

the brief

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Corporate Seals in China

Meaning, legal implications
and how they work

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Expert Insight

Corporate Seals in China: Meaning, legal implications and how they work

*By Haiping Deng, Partner and Corporate
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In Western business, signatures are used as a way for individuals and companies to provide proof of identity and intent. By signing a document, the signee demonstrates knowledge, approval, acceptance or obligation of its terms and conditions. Signatures can be affixed in a number of ways, but written and electronic signatures are by far the most frequently used.

In China, however, handwritten and electronic signatures are not deemed sufficient as corporate seals, especially. Companies use “chops” or seals (印章) to legally

authorize documents. Once the seal is affixed to a document, the company is legally bound and the document is deemed to be legally effective, while traditional signatures are not necessarily required under Chinese law. Seals represent an unlimited power of attorney vested in the holder, which is why it is essential that companies formulate a corporate seal policy to establish proper use and safeguards.

Types of corporate seals

Although only the common, finance, and customs chops are legally required, various government departments may require other seals that are used for specific purposes.

A light blue circular icon with a dotted border and a solid inner circle.

Common seal or company seal

("Gong Zhang" in Chinese)

The common or company seal is mandatory and is used any time a company signs a contract or publishes/issues a document (like an internal rule). The affixing of this seal onto a contract is prima facie evidence that the contract is duly signed by, and is binding on, the company.

A light blue circular icon with a dotted border and a solid inner circle.

Contract seal

("Hetong Zhang")

The contract seal has the same effect as a common seal, but is generally used for signing contracts like agreements between salespeople and clients. This seal is not mandatory, but it grants less authority than a company seal, making it useful for delegating authority.

A light blue circular icon with a dotted border and a solid inner circle.

Finance seal

("Caiwu Zhang")

The finance seal is mandatory and is used for a company's dealings with finance matters, like depositing and withdrawing funds from its bank accounts, authenticating financial documents, etc. Sometimes it is translated as "Seal of Finance Department".

A light blue circular icon with a dotted border and a solid inner circle.

Invoice seal

("Fapiao Zhang")

In China, invoices without a seal are not valid, and therefore, companies need to chop their "invoice seal" or "finance seal" (as mentioned above) before issuing a valid invoice or official receipt.



Customs seal

("Baoguan Zhang")

A customs seal is used for customs declarations on import and export goods. It is mandatory for companies engaged in cross-border trade.



Electronic seal

("Dianzi Zhang")

An electronic seal is the digital equivalent of a given chop, but it is used solely for online transactions. These seals are similar to the electronic signatures that are common in the West, and are encrypted to ensure the user's authority.



Seal of the legal representative

The seal of the legal representative is a personal chop that is held by the company's legal representative, often replacing or supplementing their actual signature. While not mandatory, this seal gives the representative the authority to execute legal documents and enter into binding obligations on behalf of the company. It can be used on the representative's behalf even if he or she is not physically present, but many company policies require the affixation of both the corporate seal and legal representative to mitigate risk.

Execution of contracts

Under PRC law, a contract becomes effective when it is signed or when a seal is affixed onto it.

However, note the following:

(1) The seal referred to above shall be the common seal or the contract seal (if any), and the person signing shall normally be the legal representative.

(2) If a contract is signed only by the legal representative without the common or contract seal, the contract should be binding, but it still warrants caution as it is not common for a PRC company to do so. From a legal perspective, there are several reasons for such caution:

If the existence of the contract comes into dispute, you would need to prove that the signature was in fact given by the legal representative, which can be difficult to prove. Another

example: the legal representative, though presumably representing the company under the law, might be acting outside his or her scope of authority as set by the board of directors; in such circumstances, the company can cast doubt on the existence of the contract by putting up a claim that you were aware or should have been aware of the fact that the legal representative was acting outside his or her authority, and that you were thus colluding with the legal representative to harm the company.

(3) If a contract is signed by someone other than the legal representative (even a director, which is quite different than in many other countries) without the common seal or the contract seal (if any) being affixed onto it, you should reject such a contract as it would basically not be binding upon the company.

(4) If a contract is signed by someone other than the legal representative with the common

seal or the contract seal (if any) being affixed onto it, normally this would mean the person has proper authorization (the process of getting the common seal affixed to a contract is often a result of internal authorization process) and the contract would be binding upon the company. However, such a contract also warrants some caution as the said person might have gotten the affixation of the common seal or the contract seal by, for example, stealing the seal. So when a contract is to be signed by a person other than the legal representative, it is good practice to ask for an authorization letter (power of attorney) bearing the signature of the legal representative and the common seal of the company.

(5) If a PRC company affixes the finance seal or any other seal to a contract, you shall reject such a contract, as the finance seal or any other seal is not designed and used for such purposes and the contract most likely would not be binding

upon the company. For example, the person negotiating with you and presenting the contract does not have proper authorization to represent the company he or she purportedly represents, yet somehow has the finance seal or such other seal affixed onto the contract by misleading finance people.

(6) Best practice: (a) signature of the legal representative + common seal/contract seal; or (b) signature of an authorized person + common seal/contract seal + authorization letter (power of attorney)

How corporate seals are made

Corporate seals are made by designated seal-making companies, then submitted to the Public Security Bureau for approval. Upon approval of a seal, the company must submit the necessary application documents in order to register an official seal. These generally include:

- The business licence
- Authorization letter given by the legal representative
- The ID card of the person authorized to handle the process

While you can engage a local agent to handle the creation and registration, seals made without going through the proper process are not effective and can sometimes subject relevant persons to criminal liabilities.


What if a seal is lost or damaged?

In the event of a lost or damaged seal, companies should:

- (1) Report the situation to the Public Security Bureau, explaining how the seal was lost or stolen;
- (2) Immediately make a declaration that a seal is lost. This is done in an official journal recognized by the local authorities. It is important

to state that any contract or document that is signed by affixing that seal would not be binding upon the company going forward;

(3) Once the announcement has been published for the required length of time, the legal representative may bring an original copy of the company's business license to SAIC (State Administration for Industry and Commerce) or its branch office and apply to for a new company seal.



This article was contributed to Trustiics by Mr. Haiping Deng. If you have any specific issues or questions, please feel free to submit your requests at Trustiics.com or drop him an email at deng.haiping@jingtina.com

Featured Counsel

Counsel registered on Trustiics are among the best English-speaking lawyers and legal translators in China. They have worked at the most reputable legal service firms and legal departments in China and around the world. In each issue of *The Brief*, we will present one legal expert as our “Featured Counsel.”

Haiping Deng, Partner and Corporate Lawyer
at Jingtian & Gongcheng
Registered Counsel at Trustiics



Mr. Haiping Deng has been an equity partner at Jingtian & Gongcheng in Beijing since 2007. Jingtian & Gongcheng is one of the most prestigious so-called “red-circle” Chinese law firms, with over 800 lawyers in 10 offices across China, including Beijing (headquarters), Shanghai, Shenzhen, Chengdu, Tianjin, Nanjing, Hangzhou, Guangzhou, Sanya and Hong Kong SAR.

Haiping is a corporate lawyer with significant experience helping international clients enter into the Chinese market; this has included assistance in setting up joint ventures or subsidiaries, ensuring proper compliance procedures are in place, acquiring assets or equity in China, restructuring onshore operations, and going through fundraising from early stage venture capital financing to IPO.

His clients range from Fortune 100 multinational corporations and financial institutions to industry leaders in certain niche markets. Through

advising hundreds of companies in the past 20 years, Haiping has been widely respected as an insightful and hands-on corporate, mergers & acquisitions (M&As), private equity (PE) and capital markets lawyer. His broad industry and sector knowledge in the regulatory landscape and in market practice also offer meaningful help and comfort to his clients.

Haiping graduated from Peking University School of Law, China's most renowned law school, in the 1990s and went to the US for a second law degree in the early 2000s. He started his legal career as a junior associate 20 years ago at the same "red-circle" Chinese law firm where he is an equity partner now, having first spent a few years working as an international lawyer at a "magic circle" law firm, London-based Clifford Chance, which broadened his view and practice expertise.

Like quite a few other lawyers with successful careers, Haiping became a registered counsel on Trustiics not only because he and Tianpeng (founder and CEO of Trustiics) were former colleagues and friends, but also because he shared the belief that Trustiics, as a service marketplace, provides a valuable and unique solution which can substantially improve the efficiency of international businesses (especially for small and medium enterprises) and individuals in finding reliable legal counsel in a foreign market. Trustiics is a trustworthy platform with reputable and high-quality service providers.

If you have any question about entering into the Chinese market by way of investment, acquisition, fundraising or selling products or service, feel free to consult Haiping Deng on Trustiics.com or by sending him an email at [**deng.haiping@jingtian.com**](mailto:deng.haiping@jingtian.com).

The Trustiics Journey:

Trustiics: Remedy for an unaddressed market pain point

Mikaël Charette, Business Development Director of Trustiics, Shanghai, China

The law has long been regarded as one of society's bastions of stability. The rule of law helps define civilized nations, guard citizens' rights and freedoms and encourage us to fulfill our responsibilities.


The legal *profession* also enjoys a position of perceived stability and honour; to become a lawyer is, in a sense, to have "made it" in the eyes of the world – to have achieved a noble and worthwhile end.



While these perceptions are merited, they also gloss over an important truth: that laws and lawyers should be instruments – *means* to an end, not ends in themselves. As a child as young as 11 years of age, I dreamed of becoming a lawyer. There was a sense of glamour attached to the job itself, but as a young man I was also drawn to the law's underlying purpose: to serve society and its people.

Like all things subject to Newton's physical laws, legal practice and its practitioners tend

to stay predictably stable unless a greater external force propels them forward. I am glad that my journey in the legal profession has been neither predictable nor stable, for it has taken me down many interesting and worthwhile paths and has now brought me to the exciting opportunities presented by Trustiics. And today the whole way that legal services are offered is being acted upon by two irresistible forces: globalization and modern technology.



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I will never forget the address given to my first-year law class at the University of Ottawa by the dean at the time, Louis Perret. Dean Perret told us that, if we managed to make it out of law school, there were no limits to where that education could take us. Better than simply surviving my years at the Faculty of Civil Law, I graduated *summa cum laude*, and went on to a *Juris Doctor* degree at the University of Victoria. I also pursued further studies in Intellectual Property Law at Oxford University in the UK. Returning to my Canadian roots, I was then certified in Quebec and practised as a cross-border Mergers and Acquisitions lawyer at a major Canadian law firm.

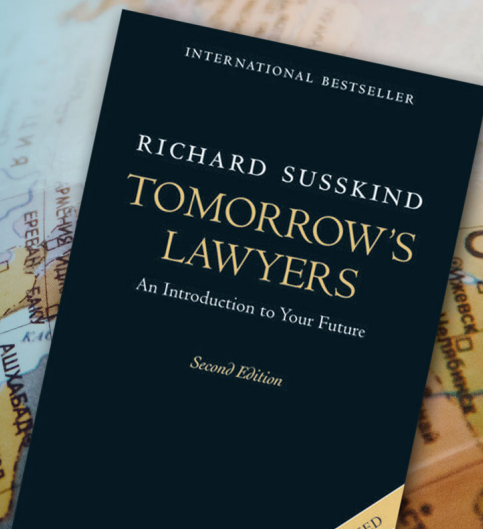
Working in an environment of bilingualism, multiculturalism and bijuralism was fascinating for me, and I undertook the further step of studying international trade at the City University of Hong Kong. I joined an immigration law firm specializing in Canadian investor immigration,

and opened and managed the firm's Beijing office. Over the course of the next 10 years, I helped grow that firm's practice to 13 offices in China and across Southeast Asia.

China's entry into the World Trade Organization opened up China to the world for a second time (the first had been with China's "Reform and Opening-up" policy under Deng Xiaoping's leadership in 1978). I was lucky to be part of the trend from the beginning. I truly believe that globalization means more free movement, not only of goods and investment dollars, but also of people. And globalization means more and more small and medium-sized businesses, not just Fortune 500 companies, can become increasingly active on a global scale.

But global business activities require specialized, high-quality legal services. The difficulty of accessing such services in a foreign jurisdiction was a significant pain point, and one for which there was only very costly and inconvenient relief. As I was considering how this enormous difficulty could be addressed, I came across the answer in a book that has changed my life: Richard Susskind's *Tomorrow's Lawyers*. In this influential work, Susskind predicted that we were on the verge of a momentous change in the practice of law, one greater and more fundamental than any changes of the last 200 years. His vision was that the law of the near future would be largely web-based and global.

I quickly recognized that Trustiics perfectly embodied the technological revolution in legal services that Susskind had said was coming.



In 2019, just after I had finished reading this book, I met Tianpeng Wang, founder of Trustiics. I quickly recognized that Trustiics perfectly embodied the technological revolution in legal services that Susskind had said was coming, and that the platform was also addressing the challenges of working across cultures, specifically Western and Chinese ones. The hardworking and professional team has created a digital marketplace that is a true global tool of innovation in the legal profession, providing cross-border legal services in a timely, convenient and affordable manner.

Trustiics is not simply an alternative or a bonus; it is a remedy for a pain point in the international business market.

Market News

China to launch property investment trusts to spur infrastructure development



Following a series of measures to support its markets and new legislation that promotes investment in its financial services industry, China announced an initiative to spur infrastructure development. On April 30th, it introduced plans to create a public market for REITs, aiming to direct personal savings and private capital into infrastructure projects.

<https://www.reuters.com/article/us-china-securities-reits/china-to-launch-property-investment-trusts-to-spur-infrastructure-development-idUSKBN22C2EH>

HSBC to buy out life insurance joint venture partner in China



After loosening regulations on the foreign ownership of financial companies in January, China is already experiencing a significant increase in foreign investment. On May 4th, HSBC announced that it will buy out its life insurance joint venture partner in China, allowing it to expand its market share and fulfil a growing demand for life insurance.

<https://www.reuters.com/article/us-hsbc-hldg-china-insurance/hsbc-to-buy-out-life-insurance-joint-venture-partner-in-china-idUSKBN22G0QB>

The office as we knew it is dead

The pandemic has challenged the status quo of the modern workplace, forcing companies and employees to change the way they operate. Working from home has become the new norm, but, as the situation continues to prove, it's possible to maintain productivity from a distance and remote work is here to stay. From Asana to Zoom and every tool in between, it's become apparent that companies can work efficiently regardless of their team's physical location.

While the pandemic has brought teams closer together despite physical distancing, the evolution of the workplace goes beyond individual workplaces. The shift to remote work proves that companies can operate efficiently from a distance, encouraging them to look beyond their office to connect with colleagues, employees, and businesses around the world. If it's not necessary for everyone to work in one office, remote work can empower companies to team up with professionals and partners that would otherwise be out of reach.



https://www.businessinsider.com/coronavirus-pandemic-wont-kill-office-but-it-will-change-forever-2020-4?utm_source=notification&utm_medium=referral

Recent blog posts

The Canton Fair goes online for its 127th edition

For the first time in its history, the Canton Fair, one of the largest import/export trade shows in the world, will be hosted entirely online. Due to complications caused by the COVID-19 pandemic, the organizers are going to great lengths to connect vendors and buyers and facilitate cross-border relationships.

[Read full article](#)

Global investors flock to China's financial industry after the removal of foreign ownership restrictions

For years, financial institutions have tried to enter the few parts of the Chinese market accessible to them, but their attempts were stifled by regulations and policies that limited foreign ownership, giving local companies the upper hand. Many foreign entities tried to gain influence by securing minority stakes in local firms, but made little progress. However, there are new opportunities on the horizon.

[Read full article](#)

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If you intend to use this agreement in a different situation or jurisdiction, certain clauses may need to be revised, added or deleted.



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About us



Trustiics.com is an online platform where international businesses and individuals such as expats can access direct, convenient and affordable legal services provided by well-trained English-speaking legal professionals from China.

We seek to improve, through the use of information technology and the Internet, the efficiency of the legal services market for the benefit of international SMEs doing business in China and elsewhere. We want to break down geographic, linguistic and financial barriers for businesses looking for top-notch legal counsel.

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