



## Discussion about Shareholders' Right to Information

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### Abstract

China's Company law was amended in 2005, in which the Stockholders' right to information has been protected much better than the last edition, for instance, confirming the shareholders right to consult the account books in the limited liability company. This new company law enhances shareholders' rights to a large extent, and promotes the prosperity of capital markets and numerous investments. With the development of society, the law to protect the Stockholders' right to information is gradually outdated, some issues such as the scope of shareholders right to consult the account book, the subject and object conditions, the procedure, and the judicial relieves are not covered by the revised law, which led to some disputes. This paper is trying to present some discussions towards these issues, and especially, focusing on the protection of shareholders' inspection right of accounting books, which plays a fundamental role in the exercise of shareholders' other rights. A strict law is one efficient way to protect shareholders' rights; furthermore, bringing up a good stock culture will be more significant in a long term.

**Keywords:** Stockholder, Stockholders' right to information, Inspection right of accounting books

In order to strengthen the protection of shareholders' right to information, increase the supply of information to small and medium shareholders, and improve their disadvantaged position, there was a significant break on shareholders' right to information in the new edition of company law in 2005. The Company Law article 34 is learning from the advanced experience of Europe and the United States and Japan and in response to a broad request of the medium and small shareholders, the law authorizes shareholders' inspection right to corporate books and records. In article 34 paragraph 1 it reaffirms a shareholder shall have the right to look up and copy the articles of association, the minutes of shareholders meetings, the resolutions of the meeting of the board of directors, the resolutions of the meetings of the supervisory board and the financial statements of the company; paragraph 2 further provides that: "The shareholders may require to look up the accounting books of the company." Legislators define the inspection right as a separate right of shareholders, with no restrictions on holding period for shares, so it is very easy to practice the right. In theory, any honest shareholder has the right to exercise the right. (Liu Junhai, 2008, p.296).

In this paper, the author will present some disputes of controversial points about shareholders' right to information.

### 1. The qualifications for people who have the right to information

#### 1.1 Qualification standards for shareholders who own the right to information

First of all, we should make clear the criteria and conditions of shareholders' qualification. An eligible shareholder is the basis to practice rights and bear obligations. From the relevant provisions of company law, there are two prerequisites to become a shareholder: substantive condition and formal condition. The substantive condition is shareholder's capital contribution. As a capital-based organization, shareholders' capital contribution is the basis for establishing a company; therefore, this is the basic requirement to be a shareholder. The formal condition that qualifies for a shareholder is the form that can be recognized by others, including the records in articles of association, shareholders' roster, registration in company registration authority, capital contribution certificates issued by the company, etc; in a limited liability company, where a shareholder intends to transfer his or her stock ownership to persons who are not shareholders of the

company after securing the consent from over half of all the shareholders.

Company law article 26: The amount of initial capital contributions paid by all the shareholders of the company shall not be less than 20% of the registered capital of the company nor less than the statutory minimum amount of registered capital, and the remaining of the registered capital may be paid up by the shareholders within two years upon the incorporation of the company. Under this provision, shareholders can pay their capital contributions by installments, which means that the law does not link the eligibility of a shareholder with payment of their capital contributions inevitably, or that the Law allows to separate the time of payment and time to be a shareholder. To be a shareholder lies in the records in articles of association, roster of shareholders, and other documents. In other words, the proceeding formal conditions have a decisive role on obtaining a shareholder qualification. (Zhou Yousu, 2006, p.98)

### *1.2 Whether the shareholders who have not yet pay up their capital contributions could excise the right to information*

Under the premise of incorporation of a company, could a sponsor who has not pay up his share be a shareholder of the company, or enjoy the right to information equally with other shareholders?

According to standards above about the shareholder qualifications, the criteria rest on the records in articles of association, as well as in the industry and commerce institutions' registration documents. The payment is only shareholder's primary obligation and is not the essential condition to obtain a shareholder qualification. Shareholders in violation of payment obligation still can have the right to know unless they are cancelled by the company. Generally, violating the investment duty does not cause to deny directly its shareholder qualifications. The shareholder exercises the right to know and whether to invest fully belong to two different legal relationships, which has basically obtained the unanimous understanding in the judicial practice. (Yang Lu, 2007, p.10).

Of course, to confirm the eligibility of shareholders, by the form condition does not mean to ignore the substance conditions of capital payment. According to the Company Law, if the shareholder's investment is defective, that is a false investment, capital flight or other faulty investment, the qualifications of shareholder still can be recognized, but the appropriate measures will be taken to make up for the legal remedies, including requesting to make up the investment in the stipulation time, investigating the shareholder responsibility of breaking a contract, limiting its shareholder rights exertion. If the breach is serious enough, administrative responsibility, even legal responsibility will be looked into. By taking these measures as a legal remedy, the legal relationship can recover to restoration and correction, so that the interests of the injured party can get some compensation.

### *1.3 The problems about how anonymous investors enjoy their rights to information*

Anonymous investors, also known as anonymous shareholders in practice, refer to those who are actual investors but lack of eligible form as a shareholder in the company. Although the anonymous investors make actual investment, but in the company's charter, shareholders' list and the registration documents there is not their names but someone else's. Therefore, the existence of anonymous investors will be inevitably accompanied by the existence of other relative known shareholders. Here using anonymous for their shareholder status is still in an uncertain state; while the known shareholders have covered the elements of the form of shareholders.

The phenomenon of anonymous investor in the company is widespread practice, some does not want to publicize their financial situation, also some parties in order to circumvent the laws and regulations on investment restrictions, such as the restriction on investment qualification, restrictions on the number of shareholders. However, the anonymous investors does not violent the law directly. Company Law article 217, paragraph 3: "Although it is not the shareholders of the company, but through investment relations, agreements or other arrangements, to the actual disposal of the company acts." Contrast this provision with the definition of anonymous investors above, it is easy to see that the "actual control" is not the same with anonymous investors, but it can include anonymous investors, in other words, anonymous investors are a kind of "actual control". Whether anonymous members have shareholder qualifications, the author think the following several main points should be concerned:

First, Company Law article 217 clears that the actual control person is not the company shareholders, and anonymous investors as a form of actual control person, of course should not have the legal status of a company shareholder.

Second, the anonymous investors do not have the legal qualifications of shareholders, in accordance with Company Law provisions of article 217, because it "can actual control the company behavior" through the investment relations, it was decided that anonymous investors should also be subject to the rules and regulations of Company Law .

Third, considering the relationship between anonymous investors and known shareholders, significantly the two parties constitute a contractual relationship. Regardless of the form of a written contract, to regulate and adjust the relationship should follow the contract law. However, when dealing with their relations with the company, more application of the Company Law should be concerned. Such as anonymous investors involved in shareholder qualification is a company-related issue, should be to regulate and adjust in accordance with Company Law. For example, if there are no guarantees of procedures for registration changes, anonymous investors could not directly exercise the shareholders' rights. In addition, if the anonymous investors and eligible known shareholders are under dispute, we cannot affirm

directly known shareholder lose the shareholder qualification and thus the anonymous member has the shareholder qualification. (Zhou Yousu, 2006, p.102).

In practice, it depends on different situations to deal with anonymous investors claim to exercise the right to information. If the company and its shareholders know the relationship between the known shareholders and the hidden investors, and allow the anonymous members to exercise their right to know, this should be respected for their internal "autonomy"; if companies and shareholders do not allow anonymous investors to exercise the right, which should be supported (Zhou Yousu, 2008, p.111), then the anonymous one must have to be changed into a known shareholder by completing such procedures as adding his name to the records in articles of associations, roster of shareholders, registration of the company etc. Or, he or she can not exercise the right to information.

#### *1.4 The question about former shareholders who have withdrawn from the company exercise the right to information*

By transferring their stock ownership or shares, the former shareholders lose their shareholder's status. Those who have the right to information are the incumbent shareholders, so the former shareholders have not lawful right to information. Actually, there are some cases in judicial trial, the former shareholders who claim their rights and interests were damaged when they were shareholders, want to exercise right to information to prove the fact. Regarding this kind of lawsuit, the court must recognize the time condition of the behavior, or, according to litigant's identity when the damages happen, but not according to litigant's status at the lawsuit time. If the behavior occurs the time the litigant has the shareholder status, then, the litigant shall enjoy the right to know legally, the right should get legal protection. After transferring stock ownership or shares, if there is evidence to indicate that the company conceals the profit, the former shareholder shall have the right to inspect the accounting situation during his shareholder's period.

## **2. The scope of shareholders' right to information**

According to different types of companies, the contents and the ways of exercise of shareholders' right to information have some differences.

### *2.1 The contents of shareholder's right to information in a limited liability company*

Company law article 34: A shareholder shall have the right to look up and copy the articles of association, the minutes of shareholders meetings, the resolutions of the meeting of the board of directors, the resolutions of the meetings of the supervisory board and the financial statements of the company.

Inspection of company's accounting books is the most important aspect of right to information for shareholders in a limited liability company. For company's financial information is the most important part of value information for shareholders. The financial information is usually recorded in the financial statements, accounting books. However, because of the poor credit of companies, there are serious frauds in financial and accounting reports; it is unlike for shareholders to know the exact financial situation through public access to the company's accounting report. Therefore, in 2005 the new company law amendment, not only allowed shareholders of the company to look up company accounting reports, but also allowed shareholders access to company's accounting books. Therefore, company shareholders looking up company accounting books is the most important element of the right to information. (Zhao Xudong, 2005, p.155).

Whether the accounting book should include accounting documents is the greatest dispute about the right to information in a limited liability company. To find out this question, not only need to inspect to the accounting law and related concepts in accounting practice, but also the legislative intention and the judicial practice. Accounting law article 9: all units must make accounting checking, fill in accounting documents, accounting books, and compile accounting reports based on actual economic business. Furthermore article 15: the registration of accounting books shall be based on audited accounting documents.

From the accounting process, it is clear that the accounting documents include original documents and certified documents; accounting organizations and personnel write certified documents should be based on audited original documents. And register accounting books after audited certified documents, the financial accounting reports are compiles on the basis of accounting books. Therefore, the accounting documents, accounting books, accounting reports are three completely different concepts. Despite their close ties, they have a relatively independent status in the accounting law.

Accounting books include general ledger, itemized account, journal and other auxiliary book. According to the law, all units should register, calculate all economic business items uniformly in accounting books set up according to law, cannot make private accounting books which is in violation of the law and unified accounting system. Units must regularly check the record in accounting books with the material objects, the funds with the pertinent data, guaranteed that the accounting books record match the material object and the funds, the related contents between the accounting books record and the accounting documents, records between different books correspondingly. Accounting books should be numbered in accordance with the page number for the order of registration. Therefore, the accounting books

are the direct record of the company daily economic activity, which is the basic data to compile the corporate finance accounting report. (Hu Guangbao, 2005, p.124).

From the above accounting law, accounting practices, and legislative definition of related concepts, the author is in favor of company law to limit the scope of the right to information only of accounting books, and not of accounting documents.

On the practical operation, the accounting documents relate to more commercial secrets than the accounting books, if unrestricted allow shareholders to access to, the company may suffer loss from leak of trade secrets; for larger companies, every day there are a large number of new accounting documents, if allow inspection on the documents whenever shareholders ask to, the companies' daily operation will be seriously affected; too many accounting documents files, and high inspection workload and high costs; it is not possible under the supervision of all time when shareholders are inspect the documents, If someone alters the original documents or loss occurred, it is difficult to define responsibilities. (Gu Gongyun, 2005).

From provisions of company law, the limits to access accounting books are stricter than inspection of accounting reports. Obviously, legislators still have considerable doubts and worries about enlarging the scope of right to information to accounting documents. The right to information in principle should not include accounting documents. Certainly, if the articles of association have special agreement or in other peculiar circumstances, the judicature may also break this kind of limit, but supports the litigant to consult accounting documents. (Yang Lu, 2007, p.12).

### *2.2 The specific contents of shareholders' right to information in joint stock limited company*

Company law article 97: A joint stock limited company shall keep its articles of association, roster of the shareholders, the counterfoil of company bonds, minutes of the shareholders general meetings, minutes of the meetings of the board of directors, minutes of the meetings of the supervisory board and financial statements at the company.

Article 98: The shareholders shall have the rights to check and review the articles of association of the company, the register of the shareholders, the stubs of the company bonds, the meeting minutes of the shareholders' general meeting, the resolutions of the board of directors, the resolutions of the board of supervisors, and the financial and accounting reports, and to raise suggestions and interpellation on the operations of the company.

After comparison article 98 with article 34, it will be found there is no mention of the "accounting books." in article 98. That is to say, the right of access to accounting books is only limited to the shareholders in limited liability companies?

Securities Law article 65-67 stipulate the shareholders of listed companies can learn about the company situation, including: operating conditions, involved in major litigations matters, the brief introduction of directors, supervisors, senior management and their shareholdings profile, issued stocks, debenture bonds, major events that can greatly influence the price of the stock, etc. Also not mention accounting books. Express provisions of law can not be found shareholders in joint stock limited company have the right to inspect accounting books.

The joint stock limited company has a nature of higher capitalization compared with the limited liability company, especially now in the increasingly well-developed capital markets, shares, in particular, of listed company, extremely dispersion. In China's bullish stock market in 2006, all people were shareholders, most of who only held a lower proportion as small and medium shareholders. Rather than long-term development of the company, they were more concerned about the growth in stock prices. Even if happens the controlling shareholder, the management against the interests of small and medium shareholders, very few people would take it seriously. There is nothing but profits. What is more, the costs and benefits were not proportional for small and medium shareholders to inspect accounting, lack of maneuverability.

On the other hand, the major shareholders who really cared about the actual operation of the company, usually participated in the company management, they had authority to inspect accounting books through management activities.

Therefore, to the actual needs, even if the law entrusts shareholders of joint stock limited company access to accounting books, this stipulation also does not have too many significances.

From the above comparison, one can see, the law bestows shareholders of limited liability company more initiative rights to collect information; while adds more obligations of information disclosure to the joint stock limited company, so that shareholders can receive the information they need more easily. Warren Buffett also uses the magic weapon by studying the company's financial statements. In accordance with the law, a joint stock limited company shall keep its financial statements at the company for shareholders to inspect. The financial statements of listed companies should be publicly announced. Now as long as installing a stock analysis software (free download available on the network), the financial reports of listed companies are readily available.

It is understandable that people hold suspicion about the authenticity of the accounting reports of listed companies. As the prosperity of capital market, financial fraud also keeps the pace with the times. Moreover, there are some scandal

broke out in developed countries such as Europe, America and Japan's listed companies, the most representative one is the collapse of American Enron Corporation. One of the world's top five accounting firms of Arthur Andersen is also close down, which provides accounting services for it.

It is too absolute to completely deny the right of inspection of accounting books of shareholders in joint stock limited company. After all, accounting books are closer to the truth than accounting reports.

How to balance the interests between corporations and shareholders?

The inspection right of accounting books should be defined as minority shareholder right in order to prevent some shareholders abuse the inspection rights, interfere the company operation, damage the interests of company and shareholders-at-large, which can be differed with the inspection right of accounting reports. (Liu Junhai, 2004, p.56). To enhance the protection of inspection right, the right should be regarded as a natural right of shareholders. (Liu Junhai, 2004, p.366).

Limitation on the inspection right of accounting books for shareholders in the joint stock company should refer the limits about the due purpose in provision of company law article 152 the paragraph 2. In judicial practice, the limits may refer to the stipulation of "in case of a limited liability company, the shareholders, or in case of a joint stock company, the shareholders separately or jointly holding one percent or more of the company's shares for 180 consecutive days may request in writing the supervisory board or the supervisor of the limited liability company having no supervisory board to bring a lawsuit before the people's court" in article 152. Certainly, the Supreme People's Court may also make the guidance stipulation about this in the judicial interpretation. (Liu Junhai, 2008, p.305).

### **3. Judgment about the due purpose when shareholders in the limited liability company exercise the right to information.**

The restrictions mentioned above, whether they are the time-length of stock ownership, or the proportion of share, are both objective requests to shareholders. When the shareholders only achieve these conditions and ask access to accounting books, the company then can not reject. Generally, majority shareholders have due purpose to exercise the right, whether dissatisfaction or doubt either the performance or the management, operation of the company. They want to find out the real situation through the inspection to protect their shareholders' rights and interests, which is harmless to the company's benefits.

However, the cost brought by 1000 shareholders of goodwill to request access to the accounting books may be inferior to the cost and loss suffering from one presumptuous bad shareholder. If it is said the cost for company to provide offices, staff guidance and other ancillary services can be measured, then, in case some shareholders with bad intentions abuse the right to information by spying on the company books of the important information, obtaining trade secrets for personal gain, so that the loss caused to the company will be unable to estimate. Therefore, the due purpose is the most significant part of the stipulation about shareholders' inspection right of accounting books.

Company law article 34: The shareholders may require to look up the accounting books of the company. A shareholder shall, if requiring to look up the accounting books of the company, submit to the company a written request specifying the purpose. If the company reasonably holds that the shareholder's request for looking up the accounting books is for undue purpose and may damage the legal interests of the company, it may refuse to provide the access to the accounting books, and shall, within 15 days upon its receipt of the shareholder's written request, give to the shareholder a written reply specifying the reason. If the company refuses to provide the access to the accounting books, the shareholder may request the people's court to require the company to provide the access to the accounting books.

There is no limit on the time-length of stock ownership or proportion of shares for shareholders in the limited liability company to exercise the inspection right of accounting books. Just as mentioned before, theoretically, any shareholder of good faith has the right to exercise the inspection right.

What to do to be good faith?

The basic requirement for shareholders is having due purpose (proper purpose). "The reason why the legitimate demands of shareholders for the purpose of inspection are that inspection of the shareholders could be abused unfriendly to harassment of the company's management or to steal the company's trade secrets." (Stevenle, 2003, p.96).

So-called "due purpose", refers to the aim have a direct relation with the interests of shareholders based on maintenance of shareholders' status. (Liu Junhai, 2004, p.369).

In general, the proper purpose of shareholders proposing consult request is: (1) relate to the shareholders' identity; (2) legitimate; (3) not violate with company's interests nor harmful to company's benefits. (Yu Ying, 2008, p.91) "If to gain related information with the shareholder's benefits, or is to protect this shareholder's benefit as well as the company and other shareholder's benefit, then the goal is proper. To find out the stock value is also a proper goal; Seek the reason why the profit drops is also proper; as well as to determine whether there are management fault or venturous transaction." etc. (Robertwh, 1999, p.528).

The counterpart of due purpose is undue purpose, i.e. other purposes but the purpose to protect the shareholders' interests. From the disputes in judicial practice, the company may refuse access to inspection relative documents for any of the following circumstances: (1) not for the protection of interests of shareholders, but to damage the common benefits of other shareholders, or intervene the operation of company; (2) the shareholder operates another company competing with this company, either becomes competing company's shareholder or director; (3) in order to get ill wealth, spread the information gotten from the company documents; if there was some record that the shareholder did the proceeding behavior in last two 2 years.(Liu Junhai, 2006, p.112)

That shareholders enjoy the inspection rights does not mean there are no restrictions for shareholders to inspect any available documents. The documents for inspection should be relevant to what the shareholder want to know, which requires shareholders when exercising the right only limited to some certain documents according to the due purpose. The content of commercial secret, cannot be consulted at will by the shareholder. (Zhou Yousu, 2008, p.115).

#### **4. Judicial relief for shareholders when their rights to information are infringed**

At present, a good culture has not been established in our companies industry. (Cui Ping, 2007, p.501). Companies stand a positive attitude towards shareholders. Therefore, when shareholders require inspecting company accounting books, the company and shareholders will be in a natural state of confrontation. From the company perspective, shareholders looking up the books may be regarded as hostile or threatening. Whenever the shareholder consults company's financial materials, the company may suspect that this shareholder tend to intervene company's normal operation, while it is very difficult for the shareholder to prove that his good intentions, having reasonable demand.

Practically, the interests of majority shareholders and managers tend to be convergent major shareholders and managers on behalf of the company, the company also reflects and represents the interests of major shareholders and managers', however, there is a tendency that interests of corporation in line with controlling power but against the interests of many other small and medium shareholders. Therefore, small and medium shareholders claiming to access to company books will be regarded as wrongful act undermining the interests of the company. As long as the "company has reasonable grounds to believe that shareholders have access to accounting books improper purpose, you may damage the legitimate interests of the company, can refuse to provide access." If the company reasonably holds that the shareholder's request for looking up the accounting books is for undue purpose and may damage the legal interests of the company, it may refuse to provide the access to the accounting books.

Companies can take a variety of excuses to refuse. When the interests of the company are in line with those of directors, senior managers and inconsistent with the interests of other shareholders, these major shareholders and senior managers will make use of legal restrictions to achieve more, regardless of interests of other shareholders. However, even other investors suspect such deeds have happened, the entire benefits of company suffering damages, they have no certain evidences, and cannot exercise their right to information because they cannot prove their due purpose. Actually, it is impractical to prove human being's objective purpose, which creates a difficult situation for protection of small and medium shareholders. In fact to have the evil intention, in reality is also very difficult to say clearly.

Although the law also stipulates that if the company refuses to provide the access to the accounting books, the shareholder may request the people's court to require the company to provide the access to the accounting books, but if the shareholders sued the company, they have to provide guarantee. But according to China's status quo, compared with the company, ether economic strength or in the information resources, there is no doubt that the company locates in the dominant position, and small and medium shareholders in a much weaker position, even in the lawsuit proceedings. In addition, one can not deny the existence of a variety of human disturbance factors, the end of the lawsuit is unpredictable. Therefore, probability of the maintenance of the interests of shareholders through the action channels may also be greatly reduced, the realization of the rights of shareholders has been limited indeed. (Ba Tu, 2008, p.521).

The law has always played a role in balancing interests of different parties. On the one hand, it is difficult for shareholders to prove their due purpose; on the other hand, the company is easier to refuse shareholders' access to accounting books. In this relationship, the shareholders are significantly disadvantaged. Vis-à-vis the shareholders, the company has more information resources. As a result, who should bore the burden of proving the due purpose? It now appears that the company, which is closer to the idea of protection of shareholders. This allocation of the burden of proof, make the company have initiative prevention against shareholders' harmful behaviors, and prevent shareholders from falling into an embarrassing situation that they cannot prove their proper purpose. If the company does not have sufficient evidence to prove that the shareholders have improper purpose, the company should bear the disadvantageous consequences.

In order to gain effectiveness of the inspection right, to protect shareholders from being deprived of their rights and interests, Company Law article 34, paragraph 2, also requires the company to bear the burden of proof of an improper purpose. If the company is unreasonably doubt and refuses to provide inspection, shareholders may request the people's court to require the company to provide the access to the accounting books. (Liu Junhai, 2008, p.303).

However, due to the complexity of the company's shareholding structure, diversity management, company law does not detail the kinds of corresponding proper or improper purposes, which requires the court combining with specific to make free discretion of the extent of proper purpose. (Chen Kaixin, 2007, p.71).

## 5. Conclusion

Montesquieu said: "All people with power can easily abuse of power, this is an eternal truth." The maturity of separation of the two powers, general shareholder meeting principle transferring to the principle of the board of directors means that the power of general shareholder meeting weakens and the swell of the power for the directors board. In the comparison of company and shareholders, the controlling shareholder and small and medium shareholders, the interests of weaker party always been squeezed by other sides. Shareholders invest their own capital to company is the social basis for company's existence. If the interests of shareholders, particularly of the small and medium shareholders, can not receive a timely and effective protection, the capital market is bound to suffer a credit crisis, the bad impact on the enthusiasm of the investment, with the result that the companies have difficulty to sustain.

In order to prevent managers to embezzle, erode profits from company and shareholder's moral hazard, reduce mediocre, management default of delaying company business opportunities, prevent the board of directors to form cliques for selfish ends, abuse power of corrupting practices, most countries regard shareholder's right as a extremely important part in the company law to curb abuses of management power effectively. These rights are crucial for the protection of shareholders against poor management. But it is a precondition to have a detailed understanding and knowledge of the company's business conditions and property status for shareholders to practice those various rights, i.e. to know business operation situation and financial standing. (Yu Ying, 2008, p.85).

Our country has enlarged the protection of shareholders' right to information, however, there are only some stipulations in limited articles, defect both in mechanism design and practice. The right to information is the basic foundational right of shareholder, to guarantee shareholders' interests, balance the profits between shareholders, and shareholders with company, which could only be realize in a sound theoretical basis and a comprehensive relief system. The exertion of shareholders' rights, not only directly link to the achievement of self-interest of shareholders but also closely link to the issue of standardization of company management.

The inborn laggard nature of law makes it impossible to cover all possibilities. The original intention of the legislator is good, but the legislation can not keep up with the pace of development of the reality. Legislation should be strict and judicial practice in line with the law, as well as flexible and responsive. Solution the above disputes in this article about shareholders' right to information, of course, hope legislators will give an explicit instructions. Then before the settlements given by the legislators, to hand the related controversies, it is necessary to follow the premise of the legislative intention, punish the evil, and promote the justice. What's more, the strict law of the poor, the company can improve the flaw of the law in the articles of association.

The protection of shareholders' rights of information is not to put the shareholders on an opposite side with the companies. We cannot only emphasize the protection of shareholders, regardless of lawful interests of the companies. The relationship between shareholders and companies is like fish and water, fertile water feeds fleshy fishes.

Protect the interests of shareholders and companies by neither allowing shareholders abuse the right to information to damage the company's interests, nor allowing the company against the lawful rights of shareholders. Under the background of building a harmonious society, shareholders and the company should get along with each other harmoniously in order to harvest a win-win fruits, furthermore guarantee the sustainable development of China's enterprises powerfully.

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