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1 New regulation regarding the capital contribution period in China

According to the new Chinese Company Law which has been in force since 1 July 2024, contribution periods for the registered capital of joint venture companies or wholly-owned foreign subsidiaries may only be a maximum of five years.

The previous version of the Company Law (2018) did not contain a specific maximum period for the full contribution of capital, meaning that companies and their investors had a great deal of freedom when drafting the articles of association. In practice, very long contribution deadlines were often set.

The new regulation may result in a need to amend the existing articles of association of existing companies.

2 Clarifying rules of the State Council

On 1 July 2024, the State Council promulgated transitional regulations for existing companies (*Provisions of the State Council on Implementing the Registration Management System for Registered Capital under the Company Law of the People's Republic of China*). These regulate the adjustment of longer existing terms to the new legal situation with reference to the cut-off date of 30 June 2027 as follows:

- (a) If the remaining capital contribution period on 1 July 2027 is still longer than five years under the old articles of association, a corresponding amendment to the articles of association is required by 30 June 2027 at the latest.
- b) The remaining payment period for the capital contribution may then again not exceed five years, i.e. be not longer than 30 June 2032.
- c) The outstanding capital contribution must be paid in full within the adjusted period.

Exceptions may be permitted in individual cases if the production and operation of the company affect national interests or important public interests.

- d) If the remaining capital contribution period for an existing company on 1 July 2027 is five years or less, no adjustment is necessary.

3 Need for action in individual cases

Foreign investors should review the current status of the articles of association of those companies in China that were established under the old version of the Company Law and make necessary adjustments.

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