

Company Law of the People's Republic of China (2018 Amendment)

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(Adopted at the Fifth Session of the Standing Committee of the Eighth National People's Congress on December 29, 1993; amended for the first time in accordance with the Decision on Amending the Company Law of the People's Republic of China adopted at the 13 th Session of the Standing Committee of the Ninth National People's Congress on December 25, 1999; amended for the second time in accordance with the Decision on Amending the Company Law of the People's Republic of China adopted at the 11th Session of the Standing Committee of the Tenth National People's Congress on August 28, 2004; Revised at 18 th Session of the Standing Committee of the Tenth National People's Congress on October 27, 2005; and amended for the third time in accordance with the Decision on Amending Seven Laws Including the Marine Environment Protection Law of the People's Republic of China adopted at the Sixth Session of the Standing Committee of the 12 th National People's Congress on December 28, 2013; and amended for the fourth time in accordance with the Decision of the Standing Committee of the National People's Congress on Amending the Company Law of the People's Republic of China (2018) adopted at the Sixth Session of the Standing Committee of the 13th National People's Congress on October 26, 2018.)

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Chapter I General Provisions

Article 1 This Law is enacted for the purposes of regulating the organization and operation of companies, protecting the legitimate rights and interests of companies, shareholders and creditors, maintaining the socialist economic order, and promoting the development of the socialist market economy

Article 2 The term "company" as mentioned in this Law refers to a limited liability company or a joint stock company limited set up within the territory of the People's Republic of China according to the provisions of this Law.

Article 3 A company is an enterprise legal person, which has independent legal person property and enjoys the right to legal person property. It shall bear the liabilities for its debts with all its property. For a limited liability company, a shareholder shall be liable for the company to the extent of the

capital contributions it has paid. For a joint stock limited company, a shareholder shall be liable for the company to the extent of the shares it has subscribed to.

Article 4 The shareholders of a company shall be entitled to enjoy the capital proceeds, participate in making important decisions, choose managers and enjoy other rights.

Article 5 When conducting business operations, a company shall comply with the laws and administrative regulations, social morality, and business morality. It shall act in good faith, accept the supervision of the government and general public, and bear social responsibilities.

The legitimate rights and interests of a company shall be protected by laws and may not be trespassed.

Article 6 To establish a company, an application for establishment registration shall be filed with the company registration authority. If the application meets the establishment requirements of this Law, the company registration authority shall register the company as a limited liability company or joint stock limited company. If the application does not meet the establishment requirements of this Law, it shall not be registered as a limited liability company or joint stock limited company.

If any law or administrative regulation provides that the establishment of a company shall be subject to approval, and relevant approval formalities shall be gone through prior to the registration of the company.

The general public may go to a company registration authority to search and consult the registration information filed by a company and the authority shall provide the research services for the public.

Article 7 For a lawfully established company, the company registration authority shall issue a company business license to the company. The date of issuance of the company business license shall be the date of establishment of the company.

The company business license shall state the name, domicile, registered capital, business scope, legal representative, etc.

If any of the items as stated in the business license is changed, the company shall modify the registration and the company registration authority shall replace its old business license by a new one.

Article 8 A limited liability company established according to this Law shall include the words of "limited liability company" or "limited company" in its name.

A joint stock limited company established according to this Law shall include words of "joint stock limited company" or "joint stock company".

Article 9 A limited liability company to be changed into a joint stock limited company shall satisfy the requirements as prescribed in this Law for joint stock limited companies. A joint stock limited company to be changed into a limited liability company shall conform to the conditions as prescribed in this Law for limited liability companies.

In either of the aforesaid cases, the creditor's rights and debts of the company prior to the change shall be succeeded by the company after the change.

Article 10 A company shall regard its main office as its domicile.

Article 11 A company established according to this Law shall formulate its bylaw that are binding on the company, its shareholders, directors, supervisors and senior managers.

Article 12 A company's business scope shall be defined in its bylaw and shall be registered according to law. The company may change its business scope by modifying its bylaw, but it shall go through the formalities for modifying the registration.

If the business scope a company covers any item subject to approval pursuant to any law or administrative regulation, approval shall be obtained according to the law.

Article 13 The legal representative of a company shall, be assumed by the chairman of the board of directors, executive director or manager according to the company's bylaw and shall be registered according to law. If the legal representative of the company is changed, the company shall go through the formalities for modifying the registration.

Article 14 A company may set up branches. To set up a branch, the company shall file a registration application with the company registration authority and shall obtain a business license. A branch shall not enjoy the status of an enterprise legal person and its civil liabilities shall be born by its parent company.

A company may set up subsidiaries which enjoy the status of an enterprise legal person and shall be

independently responsible for their own civil liabilities.

Article 15 A company may invest in other enterprises. However, unless it is otherwise provided for by any law, it shall not become a capital contributor that shall bear several and joint liabilities for the debts of the enterprises in which it invests.

Article 16 Where a company intends to invest in any other enterprise or provide guaranty for others, the company shall make a resolution through the board of directors, shareholders' meeting or shareholders' assembly according to its bylaw. If the bylaw prescribe any limit on the total amount of investments or guaranties, or on the amount of a single investment or guaranty, the aforesaid total amount or amount shall not exceed the limited amount.

If a company intends to provide guaranty to a shareholder or actual controller of the company, it shall make a resolution through the shareholder's meeting or shareholders' assembly.

The shareholder as mentioned in the preceding paragraph or the shareholder dominated by the actual controller as mentioned in the preceding paragraph shall not participate in voting on the matter as mentioned in the preceding paragraph. Such matter requires the affirmative votes of more than half of the other shareholders attending the meeting.

Article 17 Every company shall protect the lawful rights and interests of its employees, sign employment contracts with its employees, buy social insurances, and strengthen labor protection so as to ensure work safety.

Every company shall, in various forms, intensify the professional education and in-service training of its employees so as to improve their personal quality.

Article 18 The employees of a company shall, according to the [Labor Union Law of the People's Republic of China](#), organize a labor union, which shall carry out union activities and safeguard the lawful rights and interests of the employees. The company shall provide necessary conditions for its labor union to carry out activities. The labor union shall, on behalf of the employees, sign collective contracts with the company with respect to the remuneration, working hours, welfare, insurance, work safety and sanitation, and other matters.

In accordance with the [Constitution](#) and other relevant laws, a company shall adopt democratic

management in the form of assembly of the representatives of the employees or any other ways. To make a decision on restructuring or any important issue relating to business operations, or to formulate any important bylaw, a company shall solicit the opinions of its labor union, and shall solicit the opinions and proposals of the employees through the assembly of the representatives of the employees or in any other way.

Article 19 The Chinese Communist Party may, according to the [Constitution of the Chinese Communist Party](#), establish its branches in companies to carry out activities of the Chinese Communist Party. The company shall provide necessary conditions to facilitate the activities of the Party.

Article 20 The shareholders of a company shall abide by the laws, administrative regulations and bylaw and shall exercise the shareholder's rights under the law. None of them may injure any of the interests of the company or of other shareholders by abusing the shareholder's rights, or injure the interests of any creditor of the company by abusing the independent status of legal person or the shareholder's limited liabilities.

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

Where any of the shareholders of a company evades the payment of its debts by abusing the independent status of legal person or the shareholder's limited liabilities, if it seriously injures the interests of any creditor, it shall bear several and joint liabilities for the debts of the company.

Article 21 Neither the controlling shareholder, nor the actual controller, nor any of the directors, supervisors or senior management of the company may injure the interests of the company by taking advantage of its connection relationship.

Anyone who causes any loss to the company due to violating the preceding paragraph shall be liable for the compensation.

Article 22 A resolution of the shareholders' meeting, shareholders' assembly or board of directors of the company that is in violation of any law or administrative regulation shall be null and void.

If the procedures for calling a shareholders' meeting or shareholders' assembly, or meeting of the

board of directors, or the voting form, is in violation of any law, administrative regulation or the bylaw, or if a resolution is in violation of the bylaw of the company, the shareholders may, within 60 days from the day when the resolution is made, request the people's court to revoke it.

If the shareholders initiate a lawsuit under the preceding paragraph, the people's court shall, at the request of the company, demand the shareholders to provide corresponding guaranty.

Where a company has, according to the resolution of the shareholders' meeting, shareholders' assembly or meeting of the board of directors, completed the modification registration, if the people's court declares the resolution null and void or revoke the resolution, the company shall file an application with the company registration authority for revoking the modification registration.

Chapter II Establishment and Organizational structure of A Limited Liability Company

Section 1 Establishment

Article 23 The establishment of a limited liability company shall meet the following conditions:

- (1)The number of shareholders constitutes the quorum;
- (2)The amount of capital contributions subscribed for by all its shareholders is in compliance with the company bylaws;
- (3)The shareholders jointly work out the bylaw;
- (4)The company has a name and its organizational structure complies with that of a limited liability company; and
- (5)The company has a domicile.

Article 24 A limited liability company shall be established by no more than 50 shareholders that make capital contributions.

Article 25 A limited liability company shall state the following items:

- (1)The name and domicile of the company;
- (2) Business Scope of the company;
- (3)Registered capital of the company;
- (4)Names of shareholders;
- (5) Forms, amount and date of capital contributions made by shareholders;

- (6)The organizations of the company and its formation, their functions and rules of procedure;
- (7)Legal representative of the company;
- (8)Other matters deemed necessary by shareholders.

The shareholders should affix their signatures or seals to the bylaw of the company.

Article 26 The registered capital of a limited liability company shall be the amount of capital contributions subscribed for by all its shareholders as registered with the company registration authority.

Where any law or administrative regulation or any decision of the State Council provides otherwise for the paid-in registered capital or the minimum amount of registered capital of a limited liability company, such provisions shall prevail.

Article 27 A shareholder may make capital contributions in cash, in kind, or intellectual property right, land use right, or other non-monetary properties that may be assessed on the basis of currency and may be transferred according to the law, excluding the properties that shall not be treated as capital contributions under any law or administrative regulation.

The value of the non-monetary properties as capital contributions shall be assessed and verified, which shall not be over-valued or under-valued. If any law or administrative regulations provides for the value assessment, such law or administrative regulation shall be followed.

Article 28 Each shareholder shall make full payment for the capital contributions he has subscribed to according to the bylaw. If a shareholder makes his capital contribution in cash, he shall deposit the full amount of such cash capital contribution into a temporary bank account opened for the limited liability company. If any capital contributions are made in non-monetary properties, the appropriate transfer procedures for the property rights therein shall be followed according to law.

Where a shareholder fails to make his capital contribution as specified in the preceding paragraph, he shall not only make full payment to the company but also bear the liabilities for breach of contract to the shareholders who have make full payment of capital contributions on schedule.

Article 29 After the amount of capital contributions stated in the company bylaws has been fully subscribed for, the representative designated or the agent authorized by all the shareholders shall

submit a company registration application, the company bylaws, and other documents to the company registration authority to apply for incorporation registration.

Article 30 After the establishment of a limited liability company, if the actual value of the capital contributions in non-monetary properties is found to be apparently lower than that set forth in the bylaw of the company, the difference shall be made up by the shareholder who offered them, and the other shareholders of the company who established the company shall bear several and joint liabilities.

Article 31 After the establishment of a limited liability company, each shareholder shall be issued a capital contribution certificate,

which shall specify the following:

- (1) The name of the company;
- (2) The date of establishment of the company;
- (3) The company's registered capital;
- (4) The name of the shareholder, the amount of his capital contribution, and the day when the capital contribution is made; and
- (5) The serial number and date of issuance of the capital contribution certificate.

The capital contribution certificate shall bear the seal of the company.

Article 32 A limited liability company shall prepare a registry of shareholders and the registry shall record the following information:

- (1) The names of all shareholders and their domiciles thereof;
- (2) The amount of capital contributions made by each shareholder;
- (3) The serial numbers for all capital contribution certificates.

The shareholders recorded in the registry of shareholders may, pursuant to the registry of shareholders, claim to and exercise the shareholder's rights.

A company shall register each shareholder's name in the company registration authority. Where any of the registered items is changed, the company shall modify the registration. If the company fails to do so, it shall not, on the basis of the unregistered or un-modified registration item, stand up to any

third party.

Article 33 Every shareholder shall be entitled to review and duplicate the company's bylaw, the minutes of the shareholders' meetings, the resolutions of the board of directors' meetings, the resolutions of the board of supervisors' meetings, as well as the financial reports.

Every shareholder may request to review the accounting books of the company. Where a shareholder requests to review the accounting books of the company, it shall submit a written request, which shall state his motives. If the company, has the legitimate reason to believe that the shareholder's requests to review the accounting books has an improper motive and may impair the legitimate interests of the company, it may reject the request of the shareholder to review the books and shall, within in 15 days after the shareholder submits a written request, give the shareholder a written reply, which shall include an explanation. If the company reject the request of any shareholder to review the accounting books, the shareholder may plead a people's court to demand the company to open the books for his review.

Article 34 Shareholders shall be distributed with the dividends based on the percentages of the capital that they actually contributed. When a company is going to increase the capital, its shareholders have the preemptive right to subscribe to the new capitals based on the same percentages of the old capital that they contributed. The exception shall be given if all shareholders agree that they will not be distributed with the dividends or have the preemptive right to subscribe to the new capitals based on the percentages of the old capital that they contributed.

Article 35 After the establishment of a company, no shareholder may illegally take away the registered capital.

Section 2 Organization Structure

Article 36 The shareholders' meeting of a limited liability company shall be composed of all the shareholders. It is the authority of the company and shall exercise its powers according to this Law.

Article 37 The shareholders' meeting shall exercise the following functions:

- (1) Determining the company's operational guidelines and investment plans;
- (2) Electing and changing the directors and supervisors assumed by non-representatives of the

employees and deciding the matters relating to their salaries and compensations;

(3) Deliberating and approving reports of the board of directors;

(4) Deliberating and approving reports of the board of supervisors or the supervisor;

(5) Deliberating and approving annual financial budget plans and final account plans of the company;

(6) Deliberating and approving company profit distribution plans and loss recovery plans;

(7) Making resolutions about the increase or reduction of the company's registered capital;

(8) Making resolutions about the issuance of corporate bonds;

(9) Adopting resolutions about the assignment, split-up, change of company form, dissolution, liquidation of the company;

(10) Revising the bylaw of the company;

(11) Other functions as specified in the bylaw.

If all the shareholders consent to any of the matters listed in the preceding paragraph by writing , they do not need to hold a shareholders' meeting and may made decisions and have the decisions signed and sealed by all the shareholders.

Article 38 The first shareholders' meeting shall be convened and presided over by the shareholder who made the largest capital contributions, and he shall exercise his powers according to this Law.

Article 39 The shareholders' meetings shall be classified into regular meetings and interim meetings. The regular meetings shall be timely held according to the bylaw. Where an interim meeting is proposed by the shareholders representing 1/10 of the voting rights or more, or by directors representing 1/3 of the voting rights or more, or by the board of supervisors, or by the supervisors of the company with no board of supervisors, an interim meeting shall be held.

Article 40 Where a limited liability company has set up a board of directors. The shareholders' meetings shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his duties, the meetings thereof shall be presided over by the deputy chairman of the board of directors. If the deputy chairman of the board of directors is unable or fails to perform his duties, the meetings shall be presided over by a director jointly recommended by half or more of the directors.

For a limited liability company with no board of directors, the shareholders' meetings shall be convened and presided over by the executive director.

If the board of directors or the executive director is unable or fails to fulfill the duties of convening the shareholders' meeting, the board of supervisors or the supervisor of the company with no board of supervisors may convene and preside over such meetings. If the board of supervisors or supervisor does not convene or preside over such meetings, the shareholders representing 1 / 10 or more of the voting rights may convene and preside over such meetings on their own initiatives.

Article 41 Every shareholder shall be given a notice 15 days before a shareholders' meeting is held unless it is otherwise specified by the bylaw or it is otherwise stipulated by all the shareholders.

A shareholders' meeting shall make the minutes for the decisions about the matters discussed at the meeting. The shareholders who attended the meeting shall affix their signatures to the minutes.

Article 42 The shareholders shall exercise their voting rights at the shareholders' meetings based on their respective percentage of the capital contributions unless it is otherwise prescribed by the bylaw.

Article 43 Unless it is otherwise provided for by this Law, the discussion methods and voting procedures of the shareholders' meeting shall be provided for in the bylaw.

A resolution made at a shareholders' meeting on revising the bylaw, increasing or reducing the registered capital, merger, split-up, dissolution or change of the company form shall be adopted by the shareholders representing 2 / 3 or more of the voting rights.

Article 44 The board of directors established by a limited liability company shall be composed of 3 up to 13 members unless it is otherwise provided by Article 51 of this Law.

If a limited liability company established by 2 or more state-owned enterprises or other state-owned investors, the board of directors shall include representatives of the employees of the companies.

The board of directors of any other limited liability company may also include representatives of the employees of the company concerned. The employees' representatives who are to serve as board directors shall be democratically elected by the employees of the company through the general assembly of the representatives of employees, employees' assembly of the company or in any other way.

The board of directors shall have one chairman and may have one or more deputy chairmen. The appointment of the chairman and deputy chairman shall be specified in the bylaw.

Article 45 The term of office of the directors shall be provided for by the bylaw, but each term of office shall not exceed 3 years. The directors may, after the expiry of their term of office, hold a consecutive term upon re-election.

If no reelection is timely carried out after the expiry of the term of office of the directors, or if the number of the members of the board of directors is less than the quorum due to the resignation of some directors from the board of directors prior to the expiry of their term of office, the original directors shall, before the newly elected directors assume their posts, perform the powers of the directors according to the laws, administrative regulations, as well as the bylaw.

Article 46 The board of directors shall be responsible for the shareholders' meeting and exercise the following functions:

- (1) Convening shareholders' meetings and presenting reports thereto;
- (2) Implementing the resolutions made at the shareholders' meetings;
- (3) Determining the company's business and investment plans;
- (4) Working out the company's annual financial budget plans and final account plans;
- (5) Working out the company's profit distribution plans and loss recovery plans;
- (6) Working out the company's plans on the increase or reduction of registered capital, as well as on the issuance of corporate bonds;
- (7) Working out the company's plans on merger, split, change of the company form, or dissolution, etc.;
- (8) Making decisions on the establishment of the company's internal management departments;
- (9) Making decisions on hiring or dismissing the company's manager and his salary and compensation, and, according to the nomination of the manager, deciding on the hiring or dismissal of vice manager(s) and the persons in charge of finance as well as their salaries and compensations;
- (10) Working out the company's basic management system; and
- (11) Other functions as specified in the bylaw.

Article 47 A meeting of the board of directors shall be convened and presided over by the chairman of the board of directors. If the chairman of the board of directors is unable or fails to perform his duties, it may be convened or presided over by the deputy chairman of the board of directors. If the deputy chairman of the board of directors is unable or fails to perform his duties, it may be convened or presided over by a director whom is jointly recommended by half or more of the directors.

Article 48 Unless it is otherwise provided for by this Law, the discussion methods and voting procedures of the board of directors shall be specified by the bylaw.

The board of directors shall make minutes of the decisions about the matters discussed at the meetings thereof. The shareholders who attend the meeting shall affix their signatures to the minutes. In the voting on a resolution of the board of directors, every director shall have one vote.

Article 49 A limited liability company may have a manager, who shall be hired or dismissed upon decision of the board of directors. The manager shall be responsible for the board of directors and shall exercise the following powers:

- (1) Taking charge of the management of the production and business operations of the company, organizing the implementation of the resolutions of the board of directors;
- (2) Organizing the execution of the company's annual business plans and investment plans;
- (3) Drafting plans on the establishment of the company's internal management departments;
- (4) Drafting the company's basic management system;
- (5) Formulating the company's specific rules and policies;
- (6) Proposing to hire or dismiss the company's vice manager(s) and the person in charge of finance;
- (7) Deciding on the hiring or dismissal of the persons-in-charge other than those who shall be decided by the board of directors; and
- (8) Other powers conferred by the board of directors.

If the bylaw provides otherwise for the powers of managers, the bylaw shall be followed.

The manager attends the meetings of the board of directors as a non-voting representative.

Article 50 For a limited liability company with a relatively small number of shareholders or for a relatively small limited liability company, it may have an executive director and no board of

directors. The executive director may concurrently hold the post of the company's manger.

The powers of the executive director shall be specified in the bylaw.

Article 51 A limited liability company may set up a board of supervisors, which shall be composed of at least 3 persons. For a limited liability company in which there is a relatively small number of shareholders or which is relatively small in scale, it may have 1 or 2 supervisors and does not have to establish a board of supervisors.

The board of supervisors shall include shareholders' representatives and representatives of the employees' of the company at an appropriate ratio to be specifically prescribed in the bylaw. The employees' representatives who are to serve as members of the board of supervisors shall be democratically elected by the employees of the company through the assembly of the employees' representatives, or employees' assembly or by any other means.

The board of supervisors shall have one chairman, who shall be elected by half or more of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. If the chairman of supervisors is unable or fails to perform his duties, the supervisor recommended by half or more of the supervisors shall convene and preside over the meetings of the board of supervisors.

No director or senior manager may concurrently serve as a supervisor.

Article 52 Each term of office of the supervisors shall be 3 years. The supervisors may, after the expiry of their term of office, hold a consecutive term upon reelection.

If no reelection is timely carried out after the expiry of the term of office of the supervisors, or if the number of the members of the board of directors is less than the quorum due to the resignation of some directors from the board of supervisors prior to the expiry of their term of office, the original supervisors shall, before the newly elected supervisors assume their posts, exercise the powers of the supervisors according to laws, administrative regulations, as well as the bylaw.

Article 53 The board of supervisors or supervisor of a company with no board of supervisors may exercise the following powers:

(1)To check the financial affairs of the company;

- (2) To supervise the duty-related acts of the directors and senior managers, to put forward proposals on the removal of any director or senior manager who violates any law, administrative regulation, the bylaw or any resolution of the shareholders' meeting;
- (3) To demand any director or senior manager to make corrections if his act has injured the interests of the company;
- (4) To propose to call interim shareholders' meetings, to call and preside over shareholders' meetings when the board of directors does not exercise the function of calling and presiding over shareholders' meetings as prescribed in this Law;
- (5) To put forward proposals at shareholders' meetings;
- (6) To initiate actions against directors or senior managers according to Article 151 of this Law; and
- (7) Other duties as provided for by the bylaw.

Article 54 The supervisors may attend the meetings of the board of directors as non-voting attendees, and may raise questions or suggestions about the meeting agenda discussed by the board of directors. If the board of supervisors or the supervisors of the company that does not have a board of supervisors find that the company is running abnormally, they may conduct an investigation. Where necessary, they may hire an accounting firm to help them with the investigation and the related expenses shall be born by the company.

Article 55 The board of supervisors shall hold meetings at least once a year. Any supervisors may propose to hold interim meetings of the board of supervisors.

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

A resolution of the board of supervisors shall be approved by more than half of the supervisors.

The board of supervisors shall scribe the minutes for the resolutions about the agenda and have the minutes signed by the supervisors in presence.

Article 56 The expenses necessary for the board of supervisors or the supervisor of a company that does not have a board of supervisors to perform their duties shall be borne by the company.

Section 3 Special Provisions on One-person Limited Liability Companies

Article 57 The provisions of this Section shall apply to the establishment and the organizational structure of a one-person limited liability. For any matter not touched by this Section, it shall be governed by Sections 1 and 2 of this Chapter.

The term "one-person limited liability company" as mentioned in this Law refers to a limited liability company with only one natural person shareholder or legal person shareholder.

Article 58 One natural person is allowed to establish merely an one-person limited liability company, which shall not establish any more one-person limited liability company.

Article 59 An one-person limited liability company shall, in the company registration, give a clear indication that it is solely-funded by one natural person or legal person and the same shall be specified in the business license of the company.

Article 60 The bylaw of an one-person limited liability company shall be formulated by the shareholder.

Article 61 An one-person limited liability company has no board of directors. When the shareholder make a decision on any of the matters as listed in Article 38 of this Law, he shall make it in writing, sign it, and keep it in the company.

Article 62 An one-person limited liability company shall make a financial report by the end of every fiscal year and have the report audited by an accounting firm.

Article 63 If the shareholder of a one-person limited liability company is unable to prove that the property of the one-person limited liability company is independent from his own property, he shall bear joint liabilities for the debts of the company.

Section 4 Special Provisions on Wholly State-owned Companies

Article 64 The provisions of this Chapter shall apply to the establishment and organizational structure of the wholly state-owned companies. Any matter not covered by this Chapter shall be governed by the provisions of Sections 1 and 2 of this Chapter.

A "wholly state-owned company" as mentioned in this Law refers to a limited liability company invested wholly by the state, for which the State Council or the local people's government authorizes the state-owned assets supervision and administration institution of the people's government at the

same level to perform the functions of the capital contributor.

Article 65 The bylaw of a wholly state-owned company shall be formulated by the state-owned assets supervision and administration institution, or shall be drafted by the board of directors and then be submitted to the state-owned assets supervision and administration institution for approval.

Article 66 Wholly state-owned companies do not have shareholders' meetings. The state-owned assets supervision and administration institution shall exercise the functions of the shareholders' meeting. The state-owned assets supervision and administration institution may authorize the company's board of directors to exercise some of the functions of the shareholders' meeting and decide on the important matters of the company, excluding those that must be decided by the state-owned assets supervision and administration, such as merger, split-up, dissolution of the company, increase or reduction of registered capital as well as the issuance of corporate bonds. For the merger, split-up, dissolution or application for bankruptcy of an important wholly state-owned company, it shall, be subject to the examination of the state-owned assets supervision and administration institution, and then be submitted to the people's government at the same level for approval. The term "important wholly state-owned company" as mentioned in the preceding paragraph shall be determined according to the provisions of the State Council.

Article 67 A wholly state-owned company shall establish a board of directors, which shall exercise its functions according to Articles 46 and 66 of this Law. Each term of office of the directors shall not exceed 3 years. The board of directors shall include representatives of the employees.

The members of the board of directors shall be appointed by the state-owned assets supervision and administration institution, but of whom the representatives of the employees shall be elected through the assembly of the representatives of the employees of the company.

The board of directors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen shall be designated by the state-owned assets supervision and administration institution from the members of the board of directors.

Article 68 A wholly state-owned company shall have a manager, whom shall be hired or dismissed by the board of directors. The manager shall exercise his powers according to Article 49 of this Law.

Upon consent of the state-owned assets supervision and administration institution, the members of the board of directors may concurrently hold the post of manager.

Article 69 None of the chairman, deputy chairmen, directors and senior managers of a wholly state-owned company may concurrently take up a post in any other limited liability company, joint stock limited company or any other economic organization unless it is so consented by the state-owned assets supervision and administration institution.

Article 70 The board supervisors of a wholly state-owned company shall be composed of at least 5 members, of whom the employees' representatives shall account for no less than 1/3, the specific percentage shall be specified by the bylaw.

The members of the board of supervisors shall be appointed by the state-owned assets supervision and administration institution, however, the employee representative members of the board of supervisors shall be elected by the assembly of the employee representatives of the company. The chairman of the board of supervisors shall be designated by the state-owned assets supervision and administration institution from the members of the board of supervisors.

The board of supervisions shall exercise the functions as mentioned in Article 53 (1) through (3) of this Law and those provided for by the State Council.

Chapter III Transfer of Stock Right of A Limited Liability Company

Article 71 All or some of the stock rights of the shareholders of a limited liability company may be transferred among the shareholders.

Where a shareholder intends to transfer his/its stock rights to any one other than the shareholders, he shall obtain the consent from more than half of the other shareholders. The shareholder shall give the other shareholders a written notice about the matters related to the transfer of stock rights for their consent. If any of the other shareholders fails to give it a reply within 30 days after it receives a written notice, it shall be deemed to have consented to the transfer. If half or more of the other shareholders disagree to the transfer, the shareholders who disagree to the transfer shall purchase the stock rights to be transferred. If they refuse to purchase these stock rights, they shall be deemed to have consented to the transfer.

Under the same conditions, the other shareholders have a preemptive right to purchase the stock rights to be transferred upon their consent. If two or more shareholders claim the preemptive right, they shall determine their respective purchase percentage through negotiation. If they fail to reach an agreement during the negotiation, they shall exercise the preemptive right on the basis of their respective percentage of capital contributions.

Unless it is otherwise provided for the transfer of stock rights in the bylaw, the bylaw shall be followed.

Article 72 When the people's court transfers the stock rights of a shareholder pursuant to the mandatory enforcement procedure as provided in laws, the court shall notify the company and all the shareholders that the other shareholders have a preemptive right under the same conditions. If any of the other shareholders fails to exercise the preemptive right within 20 days after he/it receives the notice of the court, it shall be deemed to have waived his preemptive right.

Article 73 After a company transfers its stock rights according to Articles 71 and 72 of this Law, it shall cancel the capital contribution certificate of the former shareholder, issue a capital contribution certificate to the new shareholder and modify the shareholders and their capital contributions in the bylaw and the registry of shareholders. No voting of the shareholders' meeting is needed for the modification of the bylaw regarding the transfer of stock rights.

Article 74 Under any of the following circumstances, a shareholder, who votes against the resolution of the shareholders' meeting, may request the company to purchase its stock rights at a reasonable price:

- (1) The company that has made profits for five consecutive years has failed to distribute any dividends to the shareholders for 5 consecutive years and conforms to the profit distribution conditions as prescribed in this Law;
- (2) The company is going to merge with others, to be split up, or transfer the major properties of the company to others;
- (3) When the business term as specified in the bylaw expires or other reasons for dissolution as prescribed in the bylaw occur, the shareholders' meeting makes the company exist continuously by

adopting a resolution to modify the bylaw.

Within 60 days after the resolution is adopted at the shareholders' meeting, if the shareholder and the company fails to reach an agreement on the purchase of stock rights, the shareholder may initiate a lawsuit in the people's court within 90 days after the resolution is adopted at the shareholders' meeting.

Article 75 After the death of a natural-person shareholder, his lawful inheritor may inherit the shareholder's qualifications unless it is otherwise provided for by the bylaw.

Chapter IV Establishment and Organizational structure of A Joint Stock Limited Company

Section 1 Establishment

Article 76 The establishment of a joint stock limited company shall satisfy the following conditions:

- (1)The number of promoters meets the quorum requirement;
- (2)The capital stock subscribed for by all its promoters or the paid-in capital stock raised is in compliance with the company bylaws;
- (3)The issuance of shares and the preparatory work conform to the provisions of laws;
- (4)The bylaw is formulated by the promoters, and is adopted at the establishment meeting if the company is to be launched by stock floatation;
- (5)The company has a name and its organizational structure complies with that of a joint stock limited company
- (6)The company has a domicile.

Article 77 A joint stock limited company may be established by the way of promotion or stock floatation.

The establishment of a company by promotion means that the promoters establish a company by subscribing to all of the shares that should be issued by the company.

The establishment of a company by stock floatation means that the promoters establish a company by subscribing to some of the shares that should be issued by the company and offering the remaining shares to the general public or to a group of specified people for subscription.

Article 78 To establish a joint stock limited company, there shall not be less than 2 but not more than

200 promoters, of whom half or more shall have a domicile within the territory of China.

Article 79 The promoters of a joint stock limited company shall undertake the preparatory work of the company.

They shall conclude a promoter's agreement to clarify their respective rights and obligations during the course of establishing the company.

Article 80 Where a joint stock limited company is formed by promotion, its registered capital shall be the capital stock subscribed for by all its promoters as registered with the company registration authority. Before all its promoters have fully paid for their subscriptions, the company may not offer shares to other investors.

Where a joint stock limited company is established by stock floatation, its registered capital shall be the total actually paid capital stocks registered with the company registration authority.

Where any law or administrative regulation or any decision of the State Council provides otherwise for the paid-in registered capital or the minimum amount of registered capital of a joint stock limited company, such provisions shall prevail.

Article 81 The bylaw of a joint stock limited company shall specify the following matters:

- (1)The name and address of the company;
- (2)The business scope of the company;
- (3)The form of company establishment;
- (4)Total shares, par value of each share, and the amount of registered capital of the company;
- (5)The name of each promoter, the shares it has subscribed to, as well as the form and date of capital contributions;
- (6)The composition, powers, term of office, and rules of procedure of the board of directors;
- (7)The legal representative of the company;
- (8)The composition, powers, term of office, and rules of procedure of the supervisory board;
- (9)The method for profit distribution of the company;
- (10)The reasons for dissolution of the company and liquidation methods;
- (11)The methods for issuing notices or public announcements of the company; and

(12) Other matters deemed necessary by the meetings of shareholders' assembly.

Article 82 The form of capital contributions of promoters shall be governed by the provisions of Article 27 of this Law.

Article 83 Where a joint stock limited company is formed by promotion, the promoters shall, in writing, fully subscribe for their respective shares as stated in the company bylaws, and pay for their subscriptions in accordance with the company bylaws. If capital contribution is made with non-monetary assets, the procedures for assignment of property rights shall be fulfilled in accordance with the law.

If any of the promoters fails to make capital contributions by following the provisions of the preceding paragraph, it shall bear the liabilities for breach of contract under the stipulations in the promoter's agreement.

After the promoters have fully subscribed for the capital contributions stated in the company bylaws, they shall elect the members of the board of directors and the board of supervisors, and the board of directors shall submit the company bylaws and other documents set out by laws and administrative regulations to the company registration authority to apply for incorporation registration,

Article 84 For a joint stock limited company established by stock flotation, the shares subscribed by the promoters shall not be less than 35 % of the total shares. However, if it is otherwise provided for by any law or administrative regulation, such law or administrative regulation shall prevail.

Article 85 For the public offer shares, the promoters shall publish a prospectus and prepare share subscription forms. The share subscription form shall contain the items listed in Article 86, and a subscriber shall fill in the number and amount of shares he subscribes to and his domicile, and shall affix his signature or seal thereto. A subscriber shall pay the shares according to the number of shares he has subscribed to.

Article 86 The prospectus shall be accompanied by the bylaw formulated by the promoters and shall state the following:

(1) The number of shares subscribed to by the promoters;

(2) The par value and issuing price of each share;

- (3)The total number of unregistered stocks issued;
- (4)The purposes for the fund raising;
- (5)The rights and obligations of the subscribers; and
- (6)The beginning and ending dates for the public offering and a statement to indicate that the subscribers may revoke their subscriptions if the offered stocks cannot be fully subscribed at the closing time of the public offering.

Article 87 The public offer shares shall be underwritten by a lawfully established securities company and an underwriting agreement shall be concluded.

Article 88 For the public offer shares, the promoters shall sign an agreement with the bank receiving the funds to purchase the shares.

The receiving bank shall receive and hold as agent the payments for shares according to the agreement, produce receipts to subscribers who have made the payments, and shall be obliged to produce evidence of receipt of payments to the relevant departments.

Article 89 After full payments have been made for the public offer shares, they shall be verified by a lawfully established capital verification institution and a certification shall be issued thereby. The promoters shall hold a company establishment meeting within 30 days, which shall be composed of the subscribers.

If the public offer shares are not fully subscribed to at the expiration of the time limit prescribed in the prospectus, or if the promoters fail to hold an establishment meeting within 30 days after full payment for the public offer shares is made, the subscribers may demand the promoters to make repayments for the public offer shares plus an interest calculated at the bank deposit interest rate for the same period.

Article 90 The promoters shall notify each subscriber of the date of the establishment meeting or make a public announcement about the meeting 15 days in advance. The establishment meeting may not be held unless subscribers representing at least half of the shares appear.

The establishment meeting shall exercise the following powers:

- (1) Deliberating the report on the pre-establishment activities prepared by the sponsors;

- (2) Adopting the bylaw;
- (3) Electing members of the board of directors;
- (4) Electing members of the board of supervisors;
- (5) Verifying expenses incurred for the establishment of the company;
- (6) Verifying the value of the assets contributed by the promoters in lieu of pecuniary payment for the shares;
- (7) Where the force majeure or a material change of the operational conditions makes the establishment of a company impossible, the promoters may decide not to establish the company.

A resolution adopted at the establishment meeting on any of the matters as mentioned in the previous paragraph requires affirmative votes by subscribers representing more than half of the votes of those attending the meeting.

Article 91 The promoters and subscribers shall not withdraw their share capital after making payments for the shares they have subscribed to or after making capital contributions by using non-monetary properties, unless the public offer shares have not been fully subscribed within the time limit, the promoters fail to convene the establishment meeting within the time limit, or the establishment meeting has decided not to set up the company.

Article 92 The board of directors shall, within 30 days after the establishment meeting ends, file a registration application with the company registration authority and submit thereto the following documents:

- (1) A company registration application;
- (2) The minutes of the establishment meeting;
- (3) The bylaw;
- (4) A capital verification certification;
- (5) The appointment documents and identity certificates of the legal representative, directors, supervisors;
- (6) The promoters' certifications of the legal person or the identifications of natural persons, and
- (7) The certification for the domicile of the company.

For a joint stock limited company established by stock floatation that makes public stock offerings, besides the aforementioned documents, it shall submit to the company registration authority the approval documents issued by the securities regulatory institution of the State Council.

Article 93 After the establishment of a joint stock limited company, if any of the promoters fail to make full payments for the capital contributions as stipulated in the bylaw, they shall make up the arrears and the other promoters shall bear several and joint liabilities.

After the establishment of a joint stock limited company, if it is found that the actual value of the non-monetary properties used as capital contributions for the establishment of the company is obviously lower than as the value stipulated in the bylaw, the promoter who made such a capital contribution shall make up the difference and the other promoters shall bear several and joint liabilities.

Article 94 The promoters of a joint stock limited company shall bear the following liabilities:

- (1) In the event of failure to establish the company, being jointly and severally liable for the debts and expenses incurred from the activities related to the company establishment;
- (2) In the event of failure to establish the company, being jointly and severally liable for refunding the subscribers with their paid capital plus the interests calculated according to the bank interest rate for the same period of time; and
- (3) If the company's interest is injured in the course of its establishment due to the negligence of the promoters, being liable for making compensations to the company.

Article 95 Where a limited liability company is changed into a joint stock limited company, the total amount of the paid capital shall not be more than the total amount of the net assets. Where a limited liability company is changed into a joint stock limited company, the public offer stocks issued for the purpose of increasing the capital shall comply with the law.

Article 96 A joint stock limited company shall make and keep the bylaw, the register of the shareholders, the stubs of corporate bonds, the minutes of the shareholders' assembly meetings, the minutes of the meetings of the board of directors, the minutes of the meetings of the board of supervisors, and the financial reports in the company.

Article 97 The shareholders shall be entitled to review the bylaw, the register of the shareholders, the stubs of corporate bonds, the minutes of the shareholders' assembly meetings, the minutes of the meetings of the board of directors, the minutes of the meetings of the board of supervisors, and the financial reports, and may put forward proposals or raise questions about the business operations of the company.

Section 2 Shareholders' Assembly

Article 98 The shareholders' assembly of a joint stock limited company shall be composed of all the shareholders. It is the company's organ of power, which shall exercise its powers according to this law.

Article 99 The provisions regarding the powers of the shareholders' assembly of a limited liability company as prescribed in the first paragraph of Article 37 of this Law shall apply to the shareholders' assembly of a joint stock limited company.

Article 100 An annual session of the shareholders' assembly shall be held each year. Under any of the following circumstances, an interim shareholders' assembly session shall be held within 2 months:

- (1) The number of directors is less than two-thirds of the number of directors as required by this Law or the number of directors as specified in the bylaw;
- (2) The un-recovered losses of the company reach one-third of the total paid-in capital;
- (3) At the request of the shareholders separately or aggregately holding 10% or more of the company's shares;
- (4) The board of directors deems it necessary;
- (5) At the request of the board of supervisors; and
- (6) Other circumstances as specified in the bylaw.

Article 101 A session of the shareholders' assembly shall be convened by the board of directors and shall be presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his duties, the meetings thereof shall be presided over by the deputy chairman of the board of directors. If the deputy chairman of the board of directors is unable or fails to perform his duties,

the meetings shall be presided over by a director jointly recommended by half or more of the directors.

If the board of directors or the executive director is unable or fails to fulfill the obligation of convening the meetings of the shareholders' assembly, the board of supervisors shall convene and preside over such meetings. If the board of supervisors does not convene or preside over such meetings, the shareholders separately or aggregately holding 1/10 or more of the shares may convene and preside over such meetings on their own initiative.

Article 102 For a shareholders' assembly meeting to be held, a notice shall be given to each shareholder 20 days in advance, which shall state the time and place of the meeting, and the matters to be deliberated at the meeting. For an interim meeting of the shareholders' assembly, a notice shall be given to each shareholder 15 days in advance. For the issue of unregistered stocks, the time and place of the meeting and the matters to be deliberated at the meeting shall be announced 30 days in advance.

The shareholders separately or aggregately holding 3% or more of the shares of the company may put forward a written interim proposal to the board of directors 10 days before a shareholders' assembly is held. The board of directors may notify other shareholders within 2 days and submit the interim proposal to the meeting of the shareholders' assembly for deliberation. The contents of an interim proposal shall fall within the scope to be decided by the shareholders' assembly, and the interim proposal shall have a clear topic for discussion and matters to be decided.

The shareholders' assembly shall not make any decision on any matter not listed in the notice as mentioned in the preceding two paragraphs.

If the holders of unregistered stocks attend the shareholders' assembly, they shall have their stocks preserved in the company during the period from 5 days before the meeting is held to the day when the shareholders' assembly is closed.

Article 103 When a shareholder attends a meeting of the shareholders' assembly, he shall have one voting right for each share he holds. However, the company has no voting right for its own shares it holds.

When any resolution is to be made by the shareholders' assembly, it shall be adopted by shareholders representing more than half of the voting rights of the shareholders in presence. However, when the shareholders' assembly makes a decision to modify the bylaw, or to increase or reduce the registered capital, or a resolution about the merger, split-up, dissolution or change of the company form, such a decision shall be adopted by shareholders representing 2/3 or more of the voting rights of the shareholders in presence.

Article 104 The important matters, such as the company to transfer or accept any significant asset or to provide a guaranty for any other person shall be decided by the shareholders' assembly according to this Law and the bylaw, the board of directors shall timely call a shareholders' assembly to vote on these matters.

Article 105 A shareholders' assembly may adopt a cumulative voting system to elect the directors or supervisors according to the bylaw or its resolutions.

The term "cumulative voting system" as mentioned in this Law refers to a system of voting by shareholders for the election of directors or supervisors at a meeting of the shareholders' assembly in which the shareholder can multiply his voting rights by the number of candidates and vote them all for one candidate for director or supervisor.

Article 106 A shareholder may entrust an agent to attend a shareholders' assembly. The agent shall present a proxy issued by the shareholder to the company and shall exercise his voting rights within the authorization scope.

Article 107 The shareholders' assembly shall scribe the minutes for the decisions about the matters discussed at the assembly. The chair of the meeting and the directors in presence shall affix their signatures to the minutes, which shall be preserved together with the book of signatures of the shareholders in presence as well as the power of attorney thereof.

Section 3 The Board of Directors and Manager

Article 108 A joint stock limited company shall set up a board of directors, which shall be composed of 5-19 persons.

The board of directors may include representatives of the company's employees. The representatives

of the employees who serve as board directors shall be democratically elected through the assembly of the representatives of the employees, the assembly of employees, or other methods.

The provisions in Article 45 of this Law on the term of office of the directors of a limited liability company shall apply to the director of a joint stock limited company.

The provisions in Article 46 of this Law on the functions of the board of directors of a limited liability company shall apply to the board of directors of a joint stock limited company.

Article 109 The board of directors shall have one chairman and may have a deputy chairman. The chairman and deputy chairmen shall be elected by more than half of all the directors.

The chairman of the board of directors shall call and preside over the meetings of the board of directors and check the implementation of the resolutions of the board of directors. The deputy chairman shall assist the chairman to work. If the chairman is unable or fails to perform his duties, the deputy chairman shall perform such duties. If the deputy chairman of the board of directors is unable or fails to perform his duties, a director who is jointly recommended by half or more of the directors shall perform such duties.

Article 110 The board of directors shall convene at least two meetings every year and shall give a notice to all directors and supervisors 10 days before it holds a meeting.

The shareholders representing 1/10 or more of the voting rights, or 1/3 of the directors, or the board of supervisors may put forward a proposal to hold an interim meeting of the board of directors. The chairman of the board of directors shall, within 10 days after he receives such a proposal, call and preside over a meeting of the board of directors.

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

Article 111 No meeting of the board of directors may be held unless more than half of the directors are present. When the board of directors makes a resolution, it shall be adopted by more than half of all the directors.

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

Article 112 The meetings of the board of directors shall be attended by the directors in person.

Where any director is unable to attend the meeting for a certain reason, he may, by issuing a written proxy, entrust another director to attend the meeting on his behalf, and the proxy shall state the scope of authorization.

The board of directors shall prepare minutes regarding the resolutions on the matters discussed at the meeting, which shall be signed by the directors in presence.

The directors shall be responsible for the resolutions of the board of directors. Where a resolution of the board of directors is in violation of any law, administrative regulation, bylaw, or resolution of the shareholders' assembly and causes any serious loss to the company, the directors who participate in adopting the resolution shall make compensation. However, if a director is proven to have expressed his objection to the vote on such resolution and his objection was recorded in the minutes, then the director may be exempted from liability.

Article 113 A joint stock limited company may have a manager whom may be hired or dismissed by the board of directors.

The provisions of Article 49 of this Law on the powers of the manager of a limited liability company shall apply to the manager of a joint stock limited company.

Article 114 The board of directors of a company may decide to appoint a member of the board of directors to concurrently take up the post of the manager.

Article 115 No company may, directly or via its subsidiary, lend money to any of its directors, supervisors, or senior managers.

Article 116 A Company shall regularly disclose to its shareholders with the information about remunerations received by the directors, supervisors and senior managers from the company.

Section 4 Board of Supervisors

Article 117 A joint stock limited company shall set up a board of supervisors, which shall be composed of at least 3 persons.

The board of supervisors shall include representatives of shareholders and an appropriate percentage of representatives of the company's employees. The percentage of the representatives of employees shall account for no less than 1/3 of all the supervisors, but the concrete percentage shall be specified

in the bylaw. The representatives of employees who serve as members of the board of supervisors shall be democratically elected through the assembly of representatives of the company's employees, the shareholders' assembly or by other means.

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

No director or senior manager may concurrently act as a supervisor.

The provisions of Article 52 of this Law on the term of office of the supervisors of a limited liability company shall apply to the supervisors of a joint stock limited company.

Article 118 The provisions of Articles 53 and 54 of this Law on the functions of a limited liability company shall apply to the board of supervisors of a joint stock limited company.

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

Article 119 The board of supervisors shall hold at least one meeting every 6 months. The supervisors may propose to call interim meetings of the board of supervisors.

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

The resolution of the board of supervisors requires the approval of more than half of the total number of board of supervisors.

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

Section 5 Special Provisions on the Organizational structure of A Listed Company

Article 120 The term "listed company" as mentioned in this Law refers to the joint stock limited companies whose stocks are listed and traded in a stock exchange.

Article 121 Where a listed company purchases or sells any important asset, or provides guaranties that exceed 30% of the company's total assets within a year, such actions shall be authorized the resolutions made by the shareholders' assembly and adopted by the shareholders representing 2/3 of the voting rights of the shareholders who attend the assemblies.

Article 122 A listed company shall have independent directors. The concrete measures shall be formulated by the State Council.

Article 123 A listed company may have a secretary of the board of directors, who shall be responsible for the preparation of the sessions of shareholders' assembly and meetings of the board of directors, the preservation of documents, the management of the company's stock rights, and the information of disclosure, etc.

Article 124 Where any of the directors has any relationship with the enterprise involved in the matter to be decided at the meeting of the board of directors, he shall not vote on this resolution, nor may he vote on behalf of any other person. The meeting of the board of directors shall not be held unless more than half of the unrelated directors are present at the meeting. A resolution of the board of directors shall be adopted by more than half of the unrelated directors. If the number of unrelated directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' assembly of the listed company for deliberation.

Chapter V Issuance and Transfer of Shares of A Joint Stock Limited Company

Section 1 Issuance of Shares

Article 125 The capital of a joint stock limited company shall be divided into shares and all the shares shall be of equal value.

The shares of a company are represented by stocks. A stock is a certificate issued by the company to certify the share held by a shareholder.

Article 126 The issuance of shares shall comply with the principle of fairness and impartiality. The shares of the same class shall have the same rights and benefits.

The stocks issued at the same time shall be equal in price and shall be subject to the same conditions.

The price of each share purchased by any organization or individual shall be the same.

Article 127 The stocks may be issued at a price equal to or in excess of par value, but not below par value.

Article 128 The stocks shall be in paper form or in other forms prescribed by the securities regulatory institution of the State Council.

A stock shall state the following major items:

- (1) The company name;
- (2) The company's date of establishment;
- (3) The class and par value of the stock, as well as the number of shares it represents; and
- (4) The serial number of the stock.

The stock shall bear the signature of the legal representative and the seal of the company.

The stocks held by the promoters shall be marked with the words "promoters' stocks".

Article 129 The stocks issued by a company may be registered stocks or unregistered stocks.

The stocks issued to promoters or legal persons shall be registered stocks, which shall state the names of such promoters or legal persons, and shall not be registered in any other person's name or the names of any representative.

Article 130 A company that issues registered stocks shall prepare a register of shareholders, which shall state the following:

- (1) The name and domicile of each shareholder;
- (2) The number of shares held by each shareholder;
- (3) The serial numbers of the stocks held by each shareholder; and
- (4) The date on which each shareholder acquired his shares.

A company issuing unregistered stocks shall record the amount, serial numbers and issuance date of the stocks.

Article 131 For the company's issuance of other shares not provided for in this Law, the State Council may formulate separate provisions.

Article 132 After a joint stock limited company is established, it shall formally deliver the stocks to the shareholders. No company may deliver any stock to the shareholders prior to its establishment.

Article 133 Where a company intends to issue new stocks, it shall, under its bylaw, make a resolution about the following matters through the shareholders' assembly or board of directors:

- (1) The class and amount of new stocks;
- (2) The issuing price of the new stocks;
- (3) The beginning and ending dates for the issuance of new stocks; and
- (4) The class and amount of the new stocks to be issued to the original shareholders.

Article 134 When a company publicly issues new stocks upon approval of the securities regulatory institution, it shall publish a new stock prospectus and its financial reports, and shall make a stock subscription form.

The provisions of Articles 87 and 88 of this Law shall apply to the public offering of new stocks of a company.

Article 135 When a company issues new stocks, it may make a pricing plan according to its business operations and financial status.

Article 136 After a company raises enough capital, it shall go through modification registration in the company registration authority and make an public announcement.

Section 2 Transfer of Shares

Article 137 The shares held by the stockholders may be transferred according to laws.

Article 138 Where a stockholder intends to transfer its shares, it shall transfer its shares in a lawfully established stock exchange or by any other means as prescribed by the State Council.

Article 139 Registered stocks may be assigned by their stockholders' endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the assignment, the company shall record the name and domicile of the transferee in the register of shareholders.

Within 20 days before an assembly of shareholders is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends, no modification registration may be made to the register of shareholders as mentioned in the preceding paragraph. However, if any law

provides otherwise for the modification registration of the register of shareholders of listed companies, the latter shall prevail.

Article 140 The transfer of an unregistered stock takes effect as soon as the stockholder delivers the stock to the transferee.

Article 141 The shares of a company held by the promoters of this company shall not be transferred within 1 year after the date of the establishment of the company. The shares issued before the company publicly issues shares shall not be transferred within 1 year from the day when the stocks of the company get listed and are traded in a stock exchange.

The directors, supervisors and senior managers of the company shall declare to the company the shares held by them and the changes thereof. During the term of office, the shares transferred by any of them each year shall not exceed 25% of the total shares of the company he holds. The shares of the company held by the aforesaid persons shall not be transferred within 1 year from the day when the stocks of the company get listed and are traded in a stock exchange. Within six months after any of the aforesaid persons is removed from his post, he shall not transfer the shares of the company he holds. The bylaw may have other restrictions on the transfer of shares held by the directors, supervisors and senior managers.

Article 142 A company shall not purchase its own shares except under any of the following circumstances:

- (1) To reduce the registered capital of the company.
- (2) To merge with another company that holds its shares.
- (3) To use shares for employee stock ownership plan or equity incentives.
- (4) A shareholder requests the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company.
- (5) To use shares for converting convertible corporate bonds issued by the listed company.
- (6) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2)

of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the [Securities Law of the People's Republic of China](#). A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

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

Article 143 Where any registered stocks are stolen, lost or destroyed, the shareholder may request the people's court to declare these stocks invalid according to the public notice procedure prescribed in the [Civil Procedural Law of the People's Republic of China](#). After the people's court has invalidated these stocks, the shareholder may file an application to the company for the issuance of new stocks.

Article 144 The stocks of a listed company shall get listed and traded according to the relevant laws, administrative regulations, as well as the trading rules of the stock exchange.

Article 145 A listed company shall, in pursuance of the laws and administrative regulations, publicize its financial status, business operations and important lawsuits, and shall publish its financial reports once every six months in each fiscal year.

Chapter VI Qualifications and Obligations of the Directors, Supervisors and Senior Managers of A Company

Article 146 A person may not serve as the director, supervisor or senior manager of a company if he falls under any of the following circumstances:

- (1) He has no or limited capacity for civil conduct;
- (2) He has been sentenced to criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, and five years have not elapsed since the completion date of the execution of the penalty; or he has ever been deprived of his political rights due to any crime and five years have not elapsed since the completion date of the execution of the penalty;
- (3) He was a former director, factory director or manager of a company or enterprise which was bankrupt and liquidated, and was personally liable for the bankruptcy of such company or enterprise, and three years have not elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (4) He was the legal representative of a company or enterprise whose business license was revoked and which was ordered to close due to a violation of the law, for which he is personally liable, and three years have not elapsed since the date of the revocation of the business license thereof;
- (5) He has a relatively large amount of debt due and unsettled.

Where a company elects or appoints any director or supervisor, or hires any senior manager by violating the provisions in the preceding paragraph, such elections, appointments, or hiring shall be invalid.

Where any director, supervisor or senior manager, during his term of office, is under any of the circumstances as mentioned in the preceding paragraph, the company shall remove him from his post.

Article 147 The directors, supervisors and senior managers shall comply with the laws, administrative regulations, and bylaw. They shall bear the obligations of fidelity and diligence to the company.

No director, supervisor or senior manager may accept any bribe or other illegal gains by taking the advantage of his powers, or encroach on the property of the company.

Article 148 No director or senior manager may commit any of the following acts:

- (1) Misappropriating the company's fund;
- (2) Depositing the company's fund into an account under his own name or any other individual's name;
- (3) Without consent of the shareholders' meeting, shareholders' assembly, or the board of directors, loaning the company's fund to others or providing any guaranty to any other person by using the company's property as in violation of the bylaw;
- (4) Entering a contract or trading with this company by violating the bylaw or without consent of the shareholders' meeting or shareholders' assembly;
- (5) Without consent of the shareholders' meeting or shareholders' assembly, seeking business opportunities that belong to the company for himself or any other persons by taking advantages of his powers, or operating similar business of the company for which he works for himself or for any other persons;
- (6) Taking commissions on the transactions between others and the company into his own pocket;
- (7) Illegally disclosing the company's confidential information;
- (8) Other acts inconsistent with the obligation of fidelity to the company.

The income of any director or senior manager from any act in violation of the preceding paragraph shall belong to the company.

Article 149 Where any director, supervisor or senior manager violates any law, administrative regulation, or the bylaw during the course of performing his duties, if any loss is caused to the company, he shall be liable for compensation.

Article 150 If the shareholder's meeting or shareholders' assembly demands a director, supervisor or senior manager to attend the meeting as a non-voting representative, he shall do so and shall answer the shareholders' inquiries.

The directors and senior managers shall faithfully offer relevant information and materials to the

board of supervisors or the supervisor of a limited liability company that does not have a board of supervisors, none of them may impede the board of supervisors or supervisor from exercising their powers.

Article 151 Where a director or senior manager is under the circumstance as mentioned in Article 149 of this Law, the shareholder(s) of the limited liability company or joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request in writing the board of supervisors or the supervisor of the limited liability company with no board of supervisors to initiate a lawsuit in the people's court. If the supervisor is under the circumstance as mentioned in Article 149 of this Law, the aforesaid shareholder(s) may request in writing the board of directors or the executive director of the limited liability company with no board of directors to lodge an action in the people's court.

If the board of supervisors, or supervisor of a limited liability company with no board of supervisors, or board of directors or executive director refuses to lodge a lawsuit after receiving a written request as mentioned in the preceding paragraph, or if they fail to initiate a lawsuit within 30 days after receiving the request, or if, in an emergency, the failure to lodge an action immediately will cause unrecoverable damages to the interests of the company, the shareholder(s) as listed in the preceding paragraph may, on their own behalf, directly lodge a lawsuit in the people's court.

If the legitimate rights and interests of a company are impaired and any losses are caused to the company, the shareholders as mentioned in the preceding paragraph may initiate a lawsuit in the people's court according to the provisions of the preceding two paragraphs.

Article 152 If any director or senior manager damages the shareholders' interests by violating any law, administrative regulation, or the bylaw, the shareholders may lodge a lawsuit in the people's court.

Chapter VII Corporate Bonds

Article 153 The term "corporate bonds" as mentioned in this Law refers to the negotiable instruments that are issued by a company under the statutory procedures with guaranteed payment of the principal plus interest by a specified future date.

To issue corporate bonds, a company shall satisfy the issuance requirements of the [Securities Law of the People's Republic of China](#).

Article 154 After an application for issuing corporate bonds has been approved by the department authorized by the State Council, the company shall publish its bond issuance plan, which shall mainly state:

- (1) the company's name;
- (2) the purposes of use of the corporate bonds;
- (3) the total amount of corporate bonds and par value thereof;
- (4) the method for determining the interest rate of the bonds;
- (5) the time limit and method for paying the principal plus interest;
- (6) guaranty of the bonds;
- (7) issuing price of the bonds, beginning and ending dates of the issuance;
- (8) net assets of the company;
- (9) total amount of corporate bonds having been issued but not yet due; and
- (10) underwriters of the corporate bonds.

Article 155 The physical bonds issued by a company shall state the company's name, par value, interest rate, time limit for repayment, etc., and shall bear the signature of legal representative and seal of the company.

Article 156 The corporate bonds may be registered or unregistered bonds.

Article 157 A company shall prepare and keep the stubs of corporate bonds.

If the company issues registered corporate bonds, the stubs thereof shall state:

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

If the company issues unregistered corporate bonds, the stubs thereof shall state the total amount of

the bonds, interest rate, time limit and method for repayment, issuance date and serial numbers of the bonds.

Article 158 The registration and settlement institution of registered corporate bonds shall establish bylaws on the registration, preservation, interest payment and acceptance of bonds.

Article 159 The corporate bonds may be transferred. The transfer price shall be negotiated between the transferor and transferee.

The transfer of any corporate bonds, which get listed and are traded in a stock exchange, shall follow the trading rules of the stock exchange.

Article 160 Registered corporate bonds may be assigned by the bondholders' endorsement or by other methods prescribed by the relevant laws and administrative regulations. In the case of transfer of registered bonds, the company shall record the transferee's name and domicile in the stub of corporate bonds.

The transfer of unregistered corporate bonds becomes effective as soon as the bondholder delivers the bonds to the transferee.

Article 161 A listed company may, upon a resolution of the shareholders' assembly, issue corporate bonds that may be converted into stocks and shall work out concrete conversion measures in the corporate bond issuance plan. To issue corporate bonds that may be converted into stocks, a listed company shall file an application with the securities regulatory institution for examination and approval.

The corporate bonds that may be converted into stocks shall be marked with the words "convertible corporate bonds" and the number of convertible company bonds shall be specified in the company's record of bondholders.

Article 162 Where any convertible company bonds are issued, the company shall exchange its stocks for the bonds held by the bondholders in the prescribed method of conversion, provided that the bondholders have the option on whether or not to convert their bonds.

Chapter VIII Financial Affairs and Accounting of A Company

Article 163 A company shall establish its own financial and accounting bylaws according to the laws, administrative regulations, and provisions of the treasury department of the State Council.

Article 164 A company shall, after the end of each fiscal year, formulate a financial report and shall have it audited by an accounting firm.

The financial report shall be work out according to the laws, administrative regulations, and provisions of the treasury department of the State Council.

Article 165 A limited liability company shall submit the financial report to each shareholder within the time limit as prescribed in the bylaw.

The financial report of a joint stock limited company shall be ready for the consultation of the shareholders at the company 20 days before the annual meeting of the shareholders' assembly is held. A joint stock limited company of public offer stocks shall make a public announcement about its financial report.

Article 166 Where a company distributes its after-tax profits of the current year, it shall draw 10 percent of the profits as the company's statutory common reserve. The company may stop drawing the profits if the aggregate balance of the common reserve has already accounted for over 50 percent of the company's registered capital.

If the aggregate balance of the company's statutory common reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph.

After the company has drawn statutory common reserve from the after-tax profits, it may, upon a resolution made by the shareholders' assembly, draw a discretionary common reserve from the after-tax profits.

After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders according to Article 34 of this Law in the case of a limited liability company and according to the number of shares held by shareholders as in the case of a joint stock company limited.

If the shareholders' meeting, shareholders' assembly or board of directors distributes the profits by violating the provisions of the preceding paragraph before the losses are made up and the statutory common reserves are drawn, the profits distributed must be refunded to the company.

No profit may be distributed for the company's shares held by this company.

Article 167 The premium of a joint stock limited company from the issuance of stocks at a price above the par value of the stocks, and other incomes listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve.

Article 168 The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital common reserve shall not be used for making up the company's losses.

When the statutory common reserve is changed to capital, the remainder of the common reserve shall not be less than 25 % of the registered capital prior to the increase.

Article 169 Where a company plans to hire or dismiss any accounting firms to undertake the auditing of the company, a resolution shall be made by the shareholders' meeting, the shareholders' assembly, or the board of directors according to the provisions of the bylaw.

When the shareholders' meeting, the shareholders' assembly, or the board of directors carries out a vote to dismiss an accounting firm, the accounting firm shall be allowed to state its own opinions.

Article 170 A company shall provide the accounting firm it hires with truthful and complete accounting vouchers, accounting books, financial and accounting statements, and other accounting materials, and shall not refuse to do so, conceal any of these materials, or make any false statements.

Article 171 Except for the statutory account books, no company may set up other accounting books. No company asset may be deposited into any individual's account.

Chapter IX Merger and Split-up of Company; Increase and Deduction of Registered Capital

Article 172 The mergers of companies may take the form of mergers by absorption or mergers by new establishment.

In the case of mergers by absorption, a company absorbs other companies and the absorbed company is dissolved. In the case of mergers by new establishment, two or more companies combine

together for the establishment of a new one, and the pre-merger companies are dissolved.

Article 173 To carry out a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days after making the decision of merger, notify the creditors, and shall make a public announcement on a newspaper within 30 days. The creditors may, within 30 days after receiving the notice or within 45 days after the issuance of the public announcement if it fails to receive a notice, demand the company to clear off its debts or to provide corresponding guaranties.

Article 174 To carry out a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

Article 175 To split a company, the properties thereof shall be divided accordingly. To split the company, balance sheets and checklists of properties shall be worked out.

The company shall, within 10 days after the decision of split-up is made, inform the creditors and make a public announcement on a newspaper within 30 days.

Article 176 The post-split companies shall bear several and joint liabilities for the debts of the company before its split unless it is otherwise prescribed in a written agreement reached by the company and the creditors before the split regarding the debt pay-off.

Article 177 Where a company finds it necessary to reduce its registered capital, it must work out balance sheets and checklists of properties.

The company shall, within ten days after the decision of reducing registered capital, notify the creditors and make a public announcement on a newspaper within 30 days. The creditors shall, within 30 days after receiving the notice or within 45 days after the issuance of the public announcement if it fails to receive the notice, be entitled to demand the company to pay off the debts or to provide respective guaranties.

Article 178 Where a limited liability company increases its registered capital, the capital contributions of the shareholders for the increased amount shall be governed by the relevant provisions of this Law regarding the capital contribution for the establishment of a limited liability company.

Where a joint stock limited company issues new stocks for increasing its registered capital, the subscription to new stocks by shareholders shall be governed by the relevant provisions of the present Law regarding the payment of stock premium for the establishment of a joint stock limited company.

Article 179 Where, in the process of company merger or split, any of the registered items is changed, the companies shall go through modification registration with the company registration authority.

Where a company is dissolved, it shall be deregistered according to law. If a new company is established, it shall go through the procedures for company establishment according to law.

In the case of increasing or reducing its registered capital, a company shall go through modification registration with the company registration authority according to law.

Chapter X Dissolution and Liquidation of Company

Article 180 A company may be dissolved under one of the following circumstances:

- (1) the term of business operation as prescribed by the bylaw expires or any of the situations for dissolution prescribed in the company's bylaw occurs;
- (2) the shareholders' meeting or the shareholders' assembly decides to dissolve the company;
- (3) it is necessary to be dissolved due to merger or split of the company;
- (4) the business license is canceled, or it is ordered to close down or to be dissolved according to laws; or
- (5) it is decided by the people's court to be dissolved according to Article 182 of this Law.

Article 181 Where any of the circumstances as prescribed in Article 180 (1) of this Law occurs, a company may continue to exist by amending its bylaw.

To amend its bylaw according to the provisions of the preceding paragraph, the consent of the shareholders who hold two thirds or more of the voting rights shall be obtained if it is a limited liability company, and the consent of two thirds or more of the voting rights the shareholders who attend the meeting of the shareholders assembly shall be obtained if it is a joint stock limited company.

Article 182 Where any company meets any serious difficulty in its operations or management so that

the interests of the shareholders will face heavy loss if the company continues to exist and the difficulty cannot be solved by any other means, the shareholders who hold ten percent or more of the voting rights of all the shareholders of the company may plead the people's court to dissolve the company.

Article 183 Where any company is dissolved according to the provisions of Article 180 (1), (2), (4), or (5) of this Law, a liquidation group shall be formed within fifteen days after the occurrence of the cause of dissolution so as to carry out a liquidation. The liquidation group of a limited liability company shall be composed of the shareholders, while that of a joint stock limited company shall be composed of the directors or any other people as determined by the shareholders' assembly. Where no liquidation group is formed within the time limit, the creditors may plead the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and form a liquidation group so as to carry out the liquidation in a timely manner.

Article 184 The liquidation group may exercise the following functions during the process of liquidation:

- (1) liquidating the properties of the company, producing balance sheets and asset checklists;
- (2) notifying creditors or making a public announcement about liquidation;
- (3) handling and liquidating the unfinished business of the company;
- (4) paying off outstanding taxes and the taxes incurred in the process of liquidation;
- (5) claiming credits and paying off debts;
- (6) disposing any remaining assets of the company after the debts of the company are paid off; and
- (7) participating in civil proceedings on behalf of the company.

Article 185 The liquidation group shall, notify the creditors within ten days after its formation and make a public announcement on newspapers within 60 days after its formation. The creditors shall, within thirty days after receiving the notice or within 45 days after the issuance of the public announcement in the case of failing to receiving a notice, declare their credits before the liquidation group.

To declare credits, a creditor shall describe the relevant matters and provide relevant evidential materials.

The liquidation group shall record the declared credits and may not pay off any debts to any creditors during the period of credit declaration.

Article 186 The liquidation group shall, after liquidating the properties of the company and producing balance sheets and checklists of properties, make a plan of liquidation and report the report to the shareholders' meeting, the shareholders' assembly, or the people's court for confirmation. After paying off the liquidation expenses, wages of employees, social insurance premiums and legal indemnities, the outstanding taxes and the debts of the company, the remaining properties may, in the case of a limited liability company, be distributed according to the proportion of capital contribution of the shareholders, or, in the case of a joint stock limited company, distributed according to the proportion of stocks held by the shareholders.

During the liquidation, the company continues to exist but may not carry out any business operation that has nothing to do with liquidation. None of the properties of the company may be distributed to any shareholder before they are used for debt payoff as described in the preceding paragraph.

Article 187 If the liquidation group finds that the properties of the company is not sufficient for paying off the debts after liquidating the properties of the company and producing balance sheets and checklists of properties, it shall file an application to the people's court for bankruptcy.

Once the people's court makes a ruling declaring the company bankrupt, the liquidation group shall hand over the liquidation matters to the people's court.

Article 188 After the liquidation of the company is completed, the liquidation group shall made a liquidation report and submit the report to the shareholders' meeting, the shareholders' assembly, the people's court for confirmation, and the company registration authority to deregister the company. The liquidation group shall also make a public announcement regarding the cease of the company.

Article 189 The members of the liquidation group shall devote themselves to their duties and perform their obligations of liquidation according to law.

None of the members of the liquidation group may take advantage of his position to take any bribe

or any other illegal proceeds, nor may he misappropriate any of the properties of the company.

Where any of the members of the liquidation group causes any loss to the company or any creditor by intention or due to gross negligence, he shall make respective compensations.

Article 190 Where a company is declared bankrupt according to law, it shall carry out a bankruptcy liquidation according to the legal provisions concerning bankruptcy liquidation.

Chapter XI Branches of Foreign Companies

Article 191 The term "foreign company" as mentioned in this Law refers to a company established beyond the territory of China according to any foreign law.

Article 192 A foreign company which plans to establish any branch within the territory of China shall submit an application to the competent authority of China and other relevant documents such as the articles of incorporation, the company registration certificate issued by the country where the foreign company was established. After the application is approved, the foreign company shall go through registration formalities with the company registration authority according to law and obtain a business license.

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

Article 193 Where a foreign company establishes any branch within the territory of China, it must designate a representative or agent within the territory of China to take charge of the branch, and shall allocate to the branch funds which are in match with the business activities it is engaged in. When it is necessary to set a minimum for the operation fund for a branch of a foreign company, it shall be provided for separately by the State Council.

Article 194 The branch of a foreign company shall indicate in its name the nationality and the form of liability of the foreign company concerned.

The branch of a foreign company shall keep a copy of the bylaw of the foreign company at its office.

Article 195 The branch of a foreign company established within the territory of China does not have

the status of a legal person.

A foreign company shall bear civil liabilities for the business operations of its branches carried out within the territory of China.

Article 196 The branches of foreign companies which are established upon approval shall abide by the laws of China in their business activities within the territory of China, and may not injure the social public interests of China, and the lawful rights and interests thereof shall be protected by Chinese law.

Article 197 Where a foreign company relinquishes any of its branches within the territory of China, it must clear off the debts thereof according to law, and shall carry out a liquidation according to the provisions of this Law regarding the procedures for the liquidation of companies. Before the debts are cleared off, it may not transfer any of the properties of the branch out of China.

Chapter XII Legal Liabilities

Article 198 Where anyone obtains the registration of a company by fabricating a registered capital, submitting false materials or by any other fraudulent means to conceal any important facts, he shall be ordered by the company registration authority to make a rectification. In the case of fabricating a registered capital, he shall be fined not less than 5% but not more than 15% of the fabricated registered capital; in the case of submitting false materials or by any other fraudulent means so that any important facts are concealed, he shall be fined not less than 50,000 yuan but not more than 500,000 yuan; if the circumstances are serious, the company registration certificate shall be revoked or the business license shall be canceled.

Article 199 Any of the promoters or shareholders of a company who makes any false capital contribution or fails to deliver or fails to deliver in good time the money or non-monetary properties used as capital contribution shall be ordered by the company registration authority to make a rectification and shall be fined not less than 5% but not more than 15% of the sum of false capital contribution.

Article 200 Where any promoter or shareholder unlawfully withdraws his capital contribution after the company is established, he shall be ordered by the company registration authority to make a rectification, and shall be fined not less than 5% but not more than 15% of the capital contribution he has unlawfully taken away.

Article 201 Any company which establishes another set of accounting books apart from legally prescribed accounting books in violation of this Law shall be ordered by the treasury department of the people's government at the county level or above to make a rectification, and shall be fined not less than 50,000 yuan but not more than 500,000 yuan.

Article 202 Where any company makes any false records or conceals any important facts in such materials as financial and accounting statements submitted to the relevant departments in charge, the relevant department in charge shall impose a fine of not more than 30, 000 yuan but not more than 300, 000 yuan upon the directly liable persons in charge and other directly liable persons.

Article 203 Where any company fails to draw legal accumulative funds according to this Law, it shall be ordered by the treasury department of the people's government at the county level or above to make up the amount it is due, and may be fined up to 200, 000 yuan.

Article 204 Where any company fails to notify its creditors by notice or by public announcement in the process of merger, split, reducing its registered capital or liquidation, the company shall be ordered by the company registration authority to make a rectification, and may be fined not less than 10, 000 yuan but not more than 100, 000 yuan.

Where, in the process of liquidation, any company hides any of its properties or makes any false record in its balance sheet or property checklist or distributes any of the company's property before clearing off its debts, it shall be ordered by the company registration authority to make a rectification, and may be fined not less than 5% but not more than 10% of the value of the company properties it has hidden or distributed prior to the clearing of company debts, and the directly liable person-in-charge as well other directly liable persons may be fined not less than 10, 000 yuan but not more than 100, 000 yuan.

Article 205 Where, in the process of liquidation, any company carries out any business activity

which has nothing to do with the liquidation, it shall be admonished by the company registration authority and its illegal proceeds shall be confiscated.

Article 206 Where a liquidation group fails to submit a liquidation report to the company registration authority according to the provisions of this Law or where any important fact is concealed or there is any important omission in the liquidation report it submits, it shall be ordered by the company registration authority to make a rectification.

Where any member of the liquidation group takes advantage of his power to seek unlawful benefits for himself or any of his relatives, procures any unlawful gains, or misappropriates any of the company's properties, the company registration authority may order him to return the company property and confiscate his illegal gains, and may also impose a fine of between 1 and 5 times of the illegal proceeds on him.

Article 207 Where any institution that undertakes the appraisal or verification of assets or the verification of certificates provides any false materials, the company registration authority may confiscate its illegal proceeds and impose a fine between 1 and 5 times of the illegal proceeds, and the competent administrative department may also order the institution to suspend its business operation or revoke the qualifications certificates of the directly liable persons and its business license.

Where any institution that undertakes the appraisal or verification of assets or the verification of certificates has any important omission in the report it submits, the company registration authority may order the institution to make a rectification; if the circumstances are serious, it shall be fined between 1 and 5 times of the proceeds it has obtained, and the competent administrative department may order the institution to suspend its business operation and revoke the qualifications certificate of the directly liable persons and its business license.

Where the appraisal result or proof of asset verification or certificate verification as provided by any institution that undertakes the appraisal or verification of assets or the verification of certificates is proved to be untrue and has caused any loss to the creditors of the company, the institution shall bear the compensation liabilities within the sum that is found to be untrue, unless it could prove that the

loss is not the result of its fault.

Article 208 Where any company registration authority registers any application that does not meet the conditions as provided by this Law or fails to register any application that meets the conditions as prescribed by this Law, the directly liable person-in-charge and other directly liable persons shall be given an administrative sanction.

Article 209 Where the superior organ of any company registration authority forces the latter to register any application that does not meet the conditions as prescribed in this Law, decline any application that meets the conditions as provided for in this Law, or covers up for any illegal registration, the directly liable person-in-charge and other directly liable persons shall be given an administrative sanction according to law.

Article 210 Where anyone who fails to register as a limited liability company or joint stock limited company according to law but carries out its business operations in the name of the limited liability company or joint stock limited company or who fails to register as a subsidiary of any limited liability company or joint stock limited company according to law but carries out its business operations in the name of the subsidiary of any limited liability company or joint stock limited company, the company registration authority may order him to make a rectification or close down his business, and may also impose a fine of no more than 100,000 yuan on him.

Article 211 Where any company fails to start its business operations six months after it is established without justifiable reasons or suspends its business operations on its own initiative for consecutively six months after it has started business operations, its business license may be canceled by the company registration authority.

Where any registered item of any company changes, and the company fails to go through the corresponding modification procedures according to this Law, it shall be ordered by the company registration authority to make modification registration within a time limit; if it still fails to make the registration, it shall be fined not less than 10, 000 yuan but not more than 100, 000 yuan.

Article 212 Where any foreign company violates this Law by unlawfully establishing a branch within China, the company registration authority may order the company to make a rectification or

to close down its branch, and may also impose a fine of not less than 50,000 yuan but not more than 200, 000 yuan on the company.

Article 213 Where a company conducts any serious illegal activities in the name of the company, which may endanger the security of the state or the public interest of the society, the business license of the company shall be revoked.

Article 214 Where any company violates any provision of this Law, it shall bear the respective civil liabilities of compensation and pay the respective fines and pecuniary penalties; if its property is not enough to pay for all the liabilities, it shall pay for the civil liabilities first.

Article 215 Where any company that violates this Law and any crime is constituted, it shall be investigated for criminal liabilities.

Chapter XIII Supplementary Provisions

Article 216 Definitions of the following terms:

- (1) The "senior management persons" refer to the manager, vice managers, chief financial officers, the secretary of the board of directors of a listed company, or any other persons provided in the bylaw.
- (2) A "controlling shareholder" refers to a shareholder whose capital contribution occupies 50% or more in the total capital of a limited liability company or a shareholder whose stocks occupies more than 50% of the total equity stocks of a joint stock limited company or a shareholder whose capital contribution or proportion of stock is less than 50% but who enjoys a voting right according to its capital contribution or the stocks it holds is large enough to impose an big impact upon the resolution of the shareholders' meeting or the shareholders' assembly.
- (3) An "actual controller" refers to anyone who is not a shareholder but is able to hold actual control of the acts of the company by means of investment relations, agreements or any other arrangements.
- (4) "Connection relationship" refers to the relationship between the controlling shareholders, actual controllers, directors, supervisors, or senior management persons of a company and the enterprise

directly or indirectly controlled thereby and any other relationship that may lead to the transfer of any interest of the company. However, the enterprises controlled by the state do not incur a connection relationship simply because their shares are controlled by the state.

Article 217 The limited liability companies and joint stock limited companies invested by foreign investors shall be governed by this Law. Where there are otherwise different provisions in any law regarding foreign investment, such provisions shall prevail.

Article 218 This Law shall become effective on January 1, 2006.

Securities Law of the People's Republic of China (2019 Revision)

Order of the President of the People's Republic of China

(No. 37)

The [Securities Law of the People's Republic of China](#), as adopted at the 15th Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on December 28, 2019, is hereby issued, and shall come into force on March 1, 2020.

Xi Jinping, President of the People's Republic of China

December 28, 2019

[Securities Law of the People's Republic of China](#)

(Adopted at the 6th Session of the Standing Committee of the Ninth National People's Congress on December 29, 1998; amended for the first time in accordance with the [Decision to Amend the Securities Law of the People's Republic of China](#) as adopted at the 11th Session of the Standing Committee of the Tenth National People's Congress on August 28, 2004; revised for the first time at the 18th Session of the Standing Committee of the Tenth National People's Congress on October 27, 2005; amended for the second time in accordance with the Decision to Amend Twelve Laws Including the [Cultural Relics Protection Law of the People's Republic of China](#) as adopted at the Third Session of the Standing Committee of the Twelfth National People's Congress on June 29, 2013; amended for the third time in accordance with the Decision to Amend Five Laws Including the [Insurance Law of the People's Republic of China](#) as adopted at the Tenth Session of the Standing Committee of the Twelfth National People's Congress on August 31, 2014; and revised for the second time at the 15th Session of the Standing Committee of the Thirteenth National People's Congress on December 28, 2019)

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Chapter I General Provisions

Article 1 This Law is enacted for the purposes of regulating the securities offerings and trading, protecting the lawful rights and interests of investors, maintaining the social and economic order and public interest, and promoting the development of the socialist market economy.

Article 2 This Law shall apply to the offerings of and trading in stocks, corporate bonds, depository receipts, and other securities recognized in accordance with the law by the State Council within the territory of the People's Republic of China; and matters not included in this Law shall be governed by the provisions of the [Company Law of the People's Republic of China](#) and other relevant laws

and administrative regulations.

This Law shall apply to the listing and trading of government bonds and shares of securities investment funds, except as otherwise provided by any other law or administrative regulation.

The measures for the administration of the offerings of and trading in asset-backed securities and asset management products shall be developed by the State Council under the principles of this Law.

Where any offering of or trading in securities outside the People's Republic of China disrupts the order of the domestic market of the People's Republic of China and causes any damage to the lawful rights and interests of domestic investors, it shall be handled, and the violators shall be held legally liable, according to the applicable provisions of this Law.

Article 3 Securities offerings and trading must comply with the principles of openness, fairness, and justice.

Article 4 The parties to securities offerings and trading shall have equal legal status, and comply with the principles of free will, onerousness, and good faith.

Article 5 Securities offerings and trading must comply with laws and administrative regulations; and fraud, insider trading, and manipulation of the securities market shall be prohibited.

Article 6 The operation and administration of the securities industry shall be separated from that of the banking, trust, and insurance industries, and securities companies shall be formed separately from banking, trust, and insurance business institutions, except as otherwise specified by the state.

Article 7 The securities regulatory agency of the State Council shall conduct the centralized and unified supervision and administration of the securities market nationwide in accordance with the law.

The securities regulatory agency of the State Council may, as needed, establish field offices, which shall perform their supervisory and administrative duties as authorized.

Article 8 The audit authorities of the state shall conduct the auditing of securities trading venues, securities companies, securities depository and clearing institutions, and securities regulatory agencies in accordance with the law to perform their supervisory functions.

Chapter II Offerings of Securities

Article 9 The public offerings of securities must meet the conditions prescribed by laws and administrative regulations, and be legally registered with the securities regulatory agency of the State Council or the department authorized by the State Council. No entity or individual may conduct a public offering of securities without the legal registration. The specific scope and implementing steps of the securities offering registration system shall be prescribed by the State Council.

An offering is a public offering under any of the following circumstances:

- (1) An offering of securities to unspecific offerees.
- (2) An offering of securities to more than 200 specific offerees cumulatively, excluding the number of employees under an employee stock ownership plan implemented in accordance with the law.
- (3) Other offerings prescribed by laws and administrative regulations.

A non-public offering of securities shall not be conducted by advertising or general solicitation or publicly in disguise.

Article 10 An issuer which applies for a public offering of stock or corporate bonds convertible into stock by means of underwriting in accordance with the law or applies for a public offering of any other security subject to sponsorship as provided by any law or administrative regulation shall appoint a securities company as its sponsor.

The sponsor shall comply with business rules and industry norms, be honest and trustworthy, act with due diligence, prudentially check the issuer's application documents and information disclosure materials, and supervise and guide the issuer in operating in a well-regulated manner.

The measures for the administration of sponsors shall be developed by the securities regulatory agency of the State Council.

Article 11 A public offering of the stock of a joint-stock company during the formation of the company shall meet the conditions prescribed by the [Company Law of the People's Republic of China](#) and other conditions prescribed by the securities regulatory agency of the State Council and

approved by the State Council, with an application for the public offering and the following documents submitted to the securities regulatory agency of the State Council:

- (1) The bylaws of the company.
- (2) The pre-incorporation agreement signed by promoters.
- (3) A statement including the name of each promoter, the number of shares subscribed for by each promoter, the type of capital contribution, and the capital verification certificate.
- (4) The prospectus.
- (5) A statement including the name and address of the bank that receives payments for the shares on behalf of the company.
- (6) A statement including the name of each underwriting institution and the relevant agreements.

Where a sponsor is appointed according to the provisions of this Law, a sponsor letter for the offering issued by the sponsor shall also be submitted.

Where the formation of a company must be subject to approval as provided by any law or administrative regulation, the relevant approval documents shall also be submitted.

Article 12 To undertake an initial public offering (IPO) of new shares, a company shall meet the following conditions:

- (1) It has a sound and well-functioning organizational structure.
- (2) It is a going concern.
- (3) Audit reports with an unqualified opinion have been issued for its financial accounting reports for the last three years.
- (4) The issuer or its controlling shareholder or actual controller has not committed any crime of corruption, bribery, appropriation or misappropriation of property, or disturbance of the order of the socialist market economy in the past three years.
- (5) Other conditions prescribed by the securities regulatory agency of the State Council with the approval of the State Council.

To offer any new shares, a listed company shall meet the conditions prescribed by the securities regulatory agency of the State Council with the approval of the State Council, and the specific

measures for administration shall be developed by the securities regulatory agency of the State Council.

To undertake a public offering of depositary receipts, a company shall meet the conditions for an IPO of new shares and other conditions prescribed by the securities regulatory agency of the State Council.

Article 13 To undertake a public offering of new shares, a company shall submit an application for the public offering and the following documents:

- (1) The business license of the company.
- (2) The bylaws of the company.
- (3) The resolution of the shareholders' meeting.
- (4) The prospectus or other public offering documents.
- (5) The financial accounting reports.
- (6) A statement including the name and address of the bank that receives payments for the shares on behalf of the company.

Where a sponsor is appointed according to the provisions of this Law, a sponsor letter for the offering issued by the sponsor shall also be submitted. If underwriting is conducted according to the provisions of this Law, the name of each underwriting institution and the relevant agreements shall also be submitted.

Article 14 A company must use the proceeds from a public offering of stock for the purposes of offering proceeds set out in the prospectus or other public offering documents; and any change of the purposes of offering proceeds must be subject to a resolution of the shareholders' meeting. If the purposes of offering proceeds are changed, and the change remains uncorrected or is not recognized by the shareholders' meeting, the company shall not undertake any public offering of new shares.

Article 15 To undertake a public offering of corporate bonds, a company shall meet the following conditions:

- (1) It has a sound and well-functioning organizational structure.
- (2) Its average distributable profits in the last three years are sufficient for payment of one-year

interest on the corporate bonds.

(3) Other conditions prescribed by the State Council.

The proceeds from a public offering of corporate bonds must be used for the purposes of offering proceeds set out in the prospectus for the corporate bonds; and any change of the purposes of offering proceeds must be subject to the resolution of the bondholders' meeting. The proceeds from a public offering of corporate bonds shall not be used for covering losses and non-operating expenditures.

To offer corporate bonds convertible into stock, a listed company shall, in addition to meeting the conditions prescribed in paragraph 1 of this article, comply with the provision of paragraph 2 of Article 12 of this Law, unless, according to the prospectus for the corporate bonds, the listed company acquires its own shares for conversion of the corporate bonds.

Article 16 To apply for a public offering of corporate bonds, the applicant shall submit the following documents to the department authorized by the State Council or the securities regulatory agency of the State Council:

(1) The business license of the company.

(2) The bylaws of the company.

(3) The prospectus for the corporate bonds.

(4) Other documents prescribed by the department authorized by the State Council or the securities regulatory agency of the State Council.

Where a sponsor is appointed according to the provisions of this Law, a sponsor letter for the offering issued by the sponsor shall also be submitted.

Article 17 Under any of the following circumstances, no public offering of corporate bonds may be undertaken again:

(1) There is any fact of default on publicly offered corporate bonds or other obligations outstanding or fact of deferred interest payment or repayment of principal, and the fact continues.

(2) The purposes of proceeds from a public offering of corporate bonds are changed in violation of this Law.

Article 18 The formats of the application documents submitted by an issuer for a public offering of securities in accordance with the law and the manners of submission shall be prescribed by the agency or department in charge of registration in accordance with the law.

Article 19 The application documents for an offering of securities submitted by an issuer shall fully disclose the requisite information for investors to make value judgments and investment decisions, with the contents being true, accurate, and complete.

Securities service institutions and persons that issue relevant documents for an offering of securities must strictly perform their statutory duties, and guarantee the veracity, accuracy, and completeness of the issued documents.

Article 20 An issuer which applies for an IPO of stock shall, after submitting the application documents, pre-disclose the relevant application documents according to the rules of the securities regulatory agency of the State Council.

Article 21 The securities regulatory agency of the State Council or the department authorized by the State Council shall be responsible for the registration of securities offering applications according to statutory conditions. The specific measures for the registration of public offerings of securities shall be developed by the State Council.

According to the provisions issued by the State Council, a stock exchange, among others, may examine an application for a public offering of securities, make a judgment on whether the issuer meets the offering conditions and information disclosure requirements, and urge the issuer to improve the content of information disclosure.

The persons participating in the registration of a securities offering application according to the provisions of the preceding two paragraphs shall not have any interest in connection with the offering applicant, shall not directly or indirectly accept any gifts from the offering applicant, shall not hold any securities offered in the offering application for registration, and shall not have any private contact with the offering applicant.

Article 22 The securities regulatory agency of the State Council or the department authorized by the State Council shall, within three months of accepting the application documents for an offering of

securities, make a decision to grant or refuse registration according to statutory conditions and statutory procedures, excluding the time for the issuer to supplement and amend its offering application documents as required. If the registration is refused, the reasons for refusal shall be stated.

Article 23 After a securities offering application is registered, the issuer shall, in accordance with the provisions of laws and administrative regulations, announce the public offering documents before commencing the public offering of securities, and place such documents at a designated place for public inspection.

Before any information on an offering of securities is publicly disclosed in accordance with the law, no insider may publicly disclose or divulge such information.

The issuer shall not offer any securities before announcing the public offering documents.

Article 24 Where the securities regulatory agency of the State Council or the department authorized by the State Council discovers that an offering of securities registered upon its decision fails to meet statutory conditions or statutory procedures, it shall revoke the offering registration decision and order the issuer to cease the offering, if no securities have been offered. If securities have been offered but not been listed, it shall revoke the offering registration decision, and the issuer shall refund the sum of the offering price and the interest thereon calculated at the bank deposit rate over the same period to the holders of securities; and the issuer's controlling shareholder and actual controller and the sponsor shall be jointly and severally liable with the issuer, unless they are able to prove that they have no fault.

Where a stock issuer conceals any material fact or falsifies any major content in the prospectus and other securities offering documents, if the stock has been offered and listed, the securities regulatory agency of the State Council may order the issuer to repurchase the securities or order the liable controlling shareholder and actual controller to buy back the securities.

Article 25 After an offering of stock is consummated in accordance with the law, the issuer shall be independently responsible for changes in its operations and earnings; and the investment risks resulting from such changes shall be assumed by investors themselves.

Article 26 Where the securities offered by an issuer to unspecific offerees shall be underwritten by a securities company as provided by any law or administrative regulation, the issuer shall enter into an underwriting agreement with the securities company. The securities shall be underwritten in the manner of best-efforts underwriting or firm-commitment or standby underwriting.

Best-efforts underwriting of securities is a manner of underwriting in which a securities company sells securities on behalf of the issuer and returns all unsold securities to the issuer at the end of the underwriting period.

Firm-commitment or standby underwriting of securities is a manner of underwriting in which a securities company, under an agreement, purchases all the securities offered by the issuer or purchases all the remaining unsold securities itself at the end of the underwriting period.

Article 27 In a public offering of securities, the issuer shall have the autonomy to legally select a securities company to underwrite its securities.

Article 28 To underwrite securities, a securities company shall enter into a best-efforts underwriting agreement or a firm-commitment or standby underwriting agreement with the issuer, specifying the following matters:

- (1) The name and domicile of each party and the name of each party's legal representative.
- (2) The type, quantity, amount, and offering price of securities underwritten on a best-efforts or on a firm-commitment or standby basis.
- (3) The term of best-efforts underwriting or firm-commitment or standby underwriting and the beginning and ending dates.
- (4) The methods and date of payment for best-efforts underwriting or firm-commitment or standby underwriting.
- (5) The expenses and settlement methods for best-efforts underwriting or firm-commitment or standby underwriting.
- (6) The liability for a breach of contract.
- (7) Other matters prescribed by the securities regulatory agency of the State Council.

Article 29 A securities company which underwrites securities shall check the veracity, accuracy, and

completeness of the public offering documents. If it discovers any false or misleading statement or material omission, it shall not conduct any sales activity; and if the securities are being sold, it shall immediately cease any sales activity, and take corrective measures.

A securities company which underwrites securities shall not:

- (1) conduct any advertising or other publicity or promotional activity that is false or misleads investors;
- (2) solicit any underwriting business by means of unfair competition; and
- (3) otherwise violate the provisions on securities underwriting.

Where any conduct of a securities company set out in the preceding paragraph causes any loss to any other securities underwriting institution or investors, it shall be liable in damages in accordance with the law.

Article 30 Where an underwriting syndicate is appointed to underwrite an offering of securities to unspecific offerees, the underwriting syndicate shall consist of securities companies as the lead underwriter and participating underwriters.

Article 31 The term of best-efforts underwriting or firm-commitment or standby underwriting shall not exceed 90 days.

A securities company shall, during the term of best-efforts underwriting or firm-commitment or standby underwriting, guarantee that the securities underwritten are sold first to subscribers, and the securities company shall not, for itself, reserve any securities underwritten on a best-efforts basis or pre-purchase and set aside any securities underwritten on a firm-commitment or standby basis.

Article 32 Where any stock is offered at a premium, the offering price shall be determined by consultations between the issuer and the securities company underwriting the stock.

Article 33 Where, in the case of a stock offering on a best-efforts basis, the number of shares of the stock sold to investors fails to reach 70% of the number of shares of the stock to be offered to the public after the term of best-efforts underwriting expires, the offering shall be deemed a failed offering. The issuer shall refund the sum of the offering price and the interest thereon calculated at the bank deposit rate over the same period to subscribers for the stock.

Article 34 Upon expiration of the term of best-efforts underwriting or firm-commitment or standby underwriting of a public offering of stock, the issuer shall report the stock offering information to the securities regulatory agency of the State Council for recordation during the prescribed period.

Chapter III Trading in Securities

Section 1 General Rules

Article 35 The securities legally purchased and sold by the parties to transactions in securities must be securities legally offered and delivered.

Securities not legally offered shall not be purchased or sold.

Article 36 Where the [Company Law of the People's Republic of China](#) or any other law prescribes a period during which any securities legally offered is restricted from being transferred, such securities shall not be transferred during the prescribed period.

A shareholder holding 5% or more of the shares of stock, the actual controller, a director, a supervisor, or an officer of a listed company or any other shareholder holding any shares offered by the issuer before its IPO or shares offered by a listed company to specific offerees which transfers any shares that it holds in the company shall not violate the provisions of laws and administrative regulations and the provisions issued by the securities regulatory agency of the State Council on the holding period, time of selling, number of shares sold, methods of selling, and information disclosure, among others, and shall comply with the business rules of the stock exchange.

Article 37 Publicly offered securities shall be listed and traded on stock exchanges legally formed or be traded on other national securities trading venues approved by the State Council.

Non-publicly offered securities may be transferred on stock exchanges, other national securities trading venues approved by the State Council, and regional equities markets formed according to the provisions issued by the State Council.

Article 38 Securities listed on stock exchanges shall be traded in the form of open and centralized trading or other forms approved by the securities regulatory agency of the State Council.

Article 39 The securities purchased and sold by the parties to transactions in securities may be in a paper form or other forms prescribed by the securities regulatory agency of the State Council.

Article 40 Practitioners of securities trading venues, securities companies, and securities depository and clearing institutions, staff members of securities regulatory agencies, and other persons prohibited by any law or administrative regulation from participating in stock trading shall not, during their terms of office or the statutory periods, hold, purchase, or sell any stock or other equity securities directly, in any assumed name, or in the name of any other person or accept any stock or other equity securities from any other person as a gift.

Upon becoming a person set out in the preceding paragraph, anyone must transfer in accordance with the law the shares or other equity securities that he or she holds.

Practitioners of a securities company implementing an equity incentive plan or an employee stock ownership plan may, according to the rules of the securities regulatory agency of the State Council, hold and sell the company's stock or other equity securities.

Article 41 Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their staff members shall keep the information on investors confidential in accordance with the law, and shall not illegally purchase, sell, supply, or disclose publicly any information on investors.

Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their staff members shall not divulge any trade secrets to which they have access.

Article 42 Securities service institutions and persons that issue documents such as audit reports and legal opinions for an offering of securities shall not purchase or sell such securities during the term of underwriting of such securities and six months after the expiration thereof.

In addition to the provision of the preceding paragraph, securities service institutions and persons that issue documents such as audit reports and legal opinions for the issuer and its controlling shareholder and actual controller, the acquirer, or the parties to a material asset transaction shall not purchase or sell such securities from the date of accepting engagement to the fifth day after the

aforesaid documents are disclosed to the public. If the date on which the relevant work aforesaid is actually carried out is earlier than the date on which engagement is accepted, they shall not purchase or sell such securities from the date on which the relevant work aforesaid is actually carried out to the fifth day after the aforesaid documents are disclosed to the public.

Article 43 The charges collected for transactions in securities must be reasonable, and the fee items, fee rates, and management measures shall be published.

Article 44 Where a shareholder holding 5% or more of the shares of stock, a director, a supervisor, or an officer of a listed company or a company with its stock traded on any other national securities trading venue approved by the State Council sells any stock or other equity securities that it holds in the company within six months after its purchase thereof or purchases the stock or other equity securities within six months after its sale thereof, the profits therefrom shall be owned by the company, and the board of directors of the company shall take back such profits, except for a securities company holding 5% or more of the shares of stock as a result of purchasing the remaining unsold stock underwritten by it on a firm-commitment or standby basis or under any other circumstances prescribed by the securities regulatory agency of the State Council.

The stock or other equity securities held by a director, a supervisor, an officer, or a natural person shareholder as mentioned in the preceding paragraph shall include the stock or other equity securities held by his or her spouse, parents, and children and held through any other person's account.

Where the board of directors of the company fails to take action according to the provision of paragraph 1 of this article, the shareholders shall have the right to require the board of directors to take action within 30 days. If the board of directors of the company fails to take action during the aforesaid period, a shareholder shall have the right to directly institute an action in the people's court in its own name in the interest of the company.

Where the board of directors of the company fails to take action according to the provision of paragraph 1 of this article, the liable directors shall be jointly and severally liable in accordance with the law.

Article 45 Algorithmic trading executed based on trade orders automatically generated or placed by computer programs shall comply with the rules of the securities regulatory agency of the State Council, and be reported to the stock exchange, and shall not affect the system security or the normal trading order of the stock exchange.

Section 2 Listing of Securities

Article 46 For securities to be listed and traded on a stock exchange, an application shall be filed with the exchange, the exchange shall examine and decide whether to grant the application in accordance with the law, and both parties shall enter into a listing agreement.

A stock exchange shall arrange for government bonds to be listed and traded on the exchange according to the decision of the department authorized by the State Council.

Article 47 An application for securities to be listed and traded on a stock exchange shall meet the listing conditions prescribed in the listing rules of the exchange.

The listing conditions prescribed in the listing rules of a stock exchange shall set forth the requirements for the issuer's years of operation, financial condition, minimum ratio of public offering, corporate governance, and integrity record, among others.

Article 48 Where a security listed and traded on a stock exchange falls under any of the delisting circumstances prescribed by the stock exchange, the stock exchange shall delist the security according to its business rules.

Where a stock exchange decides to delist a security on the stock exchange, it shall announce the delisting in a timely manner, and file a report with the securities regulatory agency of the State Council for recordation.

Article 49 An application may be filed with the review body formed by a stock exchange for a review of the stock exchange's decision to refuse listing or delist.

Section 3 Prohibited Transactions

Article 50 Insiders who have access to insider information in securities trading activities or persons who have illegally obtained insider information shall be prohibited from trading in securities based on insider information.

Article 51 Insiders who have access to insider information in connection with securities trading shall include:

- (1) the issuer and its directors, supervisors, and officers;
- (2) a shareholder holding 5% or more of the shares of stock of the company and its directors, supervisors, and officers; and the actual controller of the company and its directors, supervisors, and officers;
- (3) a company of which the issuer holds controlling shares or over which the issuer exercises actual control and its directors, supervisors, and officers;
- (4) persons who may obtain insider information on the company by virtue of their positions held in the company or their business associations with the company;
- (5) the acquirer of or a party to a material asset transaction with a listed company and its controlling shareholder, actual controller, directors, supervisors, and officers;
- (6) the relevant persons of a securities trading venue, securities company, securities depository and clearing institution, or securities service institution who may obtain insider information by virtue of their positions or work;
- (7) staff members of securities regulatory agencies who may obtain insider information by virtue of their duties or work;
- (8) staff members of the appropriate departments and regulatory agencies who may obtain insider information in administering the offerings of and trading in securities or administering listed companies and acquisitions of and material asset transactions with listed companies by virtue of their statutory duties; and
- (9) other persons who may obtain insider information prescribed by the securities regulatory agency of the State Council.

Article 52 Non-public information relating to an issuer's operations and finances or having a significant effect on the market prices of securities of an issuer shall be insider information in securities trading activities.

Insider information includes the material events set out in paragraph 2 of Article 80 and paragraph 2

of Article 81 of this Law.

Article 53 Insiders who have access to insider information in securities trading activities or persons who have illegally obtained insider information may not purchase or sell the securities of the company, divulge such information, or advise any other person to purchase or sell such securities, before the public disclosure of such insider information.

Where this Law provides otherwise for the acquisition of the shares of stock of a listed company by a natural person, a legal person, or an unincorporated organization holding 5% or more of the shares of stock of the company alone or jointly with others through agreements and other arrangements, such provisions shall prevail.

Whoever trades in securities based on insider information shall be liable in damages in accordance with the law, if the insider trading causes any loss to investors.

Article 54 Practitioners of securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and other financial institutions, as well as staff members of the relevant regulatory agencies or industry associations, shall be prohibited from trading in securities in connection with any non-public information other than insider information obtained by taking advantage of their positions or from explicitly or implicitly instructing any other person to conduct the relevant trading activities in violation of the applicable provisions.

Whoever trades in securities based on non-public information shall be liable in damages in accordance with the law, if the trading causes any loss to investors.

Article 55 Manipulation of the securities market to affect or attempt to affect the trading price or volume of securities by any person by any of the following means shall be prohibited:

- (1) Alone or by conspiracy, concentrating advantages in terms of funds, shareholding, or information to purchase or sell securities jointly or continuously.
- (2) Colluding with any other person to trade in securities mutually at the time and price and in the manner as agreed upon in advance.
- (3) Trading in securities between accounts under the person's actual control.
- (4) Placing and canceling orders frequently or in large numbers, not for the purpose of

consummation of trades.

(5) Inducing investors to trade in securities, by using false or uncertain material information.

(6) Providing the public with any evaluation, forecast, or investment advice on a security or the issuer but trading in the security in the opposite direction.

(7) Manipulating the securities market by activities on any other relevant market.

(8) Otherwise manipulating the securities market.

Whoever manipulates the securities market shall be liable in damages in accordance with the law, if the manipulation causes any loss to investors.

Article 56 No entity or individual shall fabricate or disseminate false or misleading information to disrupt the securities market.

Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their practitioners, as well as securities associations, securities regulatory agencies, and their staff members, shall be prohibited from misrepresentation or provision of misleading information in securities trading activities.

The securities market information disseminated by any communications media must be true and objective, and the dissemination of misleading information shall be prohibited. The communications media and their staff members engaged in the coverage of securities market information shall not purchase or sell securities with conflicts of interest in connection with their work duties.

Whoever fabricates or disseminates false or misleading information to disrupt the securities market shall be liable in damages in accordance with the law, if it causes any loss to investors.

Article 57 A securities company and its practitioners shall be prohibited from the following conduct that causes damage to clients' interests:

(1) Purchasing or selling securities for a client in violation of the client's authorization.

(2) Failing to provide a client with trade confirmation documents during the prescribed period.

(3) Purchasing or selling securities for a client without the client's authorization or purchasing or selling securities in the guise of a client.

(4) Inducing a client to conduct unwarranted purchases and sales of securities in order for

commissions revenue.

(5) Otherwise causing any damage to a client's interests, against the client's true declaration of intent.

Whoever violates the provision of the preceding paragraph shall be liable in damages in accordance with the law, if the violation causes any loss to a client.

Article 58 No entity or individual shall, in violation of the applicable provisions, lend the entity's or individual's own securities account or borrow any other person's securities account for trading in securities.

Article 59 The channels for funds to flow into the securities market shall be broadened in accordance with the law, and funds shall be prohibited from flowing into the stock market in violation of the applicable provisions.

Investors shall be prohibited from using fiscal and bank credit funds to purchase and sell securities in violation of the applicable provisions.

Article 60 In purchasing and selling stocks listed and traded on a stock exchange, wholly state-owned enterprises, wholly state-owned companies, and companies in which the state holds controlling shares must comply with the applicable provisions issued by the state.

Article 61 Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their practitioners shall report any prohibited transactions discovered in securities trading to the securities regulatory agencies in a timely manner.

Chapter IV Acquisition of Listed Companies

Article 62 An investor may acquire a listed company by tender offer, agreement, or other lawful means.

Article 63 Where the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 5% by securities trading on a stock exchange, the investor shall, within three days after the fact occurs, file a written report with the securities regulatory agency of the State Council and the stock exchange, notify the

listed company, and announce it, and shall no longer purchase or sell the stock of the listed company during the aforesaid period, except under the circumstances prescribed by the securities regulatory agency of the State Council.

After the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 5%, whenever the investor increases or decreases its holding of the outstanding voting shares of the listed company by 5%, it shall report and announce the increase or decrease according to the provision of the preceding paragraph, and from the day when the fact occurs to the third day after its announcement, shall no longer purchase or sell the stock of the listed company, except under the circumstances prescribed by the securities regulatory agency of the State Council.

After the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 5%, whenever the investor increases or decreases its holding of the outstanding voting shares of the listed company by 1%, it shall notify the listed company of and announce the increase or decrease on the next day after the fact occurs.

If the investor purchases any voting shares of the listed company in violation of the provision of paragraph 1 or 2 of this article, it shall not exercise the voting rights attached to the shares in excess of the prescribed ratio within 36 months after purchasing them.

Article 64 The announcement made according to the provisions of the preceding article shall include:

- (1) The name and domicile of the stockholder.
- (2) The title and number of shares of the stock held.
- (3) The date when the shareholding or the increase or decrease in shareholding reaches the statutory ratio and the source of funds for the increase in shareholding.
- (4) The time and manner of change in the voting shares beneficially owned in the listed company.

Article 65 Where the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 30% by securities trading on a stock exchange, and the investor continues to acquire such shares, it shall, in accordance

with the law, make a tender offer to all the shareholders of the listed company for acquiring all or part of the shares of the listed company.

It shall be agreed in a tender offer for acquiring part of the shares of a listed company that if the number of shares tendered by the shareholders of the target company exceeds the number of shares to be acquired, the acquirer shall acquire the shares on a pro rata basis.

Article 66 To make a tender offer according to the provisions of the preceding article, the acquirer must announce a report on the acquisition of the listed company, stating:

- (1) the name and domicile of the acquirer;
- (2) the acquisition decision of the acquirer;
- (3) the name of the listed company to be acquired;
- (4) the purposes of acquisition;
- (5) the detailed name of the shares to be acquired and the number of shares to be acquired;
- (6) the acquisition period and price;
- (7) the amount of funds required for the acquisition and the guarantee of funds; and
- (8) the ratio of the shares of the target company held by the acquirer to the total outstanding shares of the company when the report on the acquisition of the listed company is announced.

Article 67 The acquisition period as agreed upon in a tender offer shall not be less than 30 days but not exceed 60 days.

Article 68 Within the tendering period prescribed in a tender offer, the acquirer may not withdraw its tender offer. If the acquirer needs to modify the tender offer, it shall announce it in a timely manner, stating the specific modifications, which, however, shall not contain the following circumstances:

- (1) Lowering the acquisition price.
- (2) Reducing the number of shares to be acquired.
- (3) Shortening the acquisition period.
- (4) Other circumstances prescribed by the securities regulatory agency of the State Council.

Article 69 The acquisition terms and conditions in a tender offer shall apply to all the shareholders of the target company.

Where a listed company has different classes of shares outstanding, the acquirer may propose different acquisition conditions for different classes of shares.

Article 70 In the case of acquisition by a tender offer, during the acquisition period, the acquirer shall neither sell the stock of the target company nor purchase the stock of the target company beyond the manners and the terms and conditions prescribed in the tender offer.

Article 71 In the case of acquisition by agreement, the acquirer and the shareholders of the target company may agree on share transfer in accordance with the provisions of laws and administrative regulations.

In the acquisition of a listed company by agreement, the acquirer must, within three days after the acquisition agreement is signed, file a written report on the acquisition agreement with the securities regulatory agency of the State Council and the stock exchange, and announce it.

No acquisition agreement may be performed before the aforesaid announcement is made.

Article 72 In the case of acquisition by agreement, both parties to the agreement may temporarily engage a securities depository and clearing institution to place the shares transferred by agreement under its custody, and deposit the funds at the designated bank.

Article 73 In the case of acquisition by agreement, where the ratio of the outstanding voting shares of a listed company acquired by the acquirer alone or jointly with others through agreements and other arrangement reaches 30%, and the acquirer continues to acquire such shares, it shall, in accordance with the law, make a tender offer to all the shareholders of the listed company for acquiring all or part of the shares of the listed company, unless it is exempted from the tender offer according to the rules of the securities regulatory agency of the State Council.

In the acquisition of the shares of a listed company by a tender offer according to the provision of the preceding paragraph, the acquirer shall comply with the provisions of paragraph 2 of Article 65 and Articles 66 through 70 of this Law.

Article 74 Where, upon expiration of the acquisition period, the equity distribution of the target company fails to satisfy the listing and trading requirements prescribed by the stock exchange, the stock of the listed company shall be delisted by the stock exchange in accordance with the law; and

the other shareholders still holding the stock of the target company shall have the right to sell their stock to the acquirer on the same terms and conditions as prescribed in the tender offer, and the acquirer shall acquire such stock.

Where, after acquisition is consummated, the target company no longer meets the conditions for a joint-stock company, its enterprise form shall be modified in accordance with the law.

Article 75 In the acquisition of a listed company, the stock of the target listed company held by the acquirer shall not be transferred within 18 months after acquisition is consummated.

Article 76 Where, after acquisition is consummated, the acquirer merges with the target company by dissolving the target company, the original shares of the dissolved company shall be replaced by the acquirer in accordance with the law.

After acquisition is consummated, the acquirer shall, within 15 days, file a report on the acquisition with the securities regulatory agency of the State Council and the stock exchange, and announce it.

Article 77 The securities regulatory agency of the State Council shall, in accordance with this Law, develop the specific measures for the acquisition of listed companies.

Where a listed company is divided or merged into any other company, it shall be reported to the securities regulatory agency of the State Council and announced.

Chapter V Information Disclosure

Article 78 An issuer and other persons with information disclosure obligations as prescribed by laws, administrative regulations, and the rules of the securities regulatory agency of the State Council shall, in accordance with the law, perform their information disclosure obligations in a timely manner.

The information disclosed by persons with information disclosure obligations shall be true, accurate, complete, concise, clear, and easy to understand, and shall not contain any false or misleading statements or material omissions.

Where any securities are publicly offered and traded both within and outside China, the information disclosed outside China by persons with information disclosure obligations shall be

contemporaneously disclosed within China.

Article 79 A listed company, a company with its corporate bonds listed and traded on a stock exchange, or a company with its stock traded on any other national securities trading venue approved by the State Council shall prepare periodical reports according to the contents and formats prescribed by the securities regulatory agency of the State Council and the trading venue, and file and announce them according to the following provisions:

(1) Filing and announcing its annual report within four months after the end of each accounting year, in which the annual financial accounting report shall be audited by an accounting firm in compliance with the provisions of this Law.

(2) Filing and announcing its semiannual report within two months after the end of the first half of each accounting year.

Article 80 Where any material event that may substantially affect the trading price of the stock of a listed company or a company with its stock traded on any other national securities trading venue approved by the State Council occurs without the investors' knowledge, the company shall immediately file a current report on the material event with the securities regulatory agency of the State Council and the trading venue, and announce it, stating the cause of the event, current status, and possible legal consequences.

The following matters are the material events as mentioned in the preceding paragraph:

(1) There is any significant change in the company's business guidelines or business scope.

(2) The company makes any major investment, the company's purchase or sale of major assets within one year exceeds 30% of the company's total assets, or the company's major operating assets mortgaged, pledged, sold, or retired at one time exceeds 30% of the assets.

(3) The company enters into any material contract, provides any material guarantee, or conducts any affiliated transaction, which may have a significant effect on the company's assets, liabilities, interests, and results of operations.

(4) The company incurs any major debt or defaults for failing to repay any major debt upon maturity.

(5) The company suffers any major deficit or serious loss.

(6) There is any material change in the external conditions for the company's production and operations.

(7) There is any change of the company's directors, one third or more of the company's supervisors or managers change, or the chairman of the board of directors or managers are unable to perform duties.

(8) There is any substantial change in the shareholding of a shareholder holding 5% or more of the shares of the company or in the actual controller's control of the company, or there is any substantial change in the business of the company's actual controller and other enterprises controlled by it which is the same as or similar to that of the company.

(9) The company makes a plan for distributing dividends or increasing capital, there is any material change in the company's equity structure, the company makes a decision on its capital reduction, merger, division, dissolution, or petition for bankruptcy, or in accordance with the law, the company enters bankruptcy proceedings or is ordered to close down.

(10) The company is involved in any major litigation or arbitration, or a resolution of the shareholders' meeting or the board of directors is legally revoked or declared null and void.

(11) The company is under formal investigation in accordance with the law on suspicion of any crime, or the controlling shareholder, the actual controller, or any director, supervisor, or officer of the company is subjected to any compulsory measure in accordance with the law on suspicion of any crime.

(12) Other matters prescribed by the securities regulatory agency of the State Council.

Where the company's controlling shareholder or actual controller has a significant effect on the occurrence or progress of any material event, it shall, in a timely manner and in written form, provide the relevant information in its knowledge to the company, and cooperate with the company in performing information disclosure obligations.

Article 81 Where any material event that may substantially affect the trading price of a corporate bond listed and traded on a stock exchange occurs without the investors' knowledge, the company shall immediately file a current report on the material event with the securities regulatory agency of

the State Council and the trading venue, and announce it, stating the cause of the event, its current status, and possible legal consequences.

The following matters are the material events as mentioned in the preceding paragraph:

- (1) There is any material change of the company's equity structure or status of production and operations.
- (2) The credit rating of the corporate bond changes.
- (3) Any major asset of the company is mortgaged, pledged, sold, transferred, or retired.
- (4) The company fails to repay any debt upon maturity.
- (5) The company's new borrowings or external guarantees exceed 20% of its net assets at the end of the prior year.
- (6) The claims or property forgone by the company exceeds 10% of its net assets at the end of the prior year.
- (7) The company suffers any serious loss exceeding 10% of its net assets at the end of the prior year.
- (8) The company distributes dividends, makes a decision on its capital reduction, merger, division, dissolution, or petition for bankruptcy, or in accordance with the law, enters bankruptcy proceedings or is ordered to close down.
- (9) The company is involved in any major litigation or arbitration.
- (10) The company is under formal investigation in accordance with the law on suspicion of any crime, or the controlling shareholder, the actual controller, or any director, supervisor, or officer of the company is subjected to any compulsory measure in accordance with the law on suspicion of any crime.
- (11) Other matters prescribed by the securities regulatory agency of the State Council.

Article 82 An issuer's directors and officers shall sign written confirmation opinions regarding the securities offering documents and periodical reports.

The issuer's board of supervisors shall examine the securities offering documents and periodical reports prepared by the board of directors, and issue written examination opinions. Supervisors shall sign written confirmation opinions.

The issuer's directors, supervisors, and officers shall ensure that the issuer discloses information in a timely and fair manner and the information disclosed is true, accurate, and complete.

Directors, supervisors, and officers who are unable to ensure the veracity, accuracy, and completeness of the content of securities offering documents and periodical reports or have raised any objections shall express their opinions and state reasons in the written confirmation opinions, which shall be disclosed by the issuer. If the issuer fails to make such disclosure, they may directly apply for disclosure.

Article 83 The information disclosed by persons with information disclosure obligations shall be disclosed contemporaneously to all the investors, and shall not be divulged to any entity or individual in advance, except as otherwise provided by any law or administrative regulation.

No entity or individual shall illegally require persons with information disclosure obligations to provide information that shall be disclosed in accordance with the law but has not been disclosed.

The aforesaid information obtained by any entity or individual in advance shall be kept confidential prior to disclosure in accordance with the law.

Article 84 In addition to the information that shall be disclosed in accordance with the law, persons with information disclosure obligations may voluntarily disclose information related to an investor's value judgment and investment decision-making, but such information shall not contradict the information disclosed in accordance with the law or mislead investors.

Where an issuer and its controlling shareholder, actual controller, directors, supervisors, and officers, among others, make any undertakings publicly, such undertakings shall be disclosed. Those failing to perform such undertakings shall be liable in damages in accordance with the law, if the failure causes any loss to investors.

Article 85 Where any persons with information disclosure obligations fail to disclose information according to the applicable provisions, or there are any false or misleading statements or material omissions in the announced securities offering documents, periodical reports, current reports, and other information disclosure materials, causing any loss to investors in securities trading, the persons with information disclosure obligations shall be liable in damages; and the controlling shareholder,

actual controller, directors, supervisors, officers, and other directly liable persons of the issuer and the sponsor, underwriting securities company, and their directly liable persons shall be jointly and severally liable in damages with the issuer, unless they are able to prove that they have no fault.

Article 86 The information disclosed in accordance with the law shall be published on the websites of securities trading venues and media meeting the conditions prescribed by the securities regulatory agency of the State Council, and be contemporaneously placed at the domiciles of companies and trading venues for securities for public inspection.

Article 87 The securities regulatory agency of the State Council shall supervise and administer the information disclosure conduct of persons with information disclosure obligations.

A securities trading venue shall supervise the information disclosure conduct of persons with information disclosure obligations on securities traded under its organization, and urge them to legally disclose information in a timely and accurate manner.

Chapter VI Investor Protection

Article 88 In selling securities and providing services to investors, a securities company shall, according to the applicable provisions, sufficiently gather the basic information on investors and their property status, financial asset status, investment knowledge and experience, professional capability, and other relevant information; truthfully explain the important content of securities and services, and fully reveal investment risks; and sell and provide securities and services commensurate with the aforesaid status of investors.

In purchasing securities or accepting services, investors shall provide true information set out in the preceding paragraph according to the explicit requirements of the securities company. If any investor refuses to provide information or fails to provide information as required, the securities company shall inform the investor of the consequences, and according to the applicable provisions, refuse to sell securities or provide services to the investor.

A securities company which violates the provision of paragraph 1 of this article shall be liable in

damages correspondingly, if the violation causes any loss to investors.

Article 89 Investors may be divided into ordinary investors and professional investors according to asset status, financial asset status, investment knowledge and experience, professional capability, and other factors. The criteria for professional investors shall be prescribed by the securities regulatory agency of the State Council.

Where any ordinary investor is in dispute with a securities company, the securities company shall prove that its conduct complies with laws, administrative regulations, and the rules of the securities regulatory agency of the State Council, without misleading, fraudulent, and other circumstances. The securities company shall be liable in damages correspondingly, if it is unable to prove it.

Article 90 The board of directors, an independent director, or a shareholder holding 1% or more of the voting shares of a listed company or an investor protection institution formed in accordance with laws, administrative regulations, or the rules of the securities regulatory agency of the State Council (“investor protection institution”) may, as a proxy solicitor, publicly request the shareholders of the listed company to authorize it to attend a shareholders' meeting and exercise the right to submit proposals, right to vote, and other rights of shareholders on their behalf, or authorize a securities company or a securities service institution to solicit proxies on its behalf.

To solicit proxies according to the provision of the preceding paragraph, the solicitor shall disclose solicitation documents, and the listed company shall provide cooperation.

It shall be prohibited to publicly solicit proxies with payments or in a disguised form of payment.

Where any public proxy solicitation violates any law or administrative regulation or the relevant rules of the securities regulatory agency of the State Council, causing any loss to the listed company or its shareholders, the violator shall be liable in damages in accordance with the law.

Article 91 A listed company shall include in its bylaws the detailed arrangements and decision-making procedures for the distribution of cash dividends, and in accordance with the law, protect their shareholders' right to return on assets.

Where a listed company has a surplus after using its after-tax profit of the current year to make up loss and set aside legal reserves, it shall distribute cash dividends according to the provisions of the

company's bylaws.

Article 92 In a public offering of corporate bonds, the bondholders' meeting shall be created, and the procedures for convening bondholders' meetings, the rules of meetings, and other important matters shall be stated in the prospectus.

In a public offering of corporate bonds, the issuer shall appoint a bond trustee for bondholders, and enter into a trust indenture. The bond trustee shall be the underwriting institution for the offering or any other institution recognized by the securities regulatory agency of the State Council, and may be modified by a resolution of the bondholders' meeting. The bond trustee shall act with due diligence, and perform trustee duties in an impartial manner, and shall not cause any damage to the interests of bondholders.

Where a bond issuer fails to repay the principal of a bond and interest thereon as scheduled, the bond trustee may, as authorized by all or part of the bondholders, institute or participate in a civil action or a liquidation proceeding in its own name on behalf of the bondholders.

Article 93 Where an issuer's fraudulent offering, misrepresentation, or any other major violation of the law causes any loss to investors, the issuer's controlling shareholder and actual controller and the relevant securities company may authorize an investor protection institution to enter into an agreement with the aggrieved investors on compensation matters, and make compensation in advance. After making compensation in advance, they may legally recover such compensation from the issuer and other jointly and severally liable persons.

Article 94 Where any dispute arises between an investor and an issuer or a securities company, among others, both parties may apply to an investor protection institution for mediation. A securities company shall not refuse an ordinary investor's request for mediation of a dispute between them over any securities business.

An investor protection institution may, in accordance with the law, support an investor in instituting an action in a people's court against acts damaging investors' interests.

Where an issuer's director, supervisor, or officer violates the provisions of any law or administrative regulation or the company's bylaws in performing corporate duties, causing any loss to the company,

or where the issuer's controlling shareholder or actual controller, among others, infringes upon the company's lawful rights and interests, causing any loss to the company, an investor protection institution may, if holding shares of the company, institute an action in a people's court in its own name in the interest of the company, not subject to the provisions of the [Company Law of the People's Republic of China](#) regarding the shareholding ratio and holding period.

Article 95 Where investors institute civil actions for damages caused by misrepresentation, among others, related to securities, they may legally recommend and select representatives to participate in the actions if the subject matters of the actions are of the same kind and the parties on one side of the actions are numerous.

For actions instituted according to the provision of the preceding paragraph, if there may be many other investors who have the same claims, the people's court may issue an announcement to state the facts of the case involving the claims and notify investors that they may register with the people's court during a certain period. The judgment or ruling rendered by the people's court shall be valid for the registered investors.

An investor protection institution may, as authorized by 50 or more investors, participate in actions as a representative, and according to the provision of the preceding paragraph, register right holders confirmed by the securities depository and clearing institution with the people's court, except for investors who have expressly indicated their reluctance to participate in the actions.

Chapter VII Securities Trading Venues

Article 96 Stock exchanges and other national securities trading venues approved by the State Council shall provide places and facilities for the centralized trading in securities, organize and supervise securities trading, conduct self-regulation, be legally registered, and obtain legal person status.

The formation, modification, and dissolution of stock exchanges and other national securities trading venues approved by the State Council shall be subject to the decision of the State Council.

The organizational structure and the measures for administration, among others, of other national securities trading venues approved by the State Council shall be specified by the State Council.

Article 97 Stock exchanges and other national securities trading venues approved by the State Council may establish different market tiers according to the type of securities, industry characteristics, company scale, and other factors.

Article 98 Regional equities markets formed according to the provisions issued by the State Council shall provide places and facilities for the offering and transfer of non-publicly offered securities, and the specific measures for administration shall be developed by the State Council.

Article 99 In performing their self-regulatory functions, stock exchanges shall adhere to the principle of giving priority to public interest, and maintain fair, orderly, and transparent markets.

For the formation of a stock exchange, the bylaws of the stock exchange must be developed. The development and revision of the bylaws of a stock exchange must be subject to the approval of the securities regulatory agency of the State Council.

Article 100 The words “stock exchange” must be indicated in the name of a stock exchange. No other entity or individual may use “stock exchange” or a similar name.

Article 101 The revenue of a stock exchange from various fees and charges at its disposal shall first be used to guarantee the normal operation and gradual improvement of its places and facilities for securities trading.

The accumulated property of a stock exchange which implements a membership system shall belong to its members, and the rights and interests in such property shall be jointly owned by its members. No accumulated property of a stock exchange may be distributed to its members during its period of existence.

Article 102 A stock exchange implementing a membership system shall have a board of governors and a board of supervisors.

A stock exchange shall have a president, who shall be appointed and removed by the securities regulatory agency of the State Council.

Article 103 Whoever falls under a circumstance set out in [Article 146](#) of the [Company Law](#) of the

People's Republic of China or any of the following circumstances shall not serve as the person in charge of a stock exchange:

(1) It has not been five years since he or she was removed from office as the person in charge of a securities trading venue or a securities depository and clearing institution or a director, supervisor, or officer of a securities company for any violation of law or discipline.

(2) It has not been five years since he or she forfeited his or her practicing certificate or was disqualified as a lawyer, a certified public accountant, or a professional of any other securities service institution for any violation of law or discipline.

Article 104 Practitioners of a securities trading venue, a securities company, a securities depository and clearing institution, or a securities service institution or staff members of a state authority expelled for any violation of law or discipline shall not be employed as practitioners of a stock exchange.

Article 105 One that enters a stock exchange implementing a membership system to participate in the centralized trading must be a member of the stock exchange. A stock exchange shall not allow any non-member to directly participate in the centralized trading in stocks.

Article 106 An investor shall enter into an agreement with a securities company to authorize it to effect securities transactions on the investor's behalf, open an account with the securities company in the investor's legal name, and authorize the securities company to purchase and sell securities on the investor's behalf, in writing or via telephone, self-service terminals, and the Internet, among others.

Article 107 A securities company which opens accounts for investors shall verify the identity information provided by investors according to the applicable provisions.

A securities company shall not provide an investor's account to any other person for use.

An investor shall use the accounts opened in the investor's legal name to conduct transactions.

Article 108 As authorized by investors, a securities company shall place trade orders and participate in the centralized trading on a stock exchange according to the securities trading rules, and assume the corresponding clearing and settlement liabilities according to the execution results. A securities depository and clearing institution shall, according to the execution results and clearing and

settlement rules, conduct the clearing and settlement of securities and funds with the securities company, and handle the formalities of transfer registration of securities for the clients of the securities company.

Article 109 A stock exchange shall provide safeguards for organizing fair centralized trading, publish real-time quotes of securities traded on the exchange, and prepare and publish securities market data tables for each trading day.

The rights and interests in the real-time quotes of securities traded on a stock exchange shall be owned by the stock exchange in accordance with the law. Without the permission of the stock exchange, no entity or individual may release real-time quotes of securities traded on the stock exchange.

Article 110 A listed company may apply to the stock exchange on which its stock is listed for the suspension or resumption of trading in the stock, but shall not abuse the trading suspension or resumption to damage the lawful rights and interests of investors.

A stock exchange may, according to the provisions of business rules, decide on the suspension or resumption of trading in a stock listed on the stock exchange.

Article 111 Where the normal operation of securities trading is affected by a force majeure, an accident, a major technical failure, a major human error, or any other emergency, a stock exchange may, for the purpose of maintaining the normal order of securities trading and market fairness, take intervention measures such as technical suspension of trading and temporary market closure according to business rules, but shall file a report with the securities regulatory agency of the State Council in a timely manner.

Where any emergency set out in the preceding paragraph causes significant abnormalities in the results of securities transactions, and the settlement according to such results will have a significant effect on the normal order of securities trading and market fairness, the stock exchange may, according to business rules, take measures such as canceling transactions and notifying the securities depository and clearing institution of postponement of settlement, but shall file a report with the securities regulatory agency of the State Council and announce it in a timely manner.

A stock exchange shall not be civilly liable in damages for any loss caused by the measures taken by it according to the provisions of this article, unless it is at gross fault.

Article 112 A stock exchange shall conduct the real-time monitoring of securities transactions, and file reports on abnormal transactions as required by the securities regulatory agency of the State Council.

A stock exchange may, as needed, restrict, according to business rules, the trading of investors with major abnormal transactions in their securities accounts, but shall file reports with the securities regulatory agency of the State Council in a timely manner.

Article 113 A stock exchange shall enhance the risk surveillance of securities trading, and in the case of any significantly abnormal fluctuation, may take intervention measures such as trading restrictions and compulsory suspension of trading according to business rules, but shall file a report with the securities regulatory agency of the State Council; and if the stability of the securities market is seriously affected, may, according to business rules, take intervention measures such as temporary market closure, and announce it.

A stock exchange shall not be civilly liable in damages for any loss caused by the measures taken by it according to the provision of this article, unless it is at gross fault.

Article 114 A stock exchange shall establish a risk fund, which is composed of funds drawn at certain percentages of the transaction fees, membership fees, and seat fees collected by it. The risk fund shall be administered by the board of governors of the stock exchange.

The specific drawing percentages and the use methods for the risk fund shall be prescribed by the securities regulatory agency of the State Council in conjunction with the finance department of the State Council.

A stock exchange shall deposit the risk fund into a special account opened with the bank that maintains accounts of the stock exchange, and shall not use it without authorization.

Article 115 A stock exchange shall, in accordance with laws and administrative regulations and the rules of the securities regulatory agency of the State Council, develop its listing rules, trading rules, member management rules, and other relevant business rules, and report them to the securities

regulatory agency of the State Council for approval.

Whoever conducts securities transactions on a stock exchange shall comply with the business rules developed by the stock exchange in accordance with the law. The stock exchange shall take disciplinary action or other self-regulatory measures against those violating its business rules.

Article 116 In performing duties related to securities trading, the person in charge of or any other practitioner of a stock exchange shall withdraw, if he or she or any of his or her family members has any interest in connection with such duties.

Article 117 The results of transactions conducted according to trading rules developed in accordance with the law shall not be changed, except under paragraph 2 of Article 111 of this Law. Whoever is civilly liable for any violation of trading rules in trading shall not be exempt from civil liability; and gains obtained from trading in violation of trading rules shall be handled according to the applicable provisions.

Chapter VIII Securities Companies

Article 118 The formation of a securities company shall meet the following conditions, and be subject to the approval of the securities regulatory agency of the State Council.

- (1) It has company bylaws in compliance with the provisions of laws and administrative regulations.
- (2) Its principal shareholders and actual controller are in good financial condition, have a good integrity record, and have no record of any major violation of laws and regulations in the last three years.
- (3) Its registered capital complies with the provisions of this Law.
- (4) Its directors, supervisors, officers, and practitioners meet the conditions prescribed by this Law.
- (5) It has sound risk management and internal control rules.
- (6) It has business premises, business facilities, and information technology systems in compliance with the applicable provisions.
- (7) It meets other conditions prescribed by laws, administrative regulations, and the securities

regulatory agency of the State Council with the approval of the State Council.

No entity or individual may conduct securities business activities in the name of a securities company without the approval of the securities regulatory agency of the State Council.

Article 119 The securities regulatory agency of the State Council shall, within six months of accepting an application for the formation of a securities company, conduct examination according to statutory conditions and procedures under the principle of prudential regulation, make a decision to grant or deny the application, and notify the applicant of its decision; and if it denies the application, explain the reasons for denial.

If an application for the formation of a securities company is granted, the applicant shall apply to the company registration authority for formation registration during the prescribed period, and obtain a business license.

A securities company shall, within 15 days of obtaining its business license, apply for a securities business permit to the securities regulatory agency of the State Council. Without a securities business permit, a securities company shall not engage in securities business.

Article 120 After obtaining a securities business permit, a securities company may be engaged in part or all of the following securities business as confirmed by the securities regulatory agency of the State Council:

- (1) Securities brokerage.
- (2) Securities investment consulting.
- (3) Financial advisory services related to securities trading and securities investment activities.
- (4) Securities underwriting and sponsorship.
- (5) Securities margin trading.
- (6) Securities market making transactions.
- (7) Proprietary securities trading.
- (8) Other securities business.

The securities regulatory agency of the State Council shall, within three months of accepting an application for confirmation of matters set out in the preceding paragraph, conduct examination

according to statutory conditions and procedures, make a decision to grant or deny the application, and notify the applicant of its decision; and if it denies the application, explain the reasons for denial. Securities companies engaged in securities asset management business shall comply with the provisions of the [Securities Investment Fund Law of the People's Republic of China](#) and other laws and administrative regulations.

No entity, other than securities companies, or individual shall engage in the business of securities underwriting, securities sponsorship, securities brokerage, and securities margin trading.

A securities company engaged in the business of securities margin trading shall take measures to strictly prevent and control risks, and shall not lend funds or securities to clients in violation of the applicable provisions.

Article 121 The minimum registered capital of a securities company shall be 50 million yuan, if it is engaged in the business in subparagraphs (1) through (3), paragraph 1 of Article 120 of this Law; shall be 100 million yuan, if it is engaged in the business in one of subparagraphs (4) through (8) thereof; or shall be 500 million yuan, if it is engaged in the business in two or more of subparagraphs (4) through (8) thereof. The registered capital of a securities company shall be paid-in capital.

The securities regulatory agency of the State Council may, according to the principle of prudential regulation and the risk degree of business, adjust the amount of minimum registered capital, which, however, shall not be less than the limit prescribed in the preceding paragraph.

Article 122 A securities company's modification of its scope of securities business, modification of its principal shareholder or actual controller, merger, division, suspension of business, dissolution, or bankruptcy shall be subject to the confirmation of the securities regulatory agency of the State Council.

Article 123 The securities regulatory agency of the State Council shall specify the net capital and other risk control indicators of securities companies.

Except the provision of margin trading services to clients according to the applicable provisions, a securities company shall not provide any financing or guarantee to its shareholders or the affiliates of its shareholders.

Article 124 The directors, supervisors, and officers of a securities company shall have integrity and honesty, have good character and conduct, be familiar with the laws and administrative regulations on securities, and have the business management capability required for the performance of their duties. The appointment and removal of directors, supervisors, and officers of a securities company shall be reported to the securities regulatory agency of the State Council for recordation.

Whoever falls under a circumstance in **Article 146** of the **Company Law of the People's Republic of China** or any of the following circumstances shall not serve as a director, supervisor, or officer of a securities company:

- (1) It has not been five years since he or she was removed from office as the person in charge of a securities trading venue or a securities depository and clearing institution or a director, supervisor, or officer of a securities company for any violation of law or discipline.
- (2) It has not been five years since he or she forfeited his or her practicing certificate or was disqualified as a lawyer, a certified public accountant, or a professional of any other securities service institution for any violation of law or discipline.

Article 125 Employees of a securities company who are engaged in securities business shall have good character and conduct, and have the professional capability required for engaging in securities business.

Practitioners of a securities trading venue, a securities company, a securities depository and clearing institution, or a securities service institution and staff members of a state authority expelled for any violation of law or discipline shall not be employed as practitioners of a securities company.

Staff members of a state authority and other persons prohibited by any law or administrative regulation from concurrently holding a position in a company shall not concurrently hold any position in a securities company.

Article 126 The state shall establish a securities investor protection fund, which is composed of funds contributed by securities companies and other funds raised in accordance with the law. The specific measures for the size, raising, administration, and use of the fund shall be developed by the State Council.

Article 127 A securities company shall draw a trading risk reserve from its annual business revenue to cover its loss in securities operations, and the specific drawing percentages shall be prescribed by the securities regulatory agency of the State Council in conjunction with the finance department of the State Council.

Article 128 A securities company shall establish and improve its internal control rules, and take effective segregation measures to prevent the conflicts of interest between the company and its clients and between different clients.

A securities company must separate its operation of securities brokerage, securities underwriting, proprietary trading in securities, securities market making, and securities asset management business, and shall not conduct mixed operation.

Article 129 A securities company must conduct proprietary trading in its own name, and shall not do so in the guise of any other person or in the name of an individual.

A securities company must conduct proprietary trading with its own funds and funds raised in accordance with the law.

A securities company shall not lend its proprietary trading accounts to others for use.

Article 130 A securities company shall operate prudentially in accordance with the law, with due diligence, honesty and creditworthiness.

The business activities of a securities company shall be commensurate with its governance structure, internal control, compliance management, risk management, and risk control indicators, composition of practitioners, and other conditions, and comply with the requirements for prudential regulation and protection of the lawful rights and interests of investors.

A securities company shall have operational autonomy in accordance with the law, and its lawful operations shall not be interfered with.

Article 131 The trading settlement funds of clients of a securities company shall be deposited with a commercial bank, and be managed in accounts opened separately in the name of each client.

A securities company shall not include the trading settlement funds and securities of its clients in its own property. No entity or individual may misappropriate in any form a client's trading settlement

funds and securities. In the case of bankruptcy or liquidation of a securities company, the trading settlement funds and securities of its clients are not its bankruptcy property or property for liquidation. The clients' trading settlement funds and securities shall not be placed under seal, frozen, garnished, or subjected to enforcement, except for a client's own debt or under any other circumstance prescribed by any law.

Article 132 In conducting brokerage business, a securities company shall provide uniform powers of attorney for securities trading for use by clients. If any other form of authorization is adopted, authorization must be recorded.

Whether any trade is executed or not upon a client's authorization for securities trading, the record of authorization from the client shall be preserved at the securities company during the prescribed period.

Article 133 After accepting an authorization for securities trading, a securities company shall, according to the title of securities, amount of purchase or sale, type of order, and price range, among others, as indicated in the power of attorney, purchase or sell securities on behalf of the client according to trading rules, and truthfully record the transactions; and after a trade is executed, prepare a trade confirmation, and deliver it to the client, according to the applicable provisions.

In securities trading, the reconciliation statements confirming the conduct and results of transactions must be true, ensuring the consistency between the book balance of securities and the securities actually held.

Article 134 In conducting brokerage business, a securities company shall not accept an unlimited authorization from a client to decide the purchase or sale of securities, select the types of securities, or decide the quantity of purchase or sale or the purchase or selling price of securities.

A securities company shall not allow any other person to directly participate in the centralized trading in securities in the name of the securities company.

Article 135 A securities company shall not make any undertakings to its clients regarding profits from or compensation for losses from the purchase or sale of securities.

Article 136 Where, in securities trading activities, any practitioner of a securities company violates

trading rules by executing instructions from the securities company or taking advantage of his or her position, the securities company shall be fully liable for the violation.

No practitioner of a securities company may privately accept an authorization from a client to purchase or sell securities.

Article 137 A securities company shall establish a client information inquiry system to ensure that clients can inquire about their account information, authorization records, trading records, and other important information related to the acceptance of services or purchase of products.

A securities company shall properly preserve clients' account opening materials, authorization records, and trading records, and the information related to its internal management and operations, which may not be concealed, forged, tampered with, or destroyed by any person. The aforesaid information shall be preserved for a period of not less than 20 years.

Article 138 A securities company shall submit its operational, financial, and other business management information and materials to the securities regulatory agency of the State Council according to the applicable provisions. The securities regulatory agency of the State Council shall have the authority to require a securities company and its principal shareholders and actual controller to provide the relevant information and materials during a prescribed period.

The information and materials submitted or provided by a securities company and its principal shareholders and actual controller to the securities regulatory agency of the State Council shall be true, accurate, and complete.

Article 139 The securities regulatory agency of the State Council may, as it deems necessary, engage an accounting firm or an asset appraisal institution to audit or appraise the financial condition, internal controls, and asset value of a securities company. The specific measures shall be developed by the securities regulatory agency of the State Council in conjunction with the appropriate departments.

Article 140 Where the governance structure, compliance management, and risk control indicators of a securities company fail to comply with the applicable provisions, the securities regulatory agency of the State Council shall order it to take corrective action during a prescribed period; and if it fails

to take corrective action during the prescribed period or its conduct seriously compromises the sound operation of the securities company or damages the lawful rights and interests of its clients, the securities regulatory agency of the State Council may take the following measures against it under different circumstances:

- (1) Restricting its business activities, ordering it to suspend certain business, and ceasing to confirm any new business of it.
- (2) Restricting its distribution of dividends and restricting its payment of remuneration or provision of benefits to its directors, supervisors, and officers.
- (3) Restricting its transfer of property or creation of other rights on its property.
- (4) Ordering it to replace its directors, supervisors, and officers or restricting their rights.
- (5) Revoking its relevant business permit.
- (6) Determining its liable directors, supervisors, and officers as unfit.
- (7) Ordering its liable shareholders to transfer equities and restricting its liable shareholders from exercising shareholder's rights.

A securities company shall, after taking corrective action, submit a report to the securities regulatory agency of the State Council. If, upon inspection, the securities regulatory agency of the State Council determines that the governance structure, compliance management, and risk control indicators comply with the applicable provisions, it shall, within three days after completion of inspection, remove the restrictive measures prescribed in the preceding paragraph taken against the securities company.

Article 141 Where a shareholder of a securities company makes false capital contribution or fraudulently withdraws its capital contribution, the securities regulatory agency of the State Council shall order the shareholder to take corrective action within a prescribed period, and may order the shareholder to transfer its equity held in the securities company.

Before a shareholder prescribed in the preceding paragraph corrects its violation of law and transfers its equity held in the securities company as required, the securities regulatory agency of the State Council may restrict its rights as shareholder.

Article 142 Where any director, supervisor or officer of a securities company fails to act with due diligence, resulting in the securities company's major violation of law or regulation or major risk, the securities regulatory agency of the State Council may order the securities company to replace him or her.

Article 143 Where a securities company has any illegal operation or major risk, which seriously disrupts the order of the securities market and damages the interests of investors, the securities regulatory agency of the State Council may take regulatory measures against the securities company, such as ordering it to cease business operation for an overhaul, appointing any other institution as administrator or receiver of it, or abolishing it.

Article 144 During the period when a securities company ceases business operation for an overhaul as ordered, when it is administered or received by an administrator or receiver legally appointed, or when it is liquidated, or where any major risk occurs, the following measures may be taken against the directly liable directors, supervisors, officers and other directly liable persons of the securities company with the approval of the securities regulatory agency of the State Council:

- (1) Notifying the exit-entry administrative authorities that their departures from China shall be prevented in accordance with the law.
- (2) Applying to the judicial authorities for prohibiting them from transferring, assigning, or otherwise disposing of property or creating other rights over the property.

Chapter IX Securities Depository and Clearing Institutions

Article 145 A securities depository and clearing institution is a legally registered not-for-profit legal person that provides centralized registration, depository and settlement services for securities trading. The formation of a securities depository and clearing institution must be subject to the approval of the securities regulatory agency of the State Council.

Article 146 For the formation of a securities depository and clearing institution, the following conditions shall be met:

- (1) Its own funds are not less than 200 million yuan.
- (2) It has the premises and facilities required for the provision of securities registration, depository and settlement services.
- (3) Other conditions prescribed by the securities regulatory agency of the State Council.

The words “securities depository and settlement” shall be indicated in the name of a securities depository and clearing institution.

Article 147 A securities depository and clearing institution shall perform the following functions:

- (1) The opening of securities accounts and settlement accounts.
- (2) The deposit and transfer of securities.
- (3) The registration of rosters of securities holders.
- (4) The clearing and settlement of securities transactions.
- (5) The distribution of security entitlements as authorized by issuers.
- (6) The provision of inquiry and information services related to the aforesaid business.
- (7) Other business approved by the securities regulatory agency of the State Council.

Article 148 The registration and settlement of securities traded on stock exchanges and other national securities trading venues approved by the State Council shall adopt a national centralized and unified operation mode.

The registration and settlement of securities other than those prescribed in the preceding paragraph may be handled by an authorized securities depository and clearing institution or other institution providing securities registration and settlement services in accordance with the law.

Article 149 A securities depository and clearing institution shall, in accordance with the law, develop its bylaws and business rules, which are subject to the approval of the securities regulatory agency of the State Council. The participants in the securities depository and clearing business shall comply with the business rules developed by the securities depository and clearing institution.

Article 150 Securities traded on stock exchanges or other national securities trading venues approved by the State Council shall be all deposited with securities depository and clearing institutions.

A securities depository and clearing institution may not misappropriate the securities of its clients.

Article 151 A securities depository and clearing institution shall provide the rosters of securities holders and the relevant materials to securities issuers.

A securities depository and clearing institution shall, according to the result of securities registration and settlement, confirm the fact that securities holders hold securities, and provide the registration materials of securities holders.

A securities depository and clearing institution shall guarantee the authenticity, accuracy, and completeness of the rosters of securities holders as well as registration and transfer records, and shall not conceal, forge, tamper with, or destroy such materials.

Article 152 A securities depository and clearing institution shall take the following measures to guarantee the normal operation of its business:

- (1) It has necessary service equipment and adequate and effective data security protection measures.
- (2) It has established adequate and effective business, financial, security protection and other management rules.
- (3) It has established an adequate and effective risk management system.

Article 153 A securities depository and clearing institution shall properly preserve the original registration, depository and settlement vouchers as well as the relevant documents and materials, for not less than 20 years.

Article 154 A securities depository and clearing institution shall establish a securities settlement risk fund, for making advances for or covering any loss incurred by the securities depository and clearing institution from any default at delivery, technical failure, operational failure or force majeure.

The securities settlement risk fund shall be from the business revenue and gains of the securities depository and clearing institution, and may include contributions made by clearing participants at a certain percentage of securities trading volume.

The measures for raising and managing the securities settlement risk fund shall be developed by the securities regulatory agency of the State Council in conjunction with the finance department of the State Council.

Article 155 The securities settlement risk fund shall be deposited into a special account with a

designated bank, and be subject to special management.

A securities depository and clearing institution shall, after making compensation with the securities settlement risk fund, recover it from the relevant liable person.

Article 156 A securities depository and clearing institution's application for its dissolution shall be subject to the approval of the securities regulatory agency of the State Council.

Article 157 An investor that authorizes a securities company to conduct securities transactions on behalf of the investor shall apply for opening a securities account at the securities depository and clearing institution through the securities company. The securities depository and clearing institution shall open securities accounts for investors according to the applicable provisions.

An investor that applies for opening an account shall hold credentials legally proving the investor's identity as a citizen, legal person, or partnership of the People's Republic of China, except as otherwise specified by the state.

Article 158 Where a securities depository and clearing institution provides securities settlement services as the central counterparty, it is the common clearing and settlement counterparty of the clearing participants, conducts netting, and provides centralized performance guarantee for securities transactions.

A securities depository and clearing institution shall, when providing netting services for securities transactions, require the clearing participants to deliver securities and funds in full amount and provide collateral for settlement under the principle of delivery versus payment.

Before the completion of settlement, no one may use the securities, funds or collateral for settlement.

Where a clearing participant fails to perform its settlement obligations on schedule, the securities depository and clearing institution shall have the right to dispose of the property prescribed in the preceding paragraph according to business rules.

Article 159 All clearing funds and securities collected by a securities depository and clearing institution according to business rules must be deposited into a special account for clearing and settlement, may only be used for the clearing and settlement of executed securities transactions according to business rules, and shall not be subject to enforcement.

Chapter X Securities Service Institutions

Article 160 Accounting firms, law firms, and securities service institutions engaged in securities investment consulting, asset appraisal, credit rating, financial advisory, and information technology system services shall act with due diligence, adhere to their duties, and provide services for securities transactions and related activities according to the relevant business rules.

Whoever is engaged in securities investment consulting services shall be subject to the confirmation of the securities regulatory agency of the State Council. Without such confirmation, no one shall provide services for securities trading and relevant activities. Whoever is engaged in other securities services shall undergo recordation formalities with the securities regulatory agency of the State Council and the appropriate departments of the State Council.

Article 161 A securities investment consulting institution and its practitioners engaged in securities services shall not commit the following conduct:

- (1) Making securities investment on behalf of a client.
- (2) Agreeing with a client on sharing the gains or losses from securities investment.
- (3) Purchasing or selling securities for which the securities investment consulting institution provides services.
- (4) Any other conduct prohibited by a law or administrative regulation.

Whoever commits any of the conduct prescribed in the preceding paragraph, causing any loss to investors, shall be liable in damages in accordance with the law.

Article 162 A securities service institution shall properly preserve clients' authorization documents, check and verification materials, working papers, and information and materials related to quality control, internal management and business operation, and no one may divulge, conceal, forge, tamper with, or destroy them. The aforesaid information and materials shall be preserved for not less than 10 years, commencing from the date of ending of authorization.

Article 163 A securities service institution that prepares and issues documents such as audit reports and other assurance reports, asset appraisal reports, financial advisory reports, credit rating reports,

or legal opinions for securities offering, listing, or trading and other securities business activities shall act with due diligence, and check and verify the veracity, accuracy and completeness of the contents of documents and materials as the basis. If the documents prepared and issued by it contain any false or misleading statements or material omissions, causing any loss to any other person, it shall be jointly and severally liable in damages with the client, unless it is able to prove that it has no fault.

Chapter XI Securities Associations

Article 164 A securities association is a self-regulatory organization of the securities industry, and is a social group with the status of a legal person.

A securities company shall join a securities association.

The power organ of a securities association is the members' assembly composed of all members.

Article 165 The bylaws of a securities association shall be developed by the members' assembly and be filed with the securities regulatory agency of the State Council.

Article 166 A securities association shall perform the following duties:

- (1) Educating and organizing its members and their practitioners on compliance with securities laws and administrative regulations, organizing integrity construction in the securities industry, and urging the securities industry to perform social responsibility.
- (2) Protecting the lawful rights and interests of members in accordance with the law, and submitting suggestions and demands of members to the securities regulatory agencies.
- (3) Urging its members to conduct investor education and protection activities and protecting the lawful rights and interests of investors.
- (4) Developing and implementing the self-regulatory rules of the securities industry, supervising and inspecting the conduct of its members and their practitioners, and taking disciplinary actions or other self-regulatory measures according to applicable provisions against violations of laws, administrative regulations, self-regulatory rules, or bylaws of the association.

(5) Developing business rules of the securities industry and organizing the business training of practitioners.

(6) Organizing research on the development and operation of the securities industry and the relevant content by its members, collecting, organizing and releasing securities-related information, providing member services, organizing industrial exchanges, and guiding the innovative development of the industry.

(7) Mediating securities business disputes between members or between a member and its clients.

(8) Performing other duties prescribed in the bylaws of the securities association.

Article 167 A securities association shall have a board of governors. The members of the board of governors shall be elected according to the provisions of its bylaws.

Chapter XII Securities Regulatory Agencies

Article 168 The securities regulatory agency of the State Council shall conduct the supervision and administration of the securities market in accordance with the law, maintain the open, fair and just securities market, prevent systemic risks, protect the lawful rights and interests of investors, and promote the sound development of the securities market.

Article 169 The securities regulatory agency of the State Council shall perform the following duties in the supervision and administration of the securities market:

(1) Developing departmental rules and other norms on the supervision and administration of the securities market in accordance with the law, conducting approval, confirmation and registration in accordance with the law, and handling recordation.

(2) Conducting the supervision and administration of securities offering, listing, trading, registration, deposit, settlement and other conduct in accordance with the law.

(3) Conducting the supervision and administration of the securities business activities of securities issuers, securities companies, securities service institutions, securities trading venues, and securities depository and clearing institutions in accordance with the law.

- (4) Developing the codes of conduct for persons engaged in securities business in accordance with the law and supervising the implementation thereof.
- (5) Supervising and inspecting the disclosure of information on securities offering, listing and trading in accordance with the law.
- (6) Guiding and supervising the self-regulatory activities of securities associations in accordance with the law.
- (7) Monitoring, preventing and disposing of risks in the securities market in accordance with the law.
- (8) Conducting investor education in accordance with the law.
- (9) Investigating and punishing securities-related violations of law in accordance with the law.
- (10) Performing other duties prescribed by laws and administrative regulations.

Article 170 The securities regulatory agency of the State Council shall have the power to take the following measures in its performance of duties in accordance with the law:

- (1) Conducting the on-site inspection of securities issuers, securities companies, securities service institutions, securities trading venues, and securities depository and clearing institutions.
- (2) Entering the place where a suspected violation of law has occurred to conduct investigation and collect evidence.
- (3) Interviewing the parties or any entity or individual related to the event under investigation and requiring them to provide explanations on matters related to the event under investigation; or requiring them to submit documents and materials related to the event under investigation in the designated manners.
- (4) Consulting and duplicating documents and materials related to the event under investigation, such as property right registrations and communication records.
- (5) Consulting and duplicating the securities trading records, registration and transfer records, financial accounting materials and other relevant documents and materials of the parties and any entity or individual related to the event under investigation; and sealing for preservation or impounding the documents and materials that may be transferred, concealed or destroyed.
- (6) Inquiring about information on the cash accounts, securities accounts, bank accounts and other

accounts with payment, custodial, settlement and other functions of the parties and any entity or individual related to the event under investigation and duplicating the relevant documents and materials; and if there is any evidence that any property involved in the case such as illegal funds and securities has been or may be transferred or concealed or any important evidence has been or may be concealed, forged or destroyed, freezing or placing under seal the same with the approval of the primary person in charge of the securities regulatory agency of the State Council or any other person in charge authorized by it. The period of the freeze or placement under seal shall be six months, and each extension of the period, as needed for any special reason, shall not exceed three months, with the maximum period of the freeze or placement under seal not exceeding two years.

(7) When investigating any major securities-related violation of law such as manipulation of securities market and insider trading, with the approval of the primary person in charge of the securities regulatory agency of the State Council or any other person in charge authorized by him or her, restricting the buying and selling of securities by the subject of investigation. The restriction period shall not exceed three months; and if the case is complicated, the restriction period may be extended by three months.

(8) Notifying the exit-entry administrative authorities that the departures from China of the persons suspected of any violation of law and the executives in charge and other directly liable persons of an entity suspected of any violation of law shall be prevented in accordance with the law.

For the purposes of preventing the risks in the securities market and maintaining the market order, the securities regulatory agency of the State Council may take measures such as ordering corrective action, holding regulatory interview and issuing a letter of caution.

Article 171 Where, during the period when the securities regulatory agency of the State Council investigates an entity or individual suspected of any securities-related violation of law, the subject of investigation submits a written application under which it undertakes to correct the suspected violation of law during a period recognized by the securities regulatory agency of the State Council, compensate the relevant investors for losses, and eliminate damage or adverse effects, the securities regulatory agency of the State Council may decide to suspend the investigation. If the subject of

investigation has fulfilled its undertaking, the securities regulatory agency of the State Council may decide to terminate the investigation; or if the subject of investigation fails to fulfill its undertaking or falls under any other circumstance set out by the State Council, the investigation shall be resumed. The specific measures shall be developed by the State Council.

Where the securities regulatory agency of the State Council decides to suspend or terminate the investigation, it shall publish the relevant information as required.

Article 172 Where the securities regulatory agency of the State Council conducts supervisory inspection or investigation in performing its duties in accordance with the law, there shall be at least two supervisory inspectors or investigators, who shall show their lawful credentials and the notice of supervisory inspection or investigation or other law enforcement documents. If there are fewer than two supervisory inspectors or investigators or they fail to show their lawful credentials and the notice of supervisory inspection or investigation or other law enforcement documents, the entities and individuals under inspection or investigation shall have the right to refuse it.

Article 173 Where the securities regulatory agency of the State Council performs its duties in accordance with the law, the entities and individuals under inspection or investigation shall cooperate with it and honestly provide the relevant documents and materials, and shall not refuse to do so or commit obstruction or concealment.

Article 174 The departmental rules, norms, and regulatory work protocols developed by the securities regulatory agency of the State Council shall be published in accordance with the law. The decisions made by the securities regulatory agency of the State Council to punish securities-related violations of law according to the investigation results shall be published.

Article 175 The securities regulatory agency of the State Council shall, in conjunction with other financial regulatory authorities of the State Council, establish a regulatory information sharing mechanism.

Where the securities regulatory agency of the State Council conducts supervisory inspection or investigation in performing its duties in accordance with the law, the relevant departments shall cooperate with it.

Article 176 Any entity or individual shall have the right to report any suspected securities-related violation of law or regulation to the securities regulatory agency of the State Council.

Where any tip on a suspected major violation of law or regulation, as reported in the manner of identifying the tipster's legal name, is substantiated, the securities regulatory agency of the State Council shall reward the tipster according to the relevant provisions.

The securities regulatory agency of the State Council shall keep a tipster's identity information confidential.

Article 177 The securities regulatory agency of the State Council may establish a regulatory cooperation mechanism with the securities regulatory agencies of other countries or regions to conduct cross-border supervision and administration.

The overseas securities regulatory agencies shall not directly conduct investigation, evidence collection, and other activities in the territory of the People's Republic of China. Without the consent of the securities regulatory agency of the State Council and the appropriate departments of the State Council, no entity or individual may provide documents and materials related to securities business activities to any overseas parties.

Article 178 In performing its duties in accordance with the law, if the securities regulatory agency of the State Council discovers that any securities-related violation of law is suspected of any crime, it shall, in accordance with the law, transfer the case to the judicial authority for handling; or if it discovers that any public official is suspected of any violation of law or crime for malfeasance in office, it shall, in accordance with the law, transfer the case to the oversight authority for handling.

Article 179 The staff members of the securities regulatory agency of the State Council must diligently perform their duties, handle affairs in accordance with the law, and adhere to fairness and integrity, shall not take advantage of their positions to seek illicit benefits, and shall not divulge the trade secrets of the relevant entities and individuals to which they have access.

A staff member of the securities regulatory agency of the State Council shall not hold a position in an enterprise or any other for-profit organization directly related to, or engage in for-profit activities directly related to, his or her work tasks during his or her term of office or his or her former work

tasks during the period set out in the [Civil Servant Law of the People's Republic of China](#) after his or her resignation.

Chapter XIII Legal Liability

Article 180 Where any securities are offered publicly without permission or are offered publicly in disguise, in violation of Article 9 of this Law, the offering shall be ordered to cease, the offering proceeds shall be refunded plus interest thereon calculated at the bank deposit rate over the same period, and the violator shall be fined not less than 5% nor more than 50% of the illegal offering proceeds; and a company formed by a public offering of securities without permission or in disguise shall be closed down by the agency or department that performs the duties of supervision and administration in accordance with the law, in conjunction with the local people's government at or above the county level. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 181 An issuer that conceals any material fact or falsifies any major content in the securities offering documents announced shall be fined not less than two million yuan nor more than 20 million yuan if it has not offered securities; or be fined not less than 10% of nor more than one times the illegal offering proceeds if the issuer has offered securities. The directly liable executive in charge and other directly liable persons shall each be fined not less than one million yuan nor more than 10 million yuan.

Where the issuer's controlling shareholder or actual controller organizes or instigates the commission of any violation of law prescribed in the preceding paragraph, it shall be fined not less than 10% of nor more than one times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 20 million yuan, be fined not less than two million yuan nor more than 20 million yuan. The directly liable executive in charge and other directly liable persons shall be fined not less than one million yuan nor more than 10 million yuan.

Article 182 Where a sponsor issues a sponsor letter containing any false or misleading statement or

material omission, or fails to perform other statutory duties, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its business revenue therefrom, which shall be confiscated, or if there is no such business revenue or the business revenue is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan; and if the circumstances are serious, its sponsorship business permit shall be suspended or revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 183 Where a securities company underwrites or sells any securities offered publicly without permission or in disguise, it shall be ordered to cease the underwriting or sale and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan; and if the circumstances are serious, its relevant business permit shall be suspended or revoked. If it causes any loss to investors, the securities company shall be jointly and severally liable in damages with the issuer. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 184 Where a securities company underwrites securities in violation of Article 29 of this Law, it shall be ordered to take corrective action and warned, with any illegal income therefrom confiscated, and may be fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be suspended or revoked. The directly liable executive in charge and other directly liable persons shall be warned, and may each be fined not less than 200,000 yuan nor more than two million yuan; and if the circumstance are serious, shall each be fined not less than 500,000 yuan nor more than five million yuan.

Article 185 An issuer that changes without permission the purposes of the proceeds from a public offering of securities, in violation of the provision of Article 14 or 15 of this Law, shall be ordered to take corrective action and fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall be warned and each be fined

not less than 100,000 yuan nor more than one million yuan.

The issuer's controlling shareholder or actual controller that commits, or organizes or instigates the commission of, any violation of law set out in the preceding paragraph shall be warned and fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall each be fined not less than 100,000 yuan nor more than one million yuan.

Article 186 Whoever transfers securities during the transfer restriction period or transfers stock in noncompliance with the provisions of any law or administrative regulation or the provisions issued by the securities regulatory agency of the State Council, in violation of Article 36 of this Law, shall be ordered to take corrective action and warned, the violator's illegal income shall be confiscated, and the violator shall be fined not more than the equivalent value of the securities purchased or sold.

Article 187 Where any person prohibited by any law or administrative regulation from participating in stock trading holds, purchases, or sells any stock or other equity securities directly, in any assumed name, or in the name of any other person, in violation of Article 40 of this Law, the person shall be ordered to dispose of the illegally held stock or other equity securities in accordance with the law, with any illegal income therefrom confiscated, and be fined not more than the equivalent value of the securities purchased or sold; and if the person is an employee of the state, disciplinary action shall be taken against him or her in accordance with the law.

Article 188 Where a securities service institution or any of its practitioners purchases or sells securities in violation of Article 42 of this Law, the violator shall be ordered to dispose of the illegally held securities in accordance with the law, with any illegal income therefrom confiscated, and be fined not more than the equivalent value of the securities purchased or sold.

Article 189 Where any director, supervisor, or officer or any shareholder holding 5% or more of the shares of stock of a listed company or a company with its stock traded on any other national securities trading venue approved by the State Council purchases or sells the company's stock or other equity securities in violation of Article 44 of this Law, the violator shall be warned and fined not less than 100,000 yuan nor more than one million yuan.

Article 190 Where the system security or the normal trading order of a stock exchange is affected by any algorithmic trading in violation of Article 45 of this Law, the violator shall be ordered to take corrective action and fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan.

Article 191 Where any insider who has access to insider information in securities trading activities or any person who has illegally obtained insider information conducts insider trading in violation of Article 53 of this Law, the person shall be ordered to dispose of the illegally held securities in accordance with the law and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan. If an entity conducts insider trading, the directly liable executive in charge and other directly liable persons shall also be warned and each be fined not less than 200,000 yuan nor more than two million yuan. If any staff member of the securities regulatory agency of the State Council conducts insider trading, a heavier punishment in the range shall be imposed on the staff member.

Whoever conducts any transaction by using non-public information in violation of Article 54 of this Law shall be punished under the preceding paragraph.

Article 192 Whoever manipulates the securities market in violation of Article 55 of this Law shall be ordered to dispose of the illegally held securities in accordance with the law and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan. If an entity manipulates the securities market, the directly liable executive in charge and other directly liable persons shall also be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 193 Where any person fabricates or disseminates any false or misleading information to disrupt the securities market, in violation of paragraph 1 or 3 of Article 56 of this Law, the violator shall be fined not less than one nor more than ten times its illegal income therefrom, which shall be

confiscated, or if there is no such illegal income or the illegal income is less than 200,000 yuan, fined not less than 200,000 yuan nor more than two million yuan.

Whoever makes misrepresentation or provides misleading information in securities trading activities, in violation of paragraph 2 of Article 56 of this Law, shall be ordered to take corrective action and fined not less than 200,000 yuan nor more than two million yuan; and if the violator is an employee of the state, disciplinary action shall be taken against him or her in accordance with the law.

Where any communications media or any of its staff members engaged in the coverage of securities market information purchases or sells securities with conflicts of interest in connection with the work duties thereof, in violation of paragraph 3 of Article 56 of this Law, any illegal income therefrom shall be confiscated, and the violator shall be fined not more than the equivalent value of the securities purchased or sold.

Article 194 Where the conduct of a securities company or any of its practitioners causes damage to clients' interests, in violation of Article 57 of this Law, the violator shall be warned and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 100,000 yuan, fined not less than 100,000 yuan nor more than one million yuan; and if the circumstances are serious, the violator's relevant business permit shall be suspended or revoked.

Article 195 Whoever lends its own securities account or borrows the securities account of any other person for trading in securities, in violation of Article 58 of this Law, shall be ordered to take corrective action and warned, and may be fined not more than 500,000 yuan.

Article 196 An acquirer that fails to perform its obligations to announce the acquisition of a listed company and make a tender offer in accordance with this Law shall be ordered to take corrective action, warned, and fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

An acquirer or its controlling shareholder or actual controller that, by taking advantage of the acquisition of a listed company, causes any loss to the target company and its shareholders shall be

liable in damages in accordance with the law.

Article 197 A person with information disclosure obligations that fails to file the relevant report or perform its information disclosure obligation in accordance with this Law shall be ordered to take corrective action, warned, and fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall each be warned and fined not less than 200,000 yuan nor more than two million yuan. If the issuer's controlling shareholder or actual controller organizes or instigates the commission of the aforesaid violation of law, or conceals the relevant matters, resulting in the occurrence of either of the aforesaid circumstances, the controlling shareholder or actual controller shall be fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall each be fined not less than 200,000 yuan nor more than two million yuan.

Where a report filed or the information disclosed by a person with information disclosure obligations contains any false or misleading statement or material omission, the person shall be ordered to take corrective action, warned, and fined not less than one million yuan nor more than ten million yuan; and the directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan. If the issuer's controlling shareholder or actual controller organizes or instigates the commission of the aforesaid violation of law, or conceals the relevant matters, resulting in the occurrence of any of the aforesaid circumstances, the controlling shareholder or actual controller shall be fined not less than one million yuan nor more than ten million yuan; and the directly liable executive in charge and other directly liable persons shall each be fined not less than 500,000 yuan nor more than five million yuan.

Article 198 Where a securities company fails to perform, or fails to perform as required, its investor suitability management obligations, in violation of Article 88 of this Law, it shall be ordered to take corrective action, warned, and fined not less than 100,000 yuan nor more than one million yuan. The directly liable executive in charge and other directly liable persons shall be warned and fined not more than 200,000 yuan.

Article 199 Whoever solicits a proxy from shareholders in violation of Article 90 of this Law shall be ordered to take corrective action and warned, and may be fined not more than 500,000 yuan.

Article 200 Any securities trading venue illegally formed shall be closed down by the people's government at or above the county level, and the violator shall be fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Any stock exchange that allows any non-member to directly participate in the centralized trading in stocks in violation of Article 105 of this Law shall be ordered to take corrective action, and may be fined not more than 500,000 yuan.

Article 201 A securities company that fails to verify the identity information provided by investors for opening an account, in violation of paragraph 1 of Article 107 of this Law, shall be ordered to take corrective action, warned, and fined not less than 50,000 yuan nor more than 500,000 yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not more than 100,000 yuan.

Where a securities company provides an investor's account to any other person for use, in violation of paragraph 2 of Article 107 of this Law, it shall be ordered to take corrective action, warned, and fined not less than 100,000 yuan nor more than one million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not more than 200,000 yuan.

Article 202 Whoever forms a securities company without approval, is illegally engaged in securities business, or conducts securities business activities in the name of a securities company without approval, in violation of Article 118 or paragraph 1 or 4 of Article 120 of this Law, shall be ordered to take corrective action and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan. The

directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan. The securities company formed without approval shall be closed down by the securities regulatory agency of the State Council.

Where a securities company provides securities margin trading services in violation of paragraph 5 of Article 120 of this Law, its illegal income therefrom shall be confiscated, and it shall be fined not more than the equivalent value of the funds or securities lent; and if the circumstances are serious, it shall be prohibited from being engaged in the business of securities margin trading during a certain period. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 203 Where a formation permit, a business permit, or a confirmation of modification of any material matter of a securities company is obtained by the filing of false supporting documents or any other fraudulent means, the relevant permit shall be revoked, and the violator shall be fined not less than one million yuan nor more than 10 million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 204 Where, without confirmation, a securities company modifies its scope of securities business, modifies its principal shareholder or actual controller, or undergoes a merger, a division, suspension of business, dissolution, or bankruptcy, in violation of Article 122 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 205 A securities company that provides any financing or guarantee to its shareholders or the affiliates of its shareholders in violation of paragraph 2 of Article 123 of this Law shall be ordered to take corrective action, warned, and fined not less than 500,000 yuan nor more than five million yuan.

The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan. If the shareholders are at fault, the securities regulatory agency of the State Council may restrict their rights as shareholders before they take corrective action as required; and if they refuse to take corrective action, they may be ordered to transfer their equities held in the securities company.

Article 206 Where a securities company fails to take effective segregation measures to prevent conflicts of interest, fails to separate its operation of relevant lines of business, or conducts mixed operation, in violation of Article 128 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 207 Where a securities company engages in proprietary trading in violation of Article 129 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked, or it shall be ordered to close down. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 208 Where a securities company includes its client's funds and securities in its own property or misappropriates its client's funds and securities, in violation of Article 131 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10

million yuan; and if the circumstances are serious, its relevant business permit shall be revoked, or it shall be ordered to close down. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 209 Where a securities company accepts an unlimited authorization from a client to purchase or sell securities, in violation of paragraph 1 of Article 134 of this Law, or makes any undertakings to its clients regarding profits or compensation for losses, in violation of Article 135 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

A securities company that allows any other person to directly participate in the centralized trading in securities in the name of the securities company, in violation of paragraph 2 of Article 134 of this Law, shall be ordered to take corrective action, and may be fined not more than 500,000 yuan.

Article 210 A practitioner of a securities company who privately accepts an authorization from a client to purchase or sell securities, in violation of Article 136 of this Law, shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times his or her illegal income therefrom, which shall be confiscated, or if there is no such illegal income, fined not more than 500,000 yuan.

Article 211 Where a securities company or its principal shareholder or actual controller fails to submit or provide information and materials, or submits or provides information and materials containing any false or misleading statement or material omissions, in violation of Article 138 of this Law, the violator shall be ordered to take corrective action, warned, and fined not more than one million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined

not more than 500,000 yuan.

Article 212 Where a securities depository and clearing institution is formed without approval in violation of Article 145 of this Law, it shall be closed down by the securities regulatory agency of the State Council, and the violator shall be fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 213 Where a securities investment consulting institution engages in securities services without confirmation in violation of paragraph 2 of Article 160 of this Law, or a securities investment consulting institution engaged in securities services commits any conduct prescribed in Article 161 of this Law, it shall be ordered to take corrective action and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Where an accounting firm, a law firm, or an institution engaged in asset appraisal, credit rating, financial advisory, or information technology system services engages in securities services without undergoing recordation formalities, in violation of paragraph 2 of Article 160 of this Law, it shall be ordered to take corrective action, and may be fined not more than 200,000 yuan.

Where a securities service institution fails to act with due diligence, and the documents prepared and issued by it contain any false or misleading statement or material omission, in violation of Article 163 of this Law, it shall be ordered to take corrective action and fined not less than one nor more than ten times its business revenue therefrom, which shall be confiscated, or if there is no such business revenue or its business revenue is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, it shall be suspended or prohibited from engaging in securities services. The directly liable executive in charge and other

directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 214 Where an issuer, a securities depository and clearing institution, a securities company, or a securities service institution fails to preserve the relevant documents and materials according to the applicable provisions, it shall be ordered to take corrective action, warned, and fined not less than 100,000 yuan nor more than one million yuan; or where it divulges, conceals, forges, tempers with, or destroys the relevant documents and materials, it shall be warned and fined not less than 200,000 yuan nor more than two million yuan; and if the circumstances are serious, it shall be fined not less than 500,000 yuan nor more than five million yuan, and its relevant business permit shall be suspended or revoked, or it shall be prohibited from engaging in the relevant business. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan.

Article 215 The securities regulatory agency of the State Council shall include the relevant market participants' compliance with this Law in the securities market integrity files in accordance with the law.

Article 216 Where the securities regulatory agency of the State Council or the department authorized by the State Council falls under any of the following circumstances, disciplinary action shall be taken against the directly liable official in charge and other directly liable persons in accordance with the law.

- (1) Granting confirmation, registration, or approval to an application for an offering of securities or formation of a securities company, among others, in noncompliance with the provisions of this Law.
- (2) Taking measures, such as on-site inspection, investigation and evidence collection, inquiry, freeze, or placement under seal, in violation of the provisions of this Law.
- (3) Taking regulatory measures against the relevant institution or person in violation of the provisions of this Law.
- (4) Imposing administrative punishment on the relevant institution or person in violation of the provisions of this Law.

(5) Otherwise failing to perform duties in accordance with the law.

Article 217 Where any staff member of the securities regulatory agency of the State Council or the department authorized by the State Council fails to perform the duties prescribed by this Law, abuses power, neglects duty, takes advantage of his or her position to seek any illicit benefits, or divulges any trade secret of the relevant entity or individual to which he or she has access, the staff member shall be held legally liable in accordance with the law.

Article 218 Whoever refuses or obstructs the performance of supervisory inspection or investigation function by the securities regulatory authority or its staff members shall be ordered to take corrective action and fined not less than 100,000 yuan nor more than one million yuan by the securities regulatory authority, and be punished by the public security authority in public security administration in accordance with the law.

Article 219 Where any violation of this Law is criminally punishable, the offender shall be held criminally liable in accordance with the law.

Article 220 Where anyone shall be liable in civil damages, pay any administrative or criminal fine, and surrender illegal income for any violation of this Law, if the violator's property is insufficient for payment of the aforesaid, the property shall be first used for payment of civil damages.

Article 221 Where the circumstances of a violation of the relevant provisions of any law or administrative regulation or issued by the securities regulatory agency of the State Council are serious, the securities regulatory agency of the State Council may take the measure of prohibition of the relevant liable persons from access to the securities market.

For the purposes of the preceding paragraph, prohibition from access to the securities market means that a person may not engage in any securities business or securities services for a certain period or even for life, may not serve as a director, supervisor, or officer of a securities issuer, or may not trade in securities on a stock exchange or any other national securities trading venue approved by the State Council during a certain period.

Article 222 The fines collected and illegal income confiscated in accordance with this Law shall be all turned over to the State Treasury.

Article 223 Against the punishment decision made by the securities regulatory authority or the department authorized by the State Council, a party may apply for administrative reconsideration in accordance with the law, or directly institute an action in a people's court in accordance with the law.

Chapter XIV Supplemental Provisions

Article 224 Where a domestic enterprise directly or indirectly offers securities abroad or has its securities listed and traded abroad, the relevant provisions issued by the State Council shall be complied with.

Article 225 The specific measures for the subscription for and trading in stocks of domestic companies in foreign currencies shall be developed additionally by the State Council.

Article 226 This Law shall come into force on March 1, 2020.

Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies
Announcement of the China Securities Regulatory Commission

No.43 [2023]

With approval of the State Council, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies are hereby issued, and shall come into force on the March 31, 2023.

China Securities Regulatory Commission

February 17, 2023

Annex 1: Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

Annex 2: Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

Chapter I General Provisions

Article 1 This Measures is formulated to regulate overseas securities offering and listing activities by domestic companies, either in direct or indirect form (hereinafter collectively referred to as overseas offering and listing), and promote lawful use of overseas capital markets by domestic companies to achieve regulated and sound development, in accordance with statutes including the Securities Law of the People's Republic of China.

Article 2 Direct overseas offering and listing by domestic companies refers to such overseas offering and listing by a joint-stock company incorporated domestically.

Indirect overseas offering and listing by domestic companies refers to such overseas offering and listing by a company in the name of an overseas incorporated entity, whereas the company's major business operations are located domestically and such offering and listing is based on the underlying equity, assets, earnings or other similar rights of a domestic company.

For the purpose of this Measures, securities refer to equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities that are offered and listed overseas, either directly or indirectly, by domestic companies.

Article 3 Overseas offering and listing by domestic companies shall abide by laws, administrative regulations and relevant state rules concerning foreign investment in China, state-owned asset administration, industry regulation and outbound investment. Such overseas offering and listing shall not disrupt domestic market

order, harm state or public interest or undermine the lawful rights and interests of domestic investors.

Article 4 Overseas offering and listing by domestic companies shall be supervised and regulated in accordance with the lines, principles, policies, decisions and plans of the Party and the state, ensuring both development and security.

China Securities Regulatory Commission (the "CSRC") shall exercise supervision and regulation over the overseas offering and listing activities by domestic companies according to law. The CSRC and competent authorities under the State Council shall, to the extent of their respective mandate and according to law, exercise supervision and regulation over domestic companies that offer and list securities in overseas markets, and securities companies and securities service providers that provide domestic services to such activities.

The CSRC shall set up a supervisory and regulatory coordination mechanism with competent authorities under the State Council, with a view to strengthening policy cohesiveness, regulatory coordination and cross-agency information sharing.

Article 5 The CSRC and competent authorities under the State Council will, under the principle of reciprocity, step up supervisory and regulatory cooperation with overseas securities regulatory agencies and competent authorities to implement cross-border supervision and regulation.

Chapter II Overseas Offering and Listing

Article 6 A domestic company that seeks to offer and list securities in overseas markets shall abide by applicable laws, including the Company Law of the People's Republic of China and the Accounting Law of the People's Republic of China, administrative regulations and relevant state rules, and formulate articles of association, improve internal control system, enhance corporate governance, and promote compliance in corporate finance and accounting practices.

Article 7 A domestic company that seeks to offer and list securities in overseas markets shall abide by national secrecy laws and relevant provisions and take necessary measures to fulfill confidentiality obligations. Divulgence of state secrets or working secrets of government agencies is strictly prohibited. Provision of personal information, important data and etc. to overseas parties in relation to overseas offering and listing of domestic companies shall be in compliance with applicable laws, administrative regulations and relevant state rules.

Article 8 No overseas offering and listing shall be made under any of the following circumstances:

- (1) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules;
- (2) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law;
- (3) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years;
- (4) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof;
- (5) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

Article 9 Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security. If the intended overseas offering and listing necessitates a national security review, relevant security review procedures shall be completed according to law before the application for such offering and listing is submitted to any overseas parties such as securities regulatory agencies and trading venues.

A domestic company that seeks to offer and list securities in overseas markets shall, as per requirement by competent authorities under the State Council, take such measures as timely rectification, commitment and divestiture of relevant business and assets, to eliminate or avert any impact on national security resulting from such overseas offering and listing.

Article 10 Target investors of overseas offering and listing by domestic companies shall be overseas investors, unless prescribed in the following paragraph or otherwise stipulated by the state. A domestic company that seeks to offer and list securities in overseas markets for the purpose of implementing equity incentive plans or financing asset acquisitions may offer securities to eligible domestic investors that meet the standards prescribed by the CSRC.

A domestic state-owned company that seeks to offer securities to eligible domestic investors as prescribed in the preceding paragraphs shall also comply with relevant regulations of state-owned assets administration.

Article 11 A company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or the Chinese Yuan (RMB).

"Proceeds from the company's overseas securities offering shall be used and invested for purposes in compliance with laws, administrative regulations and relevant state rules.

Currency conversion and cross-border remittance of funds in relation to overseas offering and listing by domestic companies shall comply with state regulations concerning cross-border investment and financing, foreign exchange administration, and cross-border RMB administration.

Article 12 Securities companies, securities service providers and practitioners engaged in overseas offering and listing by domestic companies shall abide by laws, administrative regulations and relevant state rules, observe industry-accepted professional standards and ethical norms, and rigorously fulfill statutory duties to ensure the truthfulness, accuracy and completeness of the documents that they produce and issue.

Securities companies, securities service providers and practitioners engaged in overseas offering and listing by domestic companies shall not, in the document they produce and issue, make any comments in a manner that misrepresents or disparages laws and policies, business environment and judicial situation, etc. of the state.

Chapter III Filing Requirements

Article 13 A domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders and etc.

Article 14 Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall file with the CSRC.

Where a domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file with the CSRC.

Article 15 Any overseas offering and listing made by an issuer that meets both the following conditions will be determined as indirect:

(1) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its

audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and

(2) the main parts of the issuer's business activities are conducted in the Chinese Mainland, or its main places of business are located in the Chinese Mainland, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Chinese Mainland.

The determination as to whether or not an overseas offering and listing by domestic companies is indirect, shall be made on a substance over form basis.

Article 16 Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed.

Subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed shall be filed pursuant to provisions in the first paragraph of this Article.

Article 17 A domestic company that seeks to directly or indirectly list its domestic assets in overseas markets through single or multiple acquisitions, share swaps, transfers of shares or other means, shall fulfil the filing procedure as prescribed in the first paragraph of Article 16 herein. Where overseas application documents are not required, the filing shall be made within 3 working days after the first public disclosure of the specifics of the transaction is made by the listed company.

Article 18 For a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

The term "domestic unlisted shares" in the preceding paragraph refers to shares offered by a domestic company but not listed or quoted for trading on any domestic trading venues. Domestic unlisted shares shall be centrally registered and deposited at a domestic securities depository and settlement agency. The registration and settlement of overseas listed shares is subject to applicable rules in overseas markets.

Article 19 Where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within 20 working days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC website.

Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall

request supplementation and amendment thereto within 5 working days after receiving the filing documents. The issuer should then complete supplementation and amendment within 30 working days. During the filing process, where the issuer may be involved in circumstances prescribed in Article 8 herein, the CSRC may consult with competent authorities under the State Council. Time taken for filing document supplementation and the CSRC consultation shall not be counted in the time limit for filing.

The CSRC may formulate filing guidelines based on this Measures to illustrate specific requirements for the format, content and attachments of filing documents.

Article 20 Filing documents for overseas offering and listing by domestic companies shall be truthful, accurate and complete. No misrepresentation, misleading statement or major omission is allowed. The domestic company and its controlling shareholders, actual controllers, board directors, supervisors, and senior executives shall fulfill their information disclosure obligations according to law, practice with integrity and due diligence in ensuring the truthfulness, accuracy and completeness of the filing documents.

Securities companies and law firms should make thorough examination and verification of filing documents, and ensure none of the circumstances specified below occurs:

- (1) the filing documents contain conflicting or inconsistent and materially different descriptions of the same facts;
- (2) the filing documents are considerably difficult to understand due to lack of clarity and logic in writing;
- (3) the filing documents fail to prove whether the company meets the conditions prescribed in Article 15 herein;
- (4) failure to report material events timely as required.

Article 21 An overseas securities company that serves as a sponsor or lead underwriter for overseas securities offering and listing by domestic companies shall file with the CSRC within 10 working days after signing its first engagement agreement for such business, and submit to the CSRC, no later than January 31 each year, an annual report on its business activities in the previous year associated with overseas securities offering and listing by domestic companies.

An overseas securities company that has entered into engagement agreements before the effectuation of this Measures and is serving in practice as a sponsor or lead underwriter for overseas securities offering and listing by domestic companies shall file with the CSRC within 30 working days after this Measures takes effect.

Chapter IV Supervision and Regulation

Article 22 Upon the occurrence of any of the material events specified below after an issuer has offered and

listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event:

- (1) change of control;
- (2) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities;
- (3) change of listing status or transfer of listing segment;
- (4) voluntary or mandatory delisting.

Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after occurrence of the changes.

Article 23 The CSRC and competent authorities under the State Council shall, to the extent of their respective mandate and according to law, carry out supervisory inspections or investigations of domestic companies whose securities are offered and listed overseas, and of the related business undertakings carried out by securities companies and securities service providers in the Chinese Mainland.

Article 24 For violations of this Measures by domestic companies offering and listing overseas, and securities companies, securities service providers and relevant practitioners providing service to such overseas offering and listing from the Chinese Mainland, the CSRC and competent authorities under the State Council may, for the purpose of maintaining market integrity and to the extent of their respective mandate, impose administrative regulatory measures including order for correction, regulatory talks and warning letters, proportionate to the severity of the violations.

Article 25 A domestic company found in violation of Article 8 herein prior to an overseas offering and listing shall postpone or terminate the intended overseas offering and listing, and report to the CSRC and competent authorities under the State Council in a timely manner.

Article 26 Where the overseas offering and listing by a domestic company is in violation of this Measures, or where a foreign securities company is in violation of Article 21 herein, the CSRC may inform its regulatory counterparts in the overseas jurisdictions via cross-border securities regulatory cooperation mechanisms. Where an overseas securities regulatory agency intends to carry out investigation and evidence collection regarding overseas offering and listing activities by a domestic company, and request assistance of the CSRC under relevant cross-border securities regulatory cooperation mechanisms, the CSRC may provide necessary

assistance in accordance with law. Any domestic entity or individual providing documents and materials requested by an overseas securities regulatory agency out of investigative or evidence collection purposes, shall not provide such information without prior approval from the CSRC and competent authorities under the State Council.

Chapter V Legal Liabilities

Article 27 Where a domestic company fails to fulfill filing procedure as stipulated by Article 13 herein, or offers and lists securities in an overseas market in violation of Articles 8 and 25 herein, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine of between RMB 1,000,000 yuan and RMB 10,000,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB 500,000 yuan and RMB 5,000,000 yuan.

Controlling shareholders and actual controllers of the domestic company that organize or instruct the aforementioned violations shall be imposed a fine of RMB 1,000,000 yuan and RMB 10,000,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be each imposed a fine of between RMB 500,000 yuan and RMB 5,000,000 yuan.

Securities companies and securities service providers that fail to duly urge compliance by the domestic company with Articles 8, 13 and 25 herein shall be warned and imposed a fine of between RMB 500,000 yuan and RMB 5,000,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB 200,000 yuan and RMB 2,000,000 yuan.

Article 28 Where the filing documents submitted by a domestic company contains misrepresentation, misleading statement or material omission, the CSRC shall issue correction orders and warnings, and impose a fine of between RMB 1,000,000 yuan and RMB 10,000,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB 500,000 yuan and RMB 5,000,000 yuan.

Controlling shareholders and actual controllers of the domestic company that organize or instruct the aforementioned violations, or enable the aforementioned violations by concealing relevant matters, shall be imposed a fine of RMB 1,000,000 yuan and RMB 10,000,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be each imposed a fine of between RMB 500,000 yuan and RMB 5,000,000 yuan.

Article 29 Where a securities company or securities service provider, failing to practice with due diligence, either: 1) makes misrepresentation, misleading statement or material omission in documents produced and

issued in compliance with domestic laws, administrative regulations or relevant rules promulgated by the state, or; 2) makes misrepresentation, misleading statement or material omission in documents produced and issued in compliance with rules of the overseas listing market, and thereby disrupts domestic market order and undermines lawful rights and interests of domestic investors, the CSRC and competent authorities under the State Council shall issue correction orders and warnings, and impose a fine of between one and ten times of the revenue if any, or of between RMB 500,000 yuan and RMB 5,000,000 yuan in the absence of a revenue therefrom or if the revenue was less than RMB 500,000 yuan. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB 200,000 yuan and RMB 2,000,000 yuan.

Article 30 Violations of other articles of this Measures that are penalizable under other laws or administrative regulations shall be penalized accordingly.

Article 31 For cases of severe violations of this Measures or other laws and administrative regulations, the CSRC may impose a ban on entering into the securities market upon the relevant responsible persons. Any such violation that constitutes a crime shall be investigated for criminal liability according to law.

Article 32 The CSRC shall, in accordance with law, incorporate the compliance status of relevant market participants with this Measures into the Securities Market Integrity Archives and upload the record to the National Credit Information Sharing Platform, with a view to strengthening cross-agency information sharing through concerted efforts with competent authorities, and enforcing punishment and deterrence in accordance with laws and regulations.

Chapter VI Supplementary Provisions

Article 33 Overseas offering and listing by subordinate companies majority-owned by or under the actual control of a domestically listed company, and overseas issuance by domestically listed companies of securities such as depository receipts that are based on and convertible into domestic securities shall also comply with other applicable rules and regulations promulgated by the CSRC, and be filed in accordance with this Measures.

Article 34 For the purpose of this Measures, domestic companies herein refers to companies incorporated within the Chinese Mainland, including domestic joint-stock companies whose securities are directly offered and listed overseas and the domestic operating entities of companies whose securities are indirectly offered

and listed overseas.

For the purpose of this Measures, securities companies and securities service providers herein refers to securities companies and securities service providers, both domestic and overseas, that undertake business in relation to overseas offering and listing by domestic companies.

Article 35 This Measures shall come into effect on 31 March 2023. The Notice on Implementing "Essential Clauses of Articles of Association for Companies Seeking to List Overseas" shall be simultaneously invalidated.