

Articles of Association for Solely Foreign-owned Enterprises

(Without Board of Directors) For Reference Only

- Chapter 1 General Provisions**
- Chapter 2 Objectives, Scope and Scale of Production and Business**
- Chapter 3 Total Investment Amount and the Registered Capital**
- Chapter 4 Business Management Office**
- Chapter 5 Taxation, Finance and Foreign Exchange Management**
- Chapter 6 Distribution of Profits**
- Chapter 7 Labor Management**
- Chapter 8 Trade Union**
- Chapter 9 Insurance**
- Chapter 10 Duration, Dissolution and Liquidation**
- Chapter 11 Rules and Regulations**
- Chapter 12 Supplementary Provisions**

Chapter 1 General Provisions

Article 1

In accordance with *Law of the People's Republic of China on Foreign-Capital Enterprises* and other relevant Chinese laws and regulations, _____ Company _____ Country intends to set up _____ Co. Ltd. (hereinafter referred to as the Company), an exclusively foreign owned enterprise, in [NAME OF CITY] of the People's Republic of China. For this purpose, these Articles of Association hereunder are worked out.

Article 2

The name of the Company in Chinese is _____.

The name of the Company in English is _____.

The legal address of the Company is at _____.

Article 3

The investing party is a legal person registered with _____ Country in accordance with the laws of _____ Country.

The legal name of the investing party is _____;

Its legal address is _____;

Its legal representative: Name _____; Nationality _____; Title _____.

Article 4

The organization form of the Company is a limited liability company. The investing party is liable to the Company within the limit of its capital subscription, and the Company shall assume external liabilities with all of its assets.

Article 5

The Company is under the governance and protection of Chinese laws and its activities must comply with the stipulations of the Chinese laws, decrees and relevant regulations and shall not damage the public interests of China.

Chapter 2 Objective, Scope and Scale of Production and Business

Article 6

The objective of the Company is to produce _____ products, develop new products, and sharpen competitive edge in the world market in product quality and price by adopting advanced and applicable technology and scientific management methods, so as to raise economic results and ensure satisfactory economic benefits for the investing party.

Article 7

The business scope of the Company is _____.

Article 8

The production scale of the Company after being put into operation is _____.

Article 9

The proportion for export of the Company is _____.

Chapter 3 Total Investment Amount and the Registered Capital

Article 10

The amount of total investment of the Company is _____; the registered capital is _____.

Article 11

The contribution methods of the Company are,
cash _____;
kind equivalent of _____.

Article 12

The investing party shall contribute the registered capital with the following method: (Note: choose one of them)

1. Paying off all the capital within six months upon the issuance of business license.
2. The registered capital is paid in _____ installments. Within three months upon the issuance of business license, _____ of the first installment shall be paid, accounting for ___% of its subscribed capital, and the rest part shall be paid off in ___ months. (Note: The contribution to the first installment shall not be less than 15% of its subscribed capital.)

The capital contribution of each party shall be converted according to the current numeraire exchange rate of the People's Bank of China.

The capital contribution in kind shall be recognized as available on the day when the Company obtains the certificate of right.

Article 13

Within 30 days upon the capital contribution of the Company to any installment, the Company shall engage certified public accountants registered in China to verify the capital and present a report on the verification of capital. Within 30 days upon receipt of the report on capital verification, the Company shall present a certificate of capital contribution to the investing party and file with the original examination and approval authority and the administrative department of industry and commerce.

Article 14

The readjustment of registered capital or total investment amount shall be submitted to the original examination and approval authority for approval and go through alteration formalities with the administrative department of industry and commerce.

Chapter 4 Business Management Office

Article 15

The Company does not set up a board of directors and exercises general manager responsibility system, with ___ general managers and ___ deputy general managers to be engaged by the investors. The general manager and deputy general managers have an office term of ___ years. The general manager shall be the legal representative of the Company.

Article 16

The general manager is directly responsible to the investing party and shall carry out the various decisions of the investing party and organize and guide the overall production of the Company. The deputy general managers shall assist the general manager in his/her work.

Article 17

Several department managers may be appointed by the management office to be responsible for the work in various departments respectively, handle the

matters handed over by the general manager and deputy general managers and be responsible to them.

Article 18

The general manager, the deputy general managers and all the other managers shall earnestly perform their duty and shall not hold concurrent post as a manager or other forms of employee for other companies.

In case of malpractice or serious dereliction of duty on the part of the general manager and deputy general managers, the investing party shall have the power to dismiss them at any time.

Chapter 5 Taxation, Finance and Foreign Exchange Management

Article 19

The Company shall pay various items of taxes in accordance with relevant Chinese laws and stipulations on taxation.

Article 20

Staff members and workers of the Company shall pay individual income tax according to *Individual Income Tax Law of the People's Republic of China*.

Article 21

The Company shall implement accounting system in accordance with relevant financial management system of the People's Republic of China. The Company shall, according to international practice, adopt accrual basis accounting system and debit-credit book-keeping method.

Article 22

The fiscal year of the Company shall be from January 1 to December 31 of each Gregorian calendar year. The first fiscal year shall be from the day when the business license is issued to December 31 of the same year.

Article 23

All vouchers, receipts, statements and account books shall be written in Chinese and shall, if written in foreign languages, be supplemented with Chinese.

Article 24

The Company shall use RMB bookkeeping. Conversion of RMB with other currencies shall be calculated on the basis of middle rate promulgated by the State Administration of Foreign Exchange on the day of arising.

Article 25

The Company shall, in accordance with applicable Chinese laws and regulations, open a foreign currency account and a RMB account in domestic

banks.

Article 26

In the first 3 months of each fiscal year, the general manager shall prepare the previous year's balance sheet, profit and loss statement and profit distribution proposal and submit them to the investors for examination and approval.

Financial checking and examination of the Company shall be conducted by an auditor registered in China.

Article 27

The foreign exchange issues of the Company shall be handled in accordance with the relevant laws and regulations of China concerning foreign exchange administration.

Chapter 6 Distribution of Profits

Article 28

The Company shall set aside allocations for reserve funds, expansion funds of the Company and welfare funds and bonuses for staff and workers from the after-income-tax profits. The specific proportion of allocations shall be in accordance with *Rules for the Implementation of the Law of the People's Republic of China on Foreign-capital Enterprises* and other relevant laws and regulations of China.

Article 29

The remaining profits after payment of company income tax and allocation of various funds in accordance with the stipulations of Article 28 shall be distributed and used according to the decisions of investors.

Article 30

The profits of the Company shall be distributed annually and no profits shall be distributed should the losses in the previous years not be covered. The undistributed profits in the past fiscal years can be distributed together with the distributable profits in the current fiscal year.

Chapter 7 Labor Management

Article 31

Such issues of the Company as recruitment, employment, dismissal, resignation, welfare, labor protection and labor discipline shall be handled in accordance with relevant stipulations of China on labor and social insurance. The Company shall not employ child labor.

Article 32

The Company shall enter into labor contract with the employees and shall file

with the local labor administration authority.

Article 33

The Company has the power to impose punishment such as disciplinary warning, demerit recording, wage reduction and even dismissal in case of grave misconduct on the staff members and workers violating the rules, regulations and labor discipline of the Company. Dismissal of staff member or worker shall be filed with the local labor administration authority.

Article 34

The wages and remuneration of the staff members and workers of the Company shall be decided by the investing party in accordance with relevant stipulations in China and according to the situation of the Company and shall be specifically stipulated in the labor contract.

Chapter 8 Trade Union

Article 35

The staff members and workers of the Company have the right to set up grassroots trade union organization and carry out trade union activities in accordance with the provisions of *Trade Union Law of the People's Republic of China*.

Article 36

The trade union of the Company represents the interests of the staff members and workers. It plays the following roles:

- safeguarding the lawful rights and interests of staff members and workers according to law,
- assisting the Company in proper allocation and utilization of employee welfare and bonus fund,
- organizing the staff members and workers to study politics, science, technology and professional knowledge and carry out recreational and physical activities,
- educating the staff members and workers to observe labor discipline and strive to fulfill the various economic targets of the Company.

Article 37

The trade union of the Company can, on behalf of the staff members and workers, enter into collective labor contract with the Company and supervise the performance of the labor contract.

Article 38

When the Company study and decide on the issues relating to staff members and workers such as reward and punishment, wage system, welfare, labor protection and insurance, the representatives of the trade union have the right to attend the meeting as a non-voting delegate. The Company shall listen to

the opinions of the trade union and seek cooperation from the trade union.

Article 39

The Company shall actively support the work of the trade union and, in accordance with *Trade Union Law of the People's Republic of China*, provide the trade union with necessary premises and facilities to conduct work, hold meeting and carry out collective welfare, cultural and physical activities for the staff members and workers.

Article 40

The Company shall allocate on a monthly basis 2% of the actually paid wages of the staff members and workers as its trade union fund, which shall be used by its trade union in accordance with the measures of All-China Association of Trade Union on the management of trade union fund.

Chapter 9 Insurance

Article 41

Insurance policies of the Company on various kinds of risks shall be underwritten with the insurance companies in China. Types, value and duration of insurance shall be decided by the investing party in accordance with the stipulations of the insurance companies.

Chapter 10 Duration, Dissolution and Liquidation

Article 42

The operating period of the Company is _____ years and shall start from the date on which the business license of the Company is issued.

Article 43

Should the investing party decide to extend the operating period, it shall submit a written application to the original examination and approval authority at least 6 months prior to the expiry date of the operating period. The duration can be extended upon the approval of the examination and approval authority and completion of registration formalities in the original registration authority.

Article 44

In addition to expiration of the operating period, the investing party can decide to terminate the Company ahead of time due to the following reasons:

1. Heavy losses due to mismanagement;
2. Unable to go on business due to heavy losses caused by force majeure such as natural disaster and war;
3. Bankrupt;
4. Revoked according to law due to violation of Chinese laws and regulations and damage to public interests;
5. Occurrence of other causes for termination as stipulated in the present

Articles of Association.

Article 45

Upon the expiration or termination of the operating period of the Company, the company shall formulate liquidation procedures and principles and organize a liquidation committee. The liquidation committee shall be composed of at least three members.

Article 46

The liquidation committee shall conduct liquidation on the Company in accordance with *Liquidation Measures for Foreign-funded Enterprises*. The role of the liquidation committee is to check up completely the assets, creditor's rights and liabilities of the Company, prepare balance sheet and the list of assets, formulate liquidation scheme and implement this scheme after the investors pass it.

Article 47

During the period of liquidation, the liquidation committee shall act as the legal representative of the Company in filing and responding to lawsuits.

Article 48

The liquidation expenses shall be paid in priority from the existing assets of the Company.

Article 49

After the liquidation of the Company is over, the remaining assets after liquidation of debts shall be distributed to the investing party.

Article 50

After the liquidation is over, the Company shall go through the formalities of registration cancellation with the administrative department of industry and commerce, hand in the business license for cancellation and announce the liquidation to the public.

Chapter 11 Rules and Regulations

Article 51

The Company shall formulate the following rules and regulations:

1. business management system, including the function and power and working procedure of the subordinate management departments;
2. code of conduct for employees;
3. labor and wage system;
4. work attendance, promotion, reward and punishment system for employees;
5. employee welfare system;
6. financial system;
7. liquidation procedure for liquidation of the Company;

8. other necessary rules and regulations.

Chapter 12 Supplementary Provisions

Chapter 52

The present Articles of Association shall be written in (1) Chinese. (2) in Chinese and _____. Both language versions are equally authentic. In the event of any discrepancy between the two aforementioned versions, the Chinese version shall prevail. (Note: choose either (1) or (2).)

The present Articles of Association shall be made in _____ original copies, with one copy for the investing party, one copy for the examination and approval authority and one copy for the administrative department of industry and commerce.

Article 53

The formation, validity, execution and interpretation of the present Articles of Association shall be governed by the relevant laws and regulations of the People's Republic of China. In case there is no applicable Chinese law for a specific issue, international practices shall be used as reference.

Article 54

The present Articles of Association will become valid only upon the approval of the Administrative Commission of Tianjin Economic-Technological Development Area. The same applies to the amendment to these Articles of Association.

Article 55

The present Articles of Association is signed in _____ (place) on _____ (date) by the legal representative of the investing party or its authorized representative.

Legal representative of the Company or its authorized representative

Signature (stamp)