



THE COMPANY LAW OF
THE PEOPLE'S REPUBLIC
OF CHINA

中華人民共和國公司法

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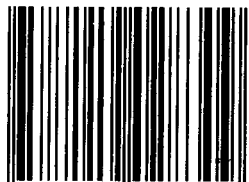
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THE COMPANY LAW OF THE PEOPLE'S REPUBLIC OF CHINA

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CHAPTER I

GENERAL PROVISIONS

Article 1 This Law is formulated in accordance with the Constitution for the purposes of establishing a modern enterprise system, standardizing the organizational structure and operation of companies, protecting the legitimate rights and interests of companies, shareholders and creditors, maintaining the social economic order and promoting the development of the socialist market economy.

Article 2 The term “company” as used in this Law means a limited liability company or a company limited by shares which is established within the territory of the People’s Republic of China according to the provisions of this Law.

Article 3 Both limited liability companies and a companies limited by shares are enterprise legal persons.

A shareholder of a limited liability company shall bear the liabilities of the company within the limit of the amount contributed by the shareholder, while the company shall bear the liabilities for its debts with all its assets.

With respect to a company limited by shares, its total capital is divided into a certain number of shares, with each share of equal value. Shareholders of such a company shall

bear the liabilities of the company within the limit of their shares, while the company shall bear the liabilities for its debts with all its assets.

Article 4 As capital contributors, shareholders of a company shall have the rights to profit from its assets as proprietors, participate in making major policy decisions and choose managerial personnel, their rights being proportional to the shares of investment in the company.

As a legal person, a company shall possess all the property rights formed by the contributions of the shareholders; it shall enjoy civil rights and bear civil liabilities according to law.

The ownership of State-owned property in a company belongs to the State.

Article 5 A company shall operate independently in conformity with the law, utilizing all its assets in the capacity of a legal person and be responsible for its own profits and losses.

Under macro-control and regulation by the State, a company shall organize its production and operations independently and in accordance with market demand in order to increase its performance and labor productivity, and preserved and enhance the value of its assets.

Article 6 A company shall adopt an internal management system characterized by a clear division of power and responsibility, scientific management, and a mechanism

combining incentives with restrictions.

Article 7 To be re-organized into a company, a State-owned enterprise must change its operational mechanism according to the conditions and requirements prescribed by laws and administrative regulations, make an inventory of its assets step by step, determine its property rights, clear its credits and debts, evaluate its assets and establish a standard internal management structure.

Article 8 The establishment of a limited liability company or a company limited by shares must meet the requirements prescribed by this Law. Only those that meet the requirements prescribed by this Law shall be registered as limited liability companies or companies limited by shares; those that do not satisfy the requirements of this Law shall not be permitted to be registered as limited liability companies or companies limited by shares.

Before its registration, a company shall go through the examination and approval procedure if this is required by laws and administrative regulations for the establishment of such a company.

Article 9 The words “limited liability company” must be included in the name of a limited liability company established according to this Law.

The words “company limited by shares” must be included in the name of a company limited by shares established according to this Law.

Article 10 The domicile of a company shall be the location of its main office.

Article 11 In establishing a company, the articles of association must be formulated in accordance with the law. The articles of association shall be binding upon the company, and the shareholders, directors, supervisors and managers of the company.

The scope of business shall be stipulated in the articles of association of the company and registered according to law. Items within the scope of business of a company which are restricted by laws and administrative regulations shall be subject to approval according to law.

A company shall conduct its business within its registered business scope. It may alter its scope of business if it has altered its articles of association according to legal procedures and registered the alteration with the company registration authority.

Article 12 A company may invest in other limited liability companies and companies limited by shares, and shall bear the liabilities of the companies in which it has invested within the limit of its invested amount.

Except for investment companies and holding companies prescribed by the State Council, when a company invests in other limited liability companies or companies limited by shares, the aggregated amount of the investment shall not exceed 50 percent of the net assets of the company, not including the additional capital originating from

the profits it has received from the invested companies.

Article 13 A company can establish branches, which are not considered enterprise legal persons. The civil liabilities of the branches shall be borne by the company.

A company can establish subsidiaries, which are considered enterprise legal persons. The civil liabilities of the subsidiaries shall be borne independently by themselves according to law.

Article 14 In conducting business activities, a company must observe the law, adhere to business ethics, promote socialist culture and ethics, and accept the supervision of the government and the public.

The legitimate rights and interests of a company shall be protected by law and free from infringement.

Article 15 A company must protect the legitimate rights and interests of its workers and staff, strengthen labor protection and ensure safety in production.

A company shall provide its employees with professional education and job training in various forms in order to improve their qualifications.

Article 16 The employees of a company may organize a trade union in accordance with the law and carry out trade union activities to protect their legitimate rights and interests. The company shall provide the necessary conditions for the activities of its trade union.

A wholly State-owned company, a limited liability company established by more than two State-owned enterprises, or a *limited liability company established by more than two* State-owned investment institutions shall conduct democratic management through the workers' congress or other forms in accordance with the provisions of the Constitution and other relevant laws.

Article 17 The grassroots organization of the Communist Party of China in a company shall conduct its activities according to the Constitution of the Communist Party of China.

Article 18 This Law shall be applicable to limited liability companies with foreign investment. Where the laws concerning Sino-foreign joint ventures, Sino-foreign contractual joint ventures and wholly foreign-owned enterprises otherwise stipulate, such stipulations shall prevail.

CHAPTER II

ESTABLISHMENT AND ORGANIZATIONAL STRUCTURE OF A LIMITED LIABILITY COMPANY

SECTION 1 ESTABLISHMENT

Article 19 The following conditions should be met when establishing a limited liability company:

(1) Having the number of shareholders prescribed by law;

(2) Having the minimum amount of capital contributed by shareholders prescribed by law;

(3) Having the articles of association formulated jointly by shareholders;

(4) Having a suitable name for the company and an organizational structure established in conformity with the requirements of a limited liability company.

(5) Having fixed production and operation premises and necessary conditions for production and operation.

Article 20 A limited liability company shall be established through joint investment by no less than 2 and no more than 50 shareholders.

An investment institution or department authorized by the State may establish a State-owned limited liability com-

pany by making exclusive investment in the company.

Articles 21 A State-owned enterprise with a sole investor established before the implementation of this law may be re-organized into a State-owned limited liability company with exclusive investment in conformity with this Law, if the enterprise meets the requirements of this Law for establishing a limited liability company; if an enterprise has several investors, it may be re-organized into a limited liability company as stipulated in the first paragraph of the preceding article.

The steps of implementation and concrete measures for reorganizing State-owned enterprises into companies shall be formulated separately by the State Council.

Article 22 The articles of association of a limited liability company shall specify the following items:

- (1) Name and domicile of the company;
- (2) Scope of business of the company;
- (3) Registered capital of the company;
- (4) Names of shareholders;
- (5) Rights and obligations of shareholders;
- (6) Forms and amount of investment to be contributed by shareholders;
- (7) Conditions for shareholders to transfer their contributions;
- (8) The organizational structure of the company and the methods for the establishment of the various organizations, their powers functions and rules of procedure;

- (9) Legal representative of the company;
- (10) Causes of dissolution and liquidation methods of the company;
- (11) Other items deemed necessary by shareholders.

The articles of association shall be signed and sealed by the shareholders of the company.

Article 23 The registered capital of a limited liability company is the total amount of investment paid by all the shareholders and registered with the company registration authority.

The amount of registered capital of a limited liability company must not be less than the minimum amount specified below:

- (1) RMB 500,000.00 yuan for companies engaged mainly in production;
- (2) RMB 500,000.00 yuan for companies engaged mainly in wholesale;
- (3) RMB 300,000.00 yuan for companies engaged mainly in retail sales;
- (4) RMB 100,000.00 yuan for companies engaged in technology development, consulting and other services;

The minimum amount of registered capital for limited liability companies engaged in specific professions shall be stipulated separately by laws and administrative regulations in case a minimum registered capital amount more than those stipulated in the preceding paragraph is required.

Article 24 Shareholders may pay their contributions