EXHIBIT D

DECLARATION OF ARIEL LU YE

I. Background of the Expert

1. My name is Ariel Lu Ye. I am a practicing lawyer and currently a Senior Partner with King & Wood Mallesons ("**KWM**"). My principal office is in Shenzhen, People's Republic of China ("**PRC**").

2. In my 30-year career as a practitioner, I have worked for several international and Chinese law firms, but joined KWM as a partner 15 years ago. I was one of the board members of KWM from 2006 to 2015. I represent both Chinese and international clients, including large leading US corporations.

3. I earned my LL.B from Peking University in 1983, a master degree of law from the Law School of the Chinese Academy of Social Science in 1986 and an LLM from Harvard Law School in 1994. I am licensed to practice law in the PRC, and I passed the New York bar examination and sworn in in 1999.

4. I specialize in cross border dispute resolution and have advised many multinational corporations, including US companies, concerning their commercial disputes in the PRC. I have also advised Chinese companies in their foreign related disputes, working together with counsel in the relevant foreign jurisdictions. Regulatory and compliance work are also specialties of mine, though I now spend more of my time working in international commercial arbitration.

5. During my long career, I have become deeply familiar with the decision-making process of both state-owned companies and privately owned companies, because when disputes arise, my team and I have to directly advise and report to the top management of such companies.

6. I am a member of the Court of the Singapore International Arbitration Commission; a member of the Singapore International Commercial Court Advisory Committee; an advisory board member of the International Council of Commercial Arbitration (ICCA); and a member of the Council of the London Court of International Arbitration.

7. I am also a non-executive director to the Board of Directors of Goldpac, which was a formerly private-owned company manufacturing credit cards for China UnionPay, VISA, MasterCard, American Express, JCB and Diners, with facilities based in Zhuhai, Guangdong, PRC.

II. Questions Addressed

8. In this affidavit, I have been asked to provide my expert legal opinion on the following questions:

   (a) Under PRC law, are private enterprises legally independent of the PRC government and are they able to independently make business decisions on their own?

   (b) Under PRC law, is there any legal basis for the PRC government to interfere with a private company's operation and business decisions? and

   (c) Is Huawei legally independent from the Chinese government and capable of running its own business; and does the relevant governing authority (being the Shenzhen government) or the Chinese Communist Party ("**CCP**") have any legal basis to directly or indirectly intervene or interfere with Huawei's business decisions?

III. Brief Answers to the Questions

(a) Under PRC law, are private enterprises legally independent of the PRC government, and are they able to independently make business decisions on their own?

9. In my opinion, based on the relevant PRC laws and regulations, including the PRC Constitution, Chinese private enterprises are legally independent from the PRC government and they are able to make commercial decisions independently.

10. PRC private enterprises and companies are regulated through the laws enacted by national and local congresses, administrative regulations, and rules and notices promulgated by various law making bodies of the central government and the relevant local governments.

11. PRC private enterprises and companies are also affected by and guided by judicial interpretations periodically issued by the Supreme People's Court, as judicial interpretations are a source of PRC law.

12. According to statistics from the National Bureau of Statistics of China[1] and statistics from the State Administration of Taxation of China,[2] by the end of 2016, over 23.09 million private enterprises and companies have been incorporated and

---

[1] http://www.stats.gov.cn/.

[2] http://finance.sina.com.cn/roll/2017-04-06/doc-ifyeayzu6851655.shtml.

are operated in accordance with the relevant PRC laws and regulations. These enterprises and companies employed more than 179.97 million employees, and paid taxes amounting to 50% of the revenue received by the various levels of governments in the PRC. There is no evidence suggesting that such private-owned companies do not enjoy autonomy in their operation and business decisions.

(b) Under PRC law, is there any legal basis for the PRC government to interfere with a private company's operation and business decisions?

13. The opinions provided in this affidavit are straightforward and not controversial, because there is no legal basis for the PRC government to interfere in the decision-making of any privately owned enterprises or companies including Huawei Investment & Holding Co., Ltd and its affiliates (collectively "**Huawei**").

14. It is true that the CCP sets up organizations within private enterprises and companies (including foreign direct-investment companies), in accordance with PRC Company Law, in order to facilitate meetings and communications between its members, but such organizations have no legal basis to interfere in a private company's operations or business decisions.

(c) Is Huawei legally independent of the Chinese government and capable of running its own business; and does the relevant governing authority (being the Shenzhen government) or the CCP have any legal basis to directly or indirectly intervene or interfere with Huawei's business decisions?

15. The short answer is Huawei, like other privately owned companies with limited liability, has duly set up its shareholder meeting (the highest authority of a company), board of directors, management and the board of supervisors, and runs its businesses in accordance with Chinese law. I am not aware of any evidence suggesting that Huawei, being a private company owned by its employees, has been unlawfully interfered with, directly or indirectly, either by the CCP, the Shenzhen government, or any other Chinese government agencies.

Further Comments in Detail

IV. What the PRC Company Law Says

16. The Standing Committee of the National People's Congress passed the "Company Law of the People's Republic of China" on Dec 29, 1993, which law then entered into force on July 1, 1994. The Company law was subsequently revised in 1999, 2004, 2005 and 2013.

17. The Company Law of the PRC covers every aspect of a company, including incorporation, governance, mergers and acquisitions, liquidation, and winding up.

It contains 13 chapters and 218 clauses. It includes general provisions; provisions on limited liability companies; method of incorporation; manner of corporate governance; establishment of single shareholder companies; and legal provisions regarding state owned companies, etc.

18. Under Chapter 1, General Provisions of the PRC Company Law, the general purpose of the law is to protect the legal rights and interests of companies, shareholders and creditors; safeguard the social and economic order; and promote the development of a market economy. Among these purposes, the most important is development of the market economy. This is very different from the practice in 1960s to 1970s when only state-owned entities existed and the concepts of companies, shareholders and creditors were not even recognized.

19. Article 3 of the PRC Company Law further states that "A company is an enterprise legal person which owns independent legal person property and enjoys legal person property rights. The liability of a company shall be limited to its entire assets."

20. Article 4 provides that shareholders of a company shall be entitled to make a profit from their investment, and they have the right to participate in major decision-making and selection of management under the law.

21. The above two clauses are critical to the core issue of this affidavit, as the Company Law makes it crystal clear that a company, being a legal person (as contrasted with a natural person), no matter whether a privately owned company or a state owned company, has independent rights to own assets and enjoy such ownership, and, as a legal person, is required to bear liabilities up to the value of its assets.

22. A further review of the PRC Company Law reveals that Chinese companies are governed very similarly to their counterparts in economies such as the United States.

    - Article 5 of the Company Law provides that companies engaging in business activities must comply with the provisions of applicable laws and administrative regulations, and that the legal rights and interests of companies are protected by the law and may not be infringed. This article thus reinforces a Chinese company's status as a creature of law, both in terms of rights and obligations. In recent decades, supervision by government over private companies has been carried out through law enforcement and has drawn intense scrutiny from the media, particularly in the area of product quality issues.

- The Company Law also provides that company authority is dispersed. Company authority is spread among shareholders (via shareholder meetings); (2) a board of directors; (3) managers; and (4) a board of supervisors. Articles 36, 37, 46, 49, 51, and 53 of the Company Law[3] provide the rights and obligations of these various stakeholders, and a review of these provisions will reveal that the governance structure of PRC companies as in line with their peers in other advanced economies.

23. Reviewing this piece of legislation in its entirety, it is clear that PRC companies, regardless of whether privately owned or state owned, are independently incorporated, and each has its own assets and must bear its own liabilities. I have not found any nationally applicable provision under PRC Company Law which states otherwise.

24. However, the government does have the right to issue laws and regulations to perform its regulatory duties, which may affect private businesses. For example, according to the Emergency Plan on Heavy Air Pollution issued by the Beijing municipal government, the local government has the right to order construction companies to suspend out-door construction work when the air pollution reaches a level harmful to people's health.[4]

25. As stated in paragraph 12 above, since China adopted its "open door policy" and "economic reform policy" in 1978, a very large number of enterprises and companies have incorporated in China. According to statistics from the National Bureau of Statistics of China, by the end of 2016, there were a total of 14.61 million limited liability and joint stock companies in China.

26. Huawei is located in Shenzhen, which is a city adjacent to Hong Kong. Due to the positive influence of Hong Kong – one of the freest economies in the world – the Shenzhen government has been particularly pro-business.

27. For example prior to the enactment of PRC Company Law in late 1993, Shenzhen passed its local regulation in 1987 to promote the development of the high technology industry by allowing intellectual property and special technically advanced knowhow to serve as investments when incorporating a company. This local legislation was new in China at that time. Therefore, in addition to what has been set out above when discussing applicable laws, in practice, unlawful interference in private businesses in Shenzhen in particular is rare.

---

[3] See **Exhibit 1**, p 5, 6, 7 and 8.

[4] Beijing Municipal Government's Emergency Plan on Heavy Air Pollution, enacted on 16 March, 2015, revised in 2016 and 2017.

28. Neither is there any reason to think the existence of CCP organizations in companies undermine the conclusions drawn above. In 1992, the CCP called for the establishment of a Party organization in all companies with three or more party members.[5] Such requirement also appears in the PRC Company Law.[6]

29. The primary function of such an organization is to serve as an informational conduit between the CCP and its Party members working in the relevant companies and enterprises. Party committees do not have the right to interfere in company decision-making.

30. It is not abnormal for foreign invested joint venture companies to establish CCP organizations. One such example is Nokia Shanghai Bell, Nokia's subsidiary in Shanghai Municipality, China.[7]

V. What the PRC Administrative Procedural Law Says

31. To backstop the rights provided under the Company Law of the PRC, PRC law also provides remedies to companies who believe their "autonomy in business management" have been "infringed" by "an administrative act of an administrative organ or its personnel"[8].

---

[5] CCP's Bylaw, Article 30(1) (translated by the assistant of the expert for this Affidavit):

"Grass-roots Party organizations should be established in enterprises, rural areas, government organs, schools, research institutes, communities, social organizations, companies of the People's Liberation Army and other grass-roots units, where there are at least three full Party members."

[6] PRC Company Law, Article 19.

[7] http://www.nokia-sbell.com/Default.aspx?tabid=750&ArticleID=6075.

[8] PRC Administrative Procedural Law (translation from Wolters Kluwer)

Article 2

"If a citizen, a legal person or any other organization considers that his or its lawful rights or interests have been infringed upon by an administrative act of an administrative organ or its personnel, he or it has the right to initiate legal proceedings with a people's court in accordance with this Law.

An administrative act as mentioned in the preceding paragraph refers to an administrative act taken by an organization as authorized by laws, regulations or rules."

Article 12

32. The Administrative Procedural Law of the People's Republic of China was adopted on 4 April 1989 by the National People's Congress. Under this law PRC courts are empowered to hear cases filed by either legal persons or natural person against the PRC government. For example, if a company believes that its legitimate rights are infringed by a government agency, and it prevails on such claim in court,[9] the government will be ordered to pay legal remedies as compensation to the claimant.

33. This law increases the protections available to private enterprises to ensure their autonomy in business operations. It authorizes private entities to commence litigation against the government if the private entities think their autonomy in business operations has been infringed by the government[10].

34. According to the annual report of the Supreme People's Court to the National Congress[11], there were 913,000 administrative proceedings brought against the Chinese government between 2013 and 2017. If Chinese companies like Huawei were not independent from the Chinese government, such administrative proceedings brought against the Chinese government would be pointless.

VI. What the Courts Say

35. Likewise, judicial interpretations, notices and opinions issued by the Supreme People's Court of the PRC have further emphasized the inviolable right of companies to manage their own affairs.[12]

"A people's court shall accept actions initiated by citizens, legal persons or other organizations as the result of any of the following circumstances: "

"(7) believing that an administrative organ has infringed upon the plaintiff's autonomy in business management, rural land contractual management right or rural land management right;"

[9] PRC Administrative Procedural Law, Article 2.

[10] PRC Administrative Procedural Law, Article 2 and Article 12.

[11] http://www.court.gov.cn/zixun-xiangqing-87832.html.

[12] See Interpretation of the Supreme People's court on the Application of Administrative Procedural Law (Fa Shi [2018] No. 1, entered into force on 8 February, 2018), Article 16 ; Notice of the Supreme People's Court on Maximizing the Role of the Trial Function and Creating a Good Legal Environment for Entrepreneurs and Innovation by Entrepreneurs (Fa [2018] No. 1, entered into force on 29 December, 2017), Article 5; The Circular of the Supreme People's Court on Bringing Trial Function into Full Play and Taking Practical Measures to Maintain the Stability of Enterprises and Society (Fa [2002] No. 132, entered into force on 21 June, 2002); the Supreme People's Court's Opinions on Equal Protection of the Non-Public Economy According to Law and the Promotion of Healthy

36. I will use one case to further demonstrate how Chinese courts deal with claims of government infringement on the autonomy of private enterprises.

37. In Lixin County Department Store Co., Ltd. v the Bureau of Commerce of Lixin County[13], the plaintiff was Lixin County Department Store Co., Ltd ("Lixin Department Store"), a private company.

38. On July 21, 2014, the Bureau of Commerce of Lixin County issued a notice directing Lixin Department Store to fully cooperate with the auditing authority by providing financial accounts and surrendering certain rents on the building where the store was located (the "**Notice**").

39. Lixin Department Store's position was that the defendant's specific administrative act (the issuance of the Notice) infringed the plaintiff's right of operational autonomy and property rights, and on that basis initiated an administrative lawsuit to the court.

40. The court held that according to the Company Law and the Administrative Procedural Law, the defendant's specific administrative action infringed the company's right of operational autonomy, and revoked the Notice issued by the government.

41. Therefore, I am of the view that under the PRC laws, private companies' autonomy can be protected by the Chinese judiciary, which functions as a protector of the rights and interests of private enterprises and companies. Although in past years there has been a concern about corruption undermining such protection, the legal

---

Development of the Non-Public Economy (Fa Fa [2014] No.27, entered into force on 17 December, 2014), Article 11 and Article 13.

According to Article 13 of the Supreme People's Court's Opinions on Equal Protection of the Non-Public Economy According to Law and the Promotion of Healthy Development of the Non-Public Economy (Fa Fa [2014] No.27, entered into force on 17 December, 2014) (translated by the assistant of the expert for this Affidavit):

"We must safeguard the legitimate rights and interests of non-public economic entities and their autonomy in operations, and promote the establishment of a fair and just market competition order. People's courts should handle administrative cases properly and handle the relationship between rights and power correctly. We should treat non-public economic entities by the principle of 'Everything which is not forbidden is allowed' and treat administrative power by the principle of 'everything which is not allowed is forbidden'."

[13] The Administrative Judgment of First Instance of Lixin County Department Store Co., Ltd. v the Bureau of Commerce of Lixin County, the People's Court of Lixin County of Anhui Province, (2014) Li Xing Chu Zi No. 00024.

position with regard to protecting the autonomy of private companies has not changed.

VII. Additional Legislation and Regulations providing protection to the autonomy of private businesses like Huawei

42. At the national level, over the decades, there have been many laws developed to further provide legal protection to the autonomy of private businesses from interference from either the government or third parties.

43. Examples are the General Principles of Civil Law passed in 1986, and the General Rules of the Civil Law which passed in 2017. Both echo the PRC Company Law in many respects. In particular, Article 130 of the General Rules of the Civil Law confirms the rights of legal persons to act without governmental interference, and Articles 80, 81 and 82 thereof[14], much like the Company Law, provide rights of self-governance to "for-profit legal persons."

44. Other examples are the Contract Law of the PRC[15], which upholds the principle freedom of contract, and the Pricing law of the People's Republic of China[16], which provides that private enterprises enjoy the autonomy to set the prices of their products as they see fit subject to the State's regulatory power to protect the public interest. [17]

45. In conclusion, all such legislation evolved over the years to ensure that PRC companies are independent of each other and independent of the Chinese government.

VIII. What the PRC Law on Public Servants Says

46. Chinese law also contains strict prohibitions on civil (public) servants interfering in company decision making. Such laws were enacted for good reason, as there have been instances where some corrupt government officials, acting out of their own personal interests, tried to interfere with the business of private companies. Such acts are in violation of law.

---

[14] See **Exhibit 2**, p 8 and 12.

[15] Adopted by the National People's Congress on 15 March, 1999, and taking effect on 1 October, 1999.

[16] Adopted by the Standing Committee of the National People's Congress on 29 December, 1997, and taking effect on 1 May, 1998.

[17] Article 6 and Article18.

47. In 1993, the local Shenzhen legislation regulating public servants and government officials - "the Measures on Public Servants of Shenzhen" - was enacted by the local government, and was the first legislation of its kind.

48. In 2005, the Law of the People's Republic of China on Public Servants was adopted by the National People's Congress and the Shenzhen local legislation, which had served as a model for the national law, was superseded.

49. Both national law and the Shenzhen local rules prevent public servants or government officials from taking a position in a private enterprise in order to avoid corruption, and they also serve to keep private enterprises independent from administrative power[18].

50. Punishments for violations can be harsh. In recent years, many corrupt government officials have had disciplinary actions and criminal actions brought against them, demonstrating the Chinese authorities' determination to uphold the laws, including laws designed to protect private businesses.

IX. What The Constitution Says

51. The autonomy enjoyed by Chinese private companies is confirmed and upheld by the PRC Constitution. For example,

    a) Article 11 provides that[19]:

    "The non-public ownership sector comprising the individual economy and the private economy within the domain stipulated by law is an important component of the country's socialist market economy.

    The State protects the lawful rights and interests of economic entities, private economy and any other non-public economy. The State encourages, supports and provides guidance for the development of the non-public economy, and exercises supervision and administration over the non-public economy in accordance with the law."

---

[18] According to the Regulation on the Disciplinary Actions against Civil Servants of Administrative Organs (Adopted by the State Council on 4 April 2007, and effective on 1 June, 2007), Article 27 provides that (translation from Wolters Kluwer) "Where a civil servant in the administrative organ engages in or participates in profit-making activities, or holds a concurrent position in an enterprise or any other profit-making organization, he shall be given a demerit or gross demerit; if the circumstances are relatively serious, he shall be given the disciplinary action of demotion or dismissal from office; and if the circumstances are serious, he shall be given the disciplinary action of expulsion."

[19] Translation from Wolters Kluwer.

and

b) Article 13(1) (2) requires that[20]:

"The lawful private property of citizens shall not be violated.

The State protects the right of citizens to private property ownership and right of succession."

52. According to the annual report[21] delivered by Mr. Zhou Qiang, the Chief Justice of the Supreme People's Court to the National People's Congress on March 9, 2018, between 2013 and 2017, and Chinese courts at all levels adjudicated 16.438 million first-instance commercial cases, an increase of 53.9% compared with the previous five-year period. Among them, 4.106 million cases in relation to contract disputes were concluded.

53. If private companies are not independent of the government, all disputes between state-owned companies or between state-owned companies and privately owned companies could have been avoided by having the government intervene to facilitate the resolution of the dispute.

54. I thus come to the following conclusion: my conclusion that PRC law grants full autonomy to companies to control their own affairs free from government interference is buttressed by the above context displaying China's established commitment to the protection of economic rights.

X. What the Chinese Communist Party's Rules and Code of Conduct Say

55. What about interference by the CCP, the ruling party of the country? Can the CCP make directions or give instructions that interfere in the operations of private companies?

56. The CCP periodically passes or updates its rules and codes of conduct and confirms that as a matter of policy, it should not interfere with the autonomy of businesses. For example, the Chinese Communist Party Disciplinary Regulations (released on 21 October 2015, and entering into force on 1 January 2016) states:

Article 106 [22]

---

[20] Ibid.

[21] http://www.court.gov.cn/zixun-xiangqing-87832.html.

[22] Translated by the assistant of the expert for this Affidavit.

"If there occurs any interference in the autonomy of the people in production and management, causing major losses to the people's property, the directly responsible persons and those responsible for the leadership should be given warnings or severe warnings; if the circumstances are serious, their positions within the Party should be revoked or they should accept inspect and disposition within the Party."

57. The Decision of the Central Committee of the Communist Party on Several Major Issues Concerning Ruling the Country in Accordance with Law (passed by the Fourth Plenary Session of the Eighteenth Central Committee of the Communist Party of China on October 23, 2014 and entering into force on the same day) states[23]:

"The State protects the rights of enterprises' autonomy of operation in accordance with law, and the enterprises shall assume its own profits and losses, and the enterprises have the right to refuse any organization or individual's requirements without legal basis."

58. In conclusion, the CCP has announced its policy of supporting the rule of law and protecting the rights and interests of private enterprises, including their autonomy to manage their own business.

XI. Is Huawei legally independent from the Chinese government and capable of running its own business, and does the relevant governing authority (being the Shenzhen government) or CCP have any legal basis to directly or indirectly intervene or interfere with Huawei's business decisions?

59. As stated above, under PRC law, there is no legal basis for government interference in the management and business decision-making processes of Huawei. Huawei has all the same statutory and constitutional rights of autonomy as any other PRC company. There is nothing under the law or in Huawei's governing documents that would allow the PRC government or the CCP to intervene in Huawei's business decision-making directly or indirectly.

60. Huawei's currently effective Articles of Association[24] divides decision-making authority among shareholders (via shareholder meetings), a board of directors, managers, and a supervisory board.[25]

---

[23] Ibid.

[24] A PRC company's articles of association are its governing document, binding on the company, shareholders, directors, supervisors and senior managers. See Article 11 of the PRC Company Law.

[25] Article 16, 17, 22, 32, 34, 35, 37 and 38 of the Articles of Association of Huawei Investment & Holding Co., Ltd. (translated by the assistant of the expert for this Affidavit):

Article 16

"The company establishes a board of shareholders, which is composed of all shareholders. The board of shareholders is the company's highest authority."

Article 17

"The board of shareholders shall exercise the following duties and powers:

(1) Determining the company's operational guidelines and investment plans;

(2) Electing and changing the directors;

(3) Electing and changing the supervisors assumed by representatives of the shareholders;

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

(5) Deliberating and approving reports of the board of supervisors;

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

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

(8) Deliberating and approving the principle plan of the company's staff motivation scheme;

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

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

(11) Making resolutions about the transfer of shares by shareholder;

(12) Making resolutions about merger, split-up, change of company form, dissolution, liquidation of the company, etc.;

(13) Revising the Articles of Association."

Article 22

"The company establishes a board of directors, which is composed of seventeen board members. The board of directors shall have one chairman and one to four vice chairman."

Article 32

"The board of directors shall be responsible for the board of shareholders and exercise the following duties and powers:

(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;

(7) Formulating the plans for implementation of staff motivation schemes by the company and be responsible for implementation and management after approved by the shareholders' meeting;

(8) Formulating the company's plans on merger, split, change of the company form, or dissolution;

(9) Making decisions on the establishment of the company's internal management departments;

(10) Hiring or dismissing the company's general manager, and according to the nomination of the general manager, hiring or dismissal of the vice general manager and the person in charge of finance;

(11) Working out the company's basic management system;

(12) Other powers conferred by the board of shareholders and the Articles of Association."

Article 34

"The company has one general manager and several deputy general managers. The general manager of the company is hired or dismissed by the board of directors."

Article 35

"The general manager shall be responsible for the board of directors and shall exercise the following duties and powers:

(1) Taking charge of the management of the production and business operations of the company, organizing the implementation of the resolutions of the shareholders' meeting and 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 general manager(s);

(7) Hiring or dismissing the persons-in-charge other than those who shall be hired or dismissed by the board of directors;

(8) Other powers conferred by the board of shareholders and the Articles of Association."

Article 37

"The company establishes a board of supervisors, which is composed of eleven members. The board of supervisors shall elect a convener among its members. The supervisors shall be elected by the board of shareholders for a term

61. This structure is reflected in the Corporate Governance Report contained in Huawei's 2017 Annual Report.

> *"The Board of Directors (BOD) is the highest body responsible for corporate strategy, operations management, and customer satisfaction. The BOD's mission is to lead the company forward. It exercises decision-making authority for corporate strategy and operations management, and ensures the protection of customer and shareholder interests."*[26]

62. The BOD held 12 meetings in 2017, reviewing and approving the "company's medium-to-long-term development plan, annual business plan and budget, annual audit report, corporate governance rules and regulations, BOD committee operations, long-term incentives, annual profit distribution, capital increases, and financing".[27]

63. The BOD has also established an Executive Committee as the standing executive body of the BOD as well as several sub-committees dedicated to specific areas of company operations.

64. Also important in company decision-making is the Union of Huawei Investment & Holding Co., Ltd. (the "**Union**"). Through the Union, Huawei implements an employee shareholding plan. Huawei is owned wholly by its employees.

65. Employees fulfill their responsibilities and exercise their rights via the Representatives' Commission, a commission composed of representatives of all shareholding employees. The Representatives' Commission holds meetings each year and in the 2017 meeting "reviewed and approved proposals on annual profit

---

of three years. Directors, the general manager and the person in charge of finance shall not concurrently serve as supervisors."

Article 38

"The board of supervisors shall exercise the following duties and powers:

(1) Checking company finances and operations situation;

(2) Supervising the duty-related acts of the directors, the general manager and other senior managers;

(3) Proposing to convene interim shareholders' meeting.

Supervisors shall attend the meetings of the board of directors as non-voting attendees."

[26] Annual Report, p 109.

[27] Annual Report, p 109.

distribution, capital increases, long-term incentives, and corporate governance rules and regulations."[28]

66. Nothing in Huawei's governing documents grants, expressly or otherwise, decision-making authority to any external person or entity. In fact, it is difficult to imagine that an employee-owned company would be able to attract the kind of talented employees needed to achieve the kind of success Huawei has seen in its relatively short history if the Shenzhen government, the central government in Beijing, or the CCP had any power to interfere with Huawei's decision-making and use Huawei as an instrument for pursuing policy goals.

67. Enterprises or companies incorporated in Shenzhen had the right to operate independently even prior to the constitutional amendments discussed above. As mentioned above, the local Shenzhen government has issued a host of rules and regulations to protect fair competition and the autonomy of local enterprises. I am of the view that Shenzhen's local rules and regulations adopt policies toward private enterprises that are even more open than at the national level. This is a great draw for the talented, young work-force in Shenzhen[29].

XII. Conclusion

68. PRC private companies are independent of the PRC government under the law. Chinese private companies are not controlled by the PRC government, nor may the government interfere with a private company's operations or business. Huawei, being a private enterprise, enjoys autonomy to operate and manage itself under the auspices of PRC law. Neither the Chinese central government nor the local government has the legal right to intervene in Huawei's business operations.

---

[28] Annual Report, p 108.

[29] Examples include the Circular on the Four Policy Documents Concerning Decisions on Implementing Independent Innovation Strategies for the Establishment of National Innovative Cities dated and effective on 19 April, 2006; the Special Fund Management Measures on Private Enterprises and Small Middle-sized Enterprise Development in Shenzhen City dated 30 November, 2017, and effective on 10 December, 2017; and the Opinions on Implementation of the Establishment of the Fair Competition Review System in the Market System dated and effective on 10 January, 2018. These all provide support to the legal environment in Shenzhen that allows for private businesses such as Huawei to thrive.

The Shenzhen government and local legislature have also enacted local rules and regulations to protect the autonomy of private enterprises in sectors other than the high-tech sector. Examples include the Rules of Shenzhen Economic Special Zone on Passenger Transport by Water (enacted in 1998, revised in 2004); the Security Service Management Measures of Shenzhen City (enacted in 2008) and the Measures on Regulation of the Real Estate Market of Shenzhen City (enacted in 2010, revised in 2017).

69. This conclusion is dictated by the PRC Constitution and PRC statute, as well as notices, opinions and interpretations issued by the Supreme People's Court of the PRC, and the policies and rules of the CCP. It is further re-enforced by the local regulations governing companies, such as Huawei, established in Shenzhen.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

叶 渌

Ariel Lu Ye

Executed on May 28, 2018, Shenzhen, PRC

Exhibits:

Exhibit 1 - Company Law of the People's Republic of China
Exhibit 2 - General Rules of the Civil Law of the People's Republic of China

DECLARATION OF ARIEL YE EXHIBIT 1

Company Law of the People's Republic of China (2013 Revision)

Promulgation Authorities:	Standing Committee of the National People's Congress
Promulgation Date:	2013.12.28
Effective Date:	2014.03.01
Validity Status:	valid

Company Law of the People's Republic of China (2013 Revision)

(Adopted by the 5th Session of the Standing Committee of the Eighth National People's Congress on 29 December 1993

First Revision made in accordance with the Decision on Revision of the "Company Law of the People's Republic of China" by the 13th Session of the Standing Committee of the Ninth National People's Congress on 25 December 1999

Second Revision made in accordance with the Decision on Revision of the "Company Law of the People's Republic of China" by the 11th Session of the Standing Committee of the Tenth National People's Congress on 28 August 2004

Revised by the 18th Session of the Standing Committee of the Tenth National People's Congress on 27 October 2005

Third Revision made in accordance with the Decision on Revision of Seven Laws Including the "Law of the People's Republic of China on Protection of Marine Environment" by the 6th Session of the Standing Committee of the Twelfth National People's Congress on 28 December 2013)

CHAPTER I GENERAL PRINCIPLES

Article 1 This Law is formulated for the purposes of standardising the organisation and activities of companies, protecting the legal rights and interests of companies, shareholders and creditors, safeguarding social and economic order and promoting the development of socialist market economy.

Article 2 Companies referred to in this Law shall mean limited liability companies and companies limited by shares established in China in accordance with the provisions of this Law.

Article 3 A company is an enterprise legal person which owns independent legal person property and enjoys legal person property rights.

The liability of a company shall be limited to its entire assets. The liability of a shareholder of a limited liability company shall be limited to the amount of its capital contribution. The liability of a shareholder of a company limited by shares shall be limited to the number of its subscribed shares.

Article 4 Shareholders of a company shall be entitled to gains on assets, participation in major decision-making and selection of managers etc in accordance with the law.

Article 5 Companies engaging in business activities shall comply with the provisions of laws and administrative regulations, uphold social morality, business ethics, honesty and trustworthiness, accept supervision of the government and social public and bear social responsibility.

The legal rights and interests of companies shall be protected by the law and shall not be infringed.

Article 6 Applications shall be submitted to the company registration authorities in accordance with the law for registration and incorporation of companies. Applications which satisfy the requirements for incorporation stipulated in this Law shall be registered by the company registration authorities as limited liability companies or companies limited by shares respectively. Applications which do not satisfy the requirements for incorporation stipulated in this Law shall not be registered as limited liability companies or companies limited by shares.

Where it is provided by the laws and administrative regulations that company incorporation requires prior approval, such approval formalities shall be completed in accordance with the law prior to the application for company registration.

The public may apply to inquire company registration matters with the company registration authorities; the company registration authorities shall provide such inquiry services.

Article 7 Companies incorporated in accordance with the law shall be issued a business licence by the company registration authorities. The date of issuance of a business licence shall be the date of incorporation of the company.

A business licence shall state the name and address, registered capital and scope of operations of the company, the name of its legal representative etc.

Where there is a change in the details stated on a business licence, the company shall complete change of registration formalities in accordance with the law and the company registration authorities shall issue a new business licence.

Article 8 Limited liability companies incorporated in accordance with this Law shall include the wordings "limited liability company" or "company limited" in their company name.

Companies limited by shares incorporated in accordance with this Law shall include the wordings "company limited by shares" or "joint stock company" in their company name.

Article 9 A limited liability company proposing to be converted to a company limited by shares shall comply with the requirements for companies limited by shares stipulated in this Law. A company limited by shares proposing to be converted to a limited liability company shall comply with the requirements for limited liability companies stipulated in this Law.

In the case of a conversion from a limited liability company into a company limited shares or vice versa, the liability of the company before the conversion shall be assumed by the converted company.

Article 10 The address of the company shall be its principal business office.

Article 11 A company shall draft its articles of association in accordance with the law. The articles of association of the company shall be binding on the company, shareholders, directors, supervisors and senior management personnel.

Article 12 The scope of operations of a company shall be provided in the articles of association of the company and be registered in accordance with the law. The scope of operations of a company may be amended by a revision to the articles of association of the company, and change of registration formalities shall be completed.

Where it is provided in the laws and administrative regulations that the scope of operations of a company is subject to approval, such approval formalities shall be completed in accordance with the law.

Article 13 The chairman, an executive director or a manager shall act as the legal representative of the company in accordance with the provisions of the articles of association of the company and registration formalities shall be completed in accordance with the law. Where there is a change of legal representative of the company, change of registration formalities shall be completed.

Article 14 Companies may register branch companies. Applications for incorporation of branch companies shall be submitted to the company registration authorities and a business licence shall be issued for successful applications. A branch company does not possess legal person qualification and its civil liability shall be borne by the company.

Companies may incorporate subsidiaries. A subsidiary possesses legal person qualification and shall bear civil liability independently in accordance with the law.

Article 15 A company may invest in other enterprises. However, unless otherwise provided by the law, a company shall not act as a contributory which bears joint liability of an investee enterprise.

Article 16 Where a company invests in other enterprises or provide guarantee for others, a resolution passed by the board of directors or board of shareholders or a general meeting in accordance with the articles of association of the company shall be required. Where the articles of association of the company provide a limit for the total amount of such investment or guarantee or the amount of each investment or guarantee, such limits shall not be exceeded.

In the case of a company providing guarantee for a shareholder or the actual controlling party of the company, a resolution passed by the board of shareholders or a general meeting is required.

Shareholders stipulated in the preceding paragraph or shareholders controlled by the actual controlling party stipulated in the preceding paragraph shall not participate in the resolution in respect of the matter stipulated in the preceding paragraph. Such a resolution shall be passed by a simple majority of votes cast by other shareholders attending the meeting.

Article 17 Companies shall protect the legal rights and interests of their employees, enter into labour contracts with their employees in accordance with the law, participate in social insurance, strengthen labour protection and implement work safety.

Companies shall adopt various measures to strengthen vocational education and job training and upgrade staff's quality.

Article 18 The employees of companies shall organise labour unions in accordance with the provisions of the

Trade Union Law of the People's Republic of China, develop trade union activities and safeguard the legal rights and interests of employees. Companies shall provide the requisite conditions for the activities of their trade unions. A trade union shall represent the employees to negotiate with the company on wages, working hours, welfare, insurance, work safety and sanitation etc and enter into a collective contract with the company in accordance with the law.

Companies shall implement democratic management through employees' representative congress or other means in accordance with the provisions of the Constitution and relevant laws.

A company studying and proposing a structural reform, deliberating on major business issues and drafting important rules and policies shall seek the comments of the trade union and hear the opinions and proposals of the employees through the employees' representative congress or other means.

Article 19 Where a Chinese Communist Party organisation is to be established in the company in accordance with the articles of association of the Chinese Communist Party to develop Party activities, the company shall provide the requisite conditions for such Party organisation activities.

Article 20 Shareholders of a company shall exercise shareholders' rights in accordance with the provisions of laws and administrative regulations and the articles of association of the company and shall not abuse their shareholders' rights to cause damage to the company or the interests of other shareholders or abuse the independent legal person status of the company and limited liability of the shareholders to cause damage to the interests of the creditors of the company.

Shareholders of a company who abuse their shareholders' rights and cause the company or other shareholders to suffer damages shall bear compensation liability in accordance with the law.

Shareholders of a company who abuse the independent legal person status of the company and limited liability of shareholders to evade debts and cause damage to the interests of the creditors of the company shall bear joint liability for the company's debt.

Article 21 The controlling shareholders, actual controlling party, directors, supervisors and senior management personnel of a company shall not use their relationship to cause damage to the company's interests.

Persons who violate the aforesaid provisions and cause the company to suffer losses shall bear compensation liability.

Article 22 A resolution passed by the board of shareholders or a shareholders' meeting or the board of directors which violates the provisions of laws and administrative regulations shall be void.

Where the convening procedures and voting method of a meeting of the board of shareholders or board of directors or a shareholders' meeting violates the provisions of laws and administrative regulations or the articles of association of the company or the contents of the resolution violate the articles of association of the company, the shareholders may apply to a people's court within 60 days from the date of resolution for rescission of the resolution.

Where the shareholders file for a lawsuit in accordance with the provisions of the preceding paragraph, the people's court may, upon a request of the company, ask the shareholders to provide the corresponding guarantee.

Where a company has completed change of registration formalities in accordance with a resolution passed by the board of shareholders or a shareholders' meeting or the board of directors and upon nullification or rescission of the resolution by a people's court, the company shall apply to the company registration authorities for rescission of the change of registration.

CHAPTER II ESTABLISHMENT AND ORGANISATION OF LIMITED LIABILITY COMPANIES

Section 1 Establishment

Article 23 Incorporation of a limited liability companies shall satisfy the following requirements:

(1) the quorum of shareholders shall be met;

(2) the capital contribution subscribed by all its shareholders shall comply with the provisions of the company's articles of association;

(3) the articles of association of the company shall be jointly drafted by the shareholders of the company;

(4) a company name shall exist and the organisation shall satisfy the requirements of a limited liability company; and

(5) a company address shall exist.

Article 24 Limited liability companies shall be incorporated by not more than 50 shareholders contributing to the capital.

Article 25 The articles of association of limited liability companies shall state the following matters:

(1) name and address of the company;

(2) scope of operations of the company;

(3) amount of the registered capital of the company;

(4) name of the shareholders;

(5) method of capital contribution of the shareholders and amount and timing of capital contribution;

(6) the organisation of the company and the method of organisation, duties and powers and rules of procedure;

(7) legal representative of the company; and

(8) other matters required by the shareholders' meeting to be stipulated.

The shareholders shall sign and affix their seal on the articles of association of the company.

Article 26 The registered capital of a limited liability company shall be the amount of capital contribution subscribed by all its shareholders who are registered with the company registration authorities.

Where the laws, administrative regulations and the State Council decisions stipulate otherwise on paid-up registered capital and the minimum amount of registered capital of limited liability companies, such provisions shall prevail.

Article 27 Shareholders may make capital contribution in cash or in kind such as intellectual property, land use rights and other non-cash properties which can be valuated and transferred in accordance with the law, except for properties prohibited by laws and administrative regulations to be used for capital contribution.

Non-cash properties used for capital contribution shall be valuated and verified; and shall not be overvalued or undervalued. Where there are provisions in the laws and administrative regulations on valuation, such provisions shall prevail.

Article 28 The shareholders shall make their respective capital contribution in accordance with the amount of their subscribed capital and the schedule stipulated in the articles of association of the company. Shareholders making capital contribution in cash shall deposit the full amount of their capital contribution in cash into a bank account of the limited liability company. Shareholders making capital contribution using non-cash properties shall complete the transfer formalities for the property rights in accordance with the law.

Shareholders who fail to make capital contribution in accordance with the said provisions shall, in addition to making the capital contribution in full, bear default liability towards other shareholders who have made their capital contributions in full accordance with the schedule.

Article 29 Upon full subscription of capital contribution by the shareholders as stipulated by the company's articles of association, the representative designated by all the shareholders or the agent entrusted by all the shareholders shall submit an application form for company registration, the company's articles of association etc to the company registration authorities to apply for incorporation and registration.

Article 30 Where it is discovered after the incorporation of a limited liability company that the actual value of non-cash properties used for capital contribution for company incorporation is significantly lower than the value stipulated in the articles of association of the company, the shareholders who made the capital contribution shall make up for the difference; and other shareholders at the time of company incorporation shall bear joint liability.

Article 31 Upon incorporation of a limited liability company, a capital contribution certificate shall be issued to the shareholders.

A capital contribution certificate shall state the following matters:

(1) company name;

(2) date of incorporation of the company;

(3) registered capital of the company;

(4) name of the shareholder and the amount and date of capital contribution; and

(5) serial number of the capital contribution certificate and date of issuance.

The company seal shall be affixed to capital contribution certificates.

Article 32 Limited liability companies shall set up a register of shareholders which state the following matters:

(1) name and address of the shareholders;

(2) amount of capital contribution of the shareholders; and

(3) serial numbers of the capital contribution certificates.

Shareholders named in the register of shareholders may exercise their shareholders' rights in accordance with the register of shareholders.

Companies shall register the names of their shareholders and their respective amount of capital contribution with the company registration authorities. Where there is a change in the registration details, change of registration formalities shall be completed. Where the registration or change of registration formalities are not completed, no defence against third party claims shall be made.

Article 33 Shareholders shall have the right to check and make copies of the articles of association, minutes of shareholders' meetings, resolutions of the board of directors and board of supervisors and financial reports of the company.

Shareholders may request to check the accounts of the company. A shareholder who requests to check the accounts of the company shall make a written request and state the purpose. If the company has reasonable grounds to believe that the shareholder who makes the request has an ulterior motive and may cause damage to the legal interests of the company, it may reject the request and shall give a written reply to the shareholder stating the reason within 15 days from the date of the written request of the shareholder. Where the company rejects the request, the shareholder may apply to a people's court for access to the company's accounts.

Article 34 Shareholders shall be entitled to bonus sharing in accordance with the ratio of capital contribution; in the event of an increase in capital, the shareholders shall have pre-emptive right to subscribe to new capital in accordance with the ratio of capital contribution, unless all the shareholders agreed that bonus sharing or subscription to new capital shall not be in accordance with the ratio of capital contribution.

Article 35 Upon the incorporation of a company, the shareholders shall not withdraw their capital contribution.

Section 2 Organisation

Article 36 The board of shareholders of a limited liability company shall comprise all shareholders of the company. The board of shareholders is the authority of the company and shall exercise their duties and powers in accordance with the provisions of this Law.

Article 37 The board of shareholders shall exercise the following duties and powers:

(1) decide on the business direction and investment plans of the company;

(2) elect and remove directors and supervisors who are not representatives of the employees and decide on the remuneration of directors and supervisors;

(3) review and approve reports of the board of directors;

(4) review and approve reports of the supervisors or the board of supervisors;

(5) review and approve the annual financial budget and financial accounting plan of the company;

(6) review and approve the profit distribution plan and loss recovery plan of the company;

(7) resolve on increase or reduction of registered capital of the company;

(8) resolve on issue of corporate bonds;

(9) resolve on merger, division, dissolution, liquidation or change of company structure;

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

(11) other duties and powers stipulated in the articles of association of the company.

The shareholders may pass a resolution in writing unanimously for a direct decision on the aforesaid matters without convening a shareholders' meeting and all the shareholders shall sign and affix their seal on the decision document.

Article 38 The first shareholders' meeting shall be convened and chaired by the shareholder who made the largest amount of capital contribution and shall exercise its duties and powers in accordance with the provisions of this Law.

Article 39 Shareholders' meetings include regular meetings and ad hoc meetings.

Regular meetings shall be convened regularly in accordance with the provisions of the articles of association of the company. Shareholders holding one-tenth or more of the voting rights or one-third or above of the board of directors or board of supervisors or the supervisors (in the case of a company which does not have a board of supervisors) may propose to convene an ad hoc meeting.

Article 40 In the case of limited liability companies which have established a board of directors, the shareholders' meetings shall be convened by the board of directors and chaired by the chairman; where the chairman is unable or fails to perform his/her duties, the deputy chairman shall chair the shareholders' meeting; where the deputy chairman is unable or fails to perform to do so, a director appointed by more than half of the board of directors shall chair the meeting.

In the case of limited liability companies which have not established a board of directors, the shareholders' meetings shall be convened and chaired by the executive director.

Where the board of directors or the executive director is unable or fails to convene a shareholders' meeting, the board of supervisors or the supervisor (in the case of companies which have not established a board of supervisors) shall convene and chair the meeting; where the board of supervisors or the supervisor does not convene and chair a meeting, shareholders holding one-tenth or more of the voting rights may convene and chair the meeting.

Article 41 All shareholders shall be notified 15 days before a shareholders' meeting is convened, unless otherwise provided in the articles of association of the company or otherwise agreed by all shareholders.

The board of shareholders shall record minutes of meeting and the shareholders present at the meeting shall sign on the minutes of meeting.

Article 42 The voting rights exercisable by shareholders at a shareholders' meeting shall be based on the ratio of capital contribution, unless otherwise provided in the articles of association of the company.

Article 43 The rule of procedure and voting procedures of a board of shareholders shall be stipulated by the articles of association of the company, unless otherwise provided in this Law.

Resolutions passed by a shareholders' meeting on amendment to the articles of association of the company, increase or reduction of registered capital, and company merger, division, dissolution or change of company structure shall be passed by shareholders holding two-thirds or more of the voting rights.

Article 44 The board of directors of limited liability companies shall comprise three to 13 members, unless otherwise provided in Article 50.

The board of directors of a limited liability company invested and incorporated by two or more State-owned enterprises or two or more other State-owned investment entities shall comprise employees' representatives; the board of directors of other limited liability companies may comprise employees' representatives. Employees' representatives who sit on the board of directors shall be appointed by company employees via an employees' representative congress or employees' congress or other forms of democratic election.

The board of directors shall appoint one chairman and may appoint a deputy chairman. The appointment of chairman and a deputy chairman shall be stipulated by the articles of association of the company.

Article 45 The term of appointment of a director shall be stipulated by the articles of association of the company, but each term shall not exceed three years.

Upon expiry of the term of appointment, a director may be re-elected. Where no new appointment is made upon expiry of the term of appointment of a director or a director has resigned during his/her term of appointment and causes the number of directors that constitutes the board of directors to fall below the quorum, the original director shall, prior to the new director taking office, continue to perform his/her duties as a director in accordance with the provisions of laws and administrative regulations and the articles of association of the company.

Article 46 The board of directors shall be accountable to the board of shareholders and shall exercise the following duties and powers:

(1) convene shareholders' meetings and report to the board of shareholders;

(2) execute the resolutions passed by the board of shareholders;

(3) decide on the business plans and investment schemes of the company;

(4) formulate the annual financial budget and financial accounting plan of the company;

(5) formulate the profit distribution plan and loss recovery plan of the company;

(6) formulate the plan for increase or reduction of registered capital and issue of corporate bonds;

(7) formulate the plan for merger, division, dissolution or change of company structure;

(8) decide on the set-up of internal management organisation of the company;

(9) decide on appointment or dismissal of company managers and their remuneration, and decide on appointment or dismissal of deputy managers and finance controller of the company based on the nomination by the managers.

(10) formulate the basic management system of the company; and

(11) other duties and powers stipulated by the articles of association of the company.

Article 47 Meetings of the board of directors shall be convened and chaired by the chairman; where the chairman is unable or fails to perform his/her duties, the deputy chairman shall convene and chair the meeting; where the deputy chairman is unable or fails to perform his/her duties, a director appointed by half or more of the board of directors shall convene and chair the meeting.

Article 48 The rules of procedure and voting procedures of the board of directors shall be stipulated by the articles of association of the company, unless otherwise provided in this Law.

The board of directors shall record minutes of meeting and the directors present at the meeting shall sign on the minutes of meeting.

The board of directors shall exercise one vote per person for passing of resolutions.

Article 49 Managers of limited liability companies may be appointed or dismissed by the board of directors. The managers shall be accountable to the board of directors and shall exercise the following duties and powers:

(1) manage the production and business operations of the company and organise and implement resolutions passed by the board of directors;

(2) organise and implement the annual business plan and investment scheme of the company;

(3) draft the plan for setting up of internal management organisation of the company;

(4) draft the basic management system of the company;

(5) formulate company rules and policies;

(6) recommend appointment or dismissal of deputy manager and financial controller of the company;

(7) decide on appointment or dismissal of management staff other than those positions which are to be decided by the board of directors; and

(8) other duties and powers granted by the board of directors.

Where there are provisions in the articles of association of the company on the duties and powers of managers, such provisions shall prevail.

Managers shall attend meetings of the board of directors.

Article 50 Limited liability companies with relatively fewer shareholders or of a relatively smaller scale may appoint an executive director instead of establishing a board of directors. An executive director may hold the post of company manager concurrently.

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

Article 51 The board of supervisors of a limited liability company shall comprise not less than three members. Limited liability companies with relatively fewer shareholders or of a relatively smaller scale may appoint one to two supervisors instead of establishing a board of supervisors.

The board of supervisors shall include shareholders' representatives and an appropriate number of employees' representatives; the ratio of employees' representative therein shall not be less than one-third and such ratio shall be stipulated by the articles of association of the company. Employees' representatives sitting on the board of supervisors shall be appointed by company employees via an employees' representative congress or employees' congress or other forms of democratic election.

The board of supervisors shall appoint a chairman; the chairman shall be elected by more than half of the board of supervisors. The chairman of the board of supervisors shall convene and chair meetings of the board of supervisors; where the chairman of the board of supervisors is unable or fails to perform his/her duties, a supervisor appointed by more than half of the board of supervisors shall convene and chair the meeting(s) of the board of supervisors.

Directors and senior management personnel shall not hold the post of supervisor concurrently.

Article 52 The term of appointment of a supervisor shall be three years. Upon expiry of the term of appointment, a supervisor may be re-elected.

Where no new appointment is made upon expiry of the term of appointment of a supervisor or a supervisor resigns during his/her term of appointment and causes the number of supervisors that constitutes the board of supervisors to

fall below the quorum, the original supervisor shall, prior to the new supervisor taking office, continue to perform his/her duties as a supervisor in accordance with the provisions of laws and administrative regulations and the articles of association of the company.

Article 53 A board of supervisors or a supervisor (in the case of companies which have not established a board of supervisors) shall exercise the following duties and powers:

(1) inspect the company finances;

(2) supervise the performance of duties by directors and senior management personnel and propose to remove a director or senior management personnel who violates the provision of the laws and administrative regulations and the articles of association of the company or the resolutions of the board of shareholders;

(3) require a director or senior management personnel who acts against the interests of the company to make correction;

(4) propose to convene ad hoc shareholders' meeting, convene and chair a shareholders' meeting when the board of directors fails to convene and chair a shareholders' meeting in accordance with the provisions of this Law;

(5) make proposals at shareholders' meetings;

(6) file a lawsuit against a director or senior management personnel in accordance with the provisions of Article 151; and

(7) other duties and powers stipulated in the articles of association of the company.

Article 54 Supervisors may attend meetings of the board of directors and query resolutions of the board of directors or give suggestions.

A board of supervisors or a supervisor (in the case of companies which have not established a board of supervisors) may conduct investigation upon discovering irregularities in the business operations and may appoint an accounting firm etc to assist in the investigation if necessary; such expenses shall be borne by the company.

Article 55 The board of supervisors shall convene at least one meeting every year; a supervisor may propose to convene an ad hoc meeting of the board of supervisors.

The rule of procedures and voting procedures of a board of supervisors shall be stipulated by the articles of association of the company, unless otherwise provided in this Law.

Resolutions of a board of supervisors shall be passed by a simple majority of votes.

The board of supervisors shall record minutes of meeting and the supervisors present at the meeting shall sign on the minutes of meeting.

Article 56 Expenses incurred by a board of supervisors or a supervisor (in the case of companies which have not established a board of supervisors) in exercising their duties and powers 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 organisation of one-person limited liability companies. Where there is no provision in this Section, the provisions of Sections 1 and 2 of this Chapter shall apply.

One-person limited liability companies referred to in this Law shall mean limited liability companies with only one natural person shareholder or one legal person shareholder.

Article 58 A natural person shall invest in a one-person limited liability company only. Such a one-person limited liability company shall not invest in the setting up of a new one-person limited liability company.

Article 59 A one-person limited liability company shall declare in its company registration details whether the company is wholly-funded by a natural person or a legal person and state so in its business licence.

Article 60 The articles of association of one-person limited liability companies shall be formulated by the shareholder.

Article 61 One-person limited liability companies are not required to establish a board of shareholders. The shareholder shall put decisions stipulated in the first paragraph of Article 37 in writing and keep such documents in the company after signing.

Article 62 One-person limited liability companies shall formulate a financial accounting report at each accounting year-end for audit by an accounting firm.

Article 63 A shareholder of a one-person limited liability company who is unable to prove that the company's assets are independent of the shareholder's personal assets shall bear joint liability for the company's debt.

Section 4 Special provisions on State-owned wholly-funded companies

Article 64 The provisions of this Section shall apply to the establishment and organisation of State-owned wholly-funded companies. Where there is no provision in this Section, the provisions of Sections 1 and 2 of this Chapter shall apply.

State-owned wholly-funded companies referred to in this Law shall mean limited liability companies wholly funded by the State and for which the State Council or a local people's government has authorised the State-owned assets supervision and administration authorities of the local people's government to perform the duties of a capital contributory.

Article 65 The articles of association of State-owned wholly-funded companies shall be formulated by the State-owned assets supervision and administration authorities or formulated by the board of directors and submitted to the State-owned assets supervision and administration authorities for approval.

Article 66 In the case of State-owned wholly-funded companies which do not establish a board of shareholders, the State-owned assets supervision and administration authorities shall exercise the duties and powers of the board of shareholders. The State-owned assets supervision and administration authorities may authorise the board of directors to exercise some duties and powers of the board of shareholders and to decide on important matters of the company; however, any merger, division, dissolution, increase or reduction in registered capital and issue of corporate bonds of the company shall be decided by the State-owned assets supervision and administration authorities; a merger, division, dissolution, bankruptcy application of significant State-owned wholly-funded companies shall be examined by the State-owned assets supervision and administration authorities and reported to the people's government of counterpart level.

The aforesaid significant State-owned wholly-funded companies shall be determined in accordance with the provisions of the State Council.

Article 67 The board of directors of State-owned wholly-funded companies shall exercise duties and powers stipulated in Article 46 and Article 66. The term of appointment of directors shall not exceed three years. The board of directors shall comprise employees' representatives.

The board of directors shall be appointed by the State-owned assets supervision and administration authorities; however employees' representatives sitting on the board of directors shall be elected by an employees' representative congress.

The board of directors shall appoint a chairman and may appoint deputy chairmen. The chairman and deputy chairmen shall be appointed by the State-owned assets supervision and administration authorities from members of the board of directors.

Article 68 The managers of State-owned wholly-funded companies shall be appointed or dismissed by the board of directors. The managers shall exercise duties and powers in accordance with the provisions of Article 49.

A director may take the post of manager concurrently with the consent of the State-owned assets supervision and administration authorities.

Article 69 The chairman, deputy chairmen, directors and senior management personnel of State-owned wholly-funded companies shall not hold a post concurrently in other limited liability companies, companies limited by shares or economic organisations without the consent of the State-owned assets supervision and administration authorities.

Article 70 The board of supervisors of State-owned wholly-funded companies shall comprise not less than five members; the ratio of employees' representatives shall not be less than one-third. The ratio shall be stipulated by the articles of association of the company.

The board of supervisors shall be appointed by the State-owned assets supervision and administration authorities; however, employees' representatives sitting on the board of supervisors shall be elected by an employees' representative congress. The chairman of the board of supervisors shall be appointed by the State-owned assets supervision and administration authorities from members of the board of supervisors.

The board of supervisors shall exercise the duties and powers stipulated in item (1) to item (3) of Article 53 and other duties and powers stipulated by the State Council.

CHAPTER III SHARE TRANSFERS OF LIMITED LIABILITY COMPANIES

Article 71 The shareholders of a limited liability company may transfer all or part of their equity interests among themselves.

A shareholder proposing to transfer its equity interests to a non-shareholder shall obtain the consent of more than half of the other shareholders. The shareholder shall inform the other shareholders of the proposed equity transfer in writing and seek their consent. Failure to reply within 30 days from receipt of the written notice shall be deemed as consent to the proposed transfer. Where more than half of the other shareholders do not consent to the proposed transfer, the non-consenting shareholders shall acquire such equity interests, failing which they shall be deemed to have consented to the proposed transfer.

Where the shareholders consent to the proposed transfer, the other shareholders shall have pre-emptive right to acquire such equity interests on similar terms. Where two or more shareholders intend to exercise their pre-emptive rights, they shall negotiate and determine the acquisition ratio. Where the negotiation fails, the shareholders shall exercise their pre-emptive rights based on the ratio of capital contribution at the time of the proposed transfer.

Where there are provisions in the articles of association of the company for transfer of equity interests, such provisions shall prevail.

Article 72 A people's court handling transfer of equity interests of a shareholder in accordance with the enforcement procedures stipulated by the laws shall inform the company and all its shareholders; the other shareholders shall have pre-emptive rights to acquire such equity interests on similar terms. Failure to exercise pre-emptive rights within 20 days from receipt of the notice of the people's court shall be deemed as a forfeiture of pre-emptive rights by the other shareholders.

Article 73 Following a transfer of equity interests in accordance with the provisions of Article 71 and Article 72, the company shall cancel the capital contribution certificate of the original shareholder, issue a new capital contribution certificate to the new shareholder(s) and make corresponding amendments to the articles of association of the company and the records of shareholders and their amount of capital contribution in the register of shareholders. Such amendment to the articles of association of the company shall not require a resolution of the board of shareholders.

Article 74 Under any of the following circumstances, shareholders who cast an opposing vote to a resolution passed by the board of shareholders may request that the company acquire their equity interests based on a reasonable price:

(1) the company has not made a profit distribution to the shareholders for five consecutive years although the company has been profitable for those five consecutive years and satisfy profit distribution requirements stipulated in this Law;

(2) merger, division and transfer of main assets of the company; or

(3) expiry of the term of business operations stipulated in the articles of association of the company or the occurrence of a trigger event for dissolution stipulated in the articles of association or the passing of a resolution by a shareholders' meeting to amend the articles of association for subsistence of the company.

Where the shareholders fail to conclude an agreement for acquisition of equity interests within 60 days from the date of the resolution by the shareholders' meeting, the shareholders may file a lawsuit with a people's court within 90 days from the date of the resolution of the shareholders' meeting.

Article 75 Upon the death of a natural person successor, the lawful successor of a natural person shareholder may succeed the shareholder's qualifications, unless otherwise provided by the articles of association of the company.

CHAPTER IV ESTABLISHMENT AND ORGANISATION OF COMPANIES LIMITED BY SHARES

Section 1 Establishment

Article 76 Establishment of companies limited by shares shall satisfy the following requirements:

(1) the number of promoters satisfies the quorum;

(2) the total share capital subscribed by all the promoters or the paid-up total share capital raised by all the promoters shall comply with the provisions of the company's articles of association;

(3) share issues and preparatory matters satisfy the provisions of the law;

(4) the articles of association of the company shall be formulated by the promoters and shall be adopted by the founding meeting if the company is established by a share float method;

(5) a company name shall exist and the organisation shall satisfy the requirements of a company limited by shares; and

(6) a company address shall exist.

Article 77 Establishment of a company limited by shares may adopt the promotion method or share float method.

Establishment by promotion shall mean that the promoters set up a company by subscribing to the entire share capital of the company.

Establishment by share float shall mean that the promoters establish a company by subscribing to a part of the shares to be issued by the company and offering the remaining shares to the public or to specific targets.

Article 78 The number of promoters required for the establishment of a company limited by shares shall be more than two but less than 200 and half of the promoters shall have a domicile in China.

Article 79 The promoters of a company limited by shares shall handle the preparatory matters of the company.

The promoters shall enter into a promoters' agreement to specify their respective rights and obligations in the process of establishment of the company.

Article 80 The registered capital of a company limited by shares established by promotion shall be the total share capital subscribed by all the promoters as registered with the company registration authorities. Prior to the capital subscribed by the promoters being paid up, the company shall not offer shares to others.

The registered capital of a company limited by shares established by share float shall be the actual paid-up capital at the time of registration with the company registration authorities.

Where the laws and administrative regulations stipulate otherwise on paid up registered capital and the amount of minimum registered capital for companies limited by shares, such provisions shall prevail.

Article 81 The articles of association of companies limited by shares shall state the following matters:

(1) name and address of the company;

(2) scope of operations of the company;

(3) the method of establishment of the company;

(4) total number of shares of the company, par value of each share and amount of the registered capital;

(5) names of the promoters, number of shares subscribed to, and method and timing of capital contribution;

(6) composition of the board of directors, duties and powers and rules of procedure;

(7) legal representative of the company;

(8) composition of the board of supervisors, duties and powers and rules of procedure;

(9) profit distribution method of the company;

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

(11) company notices and announcement method; and

(12) other matters required by the board of shareholders to be stipulated.

Article 82 The provisions of Article 27 shall apply to the methods of capital contribution by promoters.

Article 83 The promoters of a company limited by shares established by promotion shall subscribe in writing to the number of shares stipulated by the articles of association of the company. In the case of capital contributions to be made in non-cash assets, the formalities for transfer of property rights shall be completed in accordance with the provisions of the law.

Promoters who fail to make capital contribution in accordance with the provisions of the preceding paragraph shall bear default liability in accordance with the provisions of the promoters' agreement.

Upon capital contribution fully subscribed by the promoters as stipulated in the company's articles of association, the board of directors and board of supervisors shall be elected, the board of directors shall submit the company's articles of association and other documents stipulated by the laws and administrative regulations to the company registration authorities to apply for incorporation and registration.

Article 84 The shares subscribed by the promoters of a company limited by shares established by share float shall not be less than 35% of the share capital of the company, unless otherwise provided in the laws and administrative regulations.

Article 85 Promoters shall make an announcement of the prospectus for a share offering to the public and prepare a subscription form. The subscription form shall state the items stipulated in Article 86 for the subscriber to fill in the number of shares subscribed, monetary amount and address; the subscriber shall sign and affix seal on the subscription form. The subscriber shall make payment based on the number of shares subscribed.

Article 86 The prospectus shall include the articles of association of the company formulated by the promoters and state the following matters:

(1) number of shares subscribed by the promoters;

(2) par value of each share and the issue price;

(3) total number of bearer shares to be issued;

(4) usage of the funds raised;

(5) rights and obligations of a subscriber; and

(6) a statement stating the commencement and cut-off date for the share offering and that where the shares are not fully subscribed by the cut-off date, the subscribers may withdraw their subscription.

A share offering by the promoters to the public shall be underwritten by a securities company established in accordance with the law and an underwriting agreement shall be entered into.

Article 88 Promoters offering shares to the public shall enter into a custodial agreement with a receiving bank.

The receiving bank shall collect payments from the subscribers on behalf of the issuer in accordance with the agreement and issue receipts to the subscribers who have made payments, and shall have the obligation to show proof of collection to the relevant authorities.

Article 89 Upon the issued share capital being fully paid up, a capital verification organisation established in accordance with the law shall conduct a capital verification and issue a certificate. The promoters shall convene the founding meeting within 30 days from the date on which the share capital is fully paid up. The founding meeting shall be constituted by the subscribers.

Where the issued share capital is not fully subscribed by the cut-off date stipulated in the prospectus or the promoters fail to convene the founding meeting within 30 days following the issued share capital being fully paid up, the subscribers may demand from the promoters a refund of the payment and bank deposit interest for the same period.

Article 90 The promoters shall give notice to all subscribers 15 days in advance of the date of the founding meeting or make an announcement. The quorum of the founding meeting shall be promoters and subscribers holding more than half of the total number of shares.

The founding meeting shall exercise the following duties and powers:

(1) review the report of promoters on preparatory status of the company;

(2) adopt the articles of association of the company;

(3) elect members of the board of directors;

(4) elect members of the board of supervisors;

(5) review the setting up expenses of the company;

(6) review the consideration of the assets used for capital contribution by the promoters;

(7) in the event of a force majeure event or a significant change in the business conditions which bears a direct influence on the establishment of the company, a resolution to halt the incorporation of the company may be made.

A resolution of the founding meeting on any of the matters stipulated in the aforesaid paragraph shall be passed by a simple majority of votes held by the subscribers.

Article 91 The promoters and subscribers shall not withdraw their share capital after they have made their capital contribution, except where the shares are not fully subscribed by the deadline or the promoters fail to convene the founding meeting or the founding meeting passed a resolution on halting the incorporation of the company.

Article 92 The board of directors shall submit the following documents to the company registration authorities within 30 days from conclusion of the founding meeting to apply for incorporation and registration:

(1) application form for company registration;

(2) minutes of the founding meeting;

(3) articles of association of the company;

(4) capital verification certificate;

(5) letter of appointment for the legal representative, directors and supervisors and their identity documents;

(6) legal person certificate or identity document of the promoters; and

(7) certificate of company address.

A company limited by shares established by share float shall submit the approval document issued by the securities regulatory authorities of the State Council to the company registration authorities if it proposes to offer shares to the public.

Article 93 Promoters of a company limited by shares who fail to make full capital contribution in accordance with the provisions of the articles of association of the company shall make up for the payment; other promoters shall bear joint liability.

Where it is discovered after the incorporation of a company limited by shares that the actual value of non-cash assets used for capital contribution for the incorporation is significantly lower than the amount stated in the articles of association of the company, the promoter who made the capital contribution shall make up for the difference; other promoters shall bear joint liability.

Article 94 The promoters of companies limited by shares shall:

(1) bear the debts and expenses incurred for the incorporation in the event that the incorporation is unsuccessful; and

(2) bear joint liability for refund of the payments made by the subscribers and bank deposit interest for the same period in the event that the incorporation is unsuccessful;

(3) compensate the company for damages incurred by the company in the course of incorporation due to the fault of the promoters.

Article 95 In the case of a conversion from a limited liability company into a company limited by shares, the total amount of converted paid-up capital shall not exceed the net asset value of the company. A share offering by a company limited by shares converted from a limited liability company for the purpose of an increase in capital shall be handled in accordance with the provisions of the law.

Article 96 Companies limited by shares shall keep the articles of association of the company, register of shareholders, corporate bonds counterfoil book, minutes of meetings of the board of shareholders, minutes of meetings of the board of directors, minutes of meetings of the board of supervisors and financial reports at the company.

Article 97 Shareholders shall have the right to inspect the articles of association of the company, register of shareholders, corporate bonds counterfoil book, minutes of meetings of the board of shareholders, resolutions of the board of directors, resolutions of the board of supervisors and finance reports and may give suggestions on or query the operations of the company.

Section 2 Shareholders' General Meetings

Article 98 A shareholders' general meeting of a company limited by shares shall be constituted by all the shareholders; the shareholders' general meeting shall be the authority of the company and shall exercise duties and powers in accordance with the provisions of this Law.

Article 99 The provisions of the first paragraph of Article 37 on the duties and powers of the board of shareholders of limited liability companies shall apply to shareholders' general meetings of companies limited by shares.

Article 100 A shareholders' general meeting shall be convened once every year. A shareholders' general meeting shall be convened within two months of any of the following events:

(1) the number of directors falls below two-thirds of the quorum stipulated in this Law or articles of association of the company;

(2) the losses of the company which have not been made good equal one-third of the paid-up capital of the company;

(3) requisition of a shareholders' general meeting by a shareholder who holds 10% or more of the company's shares or several shareholders who hold 10% or more of the company's shares jointly;

(4) the board of directors deems it necessary to convene a shareholders' general meeting;

(5) the board of supervisors proposes to convene a shareholders' general meeting; or

(6) other events stipulated by the articles of association of the company.

Article 101 Shareholders' general meetings shall be convened by the board of directors and chaired by the chairman; where the chairman is unable or fails to perform his/her duties, the deputy chairman shall chair the meeting; where the deputy chairman is unable or fails to perform his/her duties, a director appointed by more than half of the board of directors shall chair the meeting.

Where the board of directors is unable to or fails to convene a shareholders' general meeting, the board of

supervisors shall convene and chair a meeting promptly; where the board of supervisors fails to convene and chair the meeting, a shareholder who holds 10% or more of the shares of the company or several shareholders who hold 10% or more of the shares of the company jointly for 90 days or more consecutively may convene and chair the meeting.

Article 102 All the shareholders shall be informed in writing 20 days in advance of a shareholders' general meeting of the date and venue of meeting and the agenda. All the shareholders shall be informed 15 days in advance of an extraordinary general meeting; where the agenda includes an issue of bearer shares, a notice of the meeting stating the date and venue of the meeting and the agenda shall be given 30 days in advance.

A shareholder who holds 3% or more of the shares of the company or several shareholders who hold 30% or more of the shares of the company jointly may submit a written proposal of an agenda item ten days before a shareholders' general meeting to the board of directors; the board of directors shall inform other shareholders of the proposal within two days from receipt of the proposal and table the proposal at the shareholders' general meeting for review. The contents of the proposed agenda item shall be within the scope of duties and powers of the shareholders' general meeting and shall contain a specific topic and specific resolution.

The shareholders' general meeting shall not resolve on matters which are not set out in the notice of meeting stipulated in the two preceding paragraphs.

Holders of bearer shares attending a shareholders' general meeting shall deposit their share certificates with the company from five days before the meeting to the conclusion of the shareholders' general meeting.

Article 103 Shareholders attending a shareholders' general meeting shall exercise one vote per share. Company shares held by the company shall not carry voting rights.

Resolutions of a shareholders' general meeting shall be passed by a simple majority of votes cast by shareholders present at the meeting. Resolutions of a shareholders' general meeting on amendment to the articles of association of the company, increase or reduction in registered capital, merger, division, dissolution or change of company structure shall be passed by two-thirds majority of votes cast by shareholders present at the meeting.

Article 104 Where the provisions of this Law and the articles of association of the company require a resolution of the shareholders' general meeting for the transfer of major assets to others or vice versa or provision of guarantee to external parties etc, the board of directors shall convene a shareholders' general meeting promptly for the passing of a resolution on the aforesaid matter.

Article 105 A cumulative voting system may be implemented for the election of directors and supervisors at a shareholders' general meeting in accordance with the provisions of the articles of association of the company or a resolution of the shareholders' general meeting.

The cumulative voting system referred to in this Law shall mean that the voting rights carried by each share shall correspond to the number of directors or supervisors to be elected and the shareholders may use their voting rights collectively for election of directors or supervisors at a shareholders' general meeting.

Article 106 Shareholders may appoint their proxies to attend a shareholders' general meeting; the proxies shall submit a power of attorney to the company and exercise the voting rights within the scope of authorisation.

Article 107 Minutes of shareholders' general meetings shall be recorded and signed by the chairman and directors who attended the meeting. The minutes of meetings shall be kept together with the record of shareholders' signatures and copies of power of attorney.

Section 3 Board of Directors and Managers

Article 108 The board of directors of companies limited by shares shall comprise five to 19 members.

The board of directors may comprise employees' representatives. Employees' representatives who sit on the board of directors shall be appointed by company employees via an employees' representative congress or employees' congress or other forms of democratic election.

The provisions of Article 45 on the term of appointment of directors of limited liability companies shall apply to directors of companies limited by shares.

The provisions of Article 46 on duties and powers of the board of directors of limited liability companies shall apply to the board of directors of companies limited by shares.

Article 109 The board of directors shall appoint a chairman and may appoint a deputy chairman. The chairman and a deputy chairman shall be elected by a simple majority of votes cast by all the directors.

The chairman shall convene and chair meetings of the board of directors, check the status of implementation of resolutions of the board of directors. The a deputy chairman shall assist the chairman to perform his/her duties; where the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform the duties; where the deputy chairman is unable or fails to perform the duties, a director appointed by more than half of the board of directors shall perform the duties.

Article 110 The board of directors shall convene at least two meetings every year. All the directors and supervisors

shall be informed of the meeting ten days before a meeting.

Shareholders holding one-tenth or more of the voting rights or one-third or more of the board of directors or board of supervisors may propose to convene an ad hoc meeting of the board of directors. The chairman shall convene and chair a meeting of the board of directors within ten days from receipt of the proposal.

The board of directors may determine the method and period of notice in the case of an ad hoc meeting convened by the board of directors.

Article 111 A meeting of board of directors shall be constituted by more than half of the board of directors. Resolutions of the board of directors shall be passed by a simple majority of votes cast by all the directors.

Each director shall have one vote for each resolution of the board of directors.

Article 112 Directors shall attend meetings of the board of directors in person; a director who is unable to attend a meeting may issue a power of attorney to appoint another director to attend the meeting on his behalf; the power of attorney shall state the scope of authorisation.

Minutes of meetings of the board of directors shall be recorded and signed by the directors who attended the meeting.

The directors shall be liable for resolutions of the board of directors. Where a resolution of the board of directors violates the provisions of laws and administrative regulations or the articles of association of the company or a resolution of the shareholders' general meeting and causes the company to suffer serious damages, directors who participated in the resolution shall bear compensation liability towards the company; a director who can prove that he/she has objected to the resolution and such objection is recorded in the minutes of meeting, the liability of the director may be waived.

Article 113 Managers of companies limited by shares may be appointed or dismissed by the board of directors.

The provisions of Article 49 on duties and powers of the managers of limited liability companies shall apply to the managers of companies limited by shares.

Article 114 The board of directors may appoint a director to take the post of manager concurrently.

Article 115 A company shall not provide loans to its directors, supervisors or senior management personnel directly or through its subsidiaries.

Article 116 Companies shall disclose information on remuneration of directors, supervisors and senior management personnel to their shareholders regularly.

Section 4 Board of Supervisors

Article 117 Companies limited by shares shall establish a board of supervisors comprising not less than three members.

The board of supervisors shall include shareholders' representatives and an appropriate number of employees' representatives; the ratio of employees' representative therein shall not be less than one-third and such ratio shall be stipulated by the articles of association of the company. Employees' representatives sitting on the board of supervisors shall be appointed by company employees via an employees' representative congress or employees' congress or other forms of democratic election.

The board of supervisors shall appoint a chairman and may appoint a deputy chairman. The chairman and deputy chairman of the board of supervisors shall be elected by more than half of the board of supervisors. The chairman of the board of supervisors shall convene and chair meetings of the board of supervisors; where the chairman of the board of supervisors is unable or fails to perform his/her duties, the deputy chairman of the board of supervisors shall convene and chair meetings of the board of supervisors; where the deputy chairman of the board of supervisors is unable or fails to perform his/her duties, a supervisor appointed by more than half of the board of supervisors shall convene and chair the meetings of the board of supervisors.

Directors and senior management personnel shall not take the post of supervisor concurrently.

The provisions of Article 52 on the term of appointment of supervisors of limited liability companies shall apply to the supervisors of companies limited by shares.

Article 118 The provisions of Article 53 and Article 54 on duties and powers of the board of supervisors of limited liability companies shall apply to the board of supervisors of companies limited by shares.

Expenses incurred by the board of supervisors in the exercising of duties and powers shall be borne by the company.

Article 119 The board of supervisors shall convene at least one meeting every six months. A supervisor may propose to convene an ad hoc meeting of the board of supervisors.

The rules of procedure and voting procedures of the board of supervisors shall be stipulated by the articles of

association of the company, unless otherwise provided in this Law.

Resolutions of the board of supervisors shall be passed by a simple majority.

Minutes of meetings of the board of supervisors shall be recorded and signed by the supervisors who attended the meeting.

Section 5 Special Provisions on Organisation of Listed Companies

Article 120 Listed companies referred to in this Law shall mean companies limited by shares whose shares are listed and traded on a stock exchange.

Article 121 Where a listed company acquired or sold major assets or provided guarantee amount(s) which exceeds 30% or more of its assets, a resolution of the shareholders' general meeting passed by a two-third majority of shareholders who attended the meeting shall be required.

Listed companies shall appoint independent directors; the specific measures shall be provided by the State Council.

Article 123 Listed companies shall appoint a board secretary to be responsible for preparation of meetings of the board of shareholders and board of directors, keeping of documents, management of shareholders' information and handling of information disclosure etc.

Article 124 The board of directors and directors of a listed company shall abstain from voting on a resolution or vote on behalf of another director if they are an interested party in the resolution matter. The meeting of the board of directors may be constituted by more than half of those directors who are not a related party; the resolution of the board of directors shall be passed by a simple majority of votes cast by directors who are not a related party. Where the number of directors who are not a related party is less than 3, the matter shall be submitted to the board of shareholders of the listed company for review.

CHAPTER V SHARE ISSUES AND SHARE TRANSFERS OF COMPANIES LIMITED BY SHARES

Section 1 Share Issues

Article 125 The capital of a company limited by shares is divided into shares of equal par value.

Shares of the companies shall be in script form. Share certificates shall be the proof issued by a company for the shares held by the shareholders.

Article 126 Share issues shall comply with the principles of fairness and equity. Shares of the same type shall rank pari passu.

The terms and price shall be the same for all shares of the same type in a share issue. An organisation or individual shall pay the same price for each share subscribed.

Article 127 Shares may be issued at the par value or at a premium but shall not be issued below par value.

Article 128 Shares shall be issued in script form or other forms stipulated by the securities regulatory authorities of the State Council.

A share certificate shall state the following:

(1) name of the company;

(2) date of incorporation of the company;

(3) type of shares, par value and number of shares; and

(4) serial number of the share certificate.

Share certificates shall be signed by the legal representative and affixed with the company seal.

Share certificates for promoter's shares shall state the wordings "promoter's shares".

Article 129 Shares issued by a company may be in the form of registered shares or bearer shares.

Shares issued by a company to promoters or legal persons shall take the form of registered shares and the share certificates shall state the name of the promoter or legal person and shall not state another name or the name of a representative.

Article 130 Companies issuing registered shares shall keep a register of shareholders which records the following:

(1) name and address of the shareholder;

(2) number of shares held by each shareholder;

(3) serial number of the share certificate of each shareholder; and

(4) date of acquisition of shares of each shareholder.

Companies issuing bearer shares shall record the number of shares, serial number of share certificates and date of issue.

Article 131 The State Council may formulate separate regulations on companies issuing other types of shares which are not provided in this Law.

Article 132 A company limited by shares shall deliver share certificates to their shareholders upon its incorporation. A company shall not deliver share certificates to its shareholders prior to its incorporation.

Article 133 A resolution on the following matters shall be passed in accordance with the provisions of the articles of association of the company for issue of new shares:

(1) type and number of new shares;

(2) issue price of new shares;

(3) date of commencement and cut-off date for issue of new shares; and

(4) type and number of new shares issued to existing shareholders.

Article 134 Companies approved by the securities regulatory authorities of the State Council to issue new shares shall announce the prospectus of the new shares and financial report and prepare a subscription form.

The provisions of Article 87 and 88 shall apply to issue of new shares.

Article 135 A company may determine the pricing scheme in accordance with its business and financial status for issue of new shares.

Article 136 A company shall complete change of registration formalities with the company registration authorities and make an announcement after all the new shares issued being are fully subscribed.

Section 2 Share Transfers

Article 137 Shareholders may transfer their shares in accordance with the provisions of the law.

Article 138 Share transfers by shareholders shall be carried out at a stock exchange established in accordance with the law or via other methods stipulated by the State Council.

Article 139 Transfer of registered shares shall be made by shareholders by way of endorsement or other methods stipulated by laws and administrative regulations; the company shall record the name and address of the transferee in the register of shareholders upon the transfer.

Alteration of records in the register of shareholders shall not be made within 20 days before the convening of a shareholders' general meeting or within five days from the record date for determination of dividend distribution by the company. Where the law provides otherwise for alteration of records in the register of shareholders of listed companies, such provisions shall prevail.

Article 140 Transfer of bearer shares shall take effect upon delivery of the share certificate by the shareholder to the transferee.

Article 141 Shares held by promoters shall not be transferred within one year from the date of incorporation of the company. Shares issued by the company before the share offering shall not be transferred within one year from the date on which the shares of the company are listed on a stock exchange.

Directors, supervisors and senior management personnel of a company shall declare their shareholding in the company and changes in such shareholding to the company; and shall not transfer more than 25% of their shareholding in the company during their term of appointment or transfer their shares within one year from the date on which the shares of the company are listed on a stock exchange. The aforesaid persons shall not transfer their shares in the company within half a year after leaving their post. The articles of association of the company may make restrictive provisions on transfer of shares of the company held by directors, supervisors and senior management personnel.

Article 142 Companies shall not make a share buyback, except under any of the following circumstances:

(1) reduction of registered capital of the company;

(2) merger with another company which holds shares of the company;

(3) distribution of shares to employees as an incentive; and

(4) request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of

the company for the company to acquire their shares.

A resolution of a shareholders' general meeting is required for a share buyback by a company under any of the circumstances stipulated in item (1) to item (3) above. The shares acquired under a share buyback made under the circumstances stipulated in item (1) shall be cancelled within ten days from the date of acquisition of the shares; the shares shall be transferred or cancelled within six months if the share buyback is made under the circumstances stipulated in item (2) and item (4).

The shares acquired under a share buyback made by a company in accordance with the provisions of item (3) shall not exceed 5% of the issued share capital; funds used for the acquisition shall be paid out from the post-tax profit of the company; the acquired shares shall be transferred to employees within one year.

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

Article 143 A shareholder whose registered shares are stolen, lost or extinguished may request, pursuant to the announcement and assertion of claim procedures stipulated in the Civil Litigation Law of the People's Republic of China for a people's court to declare the shares invalid. Upon declaration of the shares by the people's court to be void, the shareholder may apply for issue of replacement shares.

Article 144 Shares of listed companies shall be listed and traded in accordance with the provisions of the relevant laws and administrative regulations and stock exchange rules.

Article 145 Listed companies shall announce information on their financial status, business status and any major lawsuit in accordance with the provisions of laws and administrative regulations and announce half-year financial reports.

CHAPTER VI QUALIFICATIONS AND OBLIGATIONS OF COMPANY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

Article 146 The following persons shall not act as a director, supervisor or senior management personnel:

(1) a person who has no civil capacity or who has limited civil capacity;

(2) a person who has been convicted for corruption, bribery, conversion of property or disruption of the order of socialist market economy and a five-year period has not lapsed since expiry of the execution period or a person who has been stripped of political rights for being convicted of a crime and a five-year period has not lapsed since expiry of the execution period;

(3) a person who acted as a director, factory manager, manager in a company which has been declared bankrupt or liquidated and who is personally accountable for the bankruptcy or liquidation of the company; and a three-year period has not lapsed since the completion of bankruptcy or liquidation of such company;

(4) a person who has acted as a legal representative of a company which has its business licence revoked or being ordered to close down for a breach of law and who is personally accountable, and a three-year period has not lapsed since the revocation of the business licence of such company; and

(5) a person who is unable to repay a relatively large amount of personal debts. Where the election or appointment of a director, supervisor or senior management personnel is in violation of the aforesaid provisions, such election or appointment shall be void. In the event of the circumstances stipulated in (1) above during the term of appointment of a director, supervisor or senior management personnel, the company shall remove the director, supervisor or senior management personnel.

Election or appointment of a director, supervisor or senior management staff which violates the aforesaid provisions shall be void.

A director, supervisor or senior management staff who encounters the circumstance set out in the first paragraph of this Article shall be terminated by the company.

Article 147 Directors, supervisors and senior management personnel shall comply with the provisions of laws and administrative regulations and the articles of association of the company and bear fiduciary duties towards the company.

Directors, supervisors and senior management personnel shall not abuse their duties and rights to receive bribes or other illegal income and shall not convert company assets.

Article 148 A director or senior management personnel shall not:

(1) misappropriate company funds;

(2) deposit company funds in a bank account opened in his/her name or in the name of others;

(3) use of company funds to make loans to others or provide guarantee for others without the consent of the board of

shareholders, a shareholders' general meeting or the board of directors and in violation of the provisions of the articles of association of the company;

(4) enter into contracts with the company or carry out transactions with the company in violation of the provisions of the articles of association of the company or without the consent of the board of shareholders or a shareholders' general meeting;

(5) abuse his/her duties and powers to seize commercial opportunities of the company for himself/herself or others or engage in similar business as the company's on his/her own or with others without the consent of the board of shareholders or a shareholders' general meeting;

(6) pocket the commissions for transactions between the company and other parties;

(7) disclose company secrets arbitrarily; and

(8) do any other act which violates his/her fiduciary duties towards the company.

Income received by directors and senior management personnel in violation of the aforesaid provisions shall belong to the company.

Article 149 A director, supervisor or senior management personnel who violates the provisions of laws and administrative regulations or the articles of association of the company in his/her performance of duties and powers and causing the company to suffer damages shall bear compensation liability.

Article 150 Where the board of shareholders or a shareholders' general meeting requires a director, supervisor or senior management personnel to attend a meeting, the director, supervisor or senior management personnel shall attend the meeting and answer the queries of the shareholders.

Directors or senior management personnel shall provide the relevant information and data truthfully to the board of supervisors or the supervisor (in the case of a limited liability company which has not established a board of supervisors) and shall not obstruct the exercising of powers and performance of duties by the board of supervisors or the supervisor.

Article 151 In the event of circumstances stipulated in Article 149 involving a director or senior management personnel, a shareholder or a group of shareholders of a limited liability company or a company limited by shares holding 1% or more of shares in the company for 180 days consecutively may submit a request in writing to the board of supervisors or the supervisor (in the case of a limited liability company which has not established a board of supervisors) to file a lawsuit with a people's court; Under any of the circumstances stipulated in Article 149 involving a supervisor, the aforesaid shareholder(s) may submit a request in writing to the board of directors or the executive director (in the case of a limited liability company which have not established a board of directors) to file a lawsuit with a people's court.

Where the board of supervisors or the supervisor (in the case of a limited liability company which has not established a board of supervisors) or the board of directors or the executive director refuses to file a lawsuit pursuant to the written request of the shareholder(s) or fails to file a lawsuit within 30 days from receipt of the request or where the circumstances are urgent and the company will suffer irrecoverable losses if a lawsuit is not filed forthwith, the aforesaid shareholder(s) shall have the right to file a lawsuit with a people's court directly in their own name to protect the interests of the company.

In the event of an infringement of the legal interests of the company by others which causes the company to suffer damages, shareholders mentioned in the first paragraph of this article may file a lawsuit with a people's court in accordance with the provisions of the aforesaid paragraphs.

Article 152 In the event that a director or senior management personnel violates the provisions of the laws and administrative regulations or the articles of association of the company and infringes upon the interests of the shareholders, the shareholders may file a lawsuit with a people's court.

CHAPTER VII CORPORATE BONDS

Article 153 Corporate bonds referred to in this Law shall mean priced securities issued by companies in accordance with statutory procedures for which the issuer agrees to pay principal and interest to the holders within a stipulated period.

Issue of corporate bonds shall satisfy the issue requirements stipulated in the Securities Law of the People's Republic of China.

Article 154 The method of offering of corporate bonds shall be announced upon approval of the application for issue of corporate bonds by the authorised department of the State Council.

The method of offering of corporate bonds shall state the following matters:

(1) name of the company;

(2) usage of the funds raised;

(3) issue size and par value;

(4) how the coupon rate is determined;

(5) period and method of principal repayment and interest payment;

(6) guarantee for the issue;

(7) issue price and time limit of the issue;

(8) net assets of the company;

(9) total amount of outstanding bonds previously issued; and

(10) underwriter of the issue.

Article 155 Corporate bond certificates shall state the name of the company, par value of the bond, coupon rate, repayment schedule etc and shall be signed by the legal representative and affixed with the company seal.

Article 156 Corporate bonds may take the form of registered bonds or bearer bonds.

Article 157 Companies shall keep a corporate bond counterfoil book.

The following matters shall be stated in the corporate bond counterfoil book for an issue of registered bonds:

(1) name and address of bondholder;

(2) date of acquisition of the bonds and serial number of the corporate bond certificate;

(3) total amount of bonds, par value of the bonds, coupon rate, method and period of principal repayment and interest payment; and

(4) date of issue.

The corporate bond counterfoil record book for bearer bonds shall state the total amount of bonds, coupon rate, schedule and method of repayment, date of issue and serial numbers of the bond certificates.

Article 158 Registration and settlement organisations for registered bonds shall establish the relevant systems for bond registration, custodian, interest payment and redemption etc.

Article 159 Corporate bonds shall be transferable and the transfer price shall be agreed between the transferor and the transferee.

Trading of corporate bonds on a stock exchange shall comply with the trading rules of the stock exchange.

Article 160 Registered bonds shall be transferred by way of endorsement by the bondholder or other methods stipulated by the laws and administrative regulations. Upon completion of the transfer, the company shall record the name and address of the transferee in the corporate bond counterfoil record book.

Transfer of bearer bonds shall take effect upon delivery of the bond by the bondholder to the transferee.

Article 161 A shareholders' general meeting of a listed company may pass a resolution on issuance of convertible corporate bonds and stipulate the method of conversion in the prospectus of the bond issue. Listed companies issuing convertible corporate bonds shall obtain the approval of the securities regulatory authorities of the State Council.

The corporate bond certificates for convertible corporate bonds shall state the wordings "convertible corporate bonds" and the balance of convertible corporate bonds shall be recorded in the corporate bond counterfoil record book.

Article 162 Companies which have issued convertible corporate bonds shall convert such corporate bonds into shares for the bondholders in accordance with the method of conversion; however the bondholders shall have the right to opt for conversion of such corporate bonds into shares or not to convert.

CHAPTER VIII FINANCE AND ACCOUNTING OF COMPANIES

Article 163 Companies shall establish their finance and accounting system in accordance with the provisions of the laws and administrative regulations and the rules of the finance authorities of the State Council.

Article 164 Companies shall prepare financial accounting reports at the end of each accounting year and such financial accounting reports shall be audited by an accounting firm in accordance with the provisions of the law.

Preparation of financial accounting reports shall comply with the provisions of the laws and administrative regulations and the rules of the finance authorities of the State Council.

Article 165 Limited liability companies shall deliver their financial accounting reports to all shareholders by the deadline stipulated in the articles of association of the company.

The financial accounting reports of a company limited by shares shall be made available at the company at least 20 days before the date of the annual general meeting for inspection by the shareholders; companies limited by shares which have made public offering of shares shall announce their financial accounting reports.

Article 166 Companies shall contribute 10% of the profits into their statutory surplus reserve upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital.

Where the balance of the statutory surplus reserve of a company is insufficient to make good its losses in the previous year, the company shall make good such losses using its profits of the current year before making contribution to the statutory surplus reserve in accordance with the provisions of the preceding paragraph.

Upon contribution to the statutory surplus reserve using its post-tax profits, a company may make further contribution to the surplus reserve using its post-tax profits in accordance with a resolution of the board of shareholders or a shareholders' general meeting.

The provisions of Article 34 shall apply to the limited liability companies for making good of losses and contribution to the surplus reserve using post-tax profits; companies limited by shares shall make contributions based on the shareholding ratio of the shareholders, unless their articles of association provide otherwise.

Where the board of shareholders, the shareholders' general meeting or the board of directors violates the provisions of the preceding paragraphs to make profit distribution to the shareholders before making good the losses and contributing to the statutory surplus reserve, the shareholders shall return such distributed profits to the company.

Companies which have made a share buyback shall not make profit distributions on bought-back shares.

Article 167 The proceeds from shares of a company limited by shares issued at a premium and other income which are required to be contributed to the statutory surplus reserve as provided by the finance authorities of the State Council shall be contributed to the statutory surplus reserve accordingly.

Article 168 The surplus reserve of a company shall be used to make good the losses of the company or expand the business and production of the company or converted into additional capital. However, the statutory surplus reserve shall not be used to make good the losses of the company.

In the event of a conversion of statutory surplus reserve into additional capital, the balance of the statutory surplus reserve after the conversion shall not be less than 25% of the registered capital of the company before the increase.

Article 169 Appointment or removal of the auditor of a company shall comply with the provisions of the provisions of the articles of association of the company and decided by the board of shareholders, a shareholders' general meeting or the board of directors.

The board of shareholders, a shareholders' general meeting or the board of directors shall allow the auditor to make a representation when passing a resolution on the removal of the auditor.

Article 170 Companies shall provide accurate and complete accounting vouchers, accounting books, financial accounting reports and other accounting information to their auditor and shall not refuse to provide information, hide or provide false information.

Article 171 Companies shall not establish separate accounting books other than statutory accounting books.

Company assets shall not be deposited in accounts opened and maintained in the name of an individual.

CHAPTER IX MERGER, DIVISION, INCREASE IN CAPITAL AND CAPITAL REDUCTION OF COMPANIES

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

Mergers by absorption shall mean that one company admits one or more other companies into its own company, whereby the admitting company survives and the admitted company or companies are dissolved. Mergers by new establishment shall mean that two or more companies merge to establish a new company, whereby each party to the merger is dissolved.

Article 173 The parties to a merger shall enter into a merger agreement for a company merger and prepare a balance sheet and a list of assets. The company shall notify its creditors within ten days from the date of the resolution on the merger and publish an announcement on the newspapers within 30 days. The creditors may demand, within 30 days from receipt of the notice (or within 45 days for those creditors who did not receive the notice), that the company settles the debts or provide the corresponding guarantee.

Article 174 The surviving company or the newly established company of a merger will assume the claims and debts of the parties to the merger.

Article 175 In the event of a division, the assets of the company shall be divided accordingly.

A company which proposes a division shall prepare a balance sheet and a list of assets. The company shall notify their creditors within ten days from the date of resolution on the division and publish an announcement on the newspapers within 30 days.

Article 176 The surviving company of a division shall bear joint liability for the debts of a company prior to its division, unless the company prior to the division and its creditors have entered into an agreement in writing on debt settlement.

Article 177 A company which proposes to reduce its registered capital shall prepare a balance sheet and a list of assets.

The company shall notify its creditors within ten days from the date of resolution on reduction in registered capital and publish an announcement on the newspapers within 30 days. The creditors may demand, within 30 days from receipt of the notice (or within 45 days for those creditors who did not receive the notice), that the company settles the debts or provide the corresponding guarantee.

Article 178 Contribution to the additional capital of a limited liability company by its shareholders shall comply with the relevant provisions of this Law on capital contribution by shareholders of limited liability companies at the time of establishment.

Subscription by shareholders to new shares issued by a company limited by shares for an increase in registered capital shall comply with the relevant provisions of this Law on subscription of shares by shareholders of companies limited by shares at the time of establishment.

Article 179 In the event of a merger or division or change in registration details, change of registration formalities shall be completed with the company registration authorities in accordance with the provisions of the law; when a company is dissolved, de-registration formalities shall be completed in accordance with the provisions of the law; registration formalities shall be completed in accordance with the provisions of the law for establishment of a new company.

Change in registration formalities shall be completed with the company registration authorities in accordance with the provisions of the law for increase or reduction of registered capital.

CHAPTER X DISSOLUTION AND LIQUIDATION OF COMPANIES

Article 180 A company shall be dissolved for the following reasons:

(1) expiry of the term of operation stipulated in the articles of association of the company or occurrence of an event which triggers the dissolution as provided in the articles of association of the company;

(2) a resolution on dissolution has been passed by the board of shareholders or a shareholders' general meeting;

(3) where the dissolution is required by a merger or division;

(4) the business licence is revoked or the company is ordered to be closed down;

(5) a dissolution of the company is ordered by a people's court in accordance with the provisions of Article 182.

Article 181 In the event of any of the circumstances set out in item (1) of Article 180, the company may continue to exist by making an amendment to its articles of association.

Amendment to the articles of association of a limited liability company in accordance with the provisions of the preceding paragraph shall require a resolution passed by a two-third majority of votes cast by its shareholders; in the case of a company limited by shares, such a resolution shall be passed by a two-third majority of votes cast by its shareholders present at a shareholders' general meeting.

Article 182 Where a company experiences serious difficulties in its business and the shareholders will suffer serious damages if the company continues its operation, a shareholder or a group of shareholders holding 10% or more of the shares of the company may, in the absence of any other means, request for a mandatory dissolution of the company by a people's court.

Article 183 Where a company is dissolved in accordance with the provisions of item (2), item (4) or item (5) of Article 180, a liquidation group shall be established to commence liquidation within 15 days from the occurrence of the event which triggers the dissolution. The liquidation group of a limited liability company shall be formed by the shareholders; the liquidation group of a company limited by shares shall comprise members appointed by the directors or the board of shareholders. Where the liquidation group is not established by the deadline to conduct liquidation, the creditors may apply to a people's court to appoint a liquidation group to conduct liquidation. The people's court shall accept the application and form a liquidation group promptly to conduct liquidation.

Article 184 The liquidation group shall exercise the following duties and powers during the liquidation period:

(1) disposal of company assets, preparation of balance sheet and list of assets;

(2) notification to creditors and public announcement;

(3) handling outstanding business of the company which relates to the liquidation;

(4) settlement of outstanding tax payments and tax payments which arise during the liquidation period;

(5) settlement of creditors' rights and debts;

(6) disposal of assets remaining after settlement of the company's debts; and

(7) representing the company in civil litigation.

Article 185 The liquidation group shall notify the creditors within ten days from the date of its establishment and publish an announcement on the newspapers within 60 days. The creditors may, within 30 days from receipt of the notice (or within 45 days for those creditors who did not receive the notice), declare their creditors' rights to the liquidation group.

Creditors declaring their creditors' rights shall provide details of the creditors' rights and the relevant proof. The liquidation group shall register the creditors' rights.

During the declaration period, the liquidation group shall not settle any creditors' rights.

Article 186 Upon disposal of company assets and preparation of the balance sheet and list of assets by the liquidation group, a liquidation plan shall be formulated and reported to the board of shareholders, a shareholders' general meeting or a people's court for confirmation.

The company assets shall be applied for the payment of liquidation expenses, employees' wages, social security premiums and statutory compensation, payment of outstanding taxes and settlement of company debts; the remaining assets shall be distributed to shareholders in accordance with the ratio of capital contribution in the case of a limited liability company and in accordance with the ratio of shareholders in the case of a company limited by shares.

During the liquidation period, a company shall not engage in business operations which are not related to the liquidation. Company assets shall not be distributed to the shareholders prior to settlement of the aforesaid liabilities.

Article 187 Where the liquidation group discovers upon disposal of company assets and preparation of the balance sheet and list of assets that the company assets are insufficient to settle the debts, an application shall be made to a people's court to declare the company bankrupt.

Where a company has been declared bankrupt by a people's court, the liquidation group shall transfer the liquidation task to the people's court.

Article 188 Upon completion of the liquidation, the liquidation group shall prepare and submit a liquidation report to the board of shareholders, a shareholders' general meeting or a people's court for confirmation, submit a copy of the liquidation report to the company registration authorities to apply for de-registration and make a public announcement of the termination of the company.

Article 189 Members of a liquidation group shall perform their duties diligently and perform liquidation obligations in accordance with the provisions of the law.

Members of a liquidation group shall not abuse their duties and rights to accept bribes or other illegal income and shall not convert company assets.

Members of a liquidation group shall bear compensation liability towards the company or its creditors for damages suffered by the company or its creditors due to an intentional or serious mistake of the member(s) of the liquidation group.

Article 190 Where a company is declared bankrupt in accordance with the provisions of the law, bankruptcy liquidation shall be conducted in accordance with the provisions of enterprise bankruptcy laws.

CHAPTER XI BRANCHES OF FOREIGN COMPANIES

Article 191 Foreign companies referred to in this Law shall mean companies established outside China in accordance with the provisions of foreign laws.

Article 192 An application for establishment of a branch in China by a foreign company, the articles of association of the company and certificate of incorporation issued by the country of origin etc shall be submitted to the authorities in China. Upon approval, registration formalities shall be completed with the company registration authorities and a business licence shall be obtained.

Measures on examination and approval of branches of foreign companies shall be provided separately by the State Council.

Article 193 A foreign company shall appoint a representative or an agent for its branch in China and allocate funds corresponding to the operations of the branch.

The State Council shall provide regulations on the statutory minimum operating funds of branches of foreign companies separately.

Article 194 Branches of foreign companies shall state their nationality and form of business entity in their name.

Branches of foreign companies shall keep a copy of the articles of association of the foreign company in their office.

Article 195 Branches established in China by foreign companies do not qualify as a Chinese legal person.

Foreign companies shall bear civil liability for the businesses carried out by their branches in China.

Article 196 Branches of foreign companies duly established in China to engage in business activities shall comply with the provisions of China laws and shall not infringe upon public interest; their legal rights and interests shall be protected by China laws.

Article 197 A foreign company shall settle all debts of its branch in China in accordance with the provisions of the law when it closes down its branch in China and shall conduct liquidation in accordance with company liquidation procedures stipulated in this Law. Prior to settlement of the debts, a foreign company shall not transfer the assets of its branch out of China.

CHAPTER XII LEGAL LIABILITY

Article 198 Any party who violates the provisions of this Law in making a fraudulent declaration of its registered capital, submitting false materials or adopt other fraudulent means to conceal important fact to obtain company registration shall be ordered by the company registration authorities to make correction; a fine ranging from 5% to 15% of the registered capital shall be imposed on a company which has made fraudulent declaration; a fine ranging from RMB50,000 to RMB500,000 shall be imposed on a company which has submitted false materials or adopt other fraudulent means to conceal important fact; where the circumstances are serious, the company shall be de-registered or have its business licence revoked.

Article 199 Promoters or shareholders who made false capital contribution or fail to make cash or non-cash contribution in accordance with the schedule shall be ordered by the company registration authorities to make correction and imposed with a fine ranging from 5% to 15% of the amount of false capital contribution.

Article 200 Promoters or shareholders who withdraw their capital contribution after the company is incorporated shall be ordered by the company registration authorities to make correction and a fine ranging from 5% to 15% of the amount of withdrawn capital contribution.

Article 201 A company which violates the provisions of this Law in establishing separate accounting books other than statutory accounting books shall be ordered by the finance authorities of a people's government of county level and above to make correction and be imposed with a fine ranging from RMB50,000 to RMB500,000.

Article 202 Where a company made false records or concealed important fact on financial accounting reports etc provided to the relevant authorities as required by the law, the person-in-charge and other personnel who are directly responsible shall be imposed a fine ranging from RMB30,000 to RMB300,000 by the relevant authorities.

Article 203 A company which fails to contribute to statutory surplus reserve in accordance with the provisions of this Law shall be ordered by a people's government of county level and above to make up for the contribution and may be imposed a fine of not more than RMB200,000.

Article 204 A company which fails to notify its creditors or make an announcement for its merger, division, reduction in registered capital or liquidation in accordance with the provisions of this Law shall be ordered by the company registration authorities to make correction and be imposed a fine ranging from RMB10,000 to RMB100,000.

A company in liquidation which concealed its assets or made false records on its balance sheet or list of assets or distribute company assets before settlement of its debts shall be ordered by the company registration authorities to make correction and be imposed a fine ranging from 5% to 10% of the amount of company assets concealed or the amount of company assets distributed prior to debt settlement; the person-in-charge and other personnel who are directly responsible shall be imposed a fine ranging from RMB10,000 to RMB100,000.

Article 205 The company registration authorities shall issue a warning to a company in liquidation which engages in business operations unrelated to the liquidation and confiscate its illegal income.

Article 206 A liquidation group which fails to submit a liquidation report to the company registration authorities in accordance with the provisions of this Law or concealed an important fact or made a major omission in the liquidation report shall be ordered by the company registration authorities to make correction.

A member of a liquidation group who abuses his/her duties and powers to obtain dishonest gains, illegal income or conversion of company assets shall be ordered by the company registration authorities to return the company asset and surrender the illegal income and be imposed a fine ranging from one to five times the amount of the illegal income.

Article 207 The company registration authorities shall confiscate the illegal income of an asset valuation organisation or a capital verification organisation which provides false materials and impose a fine ranging from one to five times of the amount of illegal income; the relevant authorities may order the organisation to cease operations

or revoke the qualification certificate of those personnel who are directly responsible or revoke the business licence of the organisation.

An asset valuation organisation or a capital verification organisation which provides a report containing a major omission by mistake shall be ordered by the company registration authorities to make correction; where the circumstances are serious, a fine ranging from one to five times of the income shall be imposed and the relevant authorities may order the organisation to cease operations or revoke the qualification certificate of those personnel who are directly responsible or revoke the business licence of the organisation.

Where the creditors of the company suffer damages due to an inaccurate valuation or capital verification issued by an asset valuation organisation or a capital verification organisation, the valuation organisation or capital verification organisation shall bear compensation liability within the scope of the inaccurate valuation or verification unless it is able to prove that the fault does not lie with the organisation.

Article 208 Where the company registration authorities grant registration to applicants which do not satisfy the requirements stipulated in this Law or reject registration applications which satisfy the requirements stipulated in this Law, the person-in-charge and other personnel who are directly responsible shall be subject to administrative punishment in accordance with the provisions of the law.

Article 209 Where the higher company registration authorities order the company registration authorities to grant registration to applicants which do not satisfy the requirements stipulated in this Law or to reject registration applications which satisfy the requirements stipulated in this Law or to cover up illegal registration, the person-in-charge and other personnel who are directly responsible shall be subject to administrative punishment in accordance with the provisions of the law.

Article 210 An entity which is not duly registered as a limited liability company or a company limited by shares but uses the name of a limited liability company or a company limited by shares or an entity which is not duly registered as a branch company of a limited liability company or a company limited by shares but uses the name of a branch company of a limited liability company or a company limited by shares shall be ordered by the company registration authorities to make correction or to be closed down and may be imposed a fine of not more than RMB100,000.

Article 211 A company which fails to commence operations after six months from its incorporation or cease operations for more than six months after commencement of operations arbitrarily without any justification shall have its business licence revoked by the company registration authorities.

A company which fails to complete change of registration formalities for a change in company registration details in accordance with the provisions of the Law shall be ordered by the company registration authorities to complete the registration formalities by a stipulated deadline; if the registration formalities are not completed by a stipulated deadline, a fine ranging from RMB10,000 to RMB100,000 shall be imposed.

Article 212 A foreign company which violates the provisions of this Law in establishing a branch company in China shall be ordered by the company registration authorities to make correction or to be closed down and may be imposed a fine ranging from RMB50,000 to RMB200,000.

Article 213 A company which uses the name of a company to engage in activities which compromise national security or public interest shall have its business licence revoked.

Article 214 A company which violates the provisions of this Law shall bear civil compensation liability and pay fines and penalties; where its assets are insufficient for payment, civil compensation shall take precedence.

Article 215 Where a violation of the provisions of this Law constitutes a criminal offence, criminal liability shall be pursued in accordance with the provisions of the law.

CHAPTER XIII SUPPLEMENTARY PROVISIONS

Article 216 The following terms used in this Law shall take the following definitions:

(1) Senior management personnel shall mean the manager, deputy manager, financial controller, board secretary of a listed company and other personnel stipulated in the articles of association of the company.

(2) Controlling shareholder shall mean a shareholder who contributes to 50% or more of the capital of a limited liability company or a shareholder who holds 50% or more of the shares of a company limited by shares or a shareholder who is able to exercise significant influence on the resolutions of the board of shareholders or a shareholders' general meeting even though it contributes to less than 50% of the capital or holds less than 50% of the shares.

(3) Actual controlling party shall mean a party which exercises actual control over a company as investor or through other agreements or arrangements even though it is not a shareholder of the company.

(4) Related parties shall mean controlling shareholders, actual controlling party, directors, supervisors, senior management personnel of a company and those enterprises which have a direct or indirect control over a company or whose relationship with the company may result in a transfer of the company's interests. However, fellow State-

controlled enterprises shall not be deemed as related parties merely for this affiliation.

Article 217 The provisions of this Law shall apply to foreign-invested limited liability companies and companies limited by shares; where the laws on foreign investment provide otherwise, such provisions shall prevail.

Article 218 This Law shall be effective 1 January 2006.

扫一扫，手机阅读更方便

DECLARATION OF ARIEL YE EXHIBIT 2

General Rules of the Civil Law of the People’s Republic of China

Promulgation Authorities: The National People's Congress of the People's Republic of China
Promulgation Date: 2017.03.15
Effective Date: 2017.10.01
Validity Status: valid
Document Number: President Order No. 66

General Rules of the Civil Law of the People's Republic of China

Presidential Order No. 66

The General Rules of the Civil Law of the People's Republic of China, adopted at the 5th Session of the 12th National People's Congress of the People's Republic of China on March 15, 2017, are hereby promulgated, effective on 1 October 2017.

Xi Jinping

President of the People's Republic of China

March 15, 2017

(Adopted at the 5th Session of the 12th National People's Congress of the People's Republic of China on March 15, 2017)

Contents

Chapter I General Provisions

Chapter II Natural Persons

Section 1 Capacity for Civil Rights and Capacity for Civil Conduct

Section 2 Guardianship

Section 3 Declarations of Missing Persons and Death

Section 4 Individual Businesses and Lease holding Farm Households

Chapter III Legal Persons

Section 1 General Stipulations

Section 2 For-profit Legal Persons

Section 3 Non-profit Legal Persons

Section 4 Special Legal Persons

Chapter IV Unincorporated Organisations

Chapter V Civil Rights

Chapter VI Civil Juristic Acts

Section 1 General Stipulations

Section 2 Expression of Intent

Section 3 Validity of Civil Juristic Acts

Section 4 Conditions and Duration of Civil Juristic Acts

Chapter VII Agency

Section 1 General Stipulations

Section 2 Entrusted Agency

Section 3 Termination of Agency

Chapter VIII Civil Liability

Chapter IX Limitation

Chapter X Calculation of Duration

Chapter XI Supplementary Provisions

Chapter I General Provisions

Article 1 These Rules are enacted in accordance with the Constitution for the purpose of protecting the legitimate rights and interests of civil subjects, adjusting civil relations, maintaining social and economic orders, adapting to the requirements of the development of socialism with Chinese characteristics, and carrying forward socialist core values.

Article 2 Civil laws adjust personal relationships and property relationships between natural persons, legal persons and non-incorporated organisations as subjects with equal status.

Article 3 The personal rights, property rights and other legitimate rights and interests of civil subjects are protected by the law; no organisation or individual may infringe upon such rights and interests.

Article 4 All civil subjects have equal status in civil activities.

Article 5 Civil subjects engaging in civil activities shall follow the principles of voluntariness in the establishment, change or termination of civil legal relations according to their own intentions.

Article 6 Civil subjects engaging in civil activities shall follow the principles of fairness in determining reasonably the rights and obligations of all parties concerned.

Article 7 Civil subjects engaging in civil activities shall follow the principles of good faith, adhere to honesty and keep their commitments.

Article 8 No civil subject engaging in civil activities may violate laws or go against the public order and good customs.

Article 9 Any civil activity conducted by civil subjects shall be conducive to saving resources and protecting the ecological environment.

Article 10 Any civil dispute shall be resolved in accordance with the law; in the absence of relevant provisions set forth in the law, usual practice may be followed, but the public order and good customs shall not be infringed upon.

Article 11 Where there are special provisions set forth in other laws governing civil relationships, such provisions shall prevail.

Article 12 All civil activities within the territory of the People's Republic of China shall be governed by the laws of the People's Republic of China, unless otherwise provided for in the law.

Chapter II Natural Persons

Section 1 Capacity for Civil Rights and Capacity for Civil Conduct

Article 13 Commencing at the time of birth and ceasing at the time of death, a natural person has the capacity for civil rights, may enjoy civil rights and shall assume civil obligations in accordance with the law.

Article 14 All natural persons are equal in terms of their capacity for civil rights.

Article 15 The date of birth/death of a natural person shall be based on that recorded on his/her birth/death certificate; in the absence of the birth/death certificate, the date recorded on the household registration or any other valid identity registration shall apply. If there is any other evidence sufficient to overturn the aforesaid date, the date supported by such evidence shall prevail.

Article 16 Where a foetus is involved in inheritance, acceptance of gifts or any other protection of his/her interests, the foetus shall be deemed as having the capacity for civil rights. However, if the foetus is born dead, the capacity for civil rights shall be deemed as non-existent since the beginning.

Article 17 A natural person aged 18 or over is an adult. A natural person under the age of 18 is a minor.

Article 18 An adult has full capacity for civil conduct, and may perform civil juristic acts independently.

A minor aged over 16 whose main source of income is his/her job shall be deemed as a person of full capacity for civil conduct.

Article 19 A minor aged 8 or over is of limited capacity for civil conduct and shall be represented in the performance of civil juristic acts by his/her legal agent or shall obtain the consent or acknowledge by such agent. However, such minor may independently perform any civil juristic act that has a nature of pure profit or the performance of which is compatible with his/her age and intelligence.

Article 20 A minor under the age of 8 is of no capacity for civil conduct and shall be represented by his/her legal agent in the performance of civil juristic acts.

Article 21 An adult who is unable to account for his/her own conduct is a person having no capacity for civil conduct and shall be represented by his/her legal agent in the performance of legal juristic acts.

A minor who has reached the age of 8 but is unable to account for his/her own conduct shall be subject to the provision set forth in the preceding paragraph.

Article 22 An adult who is unable to fully account for his/her own conduct is a person having limited capacity for civil conduct and shall be represented by his/her legal agent in the performance of civil juristic acts. However, such adult may independently perform a civil juristic act that has a nature of pure profit or the performance of which is compatible with his/her intelligence and mental health.

Article 23 The guardian of a person without or with limited capacity for civil conduct is his/her legal agent.

Article 24 For an adult who is unable to account for or fully account for his/her conduct, an interested person or an organisation concerned may apply to a people's court for determining that such adult is of no or limited capacity for civil conduct.

For a perform who has been determined by a people's court to be of no or limited capacity for civil conduct, the people's court may, upon the application filed by the person him/herself, an interested person or an organization concerned, determine that the person is recovered to be one with limited or full capacity for civil conduct, depending on the recovery of such person's intelligence or mental health.

The organisations concerned mentioned in this Article include: residents committees, villagers committees, schools, medical institutions, women's federations, federation of persons with disabilities, elderly organisations duly established and civil affairs authorities.

Article 25 The domicile of a natural person shall be his/her residence recorded in the household register or in other valid identity register; if the habitual residence of a natural person is not the same as his/her domicile, such habitual residence shall be deemed as the domicile thereof.

Section 2 Guardianship

Article 26 Parents are obligated to foster, educate and protect their minor children.

Adult offspring have the obligation to provide for, support and protect their parents.

Article 27 Parents are guardians of their minor children.

If both parent of a minor are deceased or have no guardianship competence, the guardian shall be served by any of the following persons with guardianship competence in the sequence below:

(1) Grandparents or maternal grandparents;

(2) Older brothers or sisters; or

(3) Any other individual or organisation that is willing to act as the guardian of the minor, subject to the consent of the residents committee, the villagers committee, or the civil affairs authority at the place of the minors' domicile.

Article 28 Any of the following persons with guardianship competence shall act as the guardian of an adult with no or limited capacity for civil conduct in the sequence below:

(1) The adult's spouse;

(2) The adult's parents or children;

(3) The adult's close relatives; or

(4) Any other individual or organisation that is willing to act as the guardian of the adult, subject to the consent of the residents committee, the villagers committee, or the civil affairs authority at the place of the domicile of the adult.

Article 29 The parents of a ward may appoint a guardian through a will.

Article 30 Qualified persons of guardianship may agree to determine a guardian. In the case of a guardian determined by agreement, the true will of the ward shall be respected.

Article 31 If there are disputes on the determination of a guardian, the residents committee, the villagers committee, or the civil affairs authority at the place where the ward resides may appoint a guardian; if a party concerned disagrees with the appointed guardian, it may either apply to a people's court for appointing a guardian; such party may also directly apply to a people's court for appointing a guardian.

The residents committee, the villagers committee, the civil affairs authority or the people's court shall respect the true will of the ward, and shall appoint a guardian within the scope of persons legally qualified for guardianship under the principle of "benefiting the ward to the greatest extent".

If the personal rights, property rights and other lawful rights and interests of the ward is under no protection prior to the appointment of a guardian in accordance with Clause 1 of this Article, the residents committee or the villagers committee at the place where the ward resides, the organisation concerned that is provided for in law or the civil affairs authority shall act as the guardian.

The guardian, once appointed, shall not be changed without authorization; unauthorised change does not exempt the designated guardian from liability.

Article 32 Where there is no person legally qualified for guardianship, the civil affairs authority shall act as the guardian; or the residents committee or the villagers committee at the place where the ward resides that has the conditions of performing guardianship duties may act as the guardian.

Article 33 An adult with full capacity for civil conduct may, in prior consultation with his/her close relatives, or other individuals or organisations who are willing to act as his/her guardian, determine his/her guardian in writing. The agreed guardian shall perform the guardianship duties when such adult loses or partially loses his/her capacity for civil conduct.

Article 34 The guardian of a ward has the duties to perform civil legal acts on behalf of the ward and to protect the personal rights, property rights and other legitimate rights and interests of the ward.

The guardian's rights arising from performing the duties of guardianship in accordance with the law are protected by law.

Any guardian who fails to perform the duties of guardianship or infringes upon the legitimate rights and interests of the ward shall be held liable.

Article 35 A guardian shall perform the duties of guardianship under the principle of "benefiting the ward to the greatest extent". The guardian shall not dispose of the ward's properties, unless it is to protect the ward's interests.

The guardian of a minor shall perform the duties of guardianship and shall, in making the decision relating to the ward's interests, respect the true will of the ward according to the ward's age and mental condition.

The guardian of an adult that performs the duties of guardianship shall respect the true will of the ward to the greatest extent, protect and assist the ward in the performance of civil legal acts that are compatible with the ward's intelligence and mental health, and shall not interfere with the affairs with which the ward is able to deal.

Article 36 Under any of the following circumstances, the people's court may, upon the application of an individual or organisation concerned, disqualify a guardian, take necessary measures for temporary guardianship, and appoint another guardian under the principle of "benefiting the ward to the greatest extent".

(1) Perform acts that seriously damage the physical or mental health of the ward;

(2) Be indifferent in the performance of duties of guardianship, or unable to perform duties of guardianship, and refuse to delegate part or all of the guardianship duties to others, causing difficulties or danger for the ward; and

(3) Perform other acts that seriously infringe upon the legitimate rights and interest of the ward.

The individuals or organisations concerned mentioned in this Article include: other persons legally qualified for guardianship in accordance with the law, residents' committees, villagers' committees, schools, medical institutions, women's federations, associations of persons with disabilities, minors protection organisations, elderly organisations duly established and civil affairs authority etc.

If individuals and organisations other than civil affairs authorities provided for in the preceding clause fail to apply in time to a people's court for disqualification of guardianship, the civil affairs authorities shall do so instead.

Article 37 Where the parents, offspring or spouse of a ward who lawfully affords to support the ward is disqualified from guardianship, he/she shall continue to perform the duties of support.

Article 38 Where the parents or offspring of a ward have true repentance after being disqualified from guardianship by a people's court, unless deliberate offence has been committed to the ward, a people's court may reinstate the guardianship qualification as appropriate under the conditions of respecting the true will of the ward; the guardianship relationship between the appointed guardian by the people's court and the ward shall be terminated simultaneously.

Article 39 Under any of the following circumstances, the guardianship relationship shall be terminated:

(1) The ward obtain or reinstate full capacity for civil conduct;

(2) The guardian has lost the guardianship competence;

(3) Either the ward or the guardian is deceased;

(4) Other circumstances determined by the people's court as termination of guardianship.

After the termination of guardianship, another guardian shall be determined in accordance with the law if guardianship is still needed.

Section 3 Declarations of Missing Persons and Death

Article 40 Where the whereabouts of a natural person have been unknown for two years, an interested person may apply to a people's court for declaring such person as a missing person.

Article 41 The time period during which the whereabouts of a natural person become unknown shall be calculated from day when the natural person is non-contactable. During a war, such time period shall be calculated from the day when the war ends or from the day on which the natural person's unknown whereabouts are confirmed by relevant authorities.

Article 42 The property of a missing person shall be held in the custody of his/her spouse, adult offspring, parents or other persons who are willing to serve as custodian of the property.

In the case of a dispute over custody, in the absence of the persons mentioned in the preceding paragraph, or if the persons mentioned in the preceding paragraph have no custodian competence, the property shall be held in the custody of the persons appointed by a people's court.

Article 43 The custodian of property of a missing person shall properly manage the property and safeguard the property rights and interests of the missing person.

Any tax, debt and other due charges owed by the missing person shall be paid by the custodian with the property of the missing person.

If the custodian of property of a missing person causes losses to such property due to deliberate offence or gross negligence, the custodian shall be liable for compensation.

Article 44 Where the custodian of property of a missing person does not perform the custodian duties, infringes upon the interests of the missing person, or loses custodian competence, the interested person of the missing person may apply to a people's court for the change of the custodian.

If the property custodian has a justified reason, he may apply to a people's court for the change of property custodian.

If the people's court changes the property custodian, the custodian after the change may require the former custodian to hand over relevant property in time and report the property custody situation.

Article 45 In the event that a missing person reappears, the people's court shall revoke the declaration of disappearance upon the application of the person himself or an interested person.

The missing person who has reappeared has the right to require the property custodian to hand over the property in time and to report the custody of the property.

Article 46 Where any of the following circumstances occurs to a natural person, an interested person may apply to a people's court to declare that the natural person is deceased:

(1) The natural person's whereabouts have been unknown for four years; and

(2) The natural person's whereabouts have been unknown for two years due to an accident in which he was involved.

If a natural person's whereabouts become unknown due to an accident and it is impossible for such person to survive as proved by relevant authorities, the application for declaration of death is not subject to the aforesaid provisions of two years.

Article 47 A people's court shall declare the death of a natural person, if some interested persons apply for the declaration of death of such natural person while other interested persons apply for the declaration of disappearance of the same natural person, provided that the requirements for declaring death provided for herein are satisfied.

Article 48 For a person who is declared death, the date of death shall be based on the date of the judgment for the declaration of death made by the people's court. If the death is declared due to the person's unknown whereabouts caused by an accident, the date on which the accident occurs shall be deemed to be the date of death of the person.

Article 49 The fact that a natural person has been declared dead but has not died shall not affect the validity of the civil juristic acts performed by the natural person during the period of such declared death.

Article 50 If a natural person who has been declared dead reappears, the people's court shall revoke the death declaration upon the application of the person or that of an interested person.

Article 51 The marriage of the person who has been declared dead shall be extinguished since the date of the death. If the death declaration is revoked, the marriage is self-resumed on the date of the revocation, except that the spouse remarries or by written notice to the marriage registration authority of the reluctance to recover the marriage.

Article 52 For the person who has been declared dead, during the period of his declared death, if their children are adopted by others, and after the death declaration has been revoked, the adoption relationship shall not be invalidated on the ground that such adoption has not been consented by such person.

Article 53 The person who has been revoked the death declaration has the right to request the return of property by the civil subject who acquired his property in accordance with the law of succession. If the property cannot be returned, appropriate compensation shall be given to such person.

If the interested persons conceal the truth and cause the other person to be declared dead in order to obtain the property thereof, they shall return the property and shall be liable for the resulting loss.

Section 4 Individual Businesses and Lease holding Farm Households

Article 54 Natural persons who are engaged in industrial and commercial business, and have registered according to the law, are individual industrial and commercial households. Individual industrial and commercial households may have a trading name.

Article 55 Members of the rural collective economic organisations, who obtain the right of rural land contract management according to the law and engage in household contract management, are rural contract management households.

Article 56 For the debt of the individual industrial and commercial households, if the individual operates the business, the debt shall be borne by the personal property; if the household operates the business, the debt shall be borne by the household property; if it is impossible to distinguish between personal property and household property, the debt shall be borne by the household property.

The debt of rural contract management households shall be borne by the rural household that engage in the rural land contract management; if the business is in fact operated by part of the rural household, the debt shall be borne by the property of such part of the rural household.

Chapter III Legal Persons

Section 1 General Stipulations

Article 57 Legal persons are organisations who have the capacity for civil rights and capacity for civil conduct, and can independently enjoy civil rights and bear civil liability according to the law.

Article 58 The legal persons shall be established according to law.

The legal persons shall have their own name, organisations, domicile, property or funds. The specific conditions and procedures for the establishment of legal persons shall be in accordance with the provisions of laws and administrative regulations.

The establishment of legal persons shall be subject to approval of relevant authorities if laws and administrative regulations so require.

Article 59 The capacity for civil rights and capacity for civil conduct of a legal person shall start from the establishment of the legal person and terminate on the date of the termination of the legal person.

Article 60 A legal person shall independently assume civil liability by all its property.

Article 61 The legal representative of a legal person is the person who represents the legal person in civil activities, according to the provisions of the law or the Articles of Association of the legal person.

When the legal representative of a legal person engage in civil activities under the name of the legal person, the legal consequences shall be borne by the legal person.

The restriction on the authority of the legal representative by the Articles of Association of the legal person or the governing body of the legal person shall not confront the counterparties in good faith.

Article 62 If the legal representative of a legal person causes harm due to performance of his duties, the legal person shall bear the civil liability.

After the legal person has assumed civil liability, recovery may be sought from the faulty legal representative according to the provisions of the law or the Articles of Association of the legal person.

Article 63 The domicile of a legal person is the place of the principal office. If it is necessary to carry out the registration of a legal person according to law, the principal office shall be registered as domicile of the legal person.

Article 64 If the registration items change during the existence of a legal person, application to the registration authority for change of registration shall be made according to law.

Article 65 If the actual situation of a legal person is inconsistent with the registered items, it shall not confront the counterparty in good faith.

Article 66 The registration authorities shall promptly publicise the relevant information registered by a legal person according to law.

Article 67 Where legal persons merge, their rights and obligations are enjoyed and borne by the merged legal person.

Where a legal person is divided, its rights and obligations shall be jointly and severally enjoyed and borne by the legal persons after division, unless otherwise agreed by the creditor and the debtor.

Article 68 If a legal person has any of the following reasons, and has completed the liquidation and cancellation of registration in accordance with the law, the legal person shall terminate:

(1) The legal person has dissolved;

(2) The legal person is declared bankrupt;

(3) Other reasons prescribed by law.

Where the legal person ceases, the provisions of laws and administrative regulations shall be followed if the approval of the relevant authorities is necessary.

Article 69 In any of the following circumstances, a legal person is dissolved:

(1) The existence of the legal person provided by the Articles of Association of the legal person has expired, or other reasons for dissolution provided by the Articles of Association of the legal person have occurred;

(2) The authority of the legal person has decided on the dissolution;

(3) Due to the merger or separation of the legal person, dissolution is needed;

(4) The business licence or registration certificate has been revoked, or the legal person has been ordered to be closed down or cancelled;

(5) Other circumstances prescribed by law.

Article 70 Where a legal person dissolves, the liquidation obligors shall, unless under the circumstances of merger or division, form a liquidation group in time to carry out liquidation.

The liquidation obligors are the directors, administrators and other executive bodies or members of the decision-making bodies, unless otherwise provided by laws and administrative regulations.

Where the liquidation obligors fail to perform the liquidation obligations in a timely manner and cause damage, they shall bear civil liability; the competent authority or the interested party may apply to the People's Court for appointing the relevant personnel to form a liquidation group for the liquidation.

Article 71 The liquidation procedures of a legal person and the powers of the liquidation group shall be in accordance with the provisions of the relevant laws; if there is no provision, the relevant provisions of the applicable company law shall be applied.

Article 72 During the period of liquidation, the legal person shall survive, but shall not engage in activities that are

not related to liquidation.

The remaining property after the liquidation of the legal person shall be dealt with in accordance with the provisions of the Articles of Association of the legal persons or the resolutions of the authorities of the legal persons, unless otherwise provided by law.

When the liquidation is completed and the registration of the legal person is cancelled, the legal person shall terminate. If the legal person does not need to conduct registration, the legal person shall terminate the liquidation.

Article 73 Where a legal person is declared bankrupt, the bankruptcy liquidation shall be carried out in accordance with the law and the legal person shall cancel the registration before termination.

Article 74 A legal person may set up branches in accordance with the law. Such branches shall register if laws or administrative regulations so stipulate.

A branch shall bear the civil liability if it is engaged in civil activities in its own name; it is also possible that the property managed by the branch bears the civil liability, and the legal person bears the remaining of it.

Article 75 If the founder of a legal person carries out civil activities for the legal person, the legal consequences shall be borne by the legal person; if the legal person is not established, the legal consequences shall be borne by the founder of the legal person; if there are more than one founders, they shall be jointly and severally liable.

For the civil liability arising from civil activities conducted by the founder under his own name for the benefit of the legal person, third parties have the right to choose whether the legal person or the founder shall assume liability.

Section 2 For-profit Legal Persons

Article 76 The legal persons established for the purpose of obtaining profit and distributing to shareholders and other investors are legal persons for profit.

The legal persons for profit include limited liability companies, company limited by shares, and other corporate legal persons.

Article 77 A for-profit legal person is established by lawful registration.

Article 78 The registration authorities shall issue a business licence to a for-profit legal person that has been lawfully established. The date of issue of the business license is the date of establishment of the for-profit legal person.

Article 79 A for-profit legal person that is established by law shall lawfully develop its Articles of Association.

Article 80 A for-profit legal person shall set up its governing body.

The governing body shall perform the duties of amending the Articles of Association of the legal person, voting for or change the members of the executive body or supervising body, and other duties according to the Articles of Association of the legal person.

Article 81 A for-profit legal person shall establish its executive body.

The executive body may exercise the power to convene meetings of the governing body of the legal person, determine the business plan and investment plan of the legal person, determine the setting of the internal management body of the legal person, and other powers prescribed by the Articles of Association of the legal person.

If the executive body is the board of directors or the executive directors, the Chairman of the Board of Directors, the executive directors or the managers shall be appointed as legal representative according to the Articles of Association of the legal person; if no board of directors or executive directors exist, the person chiefly in charge provided by the Articles of Association of the legal person shall be the executive body and legal representative.

Article 82 If a for-profit legal person has established its board of supervisors, board of supervisors and other supervising bodies, the supervising bodies shall supervise the performance of the duties of the legal person by the members of the executive body, the senior executives, and other duties provided by the Articles of Association of the legal person.

Article 83 The investors of a for-profit legal person shall not misuse the investors' rights to harm the interests of the legal person or other investors. Abuse of the investors' rights that have caused losses to the legal person or other investors shall be held liable for civil liabilities.

The investors of a for-profit legal person shall not abuse the legal person's independent status and the investors' limited liability to damage the creditors' interests. Abuse of the independent status of the legal person and the limited liability of the investors to evade the debt which has seriously damaged the interests of the creditors of the legal person shall be held jointly and severally liable for the liabilities of the legal person.

Article 84 The controlling shareholders, actual controllers, directors, supervisors, and senior management personnel of a for-profit legal person shall not harm the interests of the legal person by using the affiliated relationships thereof. Compensation liability shall be assumed if losses are caused to the legal person by using the affiliated relationships.

Article 85 If the meeting convening procedures and voting approaches of the resolution making by the governing body or the executive body of a legal person for profit has violated laws, administrative regulations, or the Articles of Association of the legal person, or the content of the resolution has violated the Articles of Association of the legal person, the investors of the legal person for profit may request a people's court to revoke that resolution; however, the civil legal relationship formed by such resolutions between the legal person and the counterparties in good faith shall not be affected.

Article 86 A for-profit legal person who engages in business activities shall abide by business ethics, maintain transaction security, accept government and social supervision, and assume social responsibility.

Section 3 Non-profit Legal Persons

Article 87 Legal persons established for the purpose of public welfare or other non-profit purposes, which do not distribute earned profit to the investors, founders or members, are non-profit legal persons.

The non-profit legal persons include institutions, social groups, foundations, and social service agencies.

Article 88 The institutions which satisfy the conditions of legal persons, and have been established according to the law in order to meet the needs of economic and social development and to provide public service, shall obtain the licence as legal persons of institutions; if the law does not require application for legal registration, such institutions shall obtain the licence as legal persons of institutions since the date of establishment.

Article 89 Where a corporation establishes a board of administration, such board of administration shall, unless otherwise provided by the law, be the decision-making body. The legal representatives of institutions shall be formed in accordance with the provisions of laws, administrative regulations or the Articles of Association of the legal persons.

Article 90 Social groups that satisfy the conditions of legal persons, which have been established by lawful registration for the purpose of public welfare or common interests of members and other non-profit purposes based on the common wishes of members shall obtain the licence as legal persons of social groups; if the law does not require application for legal registration, such social groups shall obtain the licence as legal persons of social groups since the date of establishment.

Article 91 The established legal persons of social groups shall lawfully develop the Articles of Association of the legal persons.

The legal persons of social groups shall establish the authorities such as the general meetings of members or the members' representative meetings.

The legal persons of social groups shall establish the board of administrators or the executive bodies. The head of the board of administrators, the head of the executive bodies or other responsible persons shall be appointed as the legal representatives according to the Articles of Association of the legal persons.

Article 92 The foundations and social service agencies etc. registered by law for the purpose of public welfare and donation of properties shall obtain the legal personality of donors.

Venues for religious activities established by law which satisfy the conditions as legal persons may apply for registration of legal persons and obtain the legal personality of donors. If the provisions of the laws and administrative regulations have other provisions on the venues of religious activities, such provisions shall be abided by.

Article 93 The established legal persons of donors shall lawfully develop the Articles of Association of the legal persons。

The legal persons of donors shall establish the board of administrators, democratic management organisations and other decision making bodies, and shall set up executive bodies. The head of the board of the administrators shall be appointed of legal representatives according to the Articles of Association of the legal persons.

The legal persons of donors shall establish the board of supervisors and other supervising bodies.

Article 94 Donors have the rights to inquire into the legal persons of donors for the use and management of donated property and to give advice and suggestions; the legal persons of donors shall respond promptly and truthfully.

If the decision-making procedures of resolutions made by the decision-making bodies of the legal persons of donors, the executive bodies or the legal representatives violate laws, administrative regulations and the Articles of Association of the legal persons, or the content of the decision has violated the Articles of Association of the legal persons, the donors, the interested persons or the authorities may request the People's Court to revoke those resolutions; however, the civil relationships formed between the legal persons of donors and counterparties in good faith shall not be affected.

Article 95 The non-profit legal persons established for the purpose of public interests shall not distribute the remaining properties to the investors, founders or members at the time of termination. The remaining properties shall be used for public interests according to the provisions of the Articles of Association of the legal persons or the

resolutions of the authorities; if it is impossible to dispose of such properties according to the Articles of Association of the legal persons or the resolutions of the authorities, the competent authorities shall guide the transfer of such properties to legal persons of same or similar purposes which shall be disclosed to the society.

Section 4 Special Legal Persons

Article 96 The governmental legal persons, the legal persons of rural collective economic organisations, and the legal persons of basic-level People's self-governing organisations are the special legal persons.

Article 97 The governmental bodies with independent funds and the statutory bodies that bear administrative functions shall have the legal personality of governmental bodies from the date of their establishment, and may engage in the civil activities required for the performance of their functions.

Article 98 Where the legal persons of governmental bodies are revoked, the legal persons shall terminate, and the civil rights and obligations thereof shall be enjoyed and borne by the successors of governmental bodies. If there is no successor legal person, the legal persons of the governmental bodies that have made the revocation decision shall enjoy and bear such rights and obligations.

Article 99 The rural collective economic organisations shall obtain the legal personality according to law.

If laws and administrative regulations have provisions on the rural collective economic organisations, such provisions shall be abided by.

Article 100 City and rural cooperative economic organisations shall obtain legal personalities in accordance with the law.

If laws and administrative regulations have provisions on the city and rural cooperative economic organisations, such provisions shall be abided by.

Article 101 The residents' committee and the villagers' committee which have the legal personalities as the basic-level People's self-governing organisations may engage in civil activities needed for performing their duties.

If rural collective economic organisations are not established, the villagers' committee may perform the duties of the village collective economic organisation according to law.

Chapter IV Non-incorporated organisations

Article 102 The non-incorporated organisations are organisations that have no legal personality but may lawfully engage in civil activities under their own names according to law.

The non-incorporated organisations include individual-owned enterprises, partnerships, and professional services without legal personality.

Article 103 The non-incorporated organisations shall register according to law.

For the establishment of non-incorporated organisations, if laws and administrative regulations provide that approval from relevant authorities is needed, such provisions shall be followed.

Article 104 If the property of the non-incorporated organisations is insufficient to pay off the debts, the investors or the founders shall bear unlimited liability, unless otherwise provided by the law.

Article 105 Non-incorporated organisations may determine one or more people to represent the organisation for civil activities.

Article 106 Under one of the following cases, non-incorporated organisations are dissolved:

(1) The existence period provided by the Articles of Association has expired, or other dissolution causes have occurred;

(2) The investors or the founders have decided to dissolve;

(3) Other circumstances prescribed by law.

Article 107 The dissolved non-incorporated organisations shall conduct liquidation according to law.

Article 108 The non-incorporated organisations shall apply the provisions of Section 1 of Chapter 3 of this law in additions to this Chapter.

Chapter V Civil Rights

Article 109 Natural persons' personal freedom and personal dignity shall be protected by law.

Article 110 Natural persons enjoy the right to life, physical rights, health rights, name rights, portrait rights, reputation, right of honour, privacy, marriage autonomy and other rights.

Legal persons and non-incorporated organisations enjoy the rights to name, reputation, honour and other rights.

Article 111 Natural persons' personal information shall be protected by law. Any organisations and individuals who need to obtain personal information of others shall obtain the information according to law and shall ensure the information safety. It is not allowed to illegally collect, use, process or transfer the personal information of others. It is illegal to buy and sell, supply or publish the personal information of others.

Article 112 The personal rights of natural persons arising from marriage or family relations shall be protected by law.

Article 113 The property rights of the civil subjects are equally protected by law.

Article 114 The civil subjects shall enjoy property rights according to law.

Property rights are the exclusive rights to directly dominate a specific object, including ownership, right to use and security interests.

Article 115 Property includes real property and chattels. Where the law provides that the rights are the object of the property rights, such provisions shall be abided by.

Article 116 The type and content of the property rights shall be provided by law.

Article 117 For the needs of the public interests, in accordance with the provisions of the law and procedures for expropriation and requisition of real estate or movable property, fair and reasonable compensation shall be given.

Article 118 The civil subjects enjoy the creditor's rights according to law.

Creditor's rights are the right of the obligee to request a particular obligor to conduct or not to conduct a certain act because of a contract, tort, negotiorum gestio, unjust enrichment, and other provisions of the law.

Article 119 A contract established in accordance with the law is legally binding on the parties.

Article 120 Where the civil rights and interests are infringed, the person whose rights are infringed has the right to request the infringer to bear tort liability.

Article 121 When there are no statutory or agreed obligations, for any management in order to avoid the damage to interests of others, the person who conduct such management shall have the right to request the beneficiary to repay the necessary expenses.

Article 122 For any unjust enrichment without legal basis, the persons who suffer loss have the right to request the return of improper benefits.

Article 123 Civil subjects enjoy intellectual property rights according to law.

Intellectual property rights are the exclusive rights of the persons on the following objects according to law:

(1) Works;

(2) Invention, utility model and design;

(3) Trademark;

(4) Geographical indications;

(5) Trade secrets;

(6) Integrated circuit layout design;

(7) New plant varieties;

(8) Other objects prescribed by law.

Article 124 Natural persons enjoy the inheritance rights.

The lawful personal properties of natural persons may be lawfully inherited.

Article 125 The civil subjects enjoy the equity and other investment rights according to law.

Article 126 The civil subjects enjoy other civil rights and interests as prescribed by law.

Article 127 The provisions on the protection of data or network virtual properties shall be abided by.

Article 128 The special provisions on the protection of civil rights of minors, the elderly, the disabled, women, and consumers shall be abided by.

Article 129 Civil rights may be acquired on the basis of civil legal acts, de facto acts, acts prescribed by law or

other means provided by law.

Article 130 The civil subjects shall exercise civil rights according to their own will and others shall not interfere therewith.

Article 131 When the civil subjects exercise their rights, they shall fulfil the obligations stipulated by law and agreed by the parties.

Article 132 The civil subjects shall not abuse the civil rights and damage the national interests, the social public interests or the legitimate rights and interests of others.

Chapter VI Civil Juristic Acts

Section 1 General Stipulations

Article 133 Civil juristic acts are the acts of a civil subject through the establishment, alteration and termination of civil legal relations through expression of intention.

Article 134 Civil juristic acts can be based on the expression of intention of both parties or all parties, or based on unilateral expression of intention.

The resolutions made by legal persons or non-incorporated organisations in accordance with the law, the provisions of the proceedings and voting procedures shall be valid.

Article 135 Civil juristic acts may be in written form, oral form or other forms; special forms may be adopted if provided by laws and administrative regulations or agreed by the.

Article 136 Civil juristic acts take effect at the time of its establishment, except as otherwise provided by law or otherwise agreed by the parties.

The persons of civil conduct shall not alter or dispense the civil juristic acts without the provision of the law or without the consent of the other party.

Section 2 Expression of Intention

Article 137 The expression of intention, which is made by dialogue, takes effect when the person knows the content.

The expression of intention, which is made by non-dialogue, takes effect when it reaches the relative person. The expression of intention in the form of a data message in the form of non-dialogue, which specifies that a particular system to receive the data message, shall take effect when it enters the particular system; if the specific system is not specified, it shall take effect when the relative person knows or should know that the data message enters into its system. The parties shall follow the agreement that have been agreed otherwise on the time of effect of the expression of intention in the form of a data message.

Article 138 The expression of intention without counterparties shall enter into force at the time of completion of the expression, unless otherwise provided by law.

Article 139 The expression of intention made in the form of an announcement shall enter into force at the time of issue of the announcement.

Article 140 The persons of civil conduct may make an expression of intention by express or implied ways.

Silence can only be regarded as expression of intention, when it is provided by law or agreed by the parties, or it has met the trading habits between the parties.

Article 141 The persons of civil conduct may withdraw the expression of intention. The notice of withdrawal of the expression of intention shall arrive at the relative persons before the expression of intention arrives at the relative person or with the expression of intention.

Article 142 The interpretation and the definition of the expression of intention without counterparties shall be determined on the use of the words, in combination with the relevant terms, the nature and purpose of the conduct, the habits and the principle of good faith.

The interpretation of the expression of intention without counterparties shall not be restricted by the used words and sentences; the relevant clauses, the nature and purpose of the conduct, the habits and the principle of good faith shall be considered in combination to determine the genuine meaning of the persons of the civil conduct.

Section 3 Validity of Civil Juristic Acts

Article 143 The civil juristic acts with the following conditions are valid:

(1) The persons of the civil conduct have a corresponding capacity for civil conduct;

(2) The expression of intention is true;

(3) Not violating the mandatory provisions of laws and administrative regulations, and not violating the public order and social customs.

Article 144 The civil juristic acts by persons of no capacity for civil conduct are invalid.

Article 145 The civil juristic acts with the nature of pure profit by the persons of limited capacity for civil conduct, or the Civil Juristic Acts that are compatible with the age, intelligence and mental health of such persons, shall be valid; other Civil Juristic Acts shall be valid upon the consent or confirmation of the legal agent.

The counterparties may urge the legal agent to confirm the conducts within 1 month from the date of receipt of the notice. If the legal agent does not make any expression, it shall be deemed as rejection of confirmation. Before the civil juristic acts have been confirmed, the counterparties of good faith have the right for revocation. The revocation shall be made by notice.

Article 146 The civil juristic acts by persons of civil conduct and counterparties under fake expression of intention are invalid.

The validity of civil juristic acts concealed by fake expression of intention shall be dealt with according to relevant legal provisions.

Article 147 The persons of civil conduct have the right to request the People's Court or arbitration organisations to revoke the civil juristic acts based on major misunderstandings.

Article 148 The parties infringed by fraud have the rights to request the People's Court or arbitration organisations to revoke the Civil Juristic Acts that have been perpetrated by means of fraud and against the true meanings of the counterparties.

Article 149 The persons infringed by fraud which has been implemented by third parties and has caused the civil juristic acts of the counterparties, in which the counterparties know or should have known such fraud, have the right to request a people's court or arbitration organisations to revoke the civil juristic acts.

Article 150 If a party or third parties who, by means of coercion, have caused the other party to carry out the civil juristic acts in violation of their true meaning, the persons under coercion have the rights to request a people's court or the arbitration organisations to revoke them.

Article 151 The injured party has the right to request a people's court or the arbitration organisations to revoke the conducts, if one party uses the state of danger or lack of judgment of the other party resulting in the unfairness in the establishment of the civil juristic acts.

Article 152 Under any of the following circumstances, the right of revocation is eliminated:

(1) The party concerned has not exercised the right of revocation within 1 year from the date of knowing or ought to have known the grounds for revocation; the party concerned in the major misunderstanding has not exercised the right of revocation within 3 months from the date of knowing or ought to have known the grounds for revocation;

(2) The parties have not exercised the right of revocation within 1 year from the date of termination of the coercion;

(3) The parties expressly waive the right of revocation after they know the grounds thereof.

If the parties have not exercised the right of revocation within 5 years from the date of the civil juristic acts, the right of revocation shall be eliminated.

Article 153 The civil juristic acts that violate the mandatory provisions of laws and administrative regulations are invalid, except that the mandatory provisions do not result in the invalidity of the civil juristic acts.

The civil juristic acts that violate public order and social customs are invalid.

Article 154 The civil juristic acts conducted by malicious collusion between the persons of civil conduct and the counterparties which damage the legitimate rights and interests of others are invalid.

Article 155 The invalid or revoked civil juristic acts are not legally binding from the beginning.

Article 156 If part of civil juristic acts is invalid, and the effect of other part is unaffected, the other part shall still be valid.

Article 157 If the civil juristic acts are invalid, revoked or are confirmed to have no effect, the properties obtained due to such conducts by the persons of civil conduct shall be returned; if it cannot be returned or is not necessary to be returned, it shall be compensated. The faulty party shall compensate the other party for the loss suffered; if both the parties have fault, they shall bear the corresponding responsibility respectively. If the law otherwise provides, the provisions shall be abided by.

Section 4 Conditions and Duration of Civil Juristic Acts

Article 158 The civil juristic acts may be conditional, unless their nature does not allow conditions. The civil juristic

acts with conditions take effect when the conditions are met. The civil juristic acts with termination conditions shall terminate when the conditions are met.

Article 159 Where the parties improperly prevent the conditions to be met, it is deemed that the conditions have been met; where the parties improperly contribute to the satisfaction of conditions, it is deemed that the conditions have not been met.

Article 160 The civil juristic acts may be subject to a period of time, unless their nature does not allow limit of time. The civil juristic acts with duration to take effect shall take effect from that time. The civil juristic acts with duration of termination shall terminate at the end of such duration.

Chapter VII Agency

Section 1 General Stipulations

Article 161 The civil subjects perform the civil juristic acts through agents. The civil juristic acts that shall be performed in person according to law, agreement of parties or the nature of the civil juristic acts shall be carried out in person and shall not be carried out through agency.

Article 162 The civil juristic acts carried out by the agent in the name of the principal and within the authority shall be valid on the principal.

Article 163 Agents include the Entrusted Agency and the Statutory Agency.

The entrusted agent shall exercise the agency right in accordance with the entrustment of the principal. The legal agent shall exercise the agency right in accordance with the law.

Article 164 If the agent fails to perform or fails to fully perform his duties and causes damage to the principal, he shall bear civil liability.

If the agents and counterparties conduct malicious collusion, which caused damage to the legitimate rights and interests of the principle, the agents and counterparties shall bear joint and several liability.

Section 2 Entrusted Agency

Article 165 When written form is used in authorisation for Entrusted Agency, the letter of authorisation shall cover the agent's name, authorised matters, authority and period, which shall be signed or affixed a seal by the agent.

Article 166 Where a number of agents are authorised for the same matter, they shall jointly exercise the power of agency, unless otherwise agreed by the parties.

Article 167 If the agent has not objected against the agency, when he knows or ought to know that the authorised matter is illegal, or if the agent knows or should know that the agent's act is unlawful, the principal and the agent shall bear joint and several liability.

Article 168 The agent shall not carry out the civil juristic acts with himself in the name of the principal, unless the principal have consented or confirmed such conducts.

The agent shall not carry out the civil juristic acts between the principal and other principals he represents in the name of the principal, unless the all the principals have consented or confirmed such conducts.

Article 169 If the agent needs to entrust third parties as agents, it shall obtain the consent or confirmation of the principal. The agent shall only be liable for the appointment of third parties and the instruction to third parties.

If such transfer is not consented or confirmed by the principal, the agent shall be liable for the conducts of the third parties, unless the transfer of agency is made by the agent under emergency for the purpose of safeguarding the interests of the principal.

Article 170 The civil juristic acts implemented in the name of the legal persons or the non-incorporated organisations by the personnel who complete the tasks of the legal persons or the non-incorporated organisations, shall have the effect on the legal person or the non-incorporated organisations.

The limitation on the authority of personnel who complete the tasks for the legal persons or the non-incorporated organisations shall not confront the counterparties in good faith.

Article 171 The agency conducts carried out without authority, beyond authority or after the termination of agency, without being approved by the agent, are invalid.

The counterparties can urge the principals to confirm the conducts within 1 month of the date of receipt of the notice. The principals who have not made expressions are deemed as having refused the confirmation. Before the conducts of the persons of civil conduct have been confirmed, the counterparties in good faith have the rights to revoke the conducts. The revocation shall be made by notice.

If such conducts are not recognised, the counterparties in good faith have the right to request persons of civil conduct to pay their debts or to make compensations to the extent of their damages, but the scope of the compensation shall not exceed the obtained benefits at the time of confirmation by the principals.

If the counterparties know or should have known that persons of civil conduct have no authority of agency, the counterparties and persons of civil conduct shall be liable according to their own fault. be

Article 172 If the persons of civil conduct carry out agency without authority, beyond authority or after the termination of agency, and the counterparties have the reasons to believe that the persons of civil conduct have the authority, the conducts shall be valid.

Section 3 Termination of Agency

Article 173 In one of the following cases, the Entrusted Agency terminates:

(1) The duration of agency has expired or the entrusted matters are completed;

(2) The principals have cancelled the entrustment or agent resigns from the entrustment;

(3) The agent has lost the capacity for civil conduct;

(4) The agent or the principal have died;

(5) The legal persons or the non-legal-persons as agents or the principals have terminated.

Article 174 After the death of the principals, under any of the following circumstances, the entrusted agency conducts shall be valid:

(1) The agent does not know and should not have known the death of the principals;

(2) The successors of the principals have confirmed the conducts;

(3) The authorisation has clearly provided that the authority shall terminate when the entrusted matters have been completed;

(4) The agency conducts have started before the death of the principals and are continued for the benefits of the successors of the principals.

When the legal persons and non-incorporated organisations as the agents have terminated, the provisions of the preceding paragraph shall be applied.

Article 175 In any of the following circumstances, the statutory agency shall terminate:

(1) The principals have obtained or recovered full capacity for civil conduct;

(2) The agents have lost capacity for civil conduct;

(3) The agents or the principals have died;

(4) Other circumstances prescribed by law.

Chapter VIII Civil Liability

Article 176 Civil subjects shall perform civil obligations and assume civil liability according to the provisions of the law and the agreement of the parties.

Article 177 When two or more people assume liabilities according to the law by proportions, if it is possible to determine the proportion thereof, they shall bear the corresponding responsibility; if it is impossible to determine it, they shall bear the responsibility equally.

Article 178 If two or more persons are jointly and severally liable, the right holders shall have the right to request part or all of the liable persons to bear the liability.

The share of the responsibility of the joint-and-several liability shall be determined according to the proportion of the respective responsibilities; if it is difficult to determine the proportion of the responsibility, liability shall be borne equally. If the actual responsibility of the joint liable persons have assumed more than their share of responsibility, they have the right to recover from the other persons of the joint and several liability.

The joint and several liability shall be provided by law or agreed by the parties.

Article 179 The methods of assuming Civil Liability include:

(1) Stop the infringement;

(2) Exclude the hindrance;

(3) Eliminate the danger;

(4) Return the property;

(5) Restitution;

(6) Repair, remake or replace;

(7) Continue to perform;

(8) Compensate for losses;

(9) Pay liquidated damages;

(10) Eliminate the impact or restore the reputation;

(11) Apologise.

The methods to assume Civil Liability provided for in this Article may be applied alone or may be combined.

Article 180 No Civil Liability is borne in case of failure to perform civil duties due to force majeure, unless otherwise provided by law.

Force majeure means unforeseeable, unavoidable and unconquerable objective situations.

Article 181 Damage due to proper defence has no Civil Liability.

If the defences are beyond the necessary limits and have caused undue damage, the defenders shall take appropriate Civil Liability.

Article 182 In case of damage caused by avoidance of emergency, Civil Liability shall be borne by the persons who have caused the danger.

If the danger has been caused by natural reasons, the persons of emergency avoidance do not assume Civil Liability and may give appropriate compensation.

If the measures for emergency avoidance are improper, or have exceeded the necessary limit, which have caused undue damage, the persons of emergency avoidance shall assume appropriate Civil Liability.

Article 183 In the event of damage to the civil rights and interests of oneself due to protection of others' rights, the infringer shall bear Civil Liability, and the beneficiary may give appropriate compensation. Where there is no infringer, the infringer escapes or is unable to assume Civil Liability, the beneficiary shall give appropriate compensation if the victim requests compensation.

Article 184 If the rescuer voluntarily carries out emergency relief which has caused damages to the persons in danger, the rescuer shall not bear Civil Liability.

Article 185 If the name, portrait, reputation and honour of heroic martyrs have been infringed and public interests are damaged, Civil Liability shall be assumed.

Article 186 If the personal rights and property rights of one party have been infringed due to the breach of contract of the other party, the injured party has the right to choose to claim the liability for breach of contract or tort liability.

Article 187 When the civil subjects bear civil liability, administrative liability and criminal liability for the same act, the assumption of administrative liability or criminal liability shall not affect the assumption of civil liability; if the properties of the civil subjects are insufficient to make the payment, civil liability shall be assumed in priority.

Chapter IX Limitation of Action

Article 188 The limitation of action of an application to a people's court for protection of civil rights are three years, unless otherwise provided by law.

Limitations are calculated from the date on which the right holder knows or ought to be aware of the damage to the rights and the obligor, unless otherwise provided by law.

If it has been more than 20 years since the date of the damage, the People's Court shall not give protection; in exceptional circumstances, the People's Court may extend the limitations in accordance with the application of the right holders.

Article 189 Where the parties agree on the instalment of paying debt, the Limitations shall be calculated from the date of expiry of the last instalment.

Article 190 The limitation of claim by a person of no capacity for civil conduct or of limited capacity for civil conduct

against his/her legal agent shall be calculated from the date of termination of such statutory agency.

Article 191 The limitation of claim for damages for sexual assault by a minor are calculated from the date on which the victim reaches 18 years old.

Article 192 When a limitation of action has expired, the obligor may file a defence of non-performance.

After the expiry of the limitation, if the obligor agrees to perform duties, he shall not raise defence due to the expiry of limitation; if the obligor voluntarily performs the duties, he shall not require return of the payment.

Article 193 A people's court shall not voluntarily apply the provisions of Limitations.

Article 194 During the last six months of a limitation, if the claim cannot be exercised due to the following obstacles, the limitation shall be suspended:

(1) Force majeure;

(2) Persons of no capacity for civil conduct or persons of limited capacity for civil conduct have no legal agent, or the legal agent has died, lost capacity for civil conduct or lost the authority for agency;

(3) After the succession begins, the successors or the estate administrators have not been determined;

(4) The right holder is controlled by the obligor or others;

(5) Other obstacles which have caused the right holder to fail in making claims.

The Limitations shall expire since the elimination of the causes of the suspension of Limitations.

Article 195 If, in one of the following cases, a limitation of action is interrupted; the limitation of action shall be recalculated since the interruption and the termination of relevant procedures:

(1) The right holder requests performance to the obligor;

(2) The obligor agrees to fulfil its obligations;

(3) The right holder issues proceedings or applies for arbitration;

(4) Other circumstances equal to issue of litigation or application for arbitration.

Article 196 The provisions for limitations do not apply to the following claims:

(1) Request to stop the infringement, remove the obstacles, or eliminate the danger;

(2) The right holder requests returning of property for real estate and registered chattels;

(3) Request payment of alimony, support money or maintenance;

(4) Other claims for which Limitations are not applicable.

Article 197 The period, calculation method, and causes for suspension or interruption of Limitations shall be provided by law; the agreement of the parties is invalid.

The prior waiver of the benefits of Limitations by concerned parties is invalid.

Article 198 Where the law provides for the limitations of arbitration, such provisions shall be abided by;

Article 199 The duration of rights such as revocation rights or dissolution rights provided by law or agreed by the parties shall be calculated from the date on which the right holder knows or ought to know the right, unless otherwise provided by law; the provisions of suspension, interruption and extension of Limitations shall not be applied. At the expiry of the duration, the revocation and dissolution rights shall be eliminated.

Chapter X Calculation of Duration

Article 200 The period referred to by the Civil Law is calculated according to the calendar year, month, day and hour.

Article 201 When the period is calculated according to the year, month and day, the beginning date is not included in the calculation; the period shall be calculated from the next day.

When the period is calculated according to the hour, the calculation shall be made from the time provided by the law or agreed by the parties.

Article 202 When the period is calculated according to the year and month, the corresponding date of the expiry month is the last day of the limitations; if there is no corresponding date, the last day of the month shall be the last day.

Article 203 If the last day of limitations falls on an official holiday, the day after the holiday shall be taken as the last day.

The last day shall end at 24:00 hours. If business hours are applicable, the last day shall end at closing time.

Article 204 The calculation of limitations shall follow the provisions of this Law, unless otherwise provided by law or agreed by the parties.

Chapter XI Supplementary Provisions

Article 205 In the Civil Law, the terms "not less than", "not more than", "within" and "expire" shall include the given figure; the terms "under", "exceed" and "beyond" shall not include the given figure.

Article 206 This Law shall come into force on October 1, 2017.

扫一扫，手机阅读更方便