

## China: Update Your Articles of Association Before January 1, 2025

Foreign-invested enterprises (FIEs) in China must update their Articles of Association (AOA) and governance structures before January 1, 2025, to comply with the Foreign Investment Law (FI Law). The deadline is fast approaching, and failure to comply will have serious consequences, including the inability to process any corporate alterations and public disclosure of non-compliance.

### Background

On January 1, 2020, the Foreign Investment Law of the People's Republic of China came into force, replacing the previous laws governing wholly foreign-owned enterprises (WFOEs), Sino-foreign equity joint ventures (EJVs), and Sino-foreign cooperative joint ventures (CJVs). Under this new law, all Foreign-invested enterprises (FIEs), previously governed by the WFOE Law, EJV Law, and CJV Law, must revise their Articles of Association to align with the newly implemented Company Law (revised on December 29, 2023, and effective from July 1, 2024).

The Company Law outlines detailed governance structures that must be adhered to, including the role of the Board of Shareholders, the Board of Directors, Supervisors, and the Legal Representative. These revisions are critical for ensuring that FIEs meet the regulatory framework that governs their operations in China.

### Key Changes to the Governance Structure

- **Board of Shareholders:** This is the highest decision-making body of the company. Resolutions concerning amendments to the AOA, capital increases or decreases, mergers, and company transformations must be passed by at least two-thirds of the voting rights of shareholders.
- **Board of Directors:** The board must report to the Board of Shareholders. The quorum for meetings is more than half of the directors, and resolutions are passed by a majority of the directors present.
- **Supervisor:** A supervisor or a board of supervisors is required unless exceptions apply (such as having an audit committee or unanimous shareholder consent to not appoint one).
- **Legal Representative:** The Legal Representative will now be the director or manager responsible for executing company affairs on behalf of the company.

*Failure to comply with these governance changes before January 1, 2025, will lead to severe consequences:*

1. The competent authorities will reject any applications for company alterations.
2. The authorities will publicly disclose non-compliance.

**Action Required**

All FIEs must revise their Articles of Association to reflect the new governance structure under the Company Law and submit the necessary filings with the relevant authorities before January 1, 2025.

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