

Preface

In an effort to become more attractive to foreign investment, China has initiated reforms to both unify and clarify corporate governance structures, targeting inconsistencies and eliminating uncertainty. In particular, the reform seeks to incubate an environment for foreign investors in which there are clear, stable, transparent and well-defined legal boundaries. China is, therefore, ever aware that its approval-based system requires updating to remain competitive and inviting.

Fundamentally, an essential factor for the success of investors and professionals engaging in business in China is being able to understand and correctly set up a sustainable and effective corporate governance structure. However, the Chinese legislation regulating corporate entities is continuously evolving, and whilst many improvements may be found, gaps still exist in the code as a result of a lack of interpretation and the need for further definitions. Consequently, one can see many doubts and uncertainties that practitioners and entrepreneurs are left to deal with when structuring business and ensuring compliance.

In order to provide some assistance with clarity for foreign investors, the focus of this text is on the corporate governance of PRC foreign-invested enterprises, rather than purely domestic PRC companies, i.e. companies totally owned by Chinese individuals or entities. It should be noted that this differentiation has been eroded by the proposed reform of company law, purposed on unifying, to a certain extent, the discipline of foreign-invested companies and domestic companies.

For the time being, several marked differences still exist between the two types of company; therefore, as we have written this book principally for foreign investors approaching the Chinese market or looking to improve their existing corporate structures, we have chosen to focus on corporate governance for foreign-invested companies.

We have examined some of the most frequent questions posed by investors based on our decadelong experience in which we have assisted in the set-up of foreign-invested companies and have been appointed as supervisors or members of the board of supervisors. This volume is not meant as an academic book, but rather as a guide for handling company issues on a daily basis, ranging from the simplest activities to the most complex operations.

As such, we have examined company structures, their functions, and the relevant liabilities, with some practical and operational observations. We have included a chapter on shareholders' agreements to further examine the structuring of corporate decisions. In addition, we have dedicated an ad hoc chapter to the use of company seals (so-called chops) and their relevance in the day-to-day handling of a company.

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