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## China WFOE Registration Guide (8) - Director/Board of Directors

### 1. Functions and Powers of Director/Board of Directors

In accordance with the *Company Law of the PRC*, the board of directors established by a limited liability company to be composed of 3 up to 13 members. However, for a limited liability company with a relatively small number of shareholders or for a limited liability company relatively small in scale, it may appoint one executive director only and does not have to establish a board of directors.

The board of directors shall be responsible to the shareholders' meeting and exercise the following functions and powers:

- (1) Convening the shareholders' meetings and present reports to the shareholders' meeting;
- (2) Implementing the resolutions issued at the shareholders' meetings;
- (3) Making decisions on the business plans and investment plans of a company;
- (4) Preparing the annual financial budget plans and final accounting plans of a company;
- (5) Preparing the profit distribution plans and loss recovery plans of a company;
- (6) Preparing the plans for capital increase or reduction, as well as plans for company stock issuance;
- (7) Preparing the plans for merger, separation, dissolution or form change of a company;
- (8) Determining a company's internal management structure;
- (9) Deciding employment or dismissal of general manager and remuneration thereof; employ and dismiss deputy manager and financial manager in accordance with general manager's nomination, decide the remunerations;
- (10) Formulating the basic management system of a company;
- (11) Exercising other functions and powers stipulated by the Articles of Association of a company.

Each director shall be entitled to only one vote when voting on a resolution of the board of directors.

### 2. Appointment and Change of Directors

Directors and the chairman of the board of directors (executive director if there is no board of directors) to be appointed by the shareholder. The chairman of the board of directors (executive director if there is no board of directors) is the legal representative of the company.

When a company intends to change the director, the chairman of the board of directors or legal representative, such change shall be registered with the local registry office within 30 days after the change decision.

### 3. Qualifications Requirement for Directors

According to Article 146 of the *Company Law of the PRC*, anyone who is under any of the following circumstances shall not assume the post of a director or senior manager of a company:

- (1) Being without civil capacity or with only limited civil capacity;
- (2) Having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the economic order of the socialist market and 5 years have not elapsed since the completion date of the execution of the penalty; or he/she has ever been deprived of his political rights due to any crime and 3 years have not elapsed since the completion date of the execution of the penalty;
- (3) He or she was a former director, factory director or manager of a company or enterprise which was bankrupt and liquidated, whereby he/she was personally liable for the bankruptcy of such company or enterprise, and three years have not elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (4) He or she was the legal representative of a company or enterprise, but the business license of this company or enterprise was revoked and this company or enterprise was ordered to close due to a violation of the law, whereby he/she is personally liable for the revocation, and three years have not elapsed since the date of the revocation of the business license thereof;
- (5) He or she has a relatively large amount of debt which is due but has not been paid.

*If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following and talk to our professionals:*

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