

# Protection of Shareholders' Rights and Interests in Company Law: Analysis from Legal Framework to Practical Effectiveness

Bin Wang

Monash University Law Chambers, Melbourne 3000, Australia

---

**Abstract:** At the core of a company's vitality are its investors, and their rights are the linchpin of its stability. The Company Law received a significant refresh in December 2023, with the updates officially taking hold on July 1, 2024, sharpening the focus on bolstering shareholders' rights. By dissecting two vivid case studies, this paper illuminates how the law is breathing new life into corporate governance, providing practical insights for the business community and the public.

**Keywords:** Company Law; Shareholders' Rights and Interests; Legal Framework; Practical Effectiveness.

---

## 1. Introduction

In a momentous session, the 14th National People's Congress's Standing Committee sealed the deal on December 29, 2023, ushering in a revamped Company Law that would take the stage on July 1, 2024. This wasn't just ink on paper; it was a promise to shareholders, a pledge to shield their rights with reinforced vigor. The essence of this legal revamp? It's more than recognizing shareholders as the vital foundation of a company's structure. It's about acknowledging their indispensable role in upholding the market's moral compass—fairness and justice aren't just ideals; they're the very principles that guide the ebb and flow of commerce.

Shareholder equity may sound a bit official, but in fact, it is the benefits that we, as cash strapped shareholders, can enjoy in the company. Our rights are quite limited, to the extent that we can receive a share of the company's profits or transfer our own shares to others; Big enough to vote on major company events or gain insight into the company's internal situation. Every right is like a business card, telling others what role we play in the company. This is not just a clause on a legal document, but also a guarantee of our expectations and trust when investing.

Protecting the rights and interests is like giving investors a reassurance pill, making them confident in the market and knowing that their investments will not be affected by wind and rain. This confidence is the cornerstone of a stable market. When it comes to protecting shareholder rights, the law is our strong backing. You see, in company laws around the world, there are clear provisions to protect shareholders. These regulations are not only to support shareholders and tell them that 'your rights are protected by the law', but also to put a tight spell on the company, reminding them to act in a proper and orderly manner. If the company or management team has a hot idea and wants to cross the line and infringe on the rights and interests of shareholders, don't be afraid, the sharp sword of the law is at hand. Shareholders can stand firm, protect their rights in accordance with the law, and safeguard their rightful interests. And the practical significance of all of this goes far beyond that. Think about it, in a healthy and orderly market, only when shareholders know that their rights are as unbreakable as golden shields, will they confidently invest and grow together with the company. In this way, fresh blood

is constantly injected, the company is thriving, and the entire economy is also thriving.

## 2. Legal Framework of the Company Law for the Protection of Shareholders' Rights and Interests

In 2023, the Company Law has turned a new page, and this revision has truly brought tangible benefits to shareholders. It has not only made some changes on paper, but also added layers of protection to the rights and interests of shareholders. Firstly, the revision clarifies the rights and obligations of shareholders, like giving everyone a clear map, so that everyone knows what they can and should do. Furthermore, it strengthened the shareholders' right to know, which is like opening a window for shareholders, making the company's affairs no longer a black box operation.

### 2.1. Clarify the Rights and Obligations of Shareholders

Article 4 of the Company Law is like issuing a rights card to shareholders, clearly informing them of the benefits of being a part of the company. If the company earns money, you have the right to a share of the pie. This is like giving shareholders a ruler to measure what they can and should do, ensuring that everyone exercises their rights within the legal framework, openly and reasonably. The newly issued Company Law has opened up a Xintiandi for shareholders. Our new Company Law has really brought a spring breeze to entrepreneurs, opening the door of one person companies wider. Previously, when someone wanted to start a company, they could only think of opening a limited liability company. The new law says that even one person can support the scene of a limited liability company, which is a new thing.

### 2.2. Strengthen the Protection of Shareholders' Right to Know

If you flip through the Company Law, you will see that Articles 57 and 110 give shareholders some real rights. For example, if you want to see the company's articles of association, or the minutes of shareholder meetings, board of directors, and supervisory board meetings, as well as those financial reports, the law supports you and gives you the right

to access and even copy these documents. And if you feel it's not enough and want to delve deeper into the company's accounting records and see those accounting vouchers, you also have the right to bring them up. However, we need to go through a formality and submit a written request to the company, explaining why you want to read these. But the company does not necessarily have to cooperate unconditionally. If they have reasonable grounds to suspect that you may have impure purposes for reviewing account books and vouchers, or that it may cause harm to the company's interests, they have the right to refuse your request. Of course, the company needs to provide you with a written response within fifteen days after receiving your request, explaining why it cannot be shown to you.

### **2.3. Improve the Shareholders' Meeting System**

The Company Law is like a thoughtful steward, telling us how shareholders can convene meetings, discuss matters, and vote on major decisions. This is like giving shareholders a ticket to enter the decision-making circle of the company, giving everyone the opportunity to have their voice heard. Moreover, the Company Law has introduced a new approach - the shareholder derivative litigation system. This is like giving shareholders a imperial sword. If a shareholder proposes a temporary proposal, the company cannot give them more shares or increase their shareholding ratio just because of it. For companies that publicly issue shares, these notices must be made known to everyone through announcements. Moreover, the new law has been relaxed, allowing a natural person to have multiple one-person limited liability companies. This is like opening more windows for those who have dreams and drive, allowing their creativity and passion to fly more freely. In this way, the vitality and creativity in the market are naturally stimulated, and everyone can showcase their skills on this stage.

### **2.4. Strengthen the Protection of the Rights and Interests of Minority Shareholders**

It's like in a company, everyone has the opportunity to have their voice heard, regardless of the size of their shares. Furthermore, Article 231 provides a backdoor for small and medium-sized shareholders to exit. If the company cannot continue or the conflicts between shareholders cannot be reconciled, they can request the court to dissolve the company. These proposals must have clear topics and specific resolutions, and cannot be vague. Even better, if shareholders are busy themselves or want professionals to help them check, the new Company Law also takes this into consideration. Shareholders can hire intermediary agencies, such as accounting firms or law firms, to exercise their right of access on their behalf, ensuring that they can timely and accurately grasp the company's dynamics.

### **2.5. Regulate the Protection of Shareholders' Rights and Interests of Listed Companies**

It's like adding a big lock to your rights, protecting them more tightly. Especially in terms of information disclosure and related party transactions, the law has put in a lot of effort. Article 140 requires listed companies to share all important information with everyone, there is nothing to hide. This is like giving investors a transparent window to see the company's movements clearly. For example, Articles 182 and 265 provide clear provisions on related party transactions and

relationships. This is like drawing a red line for those who may want to make small moves behind their backs, telling them not to easily cross the line. They can really prevent major shareholders from using their influence to harm the interests of listed companies and other shareholders. In this way, the legitimate rights and interests of both large and small households can be protected.

### **2.6. Establish the System of Shareholder's Loss of Rights**

Speaking of Article 52 of the Company Law, we need to talk about it in detail. This regulation draws a line for shareholders who promise to invest but delay in paying. If shareholders fail to withdraw the money on the agreed date in the company's articles of association, the company can send a written reminder letter to remind them to act quickly. Moreover, there is also a grace period included in this collection letter, which means that from the day the company sends this letter, shareholders need at least sixty days to prepare funds. This is an opportunity for shareholders and also a breathing space for them. But if sixty days have passed and the shareholders still haven't withdrawn the money, then the company has to take action. The board of directors needs to hold a meeting to discuss, and if they decide to take tough measures, they can send a notice of loss of rights to this shareholder. This notice must be in writing and clearly inform shareholders that they may lose some rights due to failure to contribute on time.

## **3. Practical Analysis of the Company Law on the Protection of Shareholders' Rights and Interests**

Starting from July 1st, 2024, our new Company Law officially came into effect. This is not only the implementation of new regulations, but also a big step forward in the legal construction of our country's companies. This article aims to provide a deeper understanding of the application of this new law in practical courts. Through real case analysis, it will enable businesses and ordinary people to see more clearly how the law works and provide guidance for everyone.

### **3.1. Case of Shareholders' Right to Know**

Chen, as the major shareholder and supervisor of a certain company, holds half of the company's shares. He wants to fulfill his supervisory duties, so he has repeatedly requested the company to review the accounting records. However, the legal representative of the company, Mr. Zheng, has yet to provide a response. Faced with this situation, Chen did not back down, but decisively took the matter to court, demanding access to and copying of the company's articles of association, shareholder meeting minutes, financial reports, and accounting books.

After the trial, the court sided with Chen based on the newly revised Article 57 of the Company Law. The court believes that as a shareholder of the company, Chen has the right to access and copy these important documents. Even if his previous written request was rejected, Chen has the right to request the court to intervene and help him access those accounting books.

The newly revised Company Law has really opened a door for shareholders to have a better understanding of the company. Previously, shareholders had limited access to

account books, but now it's different. They can not only flip through the books, but also review the specific accounting vouchers, including the original and bookkeeping vouchers, one by one. Even more considerate is that if shareholders are too busy themselves or need a professional to help, the new law also takes this into consideration. Shareholders can now entrust intermediary agencies such as accounting firms or law firms to handle their work, which not only facilitates shareholders but also makes supervision work more professional.

### 3.2. Case of shareholders' Petition for Dissolution of the Company

Wei, Zhang and Wang, the three partners, once founded Company A with great hope in November 2023, hoping to share in the wave of Tiktok live broadcast. By early 2024, conflicts between the three began to emerge. Wei felt that the cooperation couldn't continue and wanted to withdraw, but Zhang and Wang disagreed.

By January, Wei had essentially withdrawn from the company's operations. He felt that Wang had privately handled the company's property, and the company had even moved its business address. The conflict between the three had reached an irreconcilable point. Wei was worried that his rights as a shareholder would be seriously damaged, so he decided to file a lawsuit with the Weiyang Court, requesting the dissolution of Company A.

The court heard the case and found that Company A had been shut down for several months. In the trial, both Zhang and Wang admitted that the company is currently in a paralyzed state, and the shareholders have not taken any effective measures to save the company's operations. The conflicts between shareholders can no longer be resolved through normal shareholder meetings. The operation of the company was originally built on trust between shareholders, but now this trust has broken down and the company's operation is in trouble. Continuing like this will only cause greater losses to the interests of shareholders.

Wei holds 33% of the shares, and according to Article 231 of the new Company Law, he has the full right to request the court to dissolve the company. After trial, the court deemed

that Wei's request was reasonable and met the statutory conditions, and therefore decided to support his request. Our new Company Law is really thoughtful. It lowers the threshold for convening shareholder meetings, making it easier for the voices of small and medium-sized shareholders to be heard. It's no longer just the major shareholders who have a say. Now, even small shareholders, as long as they unite, can convene a meeting and have a good talk about the company's affairs.

## 4. Conclusion

I remember on December 29, 2023, we welcomed a new chapter in the Company Law. This was not a small change, but another major leap since 2005. On July 1, 2024, these new regulations will officially become the new rules of our business world. In the new Company Law, clearer boundaries have been drawn for the rights and obligations of shareholders, like giving everyone a new guide on what can and cannot be done. There is also a newly established shareholder loss of rights system, which sounds the alarm for shareholders who fail to fulfill their obligations.

## References

- [1] Zou Xingguang: Pragmatic Approaches to Corporate Stakeholder Protection: Reiterating Shareholder Primacy, *Global Law Review*, Vol. 46 (2022) No.4: 107-123.
- [2] Xu Xin: Research on the protection of the legitimate rights and interests of minority shareholders by company law, *Market Weekly*, Vol. 35(2022) No.8:172-177.
- [3] Derevyanko B, Nikolenko L, Turkot O, et al: Mediation as an alternative form of protection of shareholders' rights in property relations, *International Journal of Public Law and Policy*, Vol. 8 (2022) No.3: 227-241.
- [4] Prisandani U Y: Shareholder activism in Indonesia: revisiting shareholder rights implementation and future challenges, *International Journal of Law and Management*, Vol. 64 (2022) No.2: 225-238.
- [5] Zhou Yongbao: Opportunities and Challenges of the New Company Law and the Responses of Trade Unions—From the Perspective of Democratic Management in Enterprises, *Labour Union Studies*, (2024) No.4: 4-13.