



Newsletter

Update

March 20, 2023

- **GACC Decided to Repeal Three Regulations Regarding Import and Export**
- **GACC Clarified Tax Reduction and Exemption for the Foreign Gifts and Imported Materials**
- **SSE Will launch Four Indexes including SSE STAR Market New Energy Index**
- **GACC Amended Several Regulations by Replacing “Registration” with “Filing”**
- **China Adjusted Visa and Entry Policies for Foreigners**
- **SSE and SZSE Respectively Revised and Released Implementation Measures on Stock Exchange**
- **China Announces Accession to the Convention Abolishing Legalisation Requirement for Foreign Public Documents**
- **SSE and SZSE Issue Several IPO Business Guidelines**

Article(s)

- **Comments for the second amendments of the Company Law(Draft Revision)**

Update

GACC Decided to Repeal Three Regulations Regarding Import and Export

On March 7, General Administration of Customs China (GACC) published the *Decision on Repealing Certain Regulations* (the “Decision”). It shall come into effect as of the date of promulgation.

The decision specified that GACC decided to repeal the *Measures of the Customs on Administration of Carry-over of Goods from the Export Processing Zone for Further Processing and Approval and Management Measures of Customs on Foreign Governments, International Organizations and China’s Fulfillment of the Provisions of International Treaties to Reduce Tax Exemptions for Imported Materials as well as the Measures for the Inspection, Quarantine, Supervision and Administration of Imported Solid Waste that Can Be Used as Raw Materials*.

GACC Clarified Tax Reduction and Exemption for the Foreign Gifts and Imported Materials

On March 8, 2023, General Administration of Customs China (GACC) released the Announcement on Tax Reduction and Exemption for the Imported Materials Donated Freely by Foreign Governments and International Organizations and Implemented in International Treaties (the “Announcement”), which shall come into effect as of the date of promulgation.

The Announcement clarifies that the scope of tax deduction for the imported materials donated freely by foreign governments and international organizations, as well as the imported materials implemented in international treaties mainly includes four kinds of circumstances, such as free gift of imported materials or grants without compensation directly given by foreign governments and international organizations, and the imported materials purchased by the recipient units in China on their own in terms of the scope regulated in gift letter and agreement in accordance with the gift letter, or agreement between China, foreign governments or international organizations. The Announcement stipulates the required materials and the time limit for processing.

SSE Will launch Four Indexes including SSE STAR Market New Energy Index

The Shanghai Stock Exchange (“SSE”) and China Securities Index Co., Ltd. (“CSI”) recently announced that they shall formally release four indexes including New Energy Index of SSE STAR Market on April 3, 2023.

The other three indexes include the SSE STAR Market Industrial Machinery Index, the SSE STAR Market Yangtze River Delta Index and the SSE STAR Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) Index. The SSE STAR Market Industrial Machinery Index selects securities of 50 listed companies from the STAR Market with large market value in the corresponding fields from as index samples. Focusing on coordinated regional development, the SSE STAR Market Yangtze River Delta Index and the SSE STAR GBA Index respectively select securities of 50 listed companies with large market value from the STAR Market that are registered in the Yangtze River Delta region and the Guangdong-Hong Kong-Macao Greater Bay Area as index samples.

GACC Amended Several Regulations by Replacing “Registration” with “Filing”

On March 13, 2023, the General Administration of Customs China (“GACC”) released the *Decision on Amending Some Regulations* (GACC Order No. 262) (the “Decision”), involving the amendment of 22 regulations. The Decision shall come into force on April 15, 2023.

According to the Decision, the wording “registration” as appeared in Article 4 and Paragraph 1, Article 7 of the Interim Measures for the Pre-rulings of Customs of the People’s Republic of China, in Item 2, Paragraph 1, Article 3 of the Measures for the Networked Supervision of Processing Trade Enterprises by Customs of the People’s Republic of China, and in Paragraph 1, Article 4 of the Interim Measures for the Administrative Rulings of Customs of the People’s Republic of China will be changed to “filing”. Amendments that the Decision made to “Interim Measures of Customs on Pre-determination Management” are amending “registration” in Article 4 to “record”; amending “Registration” in the first paragraph in Article 7 to “for the record”. The amendment to “Measures of Customs on Processing Trade Enterprises Network Supervision” is amending “Registration” in item 2 of the first paragraph in Article 3

to “for the record”. The amendment to “Interim Measures of Customs on Administrative Ruling” is amending “registration” in first paragraph of Article 4 to “for the record”.

China Adjusted Visa and Entry Policies for Foreigners

On March 14, 2023, the Foreign Ministry’s Department of Consular Affairs issued the *Notice on Further Adjusting the Foreign Visa and Entry Policies* (the “Notice”).

The Notice clarified the following adjustments to the visa and entry policies for foreigners: 1. allowing foreigners with valid visas issued before March 28, 2020 to enter China; 2. allowing visa authorities abroad to resume issuing visas to China to foreigners; 3. allowing the port visa authorities resume the examination and issuance of various types of port visas in line with the legal reasons; 4. resuming the visa-free policies for entry to Hainan province, cruise tour groups at Shanghai ports, as well as entry to Guangdong province for tour groups of foreigners from Hong Kong and Macao, and entry to Guilin in Guangxi province for tour groups from ASEAN countries. The Notice shall come into force on March 15, 2023.

SSE and SZSE Respectively Revised and Released Implementation Measures on Stock Exchange

On March 3, 2023, Shanghai Stock Exchange (“SSE”) released *Implementation Measures on SSE Shanghai-Hong Kong Stock Connect Business* (Revised in 2023) , and Shenzhen Stock Exchange (“SZSE”) released the *Implementation Measures on SZSE Shenzhen-Hong Kong Stock Connect Business* (Revised in 2023), which both shall come into force on March 13, 2023.

The revision of the Implementation Measures adheres to the general principle of “Openness, Clarity and Control”, and further enhances the inclusiveness of the stock selection criteria of Shanghai and Shenzhen Stock Exchanges on the basis of preventing business risks, so as to include more stocks of listed companies into the underlying of SSE and SZSE and achieve a higher level of opening-up.

SSE and SZSE respectively pointed out that the market value threshold for transferring to Shanghai and Shenzhen Stock Connect stocks is set at RMB 5 billion. In terms of adjustment mechanism, the Implementation Measures were revised to set semi-annual and monthly regular inspection mechanism and temporary adjustment mechanism for Shanghai and Shenzhen Stock Connect stocks.

China Announces Accession to the Convention Abolishing Legalisation Requirement for Foreign Public Documents

On March 8, 2023, China officially deposited the instrument of accession with the Ministry of Foreign Affairs of the Netherlands, the depository of the *Convention Abolishing the Requirement of Legalisation for Foreign Public Documents* (the “Convention”). This marks China’s official accession to the Convention, which will enter into force in China in early November.

The main purpose of the Convention is to simplify procedures for the use of public documents abroad and facilitate international trade. China’s accession will significantly reduce the time and cost for the use of public documents abroad. The time required for the completion of relevant procedures between China and

other contracting states to the Convention will be slashed by about 90 percent on average. It will also help improve business environment. With China's accession to the Convention, foreign companies investing in or exporting to China will no longer need to seek consular legalisation for commercial documents.

SSE and SZSE Issue Several IPO Business Guidelines

In an effort to meet the requirements for the full implementation of the registration-based IPO system, the Shanghai Stock Exchange ("SSE") recently formulated and released the *Guideline for the Review of Issuance and Listing No.4 – Tables of Self-inspection for Information Disclosure and Verification Requirements* (the "Tables of Self-inspection"), and the Shenzhen Stock Exchange ("SZSE") released five sets of related guidelines. All the guidelines came into effect on March 18, 2023.

The SSE's Tables of Self-inspection sorted out common problems found in the application documents for the launch of initial public offering ("IPO") on the main board and the STAR Market, as well as for refinancing and major asset restructuring, covering contents of five aspects including IPO, issuance of securities by listed companies to unspecific investors, issuance of securities by listed companies to specific investors, issuance of securities by listed companies to specific investors by summary procedures, and major asset restructuring of listed companies.

The SZSE's Guidelines highlighted the key points concerned in the review of IPOs, the review of issuance of securities by listed companies to unspecific investors, and major asset restructuring of listed companies.

Article(s)

Comments for the second amendments of the Company Law(Draft Revision)

by Kerry Zhang

The Standing Committee of the 13th National People's Congress promulgated the second draft of the Company Law(Draft Revision) for public comments on December 30, 2022. The author compared this draft with the first draft released on December 24, 2021, and analyzed the main revisions as reference.

The part in red font in the table below is the modified or newly added contents.

第一次审议稿 The First Draft	第二次审议稿 The Second Draft	解析 Comments
Article 10: The legal representative of a company shall be the chairman of the board of directors, an executive director or a manager in accordance with the provisions of the articles of incorporation of the company. Where a company does not have a board of directors in accordance with the	Article 10: The legal representative of a company shall be a director or a manager who perform business affairs on behalf of the company in accordance with the provisions of the articles of incorporation of the company.	The second draft widens the scope of the candidates of the legal representative.

present Law, its legal representative shall be a director or a manager.		
Article 20(2): No controlling shareholder or actual controller of a company may damage the interests of the company by taking advantage of the related relationship. Where the controlling shareholder or actual controller of a company damages the interests of the company by taking advantage of the related relationship and thus causes any loss to the company, it shall make compensations.	Article 22: No controlling shareholder, actual controller, director, supervisor or senior manager of a company may damage the interests of the company by taking advantage of the related relationship. Those who violate the provisions of the preceding paragraph and cause any loss to the company shall bear the liability for compensation.	The first draft deletes the “director, supervisor and senior manager” in Article 21 of the original Company Law that used the related relationship to damage the company’s interests, and the second draft restores it.
Article 21: Where a shareholder of a company evades debts and seriously damages the interests of any creditor of the company by abusing the company’s independent status of the legal person or limited liabilities of shareholders, it shall bear joint and several liabilities for the debts of the company. Where a shareholder of a company commits any of the acts as prescribed in the preceding paragraph by making use of two or more companies under its control, each company shall bear joint and several liabilities for the debts of any company.	Article 23: Where a shareholder of a company evades debts and seriously damages the interests of any creditor of the company by abusing the company’s independent status of the legal person or limited liabilities of shareholders, it shall bear joint and several liabilities for the debts of the company. Where a shareholder of a company commits any of the acts as prescribed in the preceding paragraph by making use of two or more companies under its control, each company shall bear joint and several liabilities for the debts of any company. In a company with only one shareholder, if the shareholder fails to prove that the company’s property is independent of the its own property, the shareholder shall bear joint and several liabilities for the company’s debts.	The first draft deletes the special provision denying the legal personality of a one-person company, and the second draft restores it.
Article 76: The shareholders’ meeting or the board of directors may, according to the articles of incorporation, adopt electronic communications for convening meetings and voting.	Article 24: The shareholders’ meeting, the board of directors or the supervisors’ meeting may adopt electronic communications for convening meetings and voting, unless otherwise provided for in the articles of incorporation.	Unless prohibited by the articles of incorporation, in principle, the shareholders’ meeting, the directors’ meeting or the supervisors’ meeting may adopt electronic communications for convening meetings and voting.

<p>Article 73: Where the convening procedure or voting method of a shareholders' meeting or a board's meeting violates laws, administrative regulations or the articles of incorporation, or if the content of a resolution violates the articles of incorporation, the shareholders, directors or supervisors may request the people's court to revoke the resolution within sixty days from the date when the resolution is made, and the shareholders or directors who are not notified to attend the shareholders' meeting or the board's meeting may request the people's court to revoke the resolution within sixty days from the date when they know or ought to know the resolution of the shareholders' meeting or board of directors, unless the procedure for convening a shareholders' meeting or the board's meeting or the voting method has slight defects only and does not cause any substantial impact on the resolution.</p> <p>Where a shareholder, director or supervisor initiates a lawsuit according to the provisions of the preceding paragraph, and the company can prove that the shareholder, director or supervisor has any improper purpose, the people's court may, upon the request of the company, require the shareholder, director or supervisor to provide a corresponding guaranty.</p>	<p>Article 26: Where the convening procedure or voting method of a shareholders' meeting or a board's meeting violates laws, administrative regulations or the articles of incorporation, or if the content of a resolution violates the articles of incorporation, the shareholders may request the people's court to revoke the resolution within sixty days from the date when the resolution is made, and the shareholders who are not notified to attend the shareholders' meeting may request the people's court to revoke the resolution within sixty days from the date when they know or ought to know the resolution of the shareholders' meeting or board of directors, unless the procedure for convening a shareholders' meeting or the board's meeting or the voting method has slight defects only and does not cause any substantial impact on the resolution.</p>	<ol style="list-style-type: none"> 1. The plaintiffs of the lawsuit for the revocation of the defective company resolution are limited to the shareholders of the company, excluding directors and supervisors; 2. Cancelling the provision of guarantee.
<p>Article 45: Where a shareholder fails to make its/his capital contributions in full amount within the time limit, or the actual value of the non-monetary property used as capital contributions is obviously lower</p>	<p>Article 50: Where a shareholder fails to make its/his capital contributions in full amount within the time limit, or the actual value of the non-monetary property used as capital contributions is obviously lower</p>	<p>Liability for breach of contract is changed from statutory to contractual.</p>

<p>than the amount of capital contributions it/he has subscribed for, it/he shall assume the liability for breach of contract to the shareholders who have made their capital contributions in full amount within the time limit.</p>	<p>than the amount of capital contributions it/he has subscribed for, it/he shall, in accordance of the agreements between shareholders, assume the liability for breach of contract to the shareholders who have made their capital contributions in full amount within the time limit.</p>	
<p>Article 46: After a limited liability company is established, it shall verify the capital contributions made by the shareholders. If it finds that any shareholder fails to make its/his capital contributions in full amount within the time limit, or the actual value of the non-monetary property used as capital contributions is obviously lower than the amount of capital contributions it/he has subscribed for, it/he shall send a written call for capital contributions to the shareholder. When calling for capital contributions according to the provisions of the preceding paragraph, the company may indicate a grace period for making capital contributions. The grace period shall be no less than 60 days as of the day when the company sends out the written call for capital contributions. At the expiration of the grace period, if the shareholder still fails to make its/his capital contributions, the company may send a notice of loss of power to the shareholder. The notice shall be sent out in written form. As of the day when the notice is sent out, the shareholder loses its stock right for which its/his capital contribution has not been made. As for the stock right lost according to the provisions of</p>	<p>Article 51: After a limited liability company is established, the board of directors shall verify the capital contributions made by the shareholders. If it finds that any shareholder fails to make its/his capital contributions in full amount within the time limit, it/he shall send a written call for capital contributions to the shareholder. When calling for capital contributions according to the provisions of the preceding paragraph, the company may indicate a grace period for making capital contributions. The grace period shall be no less than 60 days as of the day when the company sends out the written call for capital contributions. At the expiration of the grace period, if the shareholder still fails to make its/his capital contributions, the company may send a notice of loss of power to the shareholder. The notice shall be sent out in written form. As of the day when the notice is sent out, the shareholder loses its stock right for which its/his capital contribution has not been made. As for the stock right lost according to the provisions of the preceding paragraph, the company shall transfer it according to law, or reduce its registered capital and deregister the said stock right. If it is not transferred or deregistered within six months, the other shareholders</p>	<p>The second draft perfected the treatment of the loss of rights of shareholders who violated the obligation of capital contribution.</p>

the preceding paragraph, the company shall, within 6 months, transfer it according to law, or reduce its registered capital and deregister the said stock right.	of the company shall make the corresponding capital contributions in full amount according to their capital contribution ratio. Where a shareholder fails to make its/his capital contributions in full amount within the time limit and thus causes any loss to the company, it or he shall make compensations.	
Article 47: After a limited liability company is established, if a shareholder at the time of founding fails to make its/his capital contributions in full amount within the time limit, or the actual value of the non-monetary property used as capital contributions is obviously lower than the amount of capital contributions it/he has subscribed for, the shareholder shall make up the difference and pay the interests thereof according to the bank deposit interest rate of the corresponding period. If any loss is caused to the company, the shareholder shall be liable for compensation. Other shareholders at the time of founding shall bear joint liability. Where any director, supervisor or senior manager knows or shall know that a shareholder at the time of founding has committed any of the acts as prescribed in the preceding paragraph but fails to take any necessary measure, which causes any loss to the company, he/she shall be liable for compensation.	Article 52: After a limited liability company is established, if the actual value of the non-monetary property used as capital contributions is obviously lower than the amount of capital contributions that a shareholder has subscribed for, the shareholder shall make up the difference and other shareholders at the time of founding shall bear joint liability. Where a shareholder commits acts prescribed in the preceding paragraph and thus causes any loss to the company, it/he shall be liable for compensation, and the responsible directors, supervisors, and senior managers shall be jointly and severally liable for compensation with the shareholder.	The second draft increases the responsibility of the faulty director, supervisor and senior managers.
Article 48: Where a company is unable to pay off its due debts and is obviously insolvent, the company or the creditors thereof shall be entitled to require the shareholders who have	Article 53: Where a company is unable to pay off its due debts, the company or the creditors thereof shall be entitled to require the shareholders who have subscribed for their capital contributions but	The second draft further lowers the threshold for determining the accelerated expiration of shareholders' capital contribution obligations.

subscribed for their capital contributions but whose term for capital payment has not expired to make the capital contributions in advance.	whose term for capital payment has not expired to make the capital contributions in advance.	
<p>Article 52: After a company is established, no shareholder may withdraw its/his capital contributions.</p> <p>Where a shareholder is under the circumstance as prescribed in the preceding paragraph, it/he shall return the capital contribution plus the interests thereof calculated at the bank deposit rate for the same period. If any loss is caused to the company, the shareholder shall be liable for compensation.</p> <p>Where a director, supervisor or senior manager knows or shall know the shareholder's act as prescribed in the first paragraph of this Article but fails to take any necessary measure, thus causing any loss to the company, he/she shall be liable for compensation.</p>	<p>Article 57: After a company is established, no shareholder may withdraw its/his capital contributions.</p> <p>If there is any violation of the provisions of the preceding paragraph, the shareholder shall return the capital contribution. If any loss is caused to the company, the responsible directors, supervisors, and senior managers shall be jointly and severally liable for compensation with the shareholder.</p>	The second draft increases the responsibility of the faulty director, supervisor and senior managers.

<p>Article 54: The shareholders' meeting may exercise the following authority:</p> <p>(I) deciding on the business policies and investment plans of the company;</p> <p>(II) electing and replacing directors and supervisors, and deciding on matters concerning the remunerations of directors and supervisors;</p> <p>(III) examining and approving reports of the board of directors;</p> <p>(IV) examining and approving reports of the board of supervisors;</p> <p>(V) examining and approving the annual financial budget plan and final accounting plan of the company;</p> <p>(VI) examining and approving the profit distribution plan and loss recovery plan of the company;</p> <p>(VII) making resolutions on the increase or decrease of the registered capital of the company;</p> <p>(VIII) making resolutions on the issuance of corporate bonds;</p> <p>(IX) making resolutions on the merger, demerger, dissolution, liquidation or change of corporate form;</p> <p>(X) amending the articles of incorporation; and</p> <p>(XI) any other authority as prescribed in the articles of incorporation.</p> <p>With respect to any of the matters as listed in the preceding paragraph, if the shareholders unanimously agree in writing, a decision may be made directly without convening a shareholders' meeting, and all the shareholders shall affix their signatures or seals to the document of decision.</p>	<p>Article 59: The shareholders' meeting may exercise the following authority:</p> <p>(I) electing and replacing directors and supervisors, and deciding on matters concerning the remunerations of directors and supervisors;</p> <p>(II) examining and approving reports of the board of directors;</p> <p>(III) examining and approving reports of the board of supervisors;</p> <p>(IV) examining and approving the profit distribution plan and loss recovery plan of the company;</p> <p>(V) making resolutions on the increase or decrease of the registered capital of the company;</p> <p>(VI) making resolutions on the issuance of corporate bonds;</p> <p>(VII) making resolutions on the merger, demerger, dissolution, liquidation or change of corporate form;</p> <p>(VIII) amending the articles of incorporation; and</p> <p>(IX) any other authority as prescribed in the articles of incorporation.</p> <p>The shareholders' meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.</p> <p>With respect to any of the matters as listed in the first paragraph of this article, if the shareholders unanimously agree in writing, a decision may be made directly without convening a shareholders' meeting, and all the shareholders shall affix their signatures or seals to the document of decision.</p>	<p>The provisions of the second draft with respect to the authority of the shareholders' meeting deletes "deciding on the business policies and investment plans of the company" and "examining and approving the profit distribution plan and loss recovery plan of the company."</p>
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<p>Article 61: The rules of procedure and voting procedures of the shareholders' meeting shall be prescribed in the articles of incorporation, unless it is otherwise prescribed by the present Law. The resolution of a shareholders' meeting on modifying the articles of incorporation, increasing or reducing the registered capital, or on merging, demerging, dissolving or changing the form of the company shall be adopted by the shareholders representing 2/3 or more of the voting rights.</p>	<p>Article 66: The rules of procedure and voting procedures of the shareholders' meeting shall be prescribed in the articles of incorporation, unless it is otherwise prescribed by the present Law. The resolution of a shareholders' meeting shall be adopted by the shareholders representing 1/2 or more of the voting rights. The resolution of a shareholders' meeting on modifying the articles of incorporation, increasing or reducing the registered capital, or on merging, demerging, dissolving or changing the form of the company shall be adopted by the shareholders representing 2/3 or more of the voting rights.</p>	<p>The second draft supplements the provisions on ordinary resolutions and made up for legislative loopholes.</p>
<p>Article 62: A limited liability company shall have a board of directors. The board of directors is the executive body of the company and shall exercise the functions other than those of the shareholders' meeting as prescribed by the present Law and the articles of incorporation.</p> <p>The restriction on the authority of the board of directors as prescribed in the articles of incorporation may not challenge any bona fide other party.</p>	<p>Article 67: A limited liability company shall have a board of directors, unless otherwise provided for in Article 75 of this Law.</p> <p>The board of directors shall exercise the following authority:</p> <ul style="list-style-type: none"> (I) convening shareholders' meetings and report to the shareholders' meeting; (II) executing the resolutions passed by the shareholders' meeting; (III) formulating the profit distribution plan and loss recovery plan of the company; (IV) formulating the plan for increase or decrease of the registered capital and the issuance of corporate bonds; (V) formulating the plan for merger, demerger, dissolution or change of corporate form; (VI) deciding on the set-up of internal management organization of the company; (VII) deciding on appointment or dismissal of company managers and their remunerations, and 	<p>The second draft restores the legislative model in the original company law that clarifies the authority of the board of directors by enumeration, and sets the authority of the board of directors corresponding to the authority of the shareholders' meeting.</p>

	<p>deciding on appointment or dismissal of deputy managers and finance controller of the company based on the nomination by the managers;</p> <p>(VIII) formulating the basic management system of the company; and</p> <p>(IX) any other authority as prescribed in the articles of incorporation.</p> <p>The restriction on the authority of the board of directors as prescribed in the articles of incorporation may not challenge any bona fide other party.</p>	
<p>Article 63(1): The board of directors shall consist of 3 members or more. As for a limited liability company with 300 employees or more, there shall be staff representatives of the company in the board of directors. The board of directors of any other limited liability company may consist of staff representatives of the company. The staff representatives of the company in the board of directors shall be democratically elected by the employees of the company through the staff representative assembly, the employees' meeting or other forms.</p>	<p>Article 68(1): The board of directors shall consist of 3 members or more. As for a limited liability company with 300 employees or more, except for companies that have a board of supervisors established in accordance with the law and have staff representatives, there shall be staff representatives of the company in the board of directors. The board of directors of any other limited liability company may consist of staff representatives of the company. The staff representatives of the company in the board of directors shall be democratically elected by the employees of the company through the staff representative assembly, the employees' meeting or other forms.</p>	<p>The second draft clarifies the circumstances under which staff representative directors may not be appointed.</p>
<p>Article 64: A limited liability company may, according to the articles of incorporation, set up an audit committee composed of directors under the board of directors, which shall be responsible for supervising the finance and accounting of the company, and shall exercise other functions as prescribed in the articles of incorporation.</p>	<p>Article 69: A limited liability company may, according to the articles of incorporation, set up an audit committee under the board of directors to exercise the functions of the board of supervisors as prescribed herein without having a board of supervisors or a supervisor.</p>	<p>1. The second draft deletes the requirement that members of the audit committee must be directors as stipulated in the first draft, and the selection of candidates is more flexible;</p> <p>2. The functions of the audit committee have been expanded, not limited to financial and accounting supervision, but also include the supervisory</p>

<p>A limited liability company that has set up an audit committee under the board of directors is not required to have a board of supervisors or a supervisor.</p>		<p>board's right to supervise directors and senior managers, the right to propose to the shareholders' meeting, and the right to propose to convene an extraordinary shareholders' meeting.</p>
<p>Article 69: A limited liability company may have a manager, who shall be hired or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise his/her authority according to the articles of incorporation or the authorization of the board of directors. The manager may sit on meetings of the board of directors.</p>	<p>Article 74: A limited liability company shall have a manager, who shall be hired or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise his/her authority according to the articles of incorporation or the authorization of the board of directors. The manager may sit on meetings of the board of directors.</p>	<p>The second draft strengthens the statutory obligation of the manager position.</p>
<p>Article 70: A limited liability company of relatively small scale is not required to have a board of directors but may have a director or a manager to exercise the authority of the board of directors as prescribed herein.</p>	<p>Article 75: A limited liability company of relatively small scale is not required to have a board of directors but may have a director to exercise the authority of the board of directors as prescribed herein. The director can concurrently serve as the manager.</p>	<p>The first draft stipulates that small-scale companies may not have any director, and the second draft restores it and clarifies that a sole director can concurrently serve as the manager.</p>
<p>Article 84: A limited liability company of small scale is not required to have the board of supervisors, but may have 1 to 2 supervisors, who shall exercise the duties of the board of supervisors as prescribed herein.</p>	<p>Article 83: A limited liability company of small scale is not required to have the board of supervisors, but may have 1 to 2 supervisors, who shall exercise the duties of the board of supervisors as prescribed herein. With the unanimously consent of all shareholders, the supervisor may not be required.</p>	<p>The supervisor may not be required for a small-scale limited company.</p>
<p>Article 89(1): Where a shareholder transfers its/his equity for which it/he has subscribed for to make capital contribution, but payment deadline has not met yet, the obligation to pay such contribution shall be borne by the transferee.</p>	<p>Article 88(1): Where a shareholder transfers its/his equity for which it/he has subscribed for to make capital contribution, but payment deadline has not met yet, the obligation to pay such contribution shall be borne by the transferee. If the transferee fails to pay such contribution in full amount within the time limit, the</p>	<p>The second draft strengthens the responsibility of the equity transferor who has not completed the paid-in capital contribution obligation for this part of the capital contribution, which is conducive to protecting the interests of the company's creditors.</p>

	transferor shall bear supplementary liability for the capital contribution that the transferee fails to pay on time.	
Article 113(1): Where the shareholder solely or jointly holding 1% or more of the shares of a company for consecutive 180 days or more has reasons to doubt that the operation of the company violates any law, administrative regulation or the articles of incorporation, it/he may entrust an accounting firm, law firm or any other intermediary that has the obligation of confidentiality according to the code of practice to consult the accounting books and accounting vouchers of the company within the necessary scope. If the company refuses to do so, the shareholder may lodge a lawsuit in a people's court.	Article 110(2): Where the shareholder solely or jointly holding 3% or more of the shares of a company for consecutive 180 days or more has reasons to doubt that the operation of the company violates any law, administrative regulation or the articles of incorporation, it/he may make a written request to the company, entrusting an accounting firm, law firm or any other intermediary that has the obligation of confidentiality according to the code of practice to consult the accounting books and accounting vouchers of the company within the necessary scope. 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. The shareholder may lodge a lawsuit in a people's court when the company refuses to be consulted.	The requirement of the share ratio for shareholders to apply for consultation of accounting books and accounting vouchers has been increased from 1% to 3%.
Article 125: A company limited by shares may, according to the articles of incorporation, set up specialized committees under the board of directors such as an audit committee composed of the directors. The audit committee shall take charge of supervising the finance and accounting of the company and shall exercise any other authority as prescribed in the articles of incorporation.	Article 121: A company limited by shares may, according to the articles of incorporation, set up an audit committee under the board of directors to exercise the functions of the board of supervisors as prescribed herein without having a board of supervisors or a supervisor. The audit committee stipulated in the preceding paragraph shall consist of more than three directors, more than half of whom	The second draft clarifies the composition and job requirements of the audit committee of the company limited by shares.

<p>A company limited by shares that has set up an audit committee and in which more than half of its members are non-executive directors may not have the board of supervisors or supervisors. No member of the audit committee may assume the position of the company's manager or financial principal.</p>	<p>shall be independent directors, and at least one independent director shall be an accounting professional.</p> <p>The independent directors shall not hold positions other than directors in the company, and shall not have any relationship with the company that may affect their independent and objective judgment.</p> <p>The company may, according to the articles of incorporation, set up other committees under the board of directors.</p>	
<p>Article 131: A company limited by shares may have a manager, who shall be hired or dismissed by the board of directors. The provisions of Article 69 hereof on the authority of the manager of a limited liability company shall apply to the manager of a company limited by shares.</p>	<p>Article 127: A company limited by shares may have a manager, who shall be hired or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise his/her authority according to the articles of incorporation or the authorization of the board of directors. The manager may sit on meetings of the board of directors.</p>	<p>The second draft strengthens the statutory obligation of the manager position of a company limited by shares.</p>
<p>-</p>	<p>Article 137: Where a listed company has an audit committee under the board of directors, the board of directors shall be adopted by more than half of all members of the audit committee before making resolutions on the following matters: (1) hiring and dismissing the accounting firm that undertakes the company's audit business; (2) appointing and dismissing the person in charge of finance; (3) disclosure of financial accounting reports; and (4) other matters stipulated by the securities regulatory authority of the State Council.</p>	<p>The second draft strengthens the management of listed companies and clarifies the functions of the audit committee of a listed company for the first time.</p>
<p>-</p>	<p>Article 140: A listed company shall disclose the information of shareholders and actual controllers in accordance with the law, and the relevant information</p>	<p>The second draft clarifies the regulations on information disclosure and nominee shareholding of shareholders and actual controllers of listed</p>

	<p>shall be true, accurate and complete.</p> <p>It is forbidden to violate the provisions of laws and administrative regulations to hold shares of a listed company on behalf of other real owners.</p>	companies.
-	<p>Article 141: A controlled subsidiary of a listed company shall not acquire shares of the listed company.</p> <p>Where the controlled subsidiary of the listed company holds shares of the listed company by reason of a company merger or exercise of a pledge, among others, it shall not exercise the voting rights of the shares it holds, and shall dispose of the relevant shares of the listed company in a timely manner.</p>	Listed companies and their holding subsidiaries are not allowed to cross shareholdings.
-	<p>Article 144(3): Where a company issues classified shares as prescribed in the item 2 of the first paragraph, each classified share shall have the same number of voting rights as common shares on the election of supervisors or members of the audit committee.</p>	The second draft excludes the application of differences in the voting rights of classified shares in the election of supervisors or members of the audit committee.
-	<p>Article 145: A company that issues classified shares shall specify the following in the articles of incorporation:</p> <p>(I) the order in which classified shares receive a distribution of profits or remaining property;</p> <p>(II) the number of voting rights of classified shares;</p> <p>(III) restrictions on the transfer of classified shares;</p> <p>(IV) measures to protect the rights and interests of minority shareholders; and</p> <p>(V) other matters which the shareholders' meeting deems require to be specified.</p>	The second draft adds the relevant content of classified shares that should be stipulated in the articles of incorporation.
Article 97: The articles of incorporation or the shareholders' meeting may	Article 152: The articles of incorporation or the shareholders' meeting may authorize the board	The second draft clarifies the boundaries of the right of companies limited by shares to

authorize the board of directors to decide to issue a portion of the total number of shares of the company other than the number of shares to be issued at the time of founding, and may restrict the term for the authorized issue of shares and the proportion thereof.	of directors to decide within three years to issue shares not exceeding 50% of the issued shares. Nevertheless, if the shares are paid other than in cash, such issuance shall be subject to the resolution of the shareholders' meeting.	issue new shares through the board of directors.
Article 190: Where a director or senior manager causes any damage to others intentionally or due to his/her gross negligence while performing his/her duties, he/she shall bear joint liability with the company.	Article 190: Where a director or senior manager causes any damage to others while performing his/her duties, the company shall be liable for compensation. If the director or senior manager is intent or grossly negligent, they shall also be liable for compensation.	The second draft reduces the responsibilities of directors and senior managers.
-	Article 192: A company may purchase liability insurance for directors against liability for compensation arising from performance of the company's duties during the directors' term of office. After the company purchases liability insurance for directors or renews the insurance, the board of directors shall report to the shareholders' meeting on the insured amount, coverage, and premium rates, among others, of the liability insurance.	The second draft stipulates the insurance for directors against liability for the first time.
Article 195: Corporate bonds may take the form of registered bonds or bearer bonds.	Article 196: Corporate bonds shall take the form of registered bonds.	The second draft stipulates that companies can only issue registered bonds.
Article 221: Where a company still has any loss after it has covered its losses according to the second paragraph of Article 210 hereof, it may reduce its capital in a summary manner. However, it shall not make any distribution to the shareholders, nor shall the shareholders be exempted from the obligation to pay for shares. The provisions of the second paragraph of the preceding Article are not	Article 221: Where a company still has any loss after it has covered its losses according to the second paragraph of Article 210 hereof, it may reduce its capital to make up losses. However, it shall not make any distribution to the shareholders, nor shall the shareholders be exempted from the obligation to pay capital contributions or pay for shares. A reduction of registered capital under the preceding paragraph,	The second draft lowers the threshold for companies to distribute profits after a capital reduction in a summary manner.

<p>applicable to a reduction of capital in a summary manner, but an announcement thereon shall be made on the newspaper or the uniform enterprise information publicity system.</p> <p>After a company reduces its capital in a summary manner, no profit may be distributed before the accumulated amount of the statutory reserve exceeds the registered capital of the company.</p>	<p>though exempt from the provisions of the second paragraph of the preceding article, shall be announced on a newspaper or unified enterprise information publicity system.</p> <p>A company may not distribute profit after a reduction of registered capital under the preceding paragraphs, before the accumulated amount of the statutory reserve reaches 50% of the company's registered capital.</p>	
<p>Article 223: Where a limited liability company increases its capital, the shareholders shall have the preemptive right to subscribe for the increased capital in proportion to their respective capital contributions. Exception applies where all the shareholders agree not to subscribe for the increased capital in proportion to their respective capital contributions.</p> <p>Where a company limited by shares issues new shares for increasing its capital, the shareholders shall not have the preemptive right, unless it is otherwise provided for in the articles of incorporation.</p>	<p>Article 223: Where a limited liability company increases its capital, the shareholders shall have the preemptive right to subscribe for the increased capital in proportion to their respective capital contributions under the same conditions. Exception applies where all the shareholders agree not to subscribe for the increased capital in proportion to their respective capital contributions.</p> <p>Where a company limited by shares issues new shares for increasing its capital, the shareholders shall not have the preemptive right, unless it is otherwise provided for in the articles of incorporation, or the shareholders' meeting adopts a resolution to grant such right to shareholders.</p>	<p>The second draft clarifies the shareholders' meeting of a company limited by shares has the authority to grant the preemptive right to its shareholders.</p>
-	<p>Article 237: If the liquidation of a company is not completed within three years after being revoked its business license, being ordered to close down, or being canceled, the company registration authority may make an announcement on a unified enterprise information publication system, and the announcement period shall not be less than 60 days. If there is no objection after the expiration of the announcement period, the</p>	<p>The second draft adds the mandatory deregistration system.</p>

	company registration authority may deregister the company. Where the company is deregistered in accordance with the provisions of the preceding paragraph, the liability of the original company shareholders and persons with obligations of liquidation shall not be affected.	
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