general meeting, by taking advantage of their positions, seek for themselves or others the commercial opportunity that should belong to the company, or operate for themselves or others the same category of business as that of the company;

(6) Accept and possess the commission in the transaction between others and the company;

(7) Disclose the company's secrets without authorization; and

(8) Commit other acts in violation of the duty of loyalty to the company.

Article 150

If the directors, supervisors and senior executive of a company violate the laws, administrative regulations or the articles of association of the company in performance of their functions and thus cause loss to the company, they shall be liable for compensation.

Article 151

Where the shareholders meeting or the shareholders general meeting of a company requires any director, supervisor or senior executive to attend its meetings as non-voting attendee, such director, supervisor or senior executive shall attend the meeting and accept the inquiry of the shareholders.

The directors, supervisors or senior executives of a company shall faithfully provide the relevant information and materials to the supervisory board or the supervisor of a limited liability company having no supervisory board, and shall not hinder the supervisory board or supervisor from exercising their functions and powers.

Article 152

Where any director or senior executive of a company is under the circumstances of Article 150 of this Law, in case of a limited liability company, the shareholders, or in case of a joint stock company, the shareholders separately or jointly holding one percent or more of the company's shares for 180 consecutive days may request in writing the supervisory board or the supervisor of the limited liability company having no supervisory board to bring a lawsuit before the people's court; where any supervisor of the company is under the circumstances of Article 150 of this Law, the said shareholders may request in writing the board of directors or the executive director of the limited liability company having no board of directors to bring a lawsuit before the people's court.

If the supervisory board or the supervisors of the limited liability company having no supervisory board, or the board of directors or the executive director of the limited liability

company having no board of directors, upon its receipt of the shareholders' written request as stipulated in the preceding Paragraph, refuses to raise a lawsuit, or fails to raise a lawsuit within 30 days upon its receipt of such request, or in case of emergency, the company's interests will suffer irreparable damage if no lawsuit is raised immediately, then, the shareholders as stipulated in the preceding Paragraph may, for the benefits of the company, directly bring a lawsuit before the people's court in their own name.

Where others infringe the lawful rights and interests of a company and cause loss to the company, the shareholders as stipulated in the Paragraph 1 of this Article may raise a lawsuit in accordance with the preceding two Paragraphs.

Article 153

Where any director or senior executive of a company in violation of the provisions of the laws, administrative regulations and the articles of association of the company, cause damage to the interests of any shareholder of the company, such shareholder may bring a lawsuit before the people's court.

Chapter 7 Company Bonds

Article 154

Company bonds referred to in this Law mean negotiable instrument issued by a company in accordance with the legal procedures with repayment of the principal and payment of the interest within a definite time limit. Issue of company bonds shall conform to the conditions on issue as stipulated in the securities law of the People's Republic of China.

Article 155

After an application for the issue of company bonds is approved by the department authorized by the State Council, the company shall make a public announcement of the method of offer of the company bonds.

The method of offer of company bonds shall specify the following main particulars:

- (1) the name of the company;
- (2) the purpose of the funds raises from the offer of the company bonds;
- (3) the total amount of the bonds and their par value;
- (4) the method for determining the interest rate of the bonds;
- (5) the time limit for and the method of the repayment of the principal and the payment of interest;
- (6) the information on security for the bonds;

- (7) the bond issue price and the beginning and ending dates of the bond issue;
- (8) the amount of the net assets of the company;
- (9) the total amount of the undue bonds issued by the company; and
- (10) the selling agency of the company bonds.

Article 156

Where a company issues its company bonds in the form of in-kind coupons, it must clearly record thereon such items as the name of the company, the par value of the bonds, the interest rate and the time limit for repayment, and the bonds shall be signed by the legal representative and sealed by the company.

Article 157

Company bonds may be either registered bonds or bearer bonds.

Article 158

A company issuing company bonds shall prepare the counterfoils of bands issued.

When registered company bonds are issued, the counterfoils of bonds shall specify the following items:

- (1) the name or title and domicile of each bondholder;
- (2) the date on which each bondholder acquired the bonds and their serial numbers;
- (3) the total amount of the bonds, the par value, the interest rate of the bonds and the method of and time limit for repayment of the principal and payment of interest; and
- (4) the issuing date of the bonds.

Where bearer company bonds are issued, the counterfoils of the company bonds shall specify the total amount of the bonds, the interest rate, the time limit for and method of repayment of the principal and payment of interest, the issuing date of the bonds and the serial numbers.

Article 159

The registration and clearing institutions for registered company bonds shall establish the relevant systems such as registration, maintenance and management, payment of interest, conversion into cash of the bonds.

Article 160

Company bonds may be transferred, and the price for the transfer shall be agreed upon by the

transferor and transferee.

If the company bonds are listed and traded at a stock exchange, the transfer thereof shall be bound by the transaction rules of the stock exchange.

Article 161

Registered bonds shall be transferred by means of endorsement by the bondholder or by other means provided for by the laws or administrative regulations; where registered bonds are transferred, the name or title and domicile of the transferee shall be recorded in the counterfoils of the company bonds.

Where bearer bonds are transferred, the transfer becomes effective immediately after the bondholder delivers his bonds to the transferee.

Article 162

Upon adoption of a resolution by the shareholders general meeting, a listed company may issue company bonds which can be converted into shares. The specific measures for the conversion shall be stipulated in the method of offer of the company bonds.

The issue of company bonds convertible into shares shall be subjected to the approval of the securities regulatory authority under the State Council.

In issuing company bonds convertible into shares, the words "convertible company bonds" shall be clearly indicated on the bonds and the amount of convertible company bonds shall be recorded in the counterfoils of company bonds.

Article 163

A company that issues company bonds convertible into shares shall let the bondholders convert their bonds into shares in accordance with the conversion measures. However, bondholders shall have an option whether or not to convert their bonds into shares.

Chapter 8 Financial Affairs and Accounting of Companies

Article 164

A company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the stipulations of the department in charge of financial affairs under the State Council.

Article 165

At the end of each fiscal year, a company shall prepare its financial statements, which shall be audited by an accountant's firm according to law.

The financial statements shall be formulated in accordance with the laws, administrative regulations and the stipulations of the department in charge of financial affairs under the State

Council.

Article 166

A limited liability company shall send the financial statements to each of its shareholders within the time limit stipulated in its articles of association.

A joint stock limited company shall make the financial statements available at the company for examination by its shareholders 20 days prior to the convening of the shareholders annual general meeting; a joint stock limited company publicly issuing shares must announce its financial statements.

Article 167

When a company distributes the annual after-tax profits, it shall allocate ten percent of its profits to its statutory common reserve fund. Where the accumulated amount of the statutory common reserve fund has exceeded 50 percent of the registered capital of the company, the company may make no further allocation.

Where the statutory common reserve fund is insufficient to make up the company's losses of the previous fiscal year, the company shall apply its annual after-tax profits to making up its losses before allocating such profits to the statutory common reserve fund in accordance with provisions of the preceding Paragraph.

After making its allocation to the statutory common reserve fund from the company's after-tax profits, the company may, upon resolution made by the shareholders meeting or the shareholders general meeting, make allocations to the discretionary common reserve fund.

After a company makes up its losses and makes allocations to the statutory common reserve fund, a limited liability company shall distribute the remaining after-tax profits to its shareholders according to the provisions of Article 35 of this Law; and a joint stock limited company shall distribute the remaining after-tax profits to its shareholders according to the proportion of the shares held by each shareholder, except the articles of association of the company stipulates the profits shall not be distributed according to the proportion of shareholding.

Where the shareholders meeting or the shareholders general meeting or the board of directors violates the provisions of the preceding Paragraphs by distributing profits to the shareholders before making up the company's losses and making allocations to the statutory common reserve fund, the profits distributed in violation of the legal provisions must be returned by the shareholders to the company. No profits may be distributed upon a company's shares held by the company itself.

Article 168

The premium income derived from issuing shares above par by a joint stock limited company and other income which according to the rules set by the departments in charge of financial

affairs under the State Council should be entered into the capital common reserve fund, shall be entered into the capital common reserve fund of the company.

Article 169

A company's common reserve fund shall be used to make up the company's losses, to expand the production and operation of the company or to increase the capital of the company by means of conversion, but the capital common reserve fund shall not be used to make up the company's losses.

When the statutory common reserve fund of a company is converted into its capital, the remaining amount of the statutory common reserve fund shall not be less than 25 percent of the registered capital.

Article 170

If a company is to engage or dismiss any accountant's firm handling the audit affairs of the company, it shall be decided by the shareholders meeting or the shareholders general meeting or the board of directors in accordance with the articles of association of the company.

When the shareholders meeting or the shareholders general meeting or the board of directors of the company votes for engagement or dismissal of the accountant's firm, the accountant's firm shall be permitted to state its opinions.

Article 171

A company shall provide to the accountant's firm engaged by it true and complete accounting vouchers, accounting books, financial statements and other accounting materials, and shall not refuse to provide or conceal or falsely provide the same.

Article 172

A company shall not have any other account books in addition to its statutory account books.

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

Chapter 9 Merger, Division, Increase and Reduction of Capital of Companies

Article 173

The merger of a company may take the form of merger by absorption or merger by new establishment.

When a company absorbs another, it is an absorption merger, and the company being absorbed shall be dissolved. When two or more companies merge to establish a new company, it is merger for new establishment, and all parties being merged shall be dissolved.

Article 174

When companies merge, the parties to a merger shall sign a merger agreement and formulate a balance sheet and a detailed inventory of assets. The company shall inform its creditors of the intended merger within ten days following the date on which the merger resolution is adopted, and make at least three announcements in newspaper within 30 days. The creditors shall have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company with 30 days from the date of receipt of the notice or, within 45 days from the date of the first public announcement for those who have not received the notice.

Article 175

When companies merge, the claims and debts of the parties to the merger shall be succeeded to the absorbing company or the newly established company when companies are merged.

Article 176

Where a company proceeds into a division, its assets shall be divided correspondingly.

Where a company decides to divide itself, it shall formulate a balance sheet and a detailed inventory of assets and shall inform its creditors of the intended division within ten days following the date on which the division resolution is adopted, and make at least three announcements in newspaper within 30 days.

Article 177

The companies following the division shall assume the joint and several liability for the debts prior to the division of the company, except as otherwise provided in an written agreement upon satisfaction of the debts reached between the company and its creditors prior to the division.

Article 178

Where a company intends to reduce its registered capital, it must formulate a balance sheet and a detailed inventory of assets.

The company shall inform its creditors of the planned reduction of its registered capital within ten days following the date on which the resolution to reduce its capital is adopted, and make at least three announcements in newspaper within 30 days following the aforesaid date. The creditors shall have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company within 30 days from the date of the receipt of the notice or, within 45 days from the date of the first public announcement for those who have not received the notice.

After the reduction of capital, the amount of a company's registered capital shall not be lower than the statutory minimum amount.

Article 179

Where a limited liability company increase its registered capital, the capital contributions to the newly increased capital subscribed for by the shareholders shall be governed by the

relevant provisions of this Law regarding the payment of capital contributions in connection with the incorporation of a limited liability company.

Where a joint stock limited company issues new shares to increase its registered capital, subscription for the new shares by shareholders shall be governed by the relevant provisions of this Law regarding the payment of subscription money in connection with the incorporation of a joint stock limited company.

Article 180

Where the merger or division of a company involves changes in registered items, such changes shall be registered according to law with the company registration authority. Where a company is dissolved, it shall apply for cancellation of its registration according to law. Where a new company is incorporated, the registration of the incorporation of the company shall be handled according to law.

Where a company increase or reduces its registered capital, it shall apply to the company registration authority for registration of the changes according to law.

Chapter 10 Dissolution and Liquidation of Companies

Article 181

Where any of the following circumstances occurs, a company shall be dissolved:

- (1) the term of operation as stipulated by the articles of association of the company expires or other reasons for dissolution as stipulated by the articles of association occur;
- (2) the shareholders meeting or the shareholders general meeting resolves to dissolve the company;
- (3) dissolution is necessary as a result of the merger or division of the company;
- (4) the company's business license is cancelled or the company is ordered to be closed down or is revoked according to law; and
- (5) the company is dissolved by the people's court in accordance with Article 183 of this Law.

Article 182

If a company is under the circumstances of Item (1) of Article 181 of this Law, it may continue to exist by means of revision of its articles of association.

The revision of the articles of association under the preceding Paragraph shall be, in case of a limited liability company, passed by the shareholders holding two-thirds or more of the voting rights, or, in case of a joint stock limited company, passed upon an affirmative votes of two-thirds or more of the voting rights held by the shareholders attending the shareholders

general meeting.

Article 183

If the operation and management of a company occur serious difficulty, continued existence of the company will cause major loss to the shareholders' interests and the situation cannot be solved through other approaches, the shareholders holding ten percent of all shareholders' voting rights of the company may request the people's court to dissolve the company.

Article 184

Where a company is to be dissolved in accordance with the provisions of Item (1), (2), (4) or (5) of the Article 181, a liquidation committee shall be formed within 15 days after the reason for dissolution occurs and commence the liquidation. The liquidation committee of a limited liability company shall be composed of its shareholders, and the membership of the liquidation committee of a joint stock limited company shall be decided upon by the directors or the shareholders general meeting of the company. Where a company fails to form a liquidation committee to conduct liquidation within the time limit, its creditors may request a people's court to designate relevant personnel to form a liquidation committee and conduct liquidation. The people's court shall accept such request and without delay form the liquidation committee to conduct liquidation.

Article 185

During liquidation, a liquidation committee shall exercise the following functions and powers:

- (1) to check up on the company's assets, and separately formulate a balance sheet and a detailed inventory of assets;
- (2) to notify creditors by notice or public announcement;
- (3) to dispose of and liquidate the relevant unfinished business of the company;
- (4) to pay off taxes owed by the company and incurred during liquidation;
- (5) to clear up claims and debts;
- (6) to dispose of, after paying off the debts of the company, its remaining property; and
- (7) to participate in civil lawsuits on behalf of the company.

Article 186

A liquidation committee shall inform the company's creditors of its establishment within ten days following the date of its establishment, and make at least three announcements in newspaper within 60 days following the aforesaid date. The creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice or, within 45 days from the date of the first public announcement for those who have not received the

notice.

A creditor shall, when declaring his claims, specify the relevant items of the claim and provide supporting materials. The liquidation committee shall register the claims. During the period of declaration of claims, the liquidation committee shall not satisfy the creditors.

Article 187

After the liquidation committee has checked up on the company's assets, formulated the balance sheet and a detailed inventory of assets, it shall formulate a liquidation plan and shall submit such plan to the shareholders meeting or the shareholders general meeting or the people's court for confirmation.

After all liquidation fees, wages, social insurance premiums and statutory compensatory amounts of the staff and workers, due taxes and debts of the company are respectively paid off from the company's property, the remaining assets of the company shall be distributed, in the case of a limited liability company, in proportion to the shareholders' capital contributions, or, in the case of a joint stock limited company, in proportion to the shares held by the shareholders.

During liquidation, a company still exists but shall not engage in new business activities unrelated to the liquidation. No assets of the company may be distributed to the shareholders prior to full payments as stipulated by the preceding Paragraph.

Article 188

If the liquidation committee of a company, having checked up on the company's asset and formulating the balance sheet and a detailed inventory of assets, discovers that there are insufficient assets in the company to pay off its debts, the committee shall apply to the people's court for a declaration of bankruptcy of the company.

After the people's court has ruled to declare the company bankrupt, the liquidation committee shall turn the liquidation matters over to the people's court.

Article 189

After the completion of liquidation, the liquidation committee shall formulate a liquidation report and submit the report to the shareholders meeting or the shareholders general meeting or the people's court for confirmation and submit it to the company registration authority in order to cancel the registration of the company and publicly announce the company's termination.

Article 190

Members of a liquidation committee shall be devoted to their duties and perform their liquidation obligations.

Members of a liquidation committee shall not accept bribes or other illegal income, or

misappropriate the property of the company by taking advantage of their positions and powers.

Members of a liquidation committee who cause losses to the company or to its creditors, either will fully or through gross negligence, shall be liable for compensation.

Article 191

If a company is declared bankrupt according to law, the bankruptcy liquidation of the company shall be conducted in accordance with the laws on enterprise bankruptcy.

Chapter 11 Branches of Foreign Companies

Article 192

A foreign company referred to in this Law shall mean a company incorporated outside the territory of the People's Republic of China in accordance with foreign laws.

Article 193

A foreign company that intends to establish a branch within the territory of the People's Republic of China must submit an application to the authorities in charge in China together with relevant documents such as its articles of association and the company's registration certificate issued by its country. Upon approval, it shall apply to the company registration authority for registration and for a business license for the branch according to law.

Measures for examining and approving the establishment of branches of foreign companies shall be formulated separately by the State Council.

Article 194

A foreign company that establishes a branch within the territory of the People's Republic of China must appoint its representative or agent within the territory of the People's Republic of China to take charge of the branch and shall allocate to the branch funds commensurate with the business which it is to engage in.

Where a minimum amount of operational funds is required for a branch of a foreign company, the State Council shall separately prescribe to that effect.

Article 195

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

The branch shall keep at its domicile a copy of the articles of association of such foreign company.

Article 196

A branch established by A foreign company within the territory of the People's Republic of China shall not have the status of a Chinese legal person.

A foreign company shall bear civil liability for the operational activities engaged in by its branch within the territory of the People's Republic of China.

Article 197

The business activities engaged in within the territory of the People's Republic of China by foreign companies' branches established upon approval must comply with the laws of China and shall not harm the social and public interest of China. The lawful rights and interests of such branches shall be protected by the laws of China.

Article 198

Where a foreign company dissolves its branch established within the territory of the People's Republic of China, it must pay off the branch's debts according to law and carry out liquidation in accordance with the relevant procedures concerning company liquidation provide for in this Law. The assets of the branch shall not be transferred out of the territory of the People's Republic of China prior to the full payment of its debts.

Chapter 12 Legal Liability

Article 199

Where a company obtains its registration by making a false report on its registered capital, submitting falsified materials, or resorting to other fraudulent means to conceal important facts in violation of this Law, it shall be ordered to make a rectification; where a company makes a false report on its registered capital, it shall be fined an amount of not less than five percent but not more than 15 percent of the registered capital falsely reported; where a company submits falsified materials or resorts to other fraudulent means to conceal important facts, it shall be punished with a fine of not less than RMB 50,000 but not more than RMB 500,000; If the circumstances are serious, the registration of the company shall be cancelled or its business license shall be revoked.

Article 200

Where a sponsor or a shareholder makes a false capital contribution or fails to pay or fails to pay within the stipulated time limit the promised currency or property in non-currency as capital contribution, he shall be ordered to make a rectification and imposed a fine of not less than five percent but not more than 15 percent of the false capital contributions.

Article 201

Where a sponsor or a shareholder of a company surreptitiously withdraws his capital contribution after the incorporation of the company, he shall be ordered to make a rectification and imposed a fine of not less than five percent but not more than 15 percent of the amount of capital contribution surreptitiously withdrawn.

Article 202

Where a company violates the provisions of the Law by setting up accounting books in addition to its statutory accounting books, it shall be ordered to make a rectification and imposed a fine of not less than RMB 50,000 but not more than RMB 500,000 by the department in charge of financial affairs of the people's government at or above county level.

Article 203

Where a company submits to the competent department in charge such materials financial statements having false records or concealing important facts, the persons in charge and other persons held directly responsible shall be imposed upon a fine of not less than RMB 30,000 but not more than RMB 300,000.

Article 204

Where a company fails to make allocations to its statutory common reserve fund in accordance with this Law, it shall be ordered to make up the amount that it is required to allocate and shall be imposed upon a fine of not more than RMB 200,000.

Article 205

Where a company fails to issue a notice or make an public announcement to its creditors according to this Law in case of merger, division, reduction of its registered capital or liquidation, it shall be ordered to make a rectification and be imposed upon a fine of not less than RMB 10,000 but not more than RMB 100,000.

Where a company, in the process of its liquidation, conceals property, records false information in its balance sheet or detailed inventory of assets or, distributes the company's assets prior to the full payment of its debts, it shall be ordered to make a rectification by the company registration authority and be imposed upon a fine of not less than five percent but not more than ten percent of the amount concealed or of the amount distributed prior to the full payment of the debts of the company. The persons in charge and others held directly responsible shall be imposed upon a fine of not less than RMB 10,000 but not more than RMB 100,000.

Article 206

Where a company, in the process of its liquidation, carries out any business activity unrelated to the liquidation, it shall be given a warning by the company registration authority and the illegal earnings shall be confiscated.

Article 207

Where a liquidation committee fails to submit a liquidation report to the company registration authority in accordance with this Law, or where a liquidation report submitted conceals major facts or contains major omission, it shall be ordered to make a rectification by Company Registration Authority.

Where a member of the liquidation committee takes advantage of his position and power to practice favouritism for personal gains, seek illegal incomes or misappropriate the property of the company, he shall be ordered to return the property to the company, confiscated of his illegal gains and imposed upon a fine from one to five times the amount of his illegal gains.

Article 208

Where an institution in charge of asset valuation, capital verification or certificate verification provides false materials, the illegal income derived therefrom shall be confiscated by the company registration authority and a fine from one to five times the amount of the illegal income shall be imposed; the relevant department in charge may, according to law, order the institution to suspend its business or revoke the qualification certificates of those held directly responsible or revoke the business license of the institution.

Where an institution in charge of asset valuation, capital verification or certificate verification provides by negligence reports with major omissions, it shall be ordered to make a rectification; where the circumstances are relatively serious, a fine from one the five times the amount of the income derived therefrom shall be imposed, and the relevant department in charge may, according to law, order the institution to suspend its business or revoke the qualification certificates of those held directly responsible or revoke the business license of the institution.

Where an institution in charge of asset valuation, capital verification or certificate verification provides untrue evaluation results, capital verification or certificate verification and therefore cause losses to the company's creditors, it shall undertake the liability for compensation to the extent the amount is under untrue evaluation or verification, except the institution can prove it has no fault.

Article 209

Where the company registration authority approves an application for registration which does not meet the requirements as stipulated in this Law, or disapproves an application for registration which does meet the requirements as stipulated in this Law, the persons in charge and others held directly responsible shall be given administrative sanctions according to law.

Article 210

Where departments at a level higher than the company registration authority force the company registration authority to approve an application for registration which does not meet the requirements as stipulated in this Law, or force the company registration authority to disapprove an application for registration which does meet the requirements as stipulated in this Law, or covers up an illegal registration, the persons in charge and others held directly responsible shall be given administrative sanctions according to law.

Article 211

Where a company that has not registered according to law as a limited liability company or a joint stock limited company assumes the name of "limited liability company" or "joint stock

limited company", or a branch that has not registered according to law as a branch of a limited liability company or a joint stock limited company assumes the name of "branch of limited liability company" or "branch of joint stock limited company", it shall be ordered to make a rectification or be banned, and a fine of not more than RMB 100,000 may be imposed concurrently.

Article 212

Where a company fails to commence its business without justification within the period of more than six months of its incorporation or, after commencing its business, suspends business at its own will for a period of six consecutive months or more, the company registration authority shall revoke the company's business license.

Where a company fails to apply for registration of change in accordance with this Law whenever change occurs in registered items of the company, it shall be ordered to handle the registration within a specified time limit; and if the company still fails to register within the specified time limit, a fine of not less than RMB 10,000 but not more than RMB 100,000 shall be imposed.

Article 213

Where a foreign company, in violation of the provisions of this Law, establishes a branch within the territory of the People's Republic of China without authorization, it shall be ordered to make a rectification or to be closed down, and a fine of not less than RMB 50,000 but not more than RMB 200,000 may be imposed concurrently.

Article 214

Where a company, in the name of the company, commits serious illegal acts of endangering the State security or social public interests, its business license shall be revoked.

Article 215

Where a company violating the provisions of this Law shall assume civil liability for compensation and pay fines and penalties, and the company's property is insufficient to pay such compensation, fines and penalties, the company shall assume the civil liability for compensation first.

Article 216

Where any circumstance, in violation of the provisions of this Law, constitutes a crime, the criminal liability shall be investigated.

Chapter 13 Supplementary Provisions

Article 217

The meaning of the following terms for the purposes of this Law:

(1) "Senior executive" shall mean any manager, deputy manager and person in charge of financial affairs of any company, and the secretary of the board of directors of any listed company and other personnel as stipulated in the articles of association of any company.

(2) "Holding shareholder" shall mean any shareholder whose capital contribution amount accounts for 50% or more of the total amount of the capital of a limited liability company or the shares held by whom accounts for 50% of the total amount of the share capital of a joint stock limited company; and any shareholder, although whose capital contribution amount or shares held by whom is less than the said 50%, who can, through his voting rights upon his capital contribution amount or shares held by him, have a major effect upon the resolutions of the shareholders meeting or the shareholders general meeting.

(3) "Actual controller" shall mean any person who is not a shareholder of a company but can control the company's acts through investment relationship, agreements or other arrangements.

(4) "affiliate relationship" shall mean the relationship between a company's holding shareholders, actual controllers, directors, supervisors, senior executives and a enterprise directly or indirectly controlled by the forgoing persons, and any relationship that may transfer a company's interests. However, the State-holding enterprises shall not be deemed to have affiliate relationship only because they are under common State holding.

Article 218

This Law shall apply to limited liability companies and joint stock limited companies with foreign investment. Where laws concerning foreign investment provide otherwise, such provisions shall prevail.

Article 219

This Law shall come into effect as of January 1, 2006.