

# Select Proposed Changes to the Company Law of the People's Republic of China

---

March 22, 2022 Liza Mark

---

PRACTICES International, Asia, Corporate, China

---

The current version of the Company Law of the People's Republic of China was passed by the Standing Committee of the National People's Congress ("**NPCSC**"), and became effective on October 26, 2018 (《公司法》, hereinafter the "**Current Version**") with 13 sections and 218 articles in total. On December 24, 2021, the Company Law of PRC (Draft Revision) (《公司法（修订草案）》, hereinafter the "**Draft Revisions**") was released by the NPCSC for public comment. The final version will be subject to the review and approval of the NPCSC and the schedule for its final adoption is currently not specified.

This Draft Revision is seen as implementing the principles laid down during the 18th CCP Congress to "make major decisions and deployments to deepen the reform of state-owned enterprises, optimize the business environment, strengthen the protection of property rights, promote the healthy development of capital markets, and promote the further improvement and development of the company's system and practices." Given the length of changes in the Draft Revisions, this note intends to briefly summarize the proposed changes to the Company Law that would be relevant to multi-national companies ("**MNCs**") with operations in China.

## I. Corporate Governance

### 1. Change in Board of Directors ("**BoD**") Requirements

(1) *For "small sized" limited liability companies, a BoD will not be required.*

Under the Current Version, a BoD is a necessary management authority of a company and is required to be established. In the Draft Revision, Article 70 and Article 130 suggest that a relatively small company can appoint a sole director instead of a BoD and if such company is incorporated with limited liability, it can just appoint a general manager and may not need a BoD. For some small sized wholly foreign owned enterprises ("**WFOE**"), the management arrangement could be streamlined accordingly, which may reduce the complexity of registration documents. Please note that the definition of what is considered "small sized" is not clear in the Draft Revision.

[Read the full article here.](#)