



Company Law of the People's Republic of China (2023 Revision)¹

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December 29, 2023

Company Law of the People's Republic of China

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¹ Translated by Health Law Asia – Pharmaceutical, Medical Device, and Cosmetics Law



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Chapter I: General Provisions

Article 1

This Law is enacted in accordance with the Constitution to regulate the organization and operation of companies, protect the lawful rights and interests of companies, shareholders, employees, and creditors, improve the modern enterprise system with Chinese characteristics, uphold the entrepreneurial spirit, maintain the socialist economic order, and promote the development of the socialist market economy.

Article 2

For the purposes of this Law, a "company" refers to a limited liability company or a corporation formed in the territory of the People's Republic of China in accordance with this Law.

Article 3

A company is an enterprise with legal person status, possessing independent property and property rights. A company is liable for its debts with all of its assets. The lawful rights and interests of a company are protected by law and may not be infringed upon.

Article 4

Shareholders of a limited liability company are liable to the company to the extent of their subscribed capital contributions. Shareholders of a corporation are liable to the corporation to the extent of their subscribed shares. Shareholders are entitled to returns on assets, participation in key decision-making, and the selection of managers, among other rights, in accordance with the law.

Article 5

When forming a company, the company bylaws ("company bylaws") shall be established in accordance with the law. The company bylaws are binding on the company, its shareholders, directors, supervisors, and senior executives.

Article 6

A company shall have its own name, which must comply with the relevant provisions issued by the state. The right to the company name is protected by law.



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Article 7

A limited liability company formed under this Law shall include the words "Limited Liability Company" or "Limited Company" in its name. A corporation formed under this Law shall include the word "Corporation" or "Corp." in its name.

Article 8

The domicile of a company is its principal place of business.

Article 9

The business scope of a company is prescribed in its bylaws. A company may modify its business scope by amending its bylaws. If any item in the business scope requires approval under law or administrative regulation, such approval shall be obtained legally.

Article 10

A director or the president who represents the company in conducting its affairs serves as the legal representative of the company in accordance with the company bylaws. If the director or president serving as the legal representative resigns, they are deemed to have concurrently resigned from the position of legal representative. Upon the resignation of the legal representative, the company shall appoint a new legal representative within 30 days.

Article 11

The legal consequences arising from civil acts performed by a company's legal representative on behalf of the company shall be borne by the company. Any limitation on the authority of the legal representative imposed by the company's articles of association or the shareholders' meeting shall not be enforceable against a bona fide third party. Where the legal representative, in the course of performing his or her duties, causes harm to any person, the company shall bear civil liability for such harm. After assuming such liability, the company may seek indemnification from the responsible legal representative in accordance with applicable laws or its articles of association.

Article 12

When a limited liability company is converted into a corporation, it shall comply with the requirements prescribed by this Law for corporations. Conversely, when a corporation is converted into a limited liability company, it shall comply with the requirements prescribed for



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limited liability companies. Following such conversion, the company shall succeed to all claims and debts of the company prior to the conversion.

Article 13

A company may establish subsidiaries, which shall possess independent legal personality and shall assume civil liabilities independently in accordance with law. A company may also establish branches, which do not possess separate legal personality; all civil liabilities of the branches shall be borne by the company.

Article 14

A company may invest in other enterprises. Where a law prohibits a company from becoming a capital contributor with joint and several liability for the debts of the investee, such legal provision shall apply.

Article 15

Any investment to be made by the company in another enterprise or any security to be provided by the company on behalf of others shall be approved in accordance with the company's articles of association through a resolution of the board of directors or the shareholders' meeting. If the articles of association impose limits on the total amount of investments or securities, or on the amount of an individual investment or security, such limits shall not be exceeded. A shareholders' meeting resolution shall be required for any security provided by the company on behalf of a shareholder or the company's actual controller. Shareholders involved in the matter or those controlled by the actual controller shall abstain from voting. Such resolution shall be passed by a majority of the voting rights held by the other shareholders present.

Article 16

A company shall safeguard the lawful rights and interests of its employees, enter into employment contracts in accordance with law, participate in social insurance schemes, strengthen labor protection, and ensure occupational safety. The company shall provide various forms of vocational training and in-service education to enhance the skills and qualifications of its employees.

Article 17




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Employees of a company shall have the right to establish and organize a labor union to conduct union activities and to safeguard their lawful rights and interests in accordance with the Labor Union Law of the People's Republic of China. The company shall provide the necessary conditions and support for the labor union to carry out its functions.

The labor union shall, on behalf of the employees, negotiate and conclude collective contracts with the company concerning matters including, but not limited to, remuneration, working hours, rest and leisure, occupational health and safety, and social insurance benefits, in accordance with applicable laws.

In accordance with the Constitution and relevant laws, a company shall establish, maintain, and continuously improve a democratic management system, primarily through assemblies of employee representatives, and shall implement democratic management either through such assemblies or by other lawful means.

When considering or deciding on matters relating to systematic restructuring, dissolution, bankruptcy filings, major operational issues, or the formulation of significant rules and regulations, the company shall solicit and duly consider the opinions of the labor union and the views and recommendations of employees, either through assemblies of employee representatives or by other appropriate channels.

Article 18

A company shall establish an organization of the Communist Party of China in accordance with the Party Constitution, and provide the necessary conditions for the Party organization to carry out its activities.

Article 19

In conducting its operations, a company shall comply with laws and regulations, uphold social morality and business ethics, act in good faith, and be subject to supervision by the government and the public.

Article 20

In the course of its business, a company shall fully consider the interests of its employees, consumers, and other stakeholders, as well as ecological, environmental, and other public interests, and shall assume social responsibility. The State encourages companies to engage in public welfare activities and to disclose their social responsibility reports to the public.

Article 21




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Shareholders of a company shall comply with applicable laws, administrative regulations, and the company's articles of association, and shall exercise their rights as shareholders in accordance with the law. Shareholders shall not abuse their rights to the detriment of the company or other shareholders. A shareholder who abuses his or her rights and thereby causes loss to the company or other shareholders shall be liable for damages.

Article 22

The controlling shareholder, actual controller, directors, supervisors, and senior executives of a company shall not exploit their affiliation to the company to prejudice its interests. Any person who violates the provisions of the preceding paragraph and causes loss to the company shall be liable for damages.

Article 23

Where a shareholder of a company evades debts by abusing the company's status as a separate legal entity or the shareholder's limited liability, thereby seriously harming the interests of the company's creditors, the shareholder shall bear joint and several liability for the company's debts.

Where a shareholder employs two or more companies under its control to engage in the conduct described above, each of such companies shall bear joint and several liability for the debts of any of the other companies.

Where a company has a sole shareholder and that shareholder fails to demonstrate that the company's assets are separate and independent from the shareholder's personal assets, the shareholder shall bear joint and several liability for the debts of the company.

Article 24

Unless otherwise provided in the company's articles of association, the convening of a shareholders' meeting, a board of directors' meeting, or a board of supervisors' meeting, as well as voting at such meetings, may be conducted via electronic communication.

Article 25

Any resolution of the shareholders' meeting or the board of directors that contravenes applicable laws or administrative regulations shall be null and void.

Article 26




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Where the procedure for convening, or the manner of voting at, a shareholders' meeting or a board of directors' meeting contravenes any applicable law, administrative regulation, or the company's articles of association, or where any provision of a resolution violates the company's articles of association, a shareholder may, within sixty (60) days of the adoption of such resolution, petition a people's court to set aside the resolution. This shall not apply in cases where the defect in the convening procedure or voting manner is minor and does not materially affect the resolution.

A shareholder who did not participate in the shareholders' meeting due to not having received notice of the meeting may, within sixty (60) days from the date on which the shareholder became aware, or ought reasonably to have become aware, of the adoption of the resolution, petition a people's court to revoke the resolution. If the shareholder fails to exercise the right of revocation within one (1) year from the date of adoption of the resolution, such right shall be extinguished.

Article 27

A resolution of the shareholders' meeting or the board of directors of a company shall not be deemed validly adopted under any of the following circumstances:

- 1-A resolution is purportedly adopted without the convening and holding of a shareholders' meeting or a board of directors' meeting.
- 2-The matters intended to be resolved are not properly submitted to a vote at a shareholders' meeting or a board of directors' meeting.
- 3-The number of attendees at the meeting, or the aggregate voting rights held by such attendees, is less than the quorum required by this Law or the company's articles of association.
- 4-The number of affirmative votes cast in respect of the matters to be resolved, or the aggregate voting rights represented by such votes, is less than the number required by this Law or the company's articles of association.

Article 28

Where a resolution of the shareholders' meeting or the board of directors of a company is declared void, revoked, or confirmed as not having been validly adopted by a people's court, the company shall apply to the company registration authority for the revocation of any registration or amendments made pursuant to the resolution. The invalidation, revocation, or confirmation of non-adoption of a resolution shall not affect civil legal relationships entered into between the company and bona fide third parties in reliance on the resolution.



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Chapter II: Company Registration

Article 29

To form a company, an application for registration of establishment shall be submitted to the company registration authority. Where any law or administrative regulation requires that the formation of a company be subject to approval, such approval shall be obtained in accordance with the law prior to submission of the company registration application.

Article 30

An application for registration of a company shall include a written application, the company's articles of association, and any other required documents. All submitted materials shall be authentic, lawful, and valid. Where the submitted materials are incomplete or fail to conform to statutory requirements, the company registration authority shall notify the applicant of the additional materials required in a single notice.

Article 31

Where an application for the formation of a company satisfies the formation conditions prescribed by this Law, the company registration authority shall register the company as a limited liability company or a corporation; if such conditions are not met, the company shall not be registered as a limited liability company or a corporation.

Article 32

The registration particulars of a company shall include:

- 1-Business name;
- 2-Domicile;
- 3-Registered capital;
- 4-Business scope;
- 5-Name of the legal representative; and
- 6-Names of the shareholders of a limited liability company or the promoters of a corporation.

The company registration authority shall disclose the registration particulars of a company to the public through the National Enterprise Credit Information Publicity System.



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Article 33

The company registration authority shall issue a business license to a company that is legally formed. The date of issuance of the business license shall be deemed the date of formation of the company. The business license shall specify the business name, domicile, registered capital, business scope, and the name of the legal representative. The company registration authority may issue electronic business licenses, which shall have the same legal effect as paper business licenses.

Article 34

Where any registration particulars of a company are modified, such modifications shall be registered in accordance with the law. Failure to register any registration particulars, or any modification thereof, shall not be enforceable against bona fide third parties.

Article 35

A company applying for registration of modifications shall submit to the company registration authority: a written application for modification registration signed by the legal representative; a resolution or decision concerning the modification adopted in accordance with law; and any other required documents.

Where the modification involves an amendment to the company's articles of association, the amended articles shall be submitted. Where a company modifies its legal representative, the application for modification registration shall be signed by the new legal representative.

Article 36

Where any particulars recorded on the business license of a company are modified, the company registration authority shall reissue the business license to the company upon completion of the required modification registration.

Article 37

Where a company is required to be terminated due to dissolution, declaration of bankruptcy, or any other statutory ground, the company shall apply to the company registration authority for cancellation of registration in accordance with law. The company registration authority shall make a public announcement regarding the termination of the company.

Article 38




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A company establishing a branch shall apply to the company registration authority for registration of the branch and shall obtain a business license for the branch.

Article 39

Where a company obtains formation registration by falsely representing its registered capital, submitting false documents, or otherwise fraudulently concealing material facts, the company registration authority shall revoke the company's formation registration in accordance with applicable laws and administrative regulations.

Article 40

A company shall, in accordance with applicable laws and regulations, disclose to the public the following information through the National Enterprise Credit Information Publicity System:

1-In the case of a limited liability company, the amounts of subscribed and paid-in capital contributions of each shareholder, the form of capital contribution, and the date of contribution; or, in the case of a corporation, the number of subscribed shares of each promoter.

2-Information concerning any changes in the equity or shareholdings of shareholders in a limited liability company, or of promoters in a corporation.

3-Information regarding the obtaining, modification, or cancellation of administrative licenses, among others.

4-Any other information required to be disclosed by laws and administrative regulations.

The company shall ensure that all information disclosed pursuant to the preceding paragraph is authentic, accurate, and complete.

Article 41

The company registration authority shall optimize company registration procedures, enhance registration efficiency, strengthen informatization, promote and implement online processing and other convenient and expedient methods, and improve the facilitation of company registration.

The Market Regulation Department of the State Council shall formulate specific measures for company registration in accordance with this Law and other relevant laws and administrative regulations.

Chapter III; Formation and Organizational Structure of a Limited Liability Company



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Section 1 Formation

Article 42

A limited liability company shall be established by not fewer than one (1) and not more than fifty (50) shareholders, each contributing capital to the company.

Article 43

The shareholders of a limited liability company in the course of formation may enter into a formation agreement, which shall set forth their respective rights and obligations during the process of establishment.

Article 44

The legal consequences arising from civil acts undertaken by any shareholder of a limited liability company in the course of formation, and for the purpose of its establishment, shall be borne by the company upon its formation.

Where the formation of the company fails, the legal consequences thereof shall be borne by the shareholder or shareholders of the company in formation. Where there are two (2) or more shareholders, they shall assume such obligations and liabilities jointly and severally.

Where civil liability arises from civil acts undertaken by a shareholder of a company in formation in the shareholder's own name for the purpose of formation, a third party may elect to claim such liability against either the company or the shareholder concerned.

Where a shareholder of a company in formation causes damage to another person in the performance of duties related to the formation of the company, the company or any non-defaulting shareholder who has paid compensation may recover such losses from the shareholder at fault.

Article 45

For the establishment of a limited liability company, the shareholders shall jointly formulate the company's bylaws.

Article 46

The bylaws of a limited liability company shall specify the following matters:

1-The name and domicile of the company.




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- 2-The business scope of the company.
 - 3-The registered capital of the company.
 - 4-The name, whether personal or business, of each shareholder.
 - 5-The amount, form, and date of capital contribution of each shareholder.
 - 6-The organizational components of the company, their respective formation methods, functions, and rules of procedure.
 - 7-The method of selection, and the procedures for modification, of the company's legal representative.
 - 8-Such other matters as the shareholders' meeting may deem necessary.
- The company bylaws shall be signed or sealed by each shareholder.

Article 47

The registered capital of a limited liability company shall be the total amount of capital contributions subscribed by all shareholders and registered with the company registration authority.

All shareholders shall fully pay their subscribed capital contributions in accordance with the company bylaws within a period not exceeding five (5) years from the date of the company's establishment.

Where a law, an administrative regulation, or a decision of the State Council provides otherwise with respect to the paid-in registered capital, the minimum registered capital, or the time limits for payment of capital contributions in a limited liability company, such provisions shall prevail.

Article 48

Shareholders may make capital contributions in currency, or in non-currency property that can be appraised in monetary terms and legally transferred, including contributions in kind, intellectual property rights, land use rights, equity interests, and claims, at their appraised value. Property prohibited by law or administrative regulation from serving as capital contributions shall not be contributed.

Non-currency capital contributions shall be subject to appraisal and verification, and may neither be overvalued nor undervalued. Where a law or an administrative regulation provides specific rules for appraisal, such provisions shall apply.

Article 49




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Shareholders shall pay in full their respective subscribed capital contributions in accordance with the schedule set forth in the company bylaws.

A shareholder contributing capital in currency shall deposit such funds into a bank account opened in the name of the limited liability company. A shareholder making a non-currency capital contribution shall complete the transfer of property rights in accordance with law.

Where a shareholder fails to make the required capital contribution as scheduled, such shareholder shall fulfill the contribution obligation in full and shall be liable for damages for any loss thereby caused to the company.

Article 50

Where, during the formation of a limited liability company, a shareholder fails to contribute capital in accordance with the company bylaws, or where the actual value of a non-currency capital contribution is substantially lower than the amount of capital subscribed, the other shareholders of the company in formation shall bear joint and several liability with the defaulting shareholder to the extent of the shortfall in the capital contribution.

Article 51

Following the establishment of a limited liability company, the board of directors shall verify the capital contributions of the shareholders. Where it is discovered that any shareholder has failed to contribute capital as required by the company bylaws, the company shall issue a written demand for payment to such shareholder, requiring fulfillment of the capital contribution obligation.

Where the failure to discharge the foregoing obligation in a timely manner results in loss to the company, the directors responsible shall be liable to compensate the company for such loss.

Article 52

Where a shareholder fails to make a capital contribution by the due date prescribed in the company bylaws, and the company issues a written demand for payment pursuant to Article 51, the company may set a grace period for performance. Such grace period shall not be less than sixty (60) days from the date of issuance of the written demand.

If the shareholder fails to perform the capital contribution obligation upon expiry of the grace period, the company may, by resolution of the board of directors, issue a written notice of forfeiture. From the date of issuance of such notice, the shareholder shall forfeit the equity corresponding to the unpaid capital contribution.




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The forfeited equity shall be transferred in accordance with law, or the registered capital shall be reduced accordingly with cancellation of such equity. If the equity is neither transferred nor cancelled within six (6) months, the remaining shareholders shall, in proportion to their respective capital contributions, fully contribute the capital corresponding to the forfeited equity.

Where the shareholder objects to the forfeiture, the shareholder shall, within thirty (30) days of receipt of the notice of forfeiture, institute an action before a people's court.

Article 53

After the establishment of a company, no shareholder shall unlawfully withdraw the shareholder's capital contribution.

A shareholder in violation of the preceding paragraph shall return the capital contribution unlawfully withdrawn. Where such violation causes loss to the company, any director, supervisor, or senior executive responsible therefor shall be jointly and severally liable for damages together with the shareholder.

Article 54

Where a company is unable to discharge debts as they become due, the company itself, or any creditor of such due debts, may require the shareholders who have subscribed capital contributions to fulfill their capital contribution obligations prior to the expiry of the time limit for contribution.

Article 55

Upon the establishment of a limited liability company, the company shall issue to each shareholder a capital contribution certificate, which shall record the following particulars:

- 1-The name of the company;
- 2-The date of the company's establishment;
- 3-The registered capital of the company;
- 4-The personal or business name of the shareholder, the amounts of subscribed and paid-in capital contributions, and the form and date of such contributions;
- 5-The serial number of the capital contribution certificate and the date of its issuance.

The capital contribution certificate shall be signed by the company's legal representative and affixed with the company's official seal.



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Article 56

A limited liability company shall maintain a shareholder register, which shall record the following particulars:

- 1-The personal or business name and domicile of each shareholder;
- 2-The amounts of subscribed and paid-in capital contributions of each shareholder, together with the form and date of such contributions;
- 3-The serial numbers of the capital contribution certificates;
- 4-The date on which each shareholder acquires or loses shareholder status.

The shareholders whose names are entered in the shareholder register may, on the basis of such register, assert the exercise of shareholder rights.

Article 57

A shareholder shall have the right to inspect and to copy the following documents of the company: the company bylaws, the shareholder register, the minutes of shareholders' meetings, the resolutions of the board of directors, the resolutions of the board of supervisors, and the company's financial accounting reports.

A shareholder may also request inspection of the account books and accounting vouchers of the company. To do so, the shareholder shall submit a written request stating the purpose of the inspection. Where the company has reasonable grounds to believe that the shareholder's request is made for an improper purpose that may prejudice the lawful interests of the company, the company may refuse such inspection. In such case, the company shall, within fifteen (15) days of receipt of the shareholder's written request, provide a written reply stating the reasons for refusal. If the company refuses the request, the shareholder may institute an action before a people's court.

A shareholder may authorize an accounting firm, a law firm, or other professional intermediaries to conduct the inspection provided for in the preceding paragraph.

Any shareholder, accounting firm, law firm, or other intermediary so authorized shall comply with the provisions of laws and administrative regulations concerning the protection of state secrets, trade secrets, individual privacy, and personal information when consulting or copying the relevant materials.

Where a shareholder seeks inspection or copying of the relevant materials of a wholly-owned subsidiary of the company, the provisions of the preceding four paragraphs shall apply mutatis mutandis.



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Section 2 Organizational Structure

Article 58

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

Article 59

The shareholders' meeting shall exercise the following powers:

- 1-To elect and remove directors and supervisors, and to determine matters concerning their remuneration;
- 2-To deliberate upon and approve the reports of the board of directors;
- 3-To deliberate upon and approve the reports of the board of supervisors;
- 4-To deliberate upon and approve the company's profit distribution plan and loss coverage plan;
- 5-To adopt resolutions on increasing or reducing the registered capital of the company;
- 6-To adopt resolutions on the issuance of corporate bonds;
- 7-To adopt resolutions on merger, division, dissolution, liquidation, or alteration of the corporate form of the company;
- 8-To amend the company bylaws;
- 9-To exercise such other powers as are provided in the company bylaws.

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

Where all shareholders unanimously consent in writing to any of the matters specified in the first paragraph of this Article, they may decide upon such matters directly without convening a shareholders' meeting. Such written decision shall be signed or sealed by all shareholders.

Article 60

A limited liability company with a sole shareholder shall not establish a shareholders' meeting. The sole shareholder shall decide in writing upon any matter specified in the first paragraph of




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Article 59. Such decision shall be signed or sealed by the shareholder and kept on record at the company.

Article 61

The initial shareholders' meeting shall be convened and presided over by the shareholder making the largest capital contribution, and shall exercise its powers in accordance with this Law.

Article 62

Shareholders' meetings shall be classified as regular meetings and special meetings.

Regular meetings shall be convened in accordance with the provisions of the company bylaws. A special meeting shall be convened where proposed by:

- 1-A shareholder or shareholders representing at least one-tenth (1/10) of the voting rights;
- 2-One-third (1/3) or more of the directors; or
- 3-The board of supervisors.

Article 63

A shareholders' meeting shall be convened by the board of directors and presided over by the chairperson of the board of directors. Where the chairperson is unable or fails to perform their duties, the meeting shall be presided over by the vice chairperson of the board of directors. Where the vice chairperson is unable or fails to perform their duties, the meeting shall be presided over by a director jointly recommended by more than half of the directors.

Where the board of directors is unable or fails to convene a shareholders' meeting, the board of supervisors shall convene and preside over the meeting. If the board of supervisors fails to convene and preside, the shareholder or shareholders representing at least one-tenth (1/10) of the voting rights may convene and preside over the meeting on their own initiative.

Article 64

All shareholders shall be notified of a shareholders' meeting at least fifteen (15) days prior to the meeting, except as otherwise provided in the company bylaws or agreed in writing by all shareholders.

The shareholders' meeting shall prepare minutes recording the resolutions adopted at the meeting. The minutes shall be signed or sealed by all shareholders present.



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Article 65

Unless otherwise provided in the company bylaws, shareholders shall exercise their voting rights at a shareholders' meeting in proportion to their respective capital contributions.

Article 66

The manner of deliberation and voting procedures of the shareholders' meeting shall be prescribed in the bylaws of the company, except as otherwise provided for by this law. A resolution of the shareholders' meeting shall be adopted with an affirmative vote from a shareholder or affirmative votes from shareholders representing more than half of the voting rights.

A resolution of the shareholders' meeting regarding amending the company bylaws or increasing or reducing the registered capital or regarding the combination, division, dissolution, or modification of form of the company shall be adopted with an affirmative vote from a shareholder or affirmative votes from shareholders representing two-thirds or more of the voting rights

Article 67

A limited liability company shall establish a board of directors, except as otherwise provided in Article 75 of this Law.

The board of directors shall exercise the following powers:

- 1-Convening shareholders' meetings and reporting on its work;
- 2-Implementing resolutions of the shareholders' meeting;
- 3-Determining the company's business and investment plans;
- 4-Formulating the company's profit distribution and loss coverage plans;
- 5-Formulating plans for the increase or reduction of registered capital and for the issuance of corporate bonds;
- 6-Formulating plans regarding the merger, division, dissolution, or change of the corporate form of the company;
- 7-Determining the company's internal management structure;
- 8-Appointing or dismissing the president of the company and determining the president's remuneration, and appointing or dismissing vice presidents and the chief financial officer nominated by the president and determining their remuneration;




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9-Developing the company's basic management systems;

10-Exercising such other powers as are provided in the company bylaws or conferred by the shareholders' meeting.

Any restriction on the powers of the board of directors set forth in the company bylaws shall not be enforceable against a bona fide third party.

Article 68

The board of directors of a limited liability company shall consist of three (3) or more members, which may include a representative of the company's employees.

For a limited liability company employing three hundred (300) or more employees, the board of directors shall include an employee representative, unless the company has a board of supervisors established in accordance with law that already includes an employee representative. Employee representatives on the board of directors shall be democratically elected by the employees through an assembly of employee representatives, an assembly of employees, or by other methods provided in the company bylaws.

The board of directors shall have one chairperson and may have one or more vice chairpersons. The methods for selecting the chairperson and vice chairpersons shall be provided in the company bylaws.

Article 69

A limited liability company may, in accordance with its bylaws, establish an audit committee composed of directors under the board of directors to exercise the powers of the board of supervisors as provided in this Law, thereby dispensing with a board of supervisors or individual supervisors.

An employee representative on the board of directors may serve as a member of the audit committee.

Article 70

A director's term of office shall be specified in the company bylaws, but shall not exceed three (3) years. A director may be re-elected upon the expiration of their term.

Where a director's term expires and re-election is not conducted in a timely manner, or where the number of board members falls below the quorum due to resignation during the term, the incumbent director shall continue to perform their duties in accordance with laws,




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administrative regulations, and the company bylaws until a newly elected director assumes office.

Where a director resigns, the resignation shall take effect on the date the company receives the written notice. Notwithstanding the resignation, under the circumstances described in the preceding paragraph, the director shall continue to perform their duties until replaced.

Article 71

The shareholders' meeting may adopt a resolution to remove a director, and such removal shall take effect on the date of the resolution.

Where a director is removed before expiry of his or her term of office without good cause, the director may require the company to pay compensation

Article 72

The board of directors shall be convened and presided over by the chairperson. If the chairperson is unable or fails to preside, the meeting shall be convened and presided over by a vice chairperson. If all vice chairpersons are unable or fail to preside, the meeting shall be convened and presided over by a director jointly designated by more than half of the directors.

Article 73

The procedures for deliberation and voting at board meetings shall be determined in the company bylaws, except as otherwise provided by law.

A board meeting may only be held if a majority of directors are present. Resolutions require the affirmative vote of more than half of all directors to pass. Each director shall have one vote.

Minutes shall be prepared for all board meetings, recording the resolutions adopted, and shall be signed by all directors present.

Article 74

A limited liability company may appoint a president, who shall be hired or dismissed by resolution of the board of directors.

The president shall be responsible to the board of directors and shall exercise powers in accordance with the company bylaws or as authorized by the board of directors. The president shall attend meetings of the board of directors.



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Article 75

A limited liability company that is relatively small or has a limited number of shareholders may dispense with a board of directors. In such cases, the company shall appoint a single director to exercise the powers of the board of directors under this Law. The director may concurrently serve as the president of the company.

Article 76

A limited liability company shall establish a board of supervisors, except as otherwise provided in Articles 69 and 83 of this Law.

The board of supervisors shall consist of three (3) or more members, including shareholder representatives and, at a proportion specified in the company bylaws, employee representatives. The proportion of employee representatives shall be no less than one-third. Employee representatives shall be democratically elected by the company's employees through an assembly of employee representatives, an assembly of employees, or by other means specified in the bylaws.

The board of supervisors shall have one chairperson, elected by more than half of all supervisors. The chairperson shall convene and preside over meetings of the supervisors board. If the chairperson is unable or fails to perform their duties, a supervisor jointly recommended by more than half of the supervisors shall convene and preside over the meeting.

A director or senior executive may not concurrently serve as a supervisor.

Article 77

The term of a supervisor's office shall be three (3) years. A supervisor may be re-elected upon the expiration of their term.

Where re-election is not conducted in a timely manner after the expiration of a supervisor's term, or where the number of members of supervisors' board falls below the quorum due to the resignation of a supervisor during their term, the incumbent supervisor shall continue to perform their duties in accordance with laws, administrative regulations, and the company bylaws until a newly elected supervisor assumes office.

Article 78

The board of supervisors shall exercise the following powers:

1-Conducting audits and inspections of the company's financial affairs;




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2-Supervising the performance of directors and senior executives and proposing the removal of those who violate laws, administrative regulations, the company bylaws, or resolutions of the shareholders' meeting;

3-Requiring directors or senior executives whose actions harm the interests of the company to take corrective measures;

4-Proposing the convening of a special shareholders' meeting and convening and presiding over a shareholders' meeting when the board of directors fails to do so in accordance with this Law;

5-Submitting proposals for consideration at a shareholders' meeting;

6-Instituting legal actions against directors and senior executives in accordance with Article 189 of this Law;

7-Exercising such other powers and duties as set forth in the company bylaws.

Article 79

A supervisor may attend meetings of directors' board and may raise inquiries or provide recommendations concerning matters to be resolved by the board.

Where the board of supervisors identifies any irregularities in the operations of the company, it may conduct investigations and, if necessary, engage an accounting firm or other professional advisors to assist in such investigations, at the expense of the company.

Article 80

The supervisors' board may require directors and senior executives to submit reports on the performance of their duties.

Directors and senior executives shall provide the requested information and materials truthfully and in full, and shall not obstruct the board of supervisors or any supervisor from exercising their statutory powers.

Article 81

The board of supervisors shall convene at least one regular meeting each year. Any supervisor may propose the convening of a special meeting of the board of supervisors. The procedures for deliberation and voting of the board of supervisors shall be stipulated in the company bylaws, unless otherwise provided by this Law. A resolution of the board of supervisors shall be adopted upon the affirmative vote of more than one-half of all supervisors. Each supervisor




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shall be entitled to one vote. Minutes shall be prepared for the matters deliberated and resolved by the board of supervisors, and such minutes shall be signed by all supervisors in attendance.

Article 82

The necessary expenses incurred by the board of supervisors in the performance of its duties shall be borne by the company.

Article 83

A limited liability company that is relatively small in scale or has relatively few shareholders may dispense with a board of supervisors, and instead appoint a single supervisor who shall exercise the powers otherwise vested in the board of supervisors under this Law. Where all shareholders unanimously agree, the appointment of a supervisor may also be dispensed with.

Chapter IV: Transfer of Equity in a Limited Liability Company

Article 84

A shareholder of a limited liability company may transfer all or part of its equity interest to another shareholder of the company. Where a shareholder proposes to transfer its equity interest to a non-shareholder, the transferring shareholder shall provide written notice to all other shareholders, specifying the quantity, price, method of payment, and time limit for the transfer, among other material terms. Under the same conditions, the other shareholders shall enjoy the right of first refusal. Any shareholder that fails to respond within thirty (30) days of receipt of the written notice shall be deemed to have waived such right. Where two or more shareholders exercise the right of first refusal, they shall determine their respective purchase proportions by mutual agreement; failing such agreement, they shall exercise the right in proportion to their respective capital contributions at the time of the transfer. Where the company bylaws provide otherwise regarding equity transfers, the provisions of the bylaws shall prevail.

Article 85

Where a shareholder's equity interest is transferred pursuant to enforcement proceedings of a people's court in accordance with the law, the people's court shall notify the company and all shareholders. Under the same conditions, the other shareholders shall enjoy the right of first refusal. Any shareholder that fails to exercise such right within twenty (20) days of receiving notice from the people's court shall be deemed to have waived the right of first refusal.



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Article 86

A shareholder transferring its equity interest shall notify the company in writing and request that the shareholder register be amended accordingly. Where modification of registration with the company registration authority is required, the transferring shareholder shall request that the company complete such registration. If the company refuses or fails to respond within a reasonable period, the transferor or transferee may institute an action before a people's court in accordance with the law. Upon the transfer of equity, the transferee may exercise shareholder rights against the company from the date on which the transferee is recorded in the shareholder register.

Article 87

Following the transfer of equity in accordance with this Law, the company shall promptly cancel the capital contribution certificate of the transferor, issue a capital contribution certificate to the transferee, and make corresponding amendments to the bylaws and shareholder register concerning the relevant shareholder and its capital contribution. Such amendments to the bylaws shall not require a resolution of the shareholders' meeting.

Article 88

Where a shareholder transfers equity for which subscribed capital contribution has not yet been fully paid before the expiration of the prescribed time limit, the transferee shall assume the obligation to make such capital contribution. If the transferee fails to contribute capital as scheduled, the transferor shall bear supplementary liability for the portion of the capital contribution not paid by the transferee. Where a shareholder transfers equity for which capital contribution has not been duly made in accordance with the contribution schedule prescribed in the bylaws, or where the actual value of the shareholder's non-monetary contribution is substantially lower than the subscribed amount, both the transferor and the transferee shall be jointly and severally liable for the shortfall. However, if the transferee neither knew nor ought to have known of such deficiency, the liability shall rest solely with the transferor.

Article 89

Under any of the following circumstances, a shareholder who has voted against a resolution of the shareholders' meeting may request the company to purchase the shareholder's equity at a reasonable price:

1-The company has failed to distribute profits to shareholders for five consecutive years, despite recording profits during each of those years and satisfying the profit distribution conditions prescribed by this Law;



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2-The company undergoes a merger, division, or transfers a material portion of its assets;

3-Upon the expiration of the business term set forth in the bylaws, or upon the occurrence of another dissolution event stipulated in the bylaws, a resolution is adopted at the shareholders' meeting to amend the bylaws in order to continue the company's existence.

Where the shareholder and the company fail to agree on the purchase of equity within sixty (60) days from the date of the shareholders' resolution, the shareholder may institute an action before a people's court within ninety (90) days from the date of such resolution.

Where the controlling shareholder abuses its rights, thereby causing serious harm to the interests of the company or other shareholders, the other shareholders may likewise request the company to purchase their equity at a reasonable price.

Equity acquired by the company under the circumstances specified in paragraphs 1 and 3 of this Article shall, in accordance with law, be transferred or canceled within six (6) months.

Article 90

Upon the death of a natural person shareholder, the shareholder's lawful successor shall assume the shareholder's rights and obligations, unless otherwise provided in the company bylaws.

Chapter V: Formation and Organizational Structure of a Corporation

Section 1 Formation

Article 91

A corporation may be established by promotion or by flotation. Formation by promotion means that the corporation is established when the promoters subscribe to all shares to be issued at the time of formation. Formation by flotation means that the corporation is established when the promoters subscribe to a portion of the shares to be issued at the time of formation, with the remaining shares placed with designated offerees or offered to the public.

Article 92

A corporation shall have no fewer than one (1) and no more than two hundred (200) promoters, of whom at least one-half shall have their domicile within the territory of the People's Republic of China.

Article 93




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The promoters of a corporation shall be responsible for undertaking all preparatory work necessary for its formation. The promoters shall enter into a promoter agreement that sets forth their respective rights and obligations in the process of formation.

Article 94

For the formation of a corporation, the promoters shall jointly formulate the company bylaws.

Article 95

The bylaws of a corporation shall include the following matters:

- 1-The name and domicile of the corporation;
- 2-The business scope of the corporation;
- 3-The manner of formation of the corporation;
- 4-The registered capital, the total number of issued shares, the number of shares issued at the time of formation, and the par value per share;
- 5-Where different classes of shares are issued, the number of shares of each class and the rights and obligations attached thereto;
- 6-The name (personal or business), number of subscribed shares, and method of capital contribution of each promoter;
- 7-The composition, powers, and rules of procedure of the board of directors;
- 8-The methods for appointment and removal of the legal representative of the corporation;
- 9-The composition, powers, and rules of procedure of the board of supervisors;
- 10-The methods of profit distribution of the corporation;
- 11-The causes for dissolution and the methods of liquidation of the corporation;
- 12-The methods for notices and announcements of the corporation;
- 13-Other matters as may be deemed necessary by the shareholders' meeting.

Article 96

The registered capital of a corporation shall be the total amount of issued share capital registered with the company registration authority. Prior to the promoters' full payment of their subscribed shares, the corporation shall not offer shares to others. Where laws, administrative



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regulations, or decisions of the State Council provide otherwise regarding the minimum registered capital of a corporation, such provisions shall prevail.

Article 97

Where a corporation is established by promotion, the promoters shall fully subscribe to the shares to be issued at the time of formation, as prescribed in the company bylaws. Where a corporation is established by flotation, the promoters' subscribed shares shall not be less than thirty-five percent (35%) of the total shares to be issued at the time of formation, unless otherwise provided by laws or administrative regulations.

Article 98

Prior to the formation of a corporation, the promoters shall fully pay for the shares subscribed by them. The provisions of Article 48 and paragraph 2 of Article 49 of this Law concerning the capital contributions of shareholders of a limited liability company shall apply, mutatis mutandis, to the capital contributions of promoters.

Article 99

Where a promoter fails to pay for the shares subscribed, or where the actual value of a promoter's non-monetary contribution is substantially lower than the subscribed share value, the remaining promoters shall bear joint and several liability with the defaulting promoter for the shortfall in capital contribution.

Article 100

Where shares are offered to the public, the promoters shall prepare and publish a prospectus and issue share subscription forms. The subscription form shall contain the matters specified in paragraphs 2 and 3 of Article 154 of this Law. Each subscriber shall state in the form the number of subscribed shares, the subscription amount, and the subscriber's domicile, and shall affix the subscriber's signature or seal thereto. Each subscriber shall fully pay for the shares subscribed.

Article 101

Upon full payment of the shares offered to the public, the capital shall be verified by a legally established capital verification institution, which shall issue a capital verification certificate.



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Article 102

A corporation shall prepare and maintain a shareholder register at its domicile. The shareholder register shall record the following particulars:

- 1-The name or business name of each shareholder;
- 2-The class and number of shares subscribed by each shareholder;
- 3-Where stock certificates are issued in paper form, the serial numbers of such certificates;
- 4-The date on which each shareholder acquired the shares.

Article 103

The promoters of a corporation formed by flotation shall convene a formation meeting within thirty (30) days after full payment of the shares to be issued at the time of formation. The promoters shall notify each subscriber of, or publicly announce, the date of the formation meeting no later than fifteen (15) days before the meeting is held. The meeting may be convened only if subscribers holding more than one-half of the voting rights are present. The procedures for convening and voting at the formation meeting of a corporation formed by promotion shall be prescribed in the company bylaws or the promoter agreement.

Article 104

The formation meeting of a corporation shall exercise the following powers:

- 1-To deliberate on the promoters' report regarding preparations for the formation of the corporation;
- 2-To adopt the bylaws of the corporation;
- 3-To elect directors and supervisors;
- 4-To review the expenses incurred in the course of formation;
- 5-To examine the appraised value of any non-monetary capital contribution made by a promoter;
- 6-To resolve not to establish the corporation if force majeure or a material change in operating conditions directly affects its formation.

Resolutions on the foregoing matters shall be adopted by affirmative votes representing more than one-half of the voting rights of the subscribers present at the meeting.



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Article 105

Where the shares to be issued at the time of formation are not fully subscribed, or the promoters fail to convene a formation meeting within thirty (30) days after full payment for such shares, the subscribers may demand that the promoters return the payments made for their shares, together with interest calculated at the prevailing bank deposit rate for the same period.

After making payment for shares or delivering non-monetary capital contributions, neither promoters nor subscribers may withdraw such contributions from the share capital, except where the shares are not fully subscribed within the prescribed period, the promoters fail to convene the formation meeting within the prescribed period, or the formation meeting resolves not to establish the corporation.

Article 106

The board of directors shall designate a representative to apply to the company registration authority for registration of the corporation within thirty (30) days following the conclusion of the formation meeting.

Article 107

The provisions of Article 44, paragraph 3 of Article 49, and Articles 51, 52, and 53 of this Law shall apply to corporations.

Article 108

Where a limited liability company is converted into a corporation, the total paid-in share capital upon conversion shall not exceed the net asset value of the corporation. Where such a conversion involves offering shares to the public for the purpose of increasing registered capital, the offer shall be conducted in accordance with applicable law.

Article 109

A corporation shall maintain at its domicile the company bylaws, shareholder register, minutes of shareholders' meetings, minutes of meetings of the board of directors, minutes of meetings of the board of supervisors, financial accounting reports, and bondholder register.

Article 110




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A shareholder shall have the right to inspect and copy the company bylaws, shareholder register, minutes of shareholders' meetings, minutes of meetings of the board of directors, minutes of meetings of supervisors' board, and financial accounting reports, and to provide recommendations or raise questions regarding the operations of the corporation. Where a shareholder holding, individually or collectively, three percent (3%) or more of the shares of a corporation for at least one hundred eighty (180) consecutive days requests consultation of the account books and accounting vouchers of the corporation, the provisions of paragraphs 2, 3, and 4 of Article 57 of this Law shall apply. If the company bylaws specify a lower shareholding threshold, such provisions of the bylaws shall apply. Where a shareholder requests consultation or copying of relevant materials of a wholly-owned subsidiary of the corporation, the provisions of the preceding two paragraphs shall apply. Where a shareholder of a listed company requests consultation or copying of relevant materials, the provisions of the Securities Law of the People's Republic of China and other applicable laws and administrative regulations shall be observed.

Section 2 Shareholders' Meeting

Article 111

The shareholders' meeting of a corporation shall be composed of all shareholders. The shareholders' meeting is the highest authority of the corporation and shall exercise its powers in accordance with this Law.

Article 112

The provisions of paragraphs 1 and 2 of Article 59 of this Law, concerning the powers of the shareholders' meeting of a limited liability company, shall apply mutatis mutandis to the shareholders' meeting of a corporation. The provision of Article 60 of this Law, concerning the nonexistence of a shareholders' meeting in a limited liability company with a single shareholder, shall apply to a corporation that has only one shareholder.

Article 113

An annual shareholders' meeting shall be convened each year. A special shareholders' meeting shall be held within two (2) months under any of the following circumstances:

- 1-The number of directors falls below two-thirds of the number prescribed by this Law or by the company bylaws;
- 2-The company's uncovered losses reach one-third of the total share capital;




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3-A shareholder, individually, or shareholders holding in aggregate ten percent (10%) or more of the shares of the corporation request the convening of a special shareholders' meeting;

4-The board of directors deems it necessary;

5-The board of supervisors proposes the convening of a special shareholders' meeting;

6-Other circumstances provided in the company bylaws.

Article 114

The shareholders' meeting shall be convened by the board of directors and presided over by the chairperson of the board of directors. If the chairperson is unable or fails to perform this function, the meeting shall be presided over by the vice chairperson. If the vice chairperson is also unable or fails to perform this function, the meeting shall be presided over by a director jointly nominated by more than one-half of the directors.

Where the board of directors is unable or fails to discharge its duty to convene a shareholders' meeting, the board of supervisors shall convene and preside over the meeting in a timely manner. If the board of supervisors fails to do so, a shareholder holding, individually, or shareholders holding in aggregate ten percent (10%) or more of the shares of the corporation for at least ninety (90) consecutive days may convene and preside over the meeting on their own initiative.

Where a shareholder, individually, or shareholders holding in aggregate ten percent (10%) or more of the shares of the corporation request the convening of a special shareholders' meeting, the board of directors and the board of supervisors shall decide whether to convene the meeting within ten (10) days of receipt of the request and shall provide a written reply to the requesting shareholder or shareholders.

Article 115

All shareholders shall be notified of the time, place, and matters to be deliberated at a shareholders' meeting at least twenty (20) days prior to the meeting. In the case of a special shareholders' meeting, notice shall be provided at least fifteen (15) days prior to the meeting.

A shareholder, individually, or shareholders holding in aggregate one percent (1%) or more of the shares of the corporation may submit a written ad hoc proposal to the board of directors no later than ten (10) days prior to the shareholders' meeting. The ad hoc proposal shall clearly state the subject and the specific matters to be resolved. The board of directors shall, within two (2) days of receipt, notify the other shareholders and submit the ad hoc proposal to the shareholders' meeting for deliberation, except where the proposal violates a law, an administrative regulation, or the company bylaws, or does not fall within the powers of the




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shareholders' meeting. The corporation shall not impose a higher shareholding threshold for submitting ad hoc proposals.

Where the corporation has offered shares to the public, the notices required under the preceding paragraphs shall be issued in the form of a public announcement.

The shareholders' meeting may not adopt resolutions concerning matters not specified in the notice.

Article 116

Each shareholder present at a shareholders' meeting shall have one vote for each share held, except for shareholders of any particular class of shares as provided in the company bylaws. Shares held by the corporation itself shall carry no voting rights.

Resolutions of the shareholders' meeting shall be adopted by a majority of the voting rights of the shareholders present at the meeting.

Resolutions of the shareholders' meeting concerning amendments to the bylaws, increases or reductions of registered capital, or the merger, division, dissolution, or change of form of the corporation shall be adopted by at least two-thirds (2/3) of the voting rights of the shareholders present at the meeting.

Article 117

The shareholders' meeting may adopt a cumulative voting system for the election of directors and supervisors in accordance with the company bylaws or a resolution of the shareholders' meeting.

For the purposes of this Law, "cumulative voting system" means that in the election of directors or supervisors, each share carries a number of votes equal to the number of directors or supervisors to be elected, and a shareholder may allocate such votes to one or more candidates in any manner.

Article 118

Where a shareholder is represented by a proxy at a shareholders' meeting, the matters authorized, the scope of powers, and the duration of authorization shall be specified. The proxy shall submit a written power of attorney issued by the shareholder and shall exercise voting rights only within the scope of such authorization.

Article 119




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The shareholders' meeting shall prepare minutes of the matters deliberated and resolved. Such minutes shall be signed by the presiding officer and the directors present. The minutes shall be preserved together with the attendance register of shareholders and the powers of attorney held by proxies.

Section 3 Board of Directors and President

Article 120

A corporation shall have a board of directors, except as otherwise provided in Article 128 of this Law.

The provisions of Article 67, paragraph 1 of Article 68, Article 70, and Article 71 of this Law shall apply mutatis mutandis to a corporation.

Article 121

A corporation may, in accordance with the company bylaws, establish an audit committee under the board of directors to exercise the powers of the board of supervisors provided in this Law, thereby dispensing with a board of supervisors or individual supervisors.

The audit committee shall consist of three (3) or more members, of whom more than half shall neither hold any position in the corporation other than directorship nor have any relationship with the corporation that may affect their independent and objective judgment. An employee representative serving on the board of directors may be appointed as a member of the audit committee.

Resolutions of the audit committee shall be adopted by a majority of its members. Each member shall have one vote.

The procedures for deliberation and voting of the audit committee shall be prescribed in the company bylaws, except as otherwise provided by this Law.

A corporation may establish other committees under the board of directors in accordance with its bylaws.

Article 122

The board of directors shall have one chairperson and may have one or more vice chairpersons. The chairperson and vice chairpersons shall be elected by a majority of all directors.

The chairperson of the board of directors shall convene and preside over meetings of the board and oversee the implementation of board resolutions. The vice chairpersons shall assist the chairperson. If the chairperson is unable or fails to perform these functions, a vice chairperson




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shall assume them. If the vice chairpersons are also unable or fail to perform these functions, a director jointly recommended by more than half of all directors shall perform them.

Article 123

Meetings of the board of directors shall be held at least twice annually. All directors and supervisors shall be notified at least ten (10) days prior to the meeting.

A shareholder, or shareholders representing one-tenth (10%) or more of the voting rights, one-third (1/3) or more of the directors, or the board of supervisors may propose the convening of a special board meeting. The chairperson shall convene and preside over such a meeting within ten (10) days of receipt of the proposal.

For special meetings, the method and timing of notification may be otherwise determined.

Article 124

A meeting of the board of directors may be held only if more than half of the directors are present. Resolutions shall be adopted by affirmative votes of more than half of all directors.

Each director shall have one vote.

The board of directors shall prepare minutes of the matters deliberated and resolved, which shall be signed by the directors present.

Article 125

A director shall attend board meetings in person. A director unable to attend may authorize, in writing, another director to attend on their behalf. The written authorization shall specify the scope of authority.

Directors shall be responsible for board resolutions. Where a resolution violates any law, administrative regulation, company bylaws, or shareholders' resolution and causes serious loss to the corporation, the participating directors shall be liable for damages. A director may be exempted from liability if it is proved that the director expressed dissent during voting and such dissent is recorded in the meeting minutes.

Article 126

A corporation shall have a president, who shall be appointed or removed by decision of the board of directors.




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The president shall be accountable to the board of directors and shall exercise powers in accordance with the company bylaws or as authorized by the board of directors. The president shall attend meetings of the board of directors.

Article 127

The board of directors may decide that a director concurrently serve as the president of the corporation.

Article 128

A corporation that is relatively small in scale or has relatively few shareholders may dispense with a board of directors and appoint a single director to exercise the powers otherwise vested in the board of directors under this Law. The director may concurrently serve as the president of the corporation.

Article 129

A corporation shall regularly disclose to its shareholders information regarding the remuneration received by its directors, supervisors, and senior executives from the corporation.

Section 4 Board of Supervisors

Article 130

A corporation shall have a board of supervisors, except as otherwise provided in paragraph 1 of Article 121 and Article 133 of this Law.

The board of supervisors shall consist of three (3) or more members, including representatives of shareholders and, at an appropriate proportion, representatives of employees of the corporation. The proportion of employee representatives shall not be less than one-third, with the specific proportion prescribed in the company bylaws. Employee representatives on the board of supervisors shall be democratically elected by the employees through the assembly of employee representatives, the assembly of employees, or by other methods provided in the company bylaws.

The board of supervisors shall have one chairperson and may have vice chairpersons. The chairperson and vice chairpersons shall be elected by a majority of all supervisors. The chairperson shall convene and preside over meetings of the board of supervisors. If the chairperson is unable or fails to perform these functions, a vice chairperson shall assume them.




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If the vice chairpersons are also unable or fail to perform these functions, a supervisor jointly recommended by more than half of the supervisors shall convene and preside over the meeting.

A director or senior executive may not concurrently serve as a supervisor.

The provisions of Article 77 of this Law regarding the term of office of supervisors of a limited liability company shall apply *mutatis mutandis* to supervisors of a corporation.

Article 131

The provisions of Articles 78 through 80 of this Law shall apply *mutatis mutandis* to the board of supervisors of a corporation.

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

Article 132

The board of supervisors shall hold meetings at least once every six (6) months. Any supervisor may propose the convening of a special meeting of the board of supervisors.

The procedures for deliberation and voting of the board of supervisors shall be prescribed in the company bylaws, except as otherwise provided in this Law.

A resolution of the board of supervisors shall be adopted by affirmative votes of more than half of all supervisors. Each supervisor shall have one vote.

The board of supervisors shall prepare minutes of the matters deliberated and resolved, which shall be signed by the supervisors present at the meeting.

Article 133

A corporation that is relatively small in scale or has relatively few shareholders may dispense with a board of supervisors and appoint a single supervisor to exercise the powers otherwise vested in the board of supervisors under this Law.

Section 5 Special Provisions on Organizational Structure of a Listed Company

Article 134

For the purposes of this Law, a “listed company” means a corporation whose shares are listed and traded on a stock exchange.



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Article 135

Where a listed company, within a single year, purchases or sells significant assets, or provides security for others, in an amount exceeding thirty percent (30%) of the company's total assets, the resolution of the shareholders' meeting regarding such transaction shall be adopted by at least two-thirds (2/3) of the voting rights of shareholders present at the meeting.

Article 136

A listed company shall have independent directors. The specific administrative measures governing independent directors shall be prescribed by the securities regulatory agency of the State Council.

In addition to the matters set out in Article 95 of this Law, the company bylaws of a listed company shall specify:

- 1-The composition and powers of specialized committees under the board of directors;
- 2-The remuneration assessment mechanisms for directors, supervisors, and senior executives;
- 3-Other matters required by applicable laws and administrative regulations.

Article 137

Where a listed company has an audit committee under the board of directors, before adopting any of the following resolutions, approval by more than half of all members of the audit committee is required:

- 1-Engaging or dismissing the accounting firm responsible for auditing the company;
- 2-Hiring or dismissing the chief financial officer;
- 3-Disclosure of financial and accounting reports;
- 4-Other matters prescribed by the securities regulatory agency of the State Council.

Article 138

A listed company shall appoint a secretary of the board of directors, who shall be responsible for:

- 1-Preparing and preserving documents of shareholders' meetings and board meetings;
- 2-Managing shareholder materials;
- 3-Handling information disclosure and other corporate affairs.



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Article 139

Where a director of a listed company is affiliated with an enterprise or individual involved in a matter to be resolved at a board meeting, the director shall promptly submit a written report to the board.

The affiliated director shall neither exercise their voting right on the resolution nor vote on behalf of any other director. A board meeting may be convened when more than half of the unaffiliated directors are present, and resolutions shall be adopted by a majority of the unaffiliated directors present.

If fewer than three unaffiliated directors are present, the matter shall be submitted to the shareholders' meeting of the listed company for deliberation.

Article 140

A listed company shall disclose information regarding its shareholders and actual controllers in accordance with the law. Such information shall be authentic, accurate, and complete.

Nominee shareholdings in listed companies in violation of laws and administrative regulations are prohibited.

Article 141

A non-wholly owned subsidiary of a listed company shall not acquire any shares of the listed company.

Where a non-wholly owned subsidiary holds shares of the listed company for purposes of a corporate combination, the exercise of a pledge, or any other reason, it shall not exercise the voting rights attached to such shares and shall dispose of them in a timely manner.

Chapter VI: Offering and Transfer of Shares of a Corporation

Section 1 Offering of Shares

Article 142

The capital of a corporation shall be divided into shares. All shares shall be either par value shares or no-par value shares, in accordance with the company bylaws. If the shares are par value shares, each share shall have the same par value.

A corporation may convert all issued par value shares into no-par shares or vice versa in accordance with its bylaws.




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Where the shares are no-par shares, at least one-half of the offering proceeds shall be included in the registered capital.

Article 143

Shares shall be offered on principles of fairness and impartiality. Each share of the same class shall carry the same rights.

The conditions of the offering and the price per share shall be the same for all shares of the same class in the issue. Each subscriber shall pay the same price per share for all shares subscribed.

Article 144

A corporation may, in accordance with the company bylaws, issue particular classes of shares carrying rights different from those of common shares, including:

- 1-Shares with preferential or subordinated rights to the distribution of profits or residual property;
- 2-Shares each carrying more or fewer voting rights than common shares;
- 3-Shares subject to transfer restrictions, such as requiring the consent of the corporation for transfer;
- 4-Other particular classes of shares prescribed by the State Council.

A corporation offering shares to the public shall not offer the particular classes of shares described in subparagraphs (2) and (3) above, except for shares issued prior to the public offering.

Where a corporation issues a class of shares described in subparagraph (2) of paragraph 1, each share of that class shall carry the same voting rights as each common share in the election and replacement of supervisors and members of the audit committee.

Article 145

Where a corporation issues any particular classes of shares, the company bylaws shall specify:

- 1-The order of distribution of profits or residual property among the particular classes of shares;
- 2-The number of voting rights attached to each share of a particular class;
- 3-Restrictions on the transfer of the particular classes of shares;



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4-Measures to protect the rights and interests of minority shareholders;

5-Other matters as deemed necessary by the shareholders' meeting.

Article 146

Matters affecting the rights of a particular class of shareholders in a corporation issuing any special class of shares, as referred to in paragraph 3 of Article 116, shall, in addition to being resolved by the shareholders' meeting under paragraph 3 of Article 116, require approval by at least two-thirds (2/3) of the voting rights at a meeting of that class.

The company bylaws may specify other matters requiring a resolution at a meeting of a particular class.

Article 147

A corporation shall represent its capital through stock certificates, which serve as proof of ownership for each shareholder.

All stock certificates issued by a corporation must be registered.

Article 148

The offering price for par value shares may equal or exceed the par value, but shall not fall below it.

Article 149

Stock certificates may be issued in paper form or other formats prescribed by the securities regulatory agency of the State Council.

Paper certificates shall include at least the following information:

1-The corporation's name;

2-The date of incorporation or the date of the share offering;

3-The class and par value of shares represented, and the number of shares; for no-par shares, the number of shares represented.

Each paper certificate shall also bear a serial number, the signature of the legal representative, and the corporate seal.

Stock certificates held by promoters shall be marked as "stock held by promoter."



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Article 150

A corporation shall deliver stock certificates to shareholders immediately after its formation.

Stock certificates shall not be delivered before the corporation is officially formed

Article 151

When a corporation issues new shares, a resolution of the shareholders' meeting shall be adopted on the following matters:

- 1-The class and quantity of shares to be issued;
- 2-The subscription price;
- 3-The commencement and closing dates of the offering;
- 4-The class and quantity of shares offered to existing shareholders;
- 5-For no-par shares, the portion of proceeds to be included in registered capital.

The corporation may establish a pricing mechanism for the offering, taking into account its operational and financial position.

Article 152

The bylaws or the shareholders' meeting may authorize the board of directors, for a period not exceeding three years, to approve offerings of up to fifty percent (50%) of the issued shares. However, if contributions in kind are to be made at appraised value, such an offering must be resolved by the shareholders' meeting.

Where a board-approved offering results in changes to the registered capital or the number of issued shares, amendments to the bylaws reflecting such changes need not be submitted to the shareholders' meeting for approval.

Article 153

Where the board of directors is authorized by the bylaws or the shareholders' meeting to approve a new share issuance, its resolution shall require the affirmative vote of at least two-thirds (2/3) of all directors.

Article 154




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A corporation offering shares to the public must register the offering with the securities regulatory authority of the State Council and publish a prospectus.

The prospectus, accompanied by the company bylaws, shall specify:

- 1-The total number of shares offered;
- 2-The par value and issue price of par value shares, or the issue price of no-par shares;
- 3-The intended use of proceeds;
- 4-The rights and obligations of subscribers;
- 5-The class of shares and the rights and obligations attached thereto;
- 6-The opening and closing dates of the subscription period, together with a statement that subscriptions may be withdrawn if the offering is not fully subscribed by the closing date.

Where shares are offered at the time of incorporation, the prospectus shall also disclose the number of shares subscribed by the promoters.

Article 155

When offering shares to the public, the corporation shall engage a duly established securities company to underwrite the offering under a formal underwriting agreement.

Article 156

A corporation offering shares to the public shall enter into an agreement with a bank to collect subscription payments on its behalf.

The collecting bank shall, in accordance with the agreement, receive and hold the subscription funds, issue receipts to paying subscribers, and provide a certificate of receipt to the relevant authority.

Once all offered shares have been fully paid for, the corporation shall issue a public announcement.

Section 2 Transfer of Shares

Article 157

A shareholder may transfer its shares to other shareholders or to non-shareholders, provided that any transfer restrictions stipulated in the company bylaws are observed.



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Article 158

Share transfers shall take place either on a lawfully established securities trading venue or in another manner prescribed by the State Council.

Article 159

Stock certificates may be transferred by endorsement or by any other method prescribed by law or administrative regulation. Following a transfer, the corporation shall enter the name and domicile—whether personal or business—of the transferee into the shareholder register.

The shareholder register may not be altered: within 20 days prior to a shareholders' meeting, or within five days before the record date set by the corporation for dividend distribution, except where laws, administrative regulations, or directives of the securities regulatory authority of the State Council provide otherwise for listed companies.

Article 160

Shares issued by a corporation prior to its public offering may not be transferred within one year from the date on which the company's stock is listed and begins trading on a stock exchange, unless otherwise permitted by law, administrative regulation, or directives issued by the securities regulatory authority of the State Council regarding transfers by shareholders or the company's actual controller.

Each director, supervisor, and senior executive shall disclose to the corporation both their shareholdings and any changes thereto. During their tenure, the number of shares they may transfer in any single year, as determined at the commencement of their term, shall not exceed 25% of their total holdings. Moreover, they are prohibited from transferring any shares within one year from the company's initial listing date. For a period of six months following the termination of their office, they are likewise barred from transferring any shares held. The company bylaws may stipulate additional restrictions on the transfer of shares owned by these individuals.

If any shares are pledged during a legally or regulatorily mandated transfer-restriction period, the pledgee shall not exercise the rights arising from the pledge while such restrictions remain in effect.

Article 161

Except for corporations offering shares to the public, a shareholder who votes against a resolution of the shareholders' meeting may request the corporation to purchase the shares held at a reasonable price under any of the following circumstances:




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1-The corporation has earned profits for five consecutive years but has not distributed any dividends during that period, despite meeting the conditions for profit distribution set forth in this Law;

2-The corporation transfers a substantial portion of its assets;

3-Upon the expiration of the business term prescribed in the bylaws, or upon occurrence of any other cause of dissolution stipulated in the bylaws, the shareholders' meeting adopts a resolution to amend the bylaws to extend the corporation's existence.

If the shareholder and the corporation fail to reach an agreement on the purchase within 60 days of the resolution, the shareholder may bring an action in a people's court within 90 days of the resolution.

Shares purchased by the corporation under paragraph 1 shall be transferred or canceled within six months in accordance with the law.

Article 162

A corporation may not repurchase its own shares, except under the following circumstances:

1-Reduction of registered capital;

2-Combination with another company holding shares in the corporation;

3-For employee stock ownership plans or equity incentives;

4-At the request of a shareholder dissenting from a shareholders' meeting resolution concerning a merger or division;

5-For conversion of convertible corporate bonds issued by the corporation;

6-When necessary, as a listed company, to maintain the corporation's value and protect shareholders' rights.

After purchasing its own shares under paragraph 1 of this article, a corporation shall, under the circumstance set forth in subparagraph (1), cancel the purchased shares within ten days of the purchase; shall, under the circumstance set forth in subparagraphs (2) and (4), transfer or cancel the purchased shares within six months; or shall, under the circumstances set out in subparagraphs (3), (5) and (6), hold, in total, not more than 10% of the total issued shares of the corporation, and transfer or cancel the purchased shares within three years.

A listed company purchasing its own shares shall perform information disclosure obligations in accordance with the [Securities Law of the People's Republic of China](#). A listed company purchasing its own shares under the circumstances set forth in subparagraphs (3), (5), and (6) of paragraph 1 of this article shall purchase the shares in a public and centralized trading manner.



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A corporation may not accept its own shares as the subject matter of a pledge.

Article 163.

A corporation may not provide any gift, loan, security, or other financial assistance for others to acquire shares of the corporation or its parent company, unless the corporation implements an employee stock ownership plan. A corporation may, in the interest of the corporation, provide financial assistance for others to acquire shares of the corporation or the parent company of the corporation by a resolution of the shareholders' meeting or a resolution of the board of directors adopted as authorized by the company bylaws or the shareholders' meeting, but the cumulative total of financial assistance may not exceed 10% of the total issued share capital. The resolution of the board of directors shall be adopted by two-thirds or more of all the directors.

Article 164

A shareholder whose stock certificate has been stolen, lost, or destroyed may petition the people's court to declare the certificate invalid through the public notice procedure for urging claims, as provided in the *Civil Procedure Law of the People's Republic of China*. Once the court has declared the certificate invalid, the shareholder may request the corporation to reissue a replacement certificate.

Article 165

The stocks of listed companies shall be listed and traded in accordance with applicable laws, administrative regulations, and the trading rules of stock exchanges.

Article 166

A listed company shall disclose relevant information in compliance with laws and administrative regulations.

Article 167

Upon the death of a natural person shareholder, the shareholder's lawful successor may assume the shareholder status, unless the bylaws of a corporation with share transfer restrictions provide otherwise.



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Chapter VII: Special Provisions on Organizational Structure of State-Funded Companies

Article 168

The provisions of this Chapter govern the organizational structure of state-funded companies. Where this Chapter is silent, the other provisions of this Law shall apply.

For the purposes of this Law, a "state-funded company" refers to a wholly state-owned company or a non-wholly owned company controlled by the state, established in the form of a limited liability company or corporation, to which the state has contributed capital.

Article 169

The State Council or the relevant local people's government, representing the state, shall exercise the rights and perform the duties of a capital contributor in a state-funded company in accordance with the law.

The State Council or local government may authorize a state-owned assets supervision and administration body or another department or institution to represent it in fulfilling these duties.

All bodies and departments acting on behalf of the government at the same level in the exercise of capital contributor duties are collectively referred to as institutions performing the duties of a capital contributor.

Article 170

The organizations of the Communist Party of China within state-funded companies shall play a leading role in accordance with the Party Constitution. They shall research and deliberate on major operational and management matters of the company and support the company's organs in exercising their powers according to law.

Article 171

The bylaws of a wholly state-owned company shall be formulated by the institution performing the duties of a capital contributor.

Article 172

A wholly state-owned company does not have a shareholders' meeting. The institution performing the duties of a capital contributor shall exercise the powers normally vested in the shareholders' meeting.




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The institution may authorize the company's board of directors to exercise certain powers of the shareholders' meeting; however, the formulation and amendment of the bylaws, corporate combinations or divisions, dissolution, bankruptcy petitions, increases or reductions in registered capital, and profit distribution shall be decided exclusively by the institution performing the duties of a capital contributor.

Article 173

The board of directors of a wholly state-owned company shall exercise its powers in accordance with this Law.

More than half of the directors shall be independent outside directors, and employee representatives shall also serve on the board.

Board members, except for employee representatives, shall be appointed by the institution performing the duties of a capital contributor. Employee representatives shall be elected through the company's assembly of employee representatives.

The board shall have one chairperson and may have vice chairpersons. The chairperson and vice chairpersons shall be designated from among the board members by the institution performing the duties of a capital contributor.

Article 174

The president of a wholly state-owned company shall be appointed or dismissed by the board of directors.

With the consent of the institution performing the duties of a capital contributor, a board member may concurrently serve as president.

Article 175

Directors and senior executives of a wholly state-owned company shall not concurrently hold any position in another limited liability company, corporation, or other economic organization without the approval of the institution performing the duties of a capital contributor.

Article 176

A wholly state-owned company shall establish an audit committee composed of directors under the board of directors. The audit committee shall exercise the powers prescribed for a board of supervisors under this Law, thereby dispensing with the need for a separate board of supervisors or individual supervisors.



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Article 177

State-funded companies shall establish and maintain internal supervision, administration, and risk control systems in accordance with the law, and shall strengthen internal compliance management.

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

Article 178

A person shall not serve as a director, supervisor, or senior executive under any of the following circumstances:

1-The person lacks full civil capacity or has limited civil capacity.

2-The person has been convicted of embezzlement, bribery, misappropriation of property, or disruption of the socialist market economy, or has been deprived of political rights, and five years have not passed since completion of the sentence, or if a suspended sentence was imposed, two years have not passed since the end of probation.

3-The person previously served as a director, factory director, or president of a company or enterprise that was liquidated due to bankruptcy, was personally liable for the bankruptcy, and three years have not passed since the completion of liquidation.

4-The person was the legal representative of a company or enterprise whose business license was revoked or which was ordered to close due to legal violations, was personally liable, and three years have not passed since the revocation or closure.

5-The person has been listed as a dishonest judgment debtor by a people's court for failing to repay a substantial overdue debt.

If a director, supervisor, or senior executive is elected, appointed, or hired in violation of the above, such election, appointment, or hiring shall be void.

If any circumstance listed above arises during a term of office, the company shall remove the director, supervisor, or senior executive immediately.

Article 179

Directors, supervisors, and senior executives shall comply with applicable laws, administrative regulations, and the company bylaws.



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Article 180

Directors, supervisors, and senior executives owe a duty of loyalty to the company. They shall take measures to avoid conflicts between personal interests and those of the company and must not exploit their positions to gain improper benefits.

They also owe a duty of diligence, exercising the care that a prudent manager would exercise in the best interest of the company in performing their functions.

Where a controlling shareholder or actual controller does not formally serve as a director but effectively manages the company, the duties of loyalty and diligence prescribed above shall apply.

Article 181

A director, supervisor, or senior executive of a company shall not:

- 1-Embezzle or misappropriate any company property or funds;
- 2-Deposit company funds into an account opened in their own name or in the name of any other individual;
- 2-Engage in bribery or accept any other illegal gain by abusing their powers;
- 3-Accept or pocket commissions arising from transactions between third parties and the company;
- 4-Illegally disclose the company's confidential information; or
- 5-Otherwise violate their duty of loyalty to the company.

Article 182

A director, supervisor, or senior executive who directly or indirectly enters into a contract or conducts a transaction with the company shall report the matter to the board of directors or the shareholders' meeting. The board or shareholders' meeting shall adopt a resolution regarding the matter in accordance with the company bylaws.

The same rule applies if the contracting party or counterparty is: a close relative of the director, supervisor, or senior executive; an enterprise directly or indirectly controlled by the director, supervisor, or senior executive or their close relative; or an affiliate otherwise related to the director, supervisor, or senior executive.

Article 183




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A director, supervisor, or senior executive shall not exploit their position to appropriate any business opportunity that belongs to the company, except under the following circumstances:

1-The opportunity is reported to the board of directors or the shareholders' meeting, and the board or shareholders' meeting adopts an affirmative resolution in accordance with the company bylaws; or

2-The company is legally or practically unable to utilize the opportunity, in accordance with applicable law, administrative regulations, or the company bylaws.

Article 184

A director, supervisor, or senior executive shall not engage, for themselves or for any other person, in a business that competes with the company unless they report it to the board of directors or the shareholders' meeting and a resolution approving it is adopted in accordance with the company bylaws.

Article 185

When the board of directors considers a matter under Articles 182 through 184, an affiliated director shall not vote, and their voting rights shall not be counted in the total. If fewer than three unaffiliated directors are present, the matter shall be submitted to the shareholders' meeting for deliberation.

Article 186

Any revenue obtained by a director, supervisor, or senior executive in violation of Articles 181 through 184 shall belong to the company.

Article 187

If the shareholders' meeting requests a director, supervisor, or senior executive to attend as an observer, they shall attend and respond to shareholders' questions.

Article 188

A director, supervisor, or senior executive of a company who, in the performance of his or her duties, violates any law, administrative regulation, or the company's articles of association, and thereby causes loss to the company, shall be liable for damages.



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Article 189

In the circumstances described in the preceding article, a shareholder of a limited liability company, or a shareholder of a company limited by shares who individually, or together with other shareholders, holds 1% or more of the shares for at least 180 consecutive days, may submit a written request to the board of supervisors to initiate legal proceedings in a people's court against the relevant director or senior executive;

In the case of a supervisor, the shareholder(s) described above may submit a written request to the board of directors to initiate legal proceedings in a people's court.

If the board of supervisors or the board of directors refuses to initiate legal proceedings after receiving a written request, or fails to do so within thirty days of receipt of such request, or in circumstances where any delay in initiating proceedings may cause irreparable harm to the interests of the company, the shareholder(s) may directly institute legal proceedings in a people's court in their own name.

Where any other person infringes upon the lawful rights and interests of the company, causing loss thereto, the shareholder(s) described in paragraph 1 may institute legal proceedings in a people's court in accordance with the procedures set forth in the preceding two paragraphs.

For a director, supervisor, or senior executive of a wholly-owned subsidiary, or for losses caused by any other person's infringement on the lawful rights and interests of a wholly-owned subsidiary, a shareholder of the parent company—being a shareholder of a limited liability company, or a shareholder holding individually or collectively 1% or more of the shares in the case of a company limited by shares for at least 180 consecutive days—may, in accordance with the preceding paragraphs, request in writing the board of supervisors or the board of directors of the wholly-owned subsidiary to initiate legal proceedings, or may directly institute proceedings in a people's court in their own name.

Article 190

Where a director or senior executive of a company, in the performance of his or her duties, violates any law, administrative regulation, or the company's articles of association, causing harm to the interests of shareholders, any shareholder may institute legal proceedings in a people's court.

Article 191

Where a director or senior executive of a company, in the performance of his or her duties, causes harm to any other person, the company shall be liable for damages. Where such harm




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is caused intentionally or through gross negligence, the director or senior executive shall also be liable for damages.

Article 192

Where a controlling shareholder or actual controller of a company instructs a director or senior executive to engage in any conduct that harms the interests of the company or its shareholders, the controlling shareholder or actual controller shall be jointly and severally liable with the director or senior executive.

Article 193

A company may purchase liability insurance to cover the compensatory liability of directors arising from the performance of their duties during their term of office.

Upon taking out or renewing such liability insurance, the board of directors shall report to the shareholders' meeting the key details of the insurance, including the insured amount, coverage, and premium rate.

Chapter IX: Corporate Bonds

Article 194

For the purposes of this Law, the term *corporate bonds* refers to negotiable securities issued by a company which, pursuant to the terms of issuance, obligate the issuer to repay the principal and pay interest in accordance with the agreed schedule.

Corporate bonds may be offered either publicly or on a non-public basis.

The issuance and trading of corporate bonds shall be conducted in compliance with the Securities Law of the People's Republic of China and other applicable laws and administrative regulations.

Article 195

A public offering of corporate bonds shall be registered with the securities regulatory authority under the State Council. A prospectus shall be prepared and disclosed in connection with such offering.

The prospectus shall contain the following principal matters:

1-The legal name of the issuing company;




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- 2-The intended use of proceeds from the bond offering;
 - 3-The aggregate principal amount and par value of the bonds;
 - 4-The method for determining the interest rate applicable to the bonds;
 - 5-The maturity date(s) and the method of repayment of principal and payment of interest;
 - 6-Any security or collateral provided for the bonds;
 - 7-The offering price of the bonds and the commencement and termination dates of the offering;
 - 8-The net asset value of the issuing company;
 - 9-The aggregate outstanding amount of the company's corporate bonds not yet matured;
 - 10-The name(s) of the underwriter(s) of the bonds.

Article 196

Where corporate bonds are issued in certificated form, the bond certificates shall specify the following particulars: the name of the issuing company, the par value, the interest rate, and the maturity date, among other essential terms, and shall bear the signature of the company's legal representative and the company seal.

Article 197

Corporate bonds shall be issued in registered form.

Article 198

A company issuing corporate bonds shall maintain a bondholder register.

The bondholder register shall contain the following particulars:

- 1-The name (personal or business) and domicile of each bondholder;
- 2-The date on which each bondholder acquired the bonds and the serial numbers of the bonds;
- 3-The total amount of bonds held, together with the par value, interest rate, and the terms and methods for repayment of principal and payment of interest;
- 4-The date of issuance of the bonds.

Article 199




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The registration and clearing institution for corporate bonds shall formulate rules governing the registration, custody, payment of interest, redemption, and other related matters concerning bonds.

Article 200

Corporate bonds may be transferred at a price agreed between the transferor and the transferee.

Such transfers shall be carried out in accordance with the provisions of relevant laws and administrative regulations.

Article 201

The transfer of corporate bonds shall be effected by endorsement or by such other means as may be prescribed by law or administrative regulation.

Upon transfer, the issuing company shall record the names (personal or business) and domiciles of the transferees in the bondholder register.

Article 202

A company may, pursuant to a resolution of the shareholders' meeting, or a resolution of the board of directors adopted under authority conferred by the company's bylaws or the shareholders' meeting, issue corporate bonds convertible into shares and determine the specific terms of conversion.

A listed company issuing convertible corporate bonds shall register the offering with the securities regulatory authority under the State Council.

Convertible corporate bonds shall be distinctly designated as such and shall be recorded in the bondholder register with the number of convertible bonds so issued.

Article 203

Where a company issues convertible corporate bonds, the company shall convert the bonds into shares in accordance with the prescribed method of conversion.

Bondholders, however, shall have the option to elect whether or not to convert their bonds into shares, except as otherwise provided by law or administrative regulation.



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Article 204

Where corporate bonds are offered to the public, a bondholders' meeting shall be convened for holders of bonds of the same issue.

The prospectus of the corporate bonds shall specify the procedures for convening a bondholders' meeting, the rules governing such meetings, and other material matters.

Matters affecting the interests of bondholders may be resolved at the bondholders' meeting.

Except as otherwise provided in the prospectus, any resolution adopted at the bondholders' meeting shall be binding on all holders of the corporate bonds of the same issue.

Article 205

Where corporate bonds are publicly offered, the issuer shall appoint a bond trustee to represent the interests of bondholders.

The bond trustee shall handle, on behalf of bondholders, the acceptance of principal and interest payments, the protection of bondholder claims, participation in bond-related litigation, involvement in any bankruptcy proceedings of the issuer, and other matters relevant to bondholders.

Article 206

A bond trustee shall perform its duties with diligence and fairness and shall not act in a manner that harms the interests of bondholders.

Where a conflict of interest arises between the bond trustee and bondholders that may adversely affect bondholders, the bondholders' meeting may adopt a resolution to replace or modify the appointment of the bond trustee.

Where a bond trustee violates any law, administrative regulation, or resolution of the bondholders' meeting, thereby causing harm to the interests of bondholders, the bond trustee shall be liable for damages.

Chapter X: Financial Affairs and Accounting of a Company

Article 207

A company shall establish its financial and accounting systems in accordance with applicable laws, administrative regulations, and rules issued by the finance department of the State Council.



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Article 208

At the end of each fiscal year, a company shall prepare a financial accounting report, which shall be audited by a certified accounting firm in accordance with the law.

The financial accounting report shall be prepared in accordance with applicable laws, administrative regulations, and rules issued by the finance department of the State Council.

Article 209

A limited liability company shall deliver its financial accounting report to each shareholder within the time period specified in the company's bylaws.

A corporation shall make its financial accounting report available at the company for inspection by shareholders at least twenty days prior to the annual shareholders' meeting.

A corporation whose shares are publicly offered shall publicly disclose its financial accounting report.

Article 210

When distributing the after-tax profits of the current year, a company shall allocate ten percent of such profits to the statutory reserve fund.

The company may discontinue allocations to the statutory reserve fund once the cumulative amount of the fund reaches or exceeds fifty percent of the company's registered capital.

If the statutory reserve fund is insufficient to cover losses from previous years, the profits of the current year shall first be used to offset such losses before any allocation is made to the statutory reserve fund.

After setting aside amounts for the statutory reserve fund, the company may, pursuant to a resolution of the shareholders' meeting, allocate additional amounts to a discretionary reserve fund from the after-tax profits.

The remaining after-tax profits, after covering losses and allocating to reserve funds, may be distributed by a limited liability company in proportion to shareholders' paid-in capital contributions, unless all shareholders agree otherwise. In a corporation, profits shall be distributed in proportion to the shares held by shareholders, except as otherwise provided in the company's bylaws.

A company may not distribute profits on shares held by itself.

Article 211




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Where a company distributes profits to shareholders in violation of this Law, such shareholders shall return the improperly distributed profits to the company.

If any loss is thereby caused to the company, the shareholders and any directors, supervisors, or senior executives who are liable shall be jointly and severally responsible for damages.

Article 212

Where the shareholders' meeting adopts a resolution to distribute profits, the board of directors shall complete the distribution within six months from the date of the resolution.

Article 213

The premium obtained from an issuance of shares at a price above the par value, the portion of proceeds from a no-par share offering not included in registered capital, and other items designated as capital reserve by the finance department of the State Council shall be recorded as the company's capital reserve.

Article 214

The reserves of a company may be used to cover losses, to expand production or other operations, or may be converted to increase the company's registered capital.

Where reserves are used to cover losses, the discretionary and statutory reserves shall be applied first; if they are insufficient, the capital reserve may be used in accordance with applicable regulations.

Where the statutory reserve is converted to increase registered capital, the remaining statutory reserve after conversion shall not be less than twenty-five percent of the registered capital immediately prior to the conversion.

Article 215

The engagement or dismissal of an accounting firm to audit the company shall be decided by the shareholders' meeting, board of directors, or board of supervisors in accordance with the company's bylaws.

Where a vote is taken regarding the dismissal of an accounting firm, the accounting firm shall have the right to present its opinions to the decision-making body.



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Article 216

A company shall provide the engaged accounting firm with truthful and complete accounting vouchers, account books, financial accounting reports, and other accounting materials.

The company shall not refuse to provide such materials, conceal any materials, or submit any false materials.

Article 217

A company shall maintain only the statutory account books and shall not create any other accounts.

Company funds shall not be deposited in any account opened in the name of an individual.

Chapter XI: Combination, Division, and Capital Increase or Reduction of a Company

Article 218

A combination of companies may take the form of a merger or a consolidation.

A merger occurs when one company is absorbed into another, resulting in the dissolution of the merged company. A consolidation occurs when two or more companies are combined to form a new company, and all participating companies are dissolved.

Article 219

Where a company combines with another company in which it holds ninety percent or more of the equity, the merged company is not required to obtain a resolution of its shareholders' meeting. The other shareholders shall be notified, and may request the company to purchase their equity or shares at a reasonable price.

Where the consideration paid by a company for a combination does not exceed ten percent of the company's net assets, a resolution of its shareholders' meeting is not required, except as otherwise provided in the company's bylaws.

Where a shareholders' resolution is not required under the preceding two paragraphs, the combination shall be approved by the board of directors.

Article 220

Where companies are combined, the parties to the combination shall enter into a written agreement and prepare balance sheets and lists of property.




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Each company shall, within ten days of adopting a resolution regarding the combination, notify its creditors, and within thirty days, publish an announcement in a newspaper or on the National Enterprise Credit Information Publicity System.

Creditors may, within thirty days of receipt of the notice, or within forty-five days of publication of the announcement if they did not receive the notice, require the company to repay debts or provide corresponding security.

Article 221

In a combination, the surviving company or the newly formed company shall succeed to all rights and obligations of the companies participating in the combination, including claims and debts.

Article 222

Where a company is divided, its property shall be allocated among the resulting companies in accordance with the division plan.

The company shall prepare a balance sheet and list of property prior to the division. Within ten days of adopting a resolution regarding the division, the company shall notify its creditors, and within thirty days, publish an announcement in a newspaper or on the National Enterprise Credit Information Publicity System.

Article 223

The companies resulting from a division shall be jointly and severally liable for the debts of the original company prior to the division, unless a written agreement made before the division between the company and its creditors provides otherwise.

Article 224

Where a company reduces its registered capital, it shall prepare a balance sheet and list of property.

Within ten days of adopting a resolution of the shareholders' meeting regarding the reduction of registered capital, the company shall notify its creditors, and within thirty days, publish an announcement in a newspaper or on the National Enterprise Credit Information Publicity System.

Creditors may, within thirty days of receipt of the notice, or within forty-five days of publication of the announcement if they did not receive the notice, require the company to repay debts or provide corresponding security.




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Where registered capital is reduced, the company shall proportionally reduce the capital contributions or shares of the shareholders, except as otherwise provided by law, agreed unanimously by all shareholders in a limited liability company, or provided in the company's bylaws for a corporation.

Article 225

Where a company's losses cannot be fully covered under paragraph 2 of Article 214, the company may reduce its registered capital to offset such losses.

If losses are covered by a reduction of registered capital, the company shall not distribute the amount of the reduction to shareholders, nor shall it relieve shareholders of their obligations to make capital contributions or payments for shares.

The provisions of paragraph 2 of Article 224 shall not apply to a reduction of registered capital for the purpose of covering losses. The reduction shall, however, be announced in a newspaper or on the National Enterprise Credit Information Publicity System within thirty days of adoption of the shareholders' resolution to reduce registered capital.

After reducing registered capital under the preceding provisions, a company may not distribute profits until the cumulative amount of statutory and discretionary reserves reaches fifty percent of the registered capital.

Article 226

Where the registered capital of a company is reduced in violation of this Law, shareholders shall return any amounts received, and the original state shall be restored if shareholders were granted exemption from or reduction of capital contributions.

If any loss is thereby caused to the company, the shareholders and any directors, supervisors, or senior executives who are liable shall be jointly and severally responsible for damages.

Article 227

Where a limited liability company increases its registered capital, the shareholders shall have preemptive rights to subscribe for the additional capital contributions in proportion to their existing paid-in contributions, unless all shareholders agree otherwise.

Where a corporation issues new shares to increase registered capital, shareholders do not have preemptive rights to subscribe for the new shares, except as otherwise provided in the company's bylaws or where the shareholders' meeting resolves that preemptive rights shall apply.



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Article 228

For a limited liability company increasing its registered capital, the provisions of this Law regarding capital contributions in the formation of a limited liability company shall apply to the new capital contributions.

For a corporation issuing new shares to increase registered capital, the provisions of this Law regarding payment for shares in the formation of a corporation shall apply to subscriptions for the new shares.

Chapter XII: Dissolution and Liquidation of a Company

Article 229

A company shall be dissolved under any of the following circumstances:

- 1-The duration of the company's business, as prescribed in the company's bylaws, expires, or any other cause of dissolution specified in the bylaws occurs;
- 2-The shareholders' meeting adopts a resolution to dissolve the company;
- 3-The combination or division of the company necessitates its dissolution;
- 4-The company's business license is revoked, the company is ordered to close, or the company is otherwise abolished in accordance with law;
- 5-The company is dissolved by a people's court pursuant to Article 231 of this Law.

Where any of the foregoing causes of dissolution occurs, the company shall, within ten days, publish the cause of dissolution through the National Enterprise Credit Information Publicity System.

Article 230

Where the circumstances described in subparagraphs (1) and (2) of Article 229, paragraph 1, occur, and the company has not yet distributed its property to shareholders, the company may continue its existence by amending the company's bylaws or by a resolution of the shareholders' meeting.

The amendment of the bylaws or resolution of the shareholders' meeting under the preceding paragraph must be adopted by shareholders holding two-thirds or more of the voting rights in a limited liability company, or by two-thirds or more of the voting rights of the shareholders present at the shareholders' meeting in the case of a corporation.



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Article 231

Where the operational management of a company encounters difficulties so severe that the continued existence of the company would cause substantial loss to shareholders' interests, and such difficulties cannot be remedied by other means, any shareholder or shareholders holding ten percent or more of the voting rights may petition a people's court for dissolution of the company.

Article 232

Where a company is dissolved under subparagraphs (1), (2), (4), or (5) of Article 229, the company shall undergo liquidation.

The directors, as the liquidation obligors, shall form a liquidation group within fifteen days of the occurrence of the cause of dissolution to conduct the liquidation.

The liquidation group shall be composed of the directors, unless otherwise specified in the company's bylaws or unless other persons are appointed by resolution of the shareholders' meeting.

Where the liquidation obligors fail to perform their duties in a timely manner, resulting in loss to the company or its creditors, they shall be liable for damages.

Article 233

Where a company is required to undergo liquidation under Article 232, but a liquidation group is not formed within the prescribed time, or liquidation is not carried out after formation of a liquidation group, any interested person may petition a people's court to designate appropriate persons to form a liquidation group to conduct the liquidation.

The people's court shall accept such a petition and organize the liquidation by the designated liquidation group in a timely manner.

Where a company is dissolved under subparagraph (4) of Article 229, the department or company registration authority that revoked the business license, ordered closure, or abolished the company may petition a people's court to designate appropriate persons to form a liquidation group to conduct the liquidation.

Article 234

During liquidation, the liquidation group shall exercise the following powers:

1-Identify the company's property and prepare a balance sheet and list of property;




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- 2-Notify creditors and issue a public announcement;
 - 3-Handle the company's unfinished business related to liquidation;
 - 4-Identify and pay taxes owed and taxes arising in the course of liquidation;
 - 5-Identify and settle claims and debts;
 - 6-Distribute residual property after payment of the company's debts;
 - 7-Participate in civil litigation on behalf of the company.

Article 235

The liquidation group shall, within ten days of its formation, notify the company's creditors, and within sixty days, issue a public announcement in a newspaper or on the National Enterprise Credit Information Publicity System.

Creditors may, within thirty days of receiving the notice, or within forty-five days of publication if they did not receive the notice, submit claims to the liquidation group.

In submitting claims, creditors shall specify relevant details and provide supporting evidence. The liquidation group shall register such claims.

During the period for submitting claims, the liquidation group shall not make any payments to creditors.

Article 236

After identifying the company's property and preparing a balance sheet and list of property, the liquidation group shall develop a liquidation plan and submit it to the shareholders' meeting or a people's court for confirmation.

Upon payment of liquidation expenses, employee wages, social insurance contributions, statutory indemnities, taxes, and the company's debts, any remaining property shall be distributed: in a limited liability company, in proportion to shareholders' paid-in capital contributions; in a corporation, in proportion to shares held by the shareholders.

During liquidation, the company continues to exist but may not conduct any operations unrelated to liquidation. Company property may not be distributed to shareholders prior to payment of debts and obligations as specified above.

Article 237




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Where the liquidation group, after identifying the company's property and preparing a balance sheet and list of property, determines that the property is insufficient to satisfy the company's debts, the liquidation group shall petition a people's court for bankruptcy liquidation.

Upon acceptance of the petition, the liquidation group shall transfer the liquidation affairs to the bankruptcy administrator designated by the people's court.

Article 238

Members of a liquidation group, in performing their duties, shall owe the company a duty of loyalty and a duty of diligence.

Where the members of the liquidation group are negligent in performing their duties, causing any loss to the company, they shall be liable for damages. Where the members cause loss to creditors intentionally or through gross negligence, they shall be liable for damages to the creditors.

Article 239

Upon completion of liquidation, the liquidation group shall prepare a liquidation report and submit it to the shareholders' meeting or the people's court for confirmation. The confirmed report shall be submitted to the company registration authority, and an application for cancellation of the company's registration shall be made.

Article 240

Where a company has incurred no debts or has fully repaid all debts, its registration may be cancelled through a simplified procedure upon undertaking by all shareholders, in accordance with applicable provisions.

The cancellation through the simplified procedure shall be announced via the National Enterprise Credit Information Publicity System for a period of not less than twenty days. If no objections are raised during the announcement period, the company may, within twenty days, apply to the company registration authority for cancellation of registration.

Where shareholders make untrue undertakings in connection with the simplified procedure, they shall be jointly and severally liable for the company's debts existing prior to cancellation of registration.

Article 241




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Where a company fails to apply to the company registration authority for cancellation of registration within three years following forfeiture of its business license, closure order, or abolition, the company registration authority may issue a public announcement via the National Enterprise Credit Information Publicity System for a period of not less than sixty days.

If no objections are raised during the announcement period, the company registration authority may cancel the company's registration.

Cancellation of registration under this provision shall not affect the liabilities of the original shareholders or liquidation obligors.

Article 242

Where a company is declared bankrupt in accordance with law, bankruptcy liquidation shall be conducted in accordance with the applicable laws on enterprise bankruptcy.

Chapter XIII: Branches of Foreign Companies

Article 243

For the purposes of this Law, "foreign companies" are companies incorporated outside the territory of the People's Republic of China under the laws of a foreign country.

Article 244

To establish a branch within the territory of the People's Republic of China, a foreign company shall submit an application to the appropriate Chinese authority, together with its company bylaws, company registration certificate issued in its home country, and other relevant documents.

Upon approval of the application, the foreign company shall register the branch with the company registration authority in accordance with law and obtain a business license.

The State Council shall prescribe additional measures for approving branches of foreign companies.

Article 245

A foreign company establishing a branch in the People's Republic of China shall designate a representative or agent within the territory to manage the branch and allocate sufficient funds for its operations.




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The State Council may additionally prescribe minimum operating fund requirements for branches of foreign companies.

Article 246

The name of a branch of a foreign company shall indicate the nationality and liability type of the foreign company.

A branch of a foreign company shall keep a copy of the bylaws of the foreign company at the branch.

Article 247

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

The foreign company shall bear civil liability for the operations of its branches within the territory of the People's Republic of China.

Article 248

Branches of foreign companies, in conducting business activities in the territory of the People's Republic of China, shall comply with Chinese laws, shall not harm public interests, and shall enjoy protection of their lawful rights and interests under Chinese law.

Article 249

Where a foreign company abolishes a branch in the territory of the People's Republic of China, it shall pay off the branch's debts in accordance with law and conduct liquidation in accordance with the provisions of this Law regarding company liquidation.

Until all debts are settled, the foreign company shall not transfer the property of the branch outside the territory of the People's Republic of China.

Chapter XIV: Legal Liability

Article 250

Where a company obtains registration by falsifying its registered capital, submitting any false materials, or concealing material facts by any other fraudulent means in violation of this Law, the company registration authority shall order the company to take corrective action.




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For falsification of registered capital, the authority shall impose a fine of not less than five percent and not more than fifteen percent of the falsified registered capital.

For submission of false materials or concealment of material facts by other fraudulent means, the authority shall impose a fine of not less than fifty thousand yuan and not more than two million yuan on the company.

Where the circumstances are serious, the authority may revoke the company's business license and impose a fine of not less than thirty thousand yuan and not more than three hundred thousand yuan on each directly responsible person.

Article 251

Where a company fails to publish relevant information in accordance with Article 40, or fails to publish truthful information, the company registration authority shall order the company to take corrective action.

The authority may impose a fine of not less than ten thousand yuan and not more than fifty thousand yuan on the company.

Where the circumstances are serious, the authority shall impose a fine of not less than fifty thousand yuan and not more than two hundred thousand yuan on the company, and a fine of not less than ten thousand yuan and not more than one hundred thousand yuan on each directly responsible person.

Article 252

Where a promoter or shareholder makes a false capital contribution, or fails to deliver or deliver on schedule the currency or non-currency capital contribution, the company registration authority shall order the promoter or shareholder to take corrective action.

The authority may impose a fine of not less than fifty thousand yuan and not more than two hundred thousand yuan on the promoter or shareholder.

Where the circumstances are serious, the authority shall impose a fine of not less than five percent and not more than fifteen percent of the false or unpaid capital contribution, and a fine of not less than ten thousand yuan and not more than one hundred thousand yuan on each directly responsible person.

Article 253




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Where, after the formation of a company, a promoter or shareholder illegally withdraws any contributed capital, the company registration authority shall order the promoter or shareholder to take corrective action.

The authority shall impose a fine of not less than five percent and not more than fifteen percent of the amount of capital illegally withdrawn, and a fine of not less than thirty thousand yuan and not more than three hundred thousand yuan on each directly responsible person.

Article 254

The finance department of a people's government at or above the county level shall impose penalties in accordance with the Accounting Law of the People's Republic of China and other relevant laws and administrative regulations for any of the following conduct:

- 1-Creation of any account books other than the statutory account books;
- 2-Provision of a financial accounting report containing any false statement or concealing any material fact.

Article 255

Where a company fails to notify creditors or issue a public announcement in accordance with this Law during a combination, division, reduction of registered capital, or liquidation, the company registration authority shall order the company to take corrective action and may impose a fine of not less than ten thousand yuan and not more than one hundred thousand yuan on the company.

Article 256

Where, during liquidation, a company conceals any property, makes any false statement in the balance sheet or list of property, or distributes company property before settling debts, the company registration authority shall order the company to take corrective action.

The authority shall impose a fine of not less than five percent and not more than ten percent of the value of the concealed or improperly distributed property on the company, and a fine of not less than ten thousand yuan and not more than one hundred thousand yuan on each directly responsible person.

Article 257

Where an institution undertaking asset appraisal, capital verification, or other verification provides any false materials or submits a report with material omissions, the relevant




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department shall impose penalties in accordance with the Asset Appraisal Law, the Certified Public Accountant Law, and other applicable laws and administrative regulations.

Where the appraisal result or certificate of capital verification or other verification is untrue and causes loss to the company's creditors, the institution shall be liable for damages to the extent of the untrue amount, unless the institution proves it is not at fault.

Article 258

Where a company registration authority fails to perform its duties or performs its duties inappropriately in violation of law or administrative regulations, the responsible leaders and directly liable persons shall be subject to administrative discipline in accordance with law.

Article 259

Where an entity not legally registered as a limited liability company or corporation falsely operates in the name of a limited liability company or corporation, or where an entity not legally registered as a branch of a limited liability company or corporation falsely operates in the name of such a branch, the company registration authority shall order the entity to take corrective action or prohibit its operation, and may impose a fine of up to one hundred thousand yuan on the entity.

Article 260

Where a company fails to commence business within six months of its formation without good cause, or suspends business on its own initiative for six or more consecutive months after commencing operations, the company registration authority may revoke the company's business license, unless the company has properly completed business suspension formalities in accordance with law.

Where any registration item of a company is modified but the company fails to register the modification in accordance with this Law, the company registration authority shall order the company to complete registration within a prescribed time limit. If the company fails to comply, the authority may impose a fine of not less than ten thousand yuan and not more than one hundred thousand yuan.

Article 261

Where a foreign company establishes a branch in the territory of the People's Republic of China without approval in violation of this Law, the company registration authority shall order the




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foreign company to take corrective action or close the branch, and may impose a fine of not less than fifty thousand yuan and not more than two hundred thousand yuan.

Article 262

Where any serious illegal conduct endangering national security or public interest is conducted in the name of a company, the company's business license shall be revoked.

Article 263

Where a company is liable both to pay civil compensation and an administrative or criminal fine under this Law, the company shall first pay the civil compensation if its property is insufficient to cover all liabilities.

Article 264

Where a violation of this Law constitutes a crime, the violator shall be held criminally liable in accordance with law.

Chapter XV: Supplemental Provisions

Article 265

The following terms in this Law shall have the following meanings:

1-“Senior executive” means the president, vice president, or chief financial officer of a company, the secretary of the board of directors of a listed company, or any other person prescribed in the company bylaws;

2-“Controlling shareholder” means a shareholder contributing more than fifty percent of the total capital of a limited liability company, or holding more than fifty percent of the total share capital of a corporation, or a shareholder with less than fifty percent of capital or shares whose voting rights nevertheless enable significant influence on resolutions of the shareholders' meeting;

3-“Actual controller” means a person who is able to exercise actual control over a company through investment relations, agreements, or other arrangements;

4-“Affiliation” means the relationship between the controlling shareholder, actual controller, directors, supervisors, and senior executives of a company and the enterprises directly or indirectly controlled by them, as well as any other relationship that may result in transfer of the




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company's interests. Enterprises controlled by the state shall not be deemed affiliated solely due to common state control.

Article 266

This Law shall take effect on July 1, 2024.

For a company registered and formed before the effective date of this Law, where the time limit for capital contribution exceeds the limit prescribed in this Law, it shall be gradually adjusted to conform to this Law, except as otherwise provided by law, administrative regulations, or the State Council.

Where the time limit or amount of capital contribution is evidently abnormal, the company registration authority may require the company to make adjustments in a timely manner in accordance with law. Specific measures shall be prescribed by the State Council.



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