

Judicial Approaches to Revoking Corporate Registration Changes Following the Non-Establishment of Capital Increase Resolutions

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Abstract

Article 28 of the newly amended Company Law of the People's Republic of China provides that where a corporate resolution is declared invalid, revoked, or confirmed as not having been validly adopted, the company shall apply for cancellation of the registration made on the basis of that resolution. However, in disputes concerning defective corporate resolutions, courts remain divided on how to deal with registration changes that have already been completed following a capital increase, and in particular on whether the pre-capital-increase shareholding structure and registered capital should be restored. Capital increase resolutions differ from ordinary corporate resolutions in that they often affect not only the internal allocation of rights among existing shareholders, but also the reliance interests of new investors, creditors, and other external parties. The revocation of registration changes following a defective capital increase resolution therefore requires courts to balance two competing concerns: correcting defects in internal corporate governance and preserving the stability of external transactions. Drawing on representative judicial decisions, this article examines whether and under what conditions registration changes should be revoked after a capital increase resolution is found not to have been validly adopted. It argues that courts should avoid both automatic restoration and blanket preservation of the existing registration status. Instead, a more differentiated approach is required. Courts should first distinguish between internal shareholder disputes and external investment relationships, and then examine whether the new shareholder is a genuine external investor, whether that investor acted in good faith, and whether a legally protectable reliance interest has arisen. Only after such an inquiry can courts determine whether the registration changes should be revoked and the original registration status restored. This article further argues that where a court confirms the non-establishment of a capital increase resolution but declines to revoke the corresponding registration changes, the judgment should still address how the injured shareholder's rights may be substantively protected. In this way, judicial reasoning can better reconcile shareholder protection, corporate registration credibility, and transaction security.

Keywords

Capital Increase Resolution; Corporate Registration Changes; Bona Fide Third Party; Shareholder Protection; Transaction Security



1 Introduction

A company-related dispute encountered by the author provides a representative example of the practical difficulties surrounding registration remedies after a capital increase resolution has been confirmed as not established. The case is Zhejiang 01 Civil Final No. 2909, 2021. This case was not merely a conventional dispute concerning the validity of a corporate resolution. Rather, it raised a more practically significant issue: how courts should deal with corporate registration changes that have already been completed on the basis of a capital increase resolution subsequently found not to have been validly adopted.

In this case, Zhang originally held 98.9548% of the equity in a limited liability company. On 15 October 2019, the company issued the Decision on Approving the Increase of Registered Capital and the relevant Shareholders' Meeting Resolution, admitting a communications company as a new shareholder and increasing the registered capital by RMB 149,170,467. Following the capital increase, Zhang's shareholding was diluted from 98.9548% to 28%. The company then completed the corresponding registration changes concerning its legal representative, registered capital, and shareholding structure.

During the proceedings, the court found that no shareholders' meeting had in fact been convened when the resolutions in question were formed. The relevant signatures were not signed by Zhang himself, nor had they been authorized or subsequently ratified by him. On this basis, the court of first instance confirmed that the capital increase resolution and the relevant shareholders' meeting resolution were not established, and ordered the company to restore the pre-change registration status.ⁱ The court of second instance upheld the finding that the resolutions were not established, but declined to support the claim for restoration of the registration status.ⁱⁱ

The first- and second-instance judgments in this case reveal a highly representative point of judicial controversy: where a capital increase resolution has been confirmed as not established and the corresponding corporate registration changes have already been completed, should the court further order the company to restore the pre-change registration status? More importantly, even where a court confirms in its judgment that the resolution was not established, if the company refuses to perform its obligation to restore or correct the registration, the injured shareholder will often still face substantial difficulty in directly achieving correction of the registration status on the basis of the effective judgment alone. The enforcement difficulty faced by the shareholder is therefore no less significant than the substantive adjudicative issue itself.

This indicates that the real difficulty in cases involving the non-establishment of capital increase resolutions no longer lies solely in determining the validity of the resolution. Rather, once the legal effect of the resolution has been denied, the central issues become the proper treatment of the resulting registration consequences, the effective implementation of the judgment, and the substantive restoration of the injured shareholder's rights and interests.

ⁱ Yuhang District People's Court of Hangzhou, Zhejiang Province. (2020). Civil Judgment No. 13654, Zhejiang 0110 Civil First Instance.

ⁱⁱ Hangzhou Intermediate People's Court of Zhejiang Province. (2021). Civil Judgment No. 2909, Zhejiang 01 Civil Final.

2 Research Value and Significance of This Article

The proper adjudication of corporate disputes, the strengthening of shareholder protection in accordance with law, the coordination of interests among various internal corporate actors, and the promotion of sound corporate governance all contribute to the protection of the lawful rights and interests of market participants and provide judicial support for improving the business environment.ⁱ

First, Article 28 of the newly amended *Company Law of the People's Republic of China* expressly regulates three types of defective corporate resolutions: resolutions declared invalid, resolutions revoked by the court, and resolutions confirmed as not having been validly adopted.ⁱⁱ Under this provision, where a corporate resolution is declared invalid, revoked, or confirmed as not established, the company shall apply to the registration authority for cancellation of the registration made on the basis of that resolution. At the same time, Article 28 incorporates the rule under Article 4 of the *Provisions of the Supreme People's Court on Several Issues concerning the Application of the Company Law of the People's Republic of China (IV)*, namely that civil legal relationships formed between the company and bona fide counterparties on the basis of such a resolution do not automatically lose their effect merely because the validity of the resolution has subsequently been denied.ⁱⁱⁱ

It follows that Article 28 provides a general normative framework rather than a ready-made solution for individual cases. After a capital increase resolution is confirmed as not established, courts must still determine, in light of the specific circumstances of the case, whether the corporate registration changes made on the basis of that resolution should be cancelled. This inquiry becomes particularly important where the new capital-contributing shareholder has already entered the company, the registration has been publicly disclosed for a period of time, or external investment relationships or third-party interests have already arisen.

Accordingly, the application of Article 28 is subject to two practical constraints. First, from the perspective of enforcing the relevant obligation, although the company is the entity legally responsible for applying for cancellation or correction of the registration, minority shareholders generally do not possess a direct and effective means of procuring such correction where the company refuses to cooperate.^{iv} The difficulty, therefore, does not lie only in whether the court should confirm that the registration ought to be restored. It also lies in the fact that the applicant for registration changes is, in principle, still the company itself. This creates a significant obstacle to the post-judgment realization of registration restoration.

Second, from the functional perspective of the corporate registration system, company registration does not merely serve internal corporate relationships. It also performs a public information function. Registered information carries the effects of publicity and public credibility, and the doctrine of appearance is likewise a generally applicable principle. For this reason, when adjudicating claims for cancellation of registration, courts should not proceed solely from the standpoint of correcting defects in internal corporate governance. They must also take into account the protection of external reliance and the maintenance of transaction se-

i Liu, J. (2020). Promoting the modernization of company law and optimizing the legal environment for doing business. *Application of Law*, 1, 75.

ii *Company Law of the People's Republic of China*. (2023). art. 28.

iii Supreme People's Court. (2017). Provisions of the Supreme People's Court on Several Issues concerning the Application of the Company Law of the People's Republic of China (IV), *Fa Shi* [2017] No. 16, art. 4.

iv Li, J. (2024). *Commentary on Company Law*. Beijing: Law Press China, 124.



curity.ⁱ In addition, some scholars have observed that, given the associational nature of companies and the need to respect corporate autonomy, courts should in principle adopt a formal review approach when examining defects in corporate resolutions, and should exercise caution in determining whether a resolution is invalid, not established, or revocable.ⁱⁱ

In addition, the enforcement difficulties arising from the non-establishment of capital increase resolutions are of particular research significance among the various types of defective corporate resolutions. Compared with ordinary resolutions concerning personnel appointments or routine business matters, once a capital increase resolution is implemented, it is often directly reflected in registered matters such as changes in shareholders, changes in registered capital, and amendments to the company's articles of association. Such changes not only immediately affect the original shareholder's shareholding ratio, voting rights, and position of control, but also most readily implicate the external reliance interests of new capital-contributing shareholders, company creditors, and other market counterparties.

For this reason, the cancellation of corporate registration changes in cases involving the non-establishment of capital increase resolutions is more complex than in ordinary corporate resolution disputes and is more likely to generate divergent judicial outcomes. In this sense, how corporate registration changes should be dealt with after a capital increase resolution has been confirmed as not established has become one of the most controversial issues in the adjudication of corporate resolution disputes. On this basis, the following sections examine the different judicial approaches currently adopted in practice with respect to corporate registration changes following the non-establishment of capital increase resolutions.

3 Evaluation of Judicial Approaches in Comparable Cases

With respect to whether corporate registration changes should be cancelled after a capital increase resolution is confirmed as not established, the author has conducted a focused review of relevant judicial decisions. On the basis of the existing adjudicative reasoning, judicial practice may be broadly divided into three approaches. The first approach treats the non-establishment of the resolution as sufficient grounds for canceling the corporate registration changes and restoring the original registration status. The second approach confirms the non-establishment of the resolution but adopts a restrained attitude toward the cancellation of registration. The third approach, after confirming that the resolution is not established, proceeds to conduct a substantive review before determining whether all registration changes should be canceled.

3.1 The First Approach: Automatic Cancellation of Corporate Registration Changes Once the Resolution Is Not Established

The common feature of this approach is that, after confirming that the capital increase resolution is not established, the court does not further examine the status of the new capital-contributing shareholder, the external investment relationship, or other transaction-related factors. Instead, it directly holds that the corporate registration changes made on the basis of that resolution have lost their legal foundation and should therefore be cancelled, with the original registration status restored where necessary.

ⁱ Liu, J. (2023). Interpretation and legislation on the modernization of the company registration system: A three-dimensional perspective of public information services, publicity and public credibility, and justiciable standards. *Application of Law*, 1, 31.

ⁱⁱ Wang, G., & Jiang, L. (2024). The procedural logic of corporate resolution litigation under the new Company Law. *Southeast Law*, 2, 178.

In the company resolution validity confirmation case Zhejiang Hangzhou Commercial First Instance No. 166, 2015, the company formed a shareholders' meeting resolution to increase its registered capital and completed the corresponding registration changes without having actually convened a shareholders' meeting. The shareholders' signatures and seals did not reflect their true intention. The court held that, where the capital increase resolution was declared invalid, revoked, or not established, the defendant should apply to the company registration authority for cancellation of the registration changes. Accordingly, the plaintiff's relevant claim was consistent with the legislative purpose of company law, and the third party was also required to assist in completing the relevant procedures.ⁱ

The company resolution dispute case Beijing 0107 Civil First Instance No. 8518, 2022 adopted a similar approach. After judicial appraisal confirmed that the signature was not signed by the person concerned, the court held that the shareholders' meeting resolution was not established and ordered the company to cancel the registration changes made on the basis of that resolution.ⁱⁱ

The company capital increase dispute case Liaoning 02 Civil Final No. 7640, 2019 went further. The court of second instance held that, since the resolution was not established, the corporate registration changes were naturally invalid. Moreover, as the case concerned a capital increase dispute, the shareholding ratio and the amount of registered capital were inseparable. The first-instance judgment was therefore improper in merely ordering restoration of the equity status without also specifying that the registered capital should be restored to its pre-change status. The second-instance court corrected this point and ordered the cancellation of both the equity change registration and the registered capital change registration.ⁱⁱⁱ

The advantage of this type of adjudication is that it provides direct and clear relief to the injured shareholder. By directly denying the registration consequences arising from a defective resolution, this approach prevents internal corporate controllers from continuing to enjoy benefits improperly obtained through defective procedures by relying on formal registration. From the perspective of correcting defects in corporate governance, this approach has considerable normative justification.

However, the limitations of this approach are equally apparent. The key problem is that it closely links the non-establishment of the resolution with the cancellation of the registration changes, without further distinguishing whether the new capital-contributing shareholder is a genuine external investor, whether that shareholder acted in good faith, and whether an external legal relationship deserving protection has already been formed. In other words, although this approach responds to the need to protect the injured shareholder, it avoids the separate issue of protecting external investment relationships. If the new capital-contributing shareholder is indeed a bona fide external investor, an undifferentiated restoration of the original registration status may improperly affect that shareholder's rights and interests. Such an approach is therefore insufficient as a generally applicable adjudicative standard for complex capital increase disputes.

ⁱ Hangzhou Intermediate People's Court of Zhejiang Province. (2015). Civil Judgment No. 166, Zhejiang Hangzhou Commercial First Instance.

ⁱⁱ Shijingshan District People's Court of Beijing Municipality. (2022). Civil Judgment No. 8518, Beijing 0107 Civil First Instance.

ⁱⁱⁱ Dalian Intermediate People's Court of Liaoning Province. (2019). Civil Judgment No. 7640, Liaoning 02 Civil Final.



3.2 The Second Approach: Confirming the Non-Establishment of the Resolution While Exercising Caution Toward Cancellation of Registration

The common feature of this approach is that, although the court confirms that the corporate resolution is not established, it does not further support the cancellation of all corporate registration changes or the restoration of the original registration status. Instead, the court adopts a more cautious position toward cancellation of registration, primarily from the perspectives of registration publicity, public credibility, and external reliance.

The case Zhejiang 01 Civil Final No. 2909, 2021 is an example of this approach. In that case, while upholding the finding that the resolution was not established, the court held that the company had already increased its registered capital and completed industrial and commercial registration, and that the original shareholder did not agree to subscribe to the newly increased registered capital according to his original shareholding ratio. The court therefore considered it “inappropriate to directly order a reduction of registered capital.”ⁱ This reasoning indicates that, once capital increase registration has been completed, the issue is no longer limited to a procedural defect in the internal formation of corporate intent. It further implicates registration publicity, public credibility, and reliance interests formed by relevant parties on the basis of the registered appearance.

In addition, the company resolution dispute case Beijing 04 Civil First Instance No. 434, 2020 more clearly reflects the typical features of this approach. In that case, the court held that although industrial and commercial registration changes made on the basis of a non-established corporate resolution should in principle be cancelled, industrial and commercial registration information carries the effects of publicity and public credibility. The court further considered that determining the validity of the investment agreement between Shanquan Company or its shareholders and external investors exceeded the scope of review in the company resolution dispute. It therefore declined to address whether the registration change adding Xu as a shareholder should be cancelled.ⁱⁱ

The company resolution validity dispute case Xinjiang 01 Civil Final No. 1413, 2025 proceeded from the broader need to maintain stability in external legal relationships. The court noted that the capital increase registration in question had been completed and publicly disclosed for more than ten years, during which the equity had been transferred several times. The company had also entered pre-reorganization proceedings, with a large amount of debt and numerous creditors. On this basis, the court held that cancellation of the corporate registration changes made on the basis of the relevant resolutions would seriously affect the lawful rights and interests of creditors and non-party equity transferees. It therefore declined to support the claim for cancellation of registration.ⁱⁱⁱ

The reasonableness of this approach lies in its recognition that, where registration has existed for a considerable period of time and external relationships have been extensively formed, courts should exercise restraint and caution in cancelling registration. Such judgments reflect certain practical considerations. Their

ⁱ Hangzhou Intermediate People's Court of Zhejiang Province. (2021). Civil Judgment No. 2909, Zhejiang 01 Civil Final.

ⁱⁱ Beijing Fourth Intermediate People's Court. (2020). Civil Judgment No. 434, Beijing 04 Civil First Instance.

ⁱⁱⁱ Urumqi Intermediate People's Court of Xinjiang Uygur Autonomous Region. (2025). Civil Judgment No. 1413, Xinjiang 01 Civil Final.

value lies in making clear that the non-establishment of a capital increase resolution does not necessarily mean that all external appearances formed on the basis of that resolution must be immediately overturned.

Nevertheless, the main weakness of this approach lies precisely in the fact that it often remains at the level of invoking general concepts such as “registration publicity” and “external reliance,” without further examining whose interests are involved, whether such interests actually exist, and whether they deserve legal protection.

Taking Zhejiang 01 Civil Final No. 2909, 2021 as an example, first, the judgment had already confirmed that the resolution was not established, yet it treated the original shareholder’s unwillingness to subscribe to the increased capital according to his original shareholding ratio as an important reason for denying restoration of registration. This created confusion in the logic of the reasoning. Since the resolution in question had already been confirmed as not established, it should not, in principle, continue to serve as a legitimate basis for requiring the injured shareholder to undertake the newly increased capital contribution.

Second, and more importantly, although the second-instance court referred to registration publicity and reliance interests, it did not further examine the identity or subjective intention of the new capital-contributing shareholder. It neither ascertained whether the new shareholder was a genuine external investor, nor explained whether that shareholder was unaware of the defects in the resolution. Nor did it specifically identify the legal relationship in which the alleged external reliance interest was reflected.

A similar problem can also be seen in Beijing 04 Civil First Instance No. 434, 2020. The court placed excessive emphasis on publicity and public credibility, while neither dealing with the issues concerning equity and registered capital nor conducting any substantive review. Therefore, although this approach does not simply infer cancellation of registration from the non-establishment of the resolution, its deficiency lies in the court’s failure to continue ascertaining the key facts affecting the treatment of registration. As a result, the decision not to cancel the registration remains largely at a superficial level, and the reasoning is insufficiently developed.

3.3 The Third Approach: Centering the Review on Genuine External Investors and Bona Fide Counterparties

This is the adjudicative approach that, in the author’s view, deserves the greatest attention. A representative example is the company resolution dispute case Beijing Civil Final No. 78, 2021. The value of this case lies, first, in the fact that, against the background of Article 22 of the former Company Law of the People’s Republic of China, the court confirmed that the resolution in question was not established.⁴ In that case, the Beijing High People’s Court expressly stated that “a resolution that is not established naturally has no legal binding force.” Proceeding from a systematic interpretation, the court further held that an action seeking confirmation of the non-establishment of a resolution, like actions concerning invalid and revocable resolutions, fell within the scope of Article 22 of the former Company Law. Accordingly, the non-establishment of a resolution may also serve as a basis for the company to apply to the registration authority for cancellation of the relevant registration changes.

⁴ Company Law of the People’s Republic of China. (2018). art. 22.



Second, the judgment did not stop there. The court further pointed out that, after a shareholders' meeting resolution has been found not to be established, such a finding has no retrospective effect on other legal relationships formed between the company and bona fide counterparties outside the company on the basis of that resolution. Therefore, whether all corporate registration changes should be cancelled in this case depended on whether the capital increase relationship involved bona fide counterparties external to the company.

The court then conducted a substantive review in light of the facts of the case. During the hearing, Xu Jian acknowledged that Xu Xin held the company's equity on his behalf, and Xu Xin did not object to this arrangement. On this basis, the court found that the party who had established the capital increase legal relationship with the company under the two shareholders' meeting resolutions was Xu Jian rather than Xu Xin. Accordingly, "the contents of the shareholders' meeting resolutions in question did not involve counterparties outside the company." The court therefore ordered the cancellation of all registration matters relating to the addition of Xu Xin as a shareholder, the relevant registered capital, and the amendments to the articles of association, and further ordered restoration of the original registration contents.ⁱ

This adjudicative approach is preferable because it does not reduce the dispute to the proposition that "registration must be cancelled once the resolution is not established," nor does it rigidly proceed from the view that "registration should in principle remain unchanged once it already exists." Instead, by examining the apparent status of the new capital-contributing shareholder, that shareholder's subjective state, and the formation of external legal relationships, the court reconstructed the relevant facts and reached a more comprehensive judgment.

The logic of this approach may be summarized as follows. First, the court confirms whether the resolution is not established. Second, it determines whether there is a genuine counter party external to the company. Third, where no genuine external counter party exists, or where the new capital-contributing shareholder did not act in good faith, there is no need to prevent cancellation of registration on the ground of protecting external reliance interests. Finally, only where there is indeed a genuine external investor who acted in good faith does it become necessary to carefully assess the proper limits of cancelling registration.

The advantage of this approach is that it incorporates the protection of the injured shareholder and the protection of external legal relationships into the same adjudicative framework. As a result, the determination of whether registration should be cancelled becomes more persuasive and more capable of consistent application.

4 Core Considerations for Cancelling Corporate Registration Changes After the Non-Establishment of a Capital Increase Resolution

The above comparison of comparable cases shows that judicial practice has not yet developed a unified approach to whether corporate registration changes should be cancelled after a capital increase resolution is found not to be established. The weakness of the automatic cancellation approach lies in the fact that it con-

ⁱ Beijing High People's Court. (2021). Civil Judgment No. 78, Beijing Civil Final.

nects the non-establishment of the resolution too closely with the treatment of registration. By contrast, the weakness of the restrained approach lies in the fact that, although it recognizes the importance of registered appearance and transaction order, it does not treat the authenticity and good faith of external counterparties, or the concrete existence of transaction relationships, as independent matters for judicial review.

In comparison, the approach centered on the review of genuine external investors and bona fide counterparties is better able to balance the protection of injured shareholders with the stability of transaction order. It is also more consistent with the normative structure of Article 28 of the Company Law and the functional position of the corporate registration system.

More specifically, the divergence in judicial practice appears, on the surface, as a difference between judgments that “cancel registration” and those that “do not cancel registration.” In substance, however, the divergence arises from differences in the focus and depth of judicial review. Put differently, it depends on whether the court conducts an independent review of the identity, subjective state, and formation of external legal relationships concerning the new capital-contributing shareholder.

Some judgments focus on the validity of internal corporate resolutions and emphasize that a defective resolution should not continue to serve as the basis for registration. Others give greater weight to the maintenance of registration publicity and public credibility, and therefore adopt a restrained approach to cancellation of registration. Still others move beyond this binary framework by carefully ascertaining the identity of the new capital-contributing shareholder and whether the relevant transaction is genuine. This latter approach is, objectively speaking, more conducive to corporate development and to the maintenance of judicial fairness.

Therefore, the issue of cancelling registration after the non-establishment of a capital increase resolution still needs to be further clarified at the normative level. In particular, against the background of Article 28 of the Company Law, the relationship between cancellation of registration and the protection of bona fide counterparties should be understood as a comprehensive inquiry to be conducted in stages. The relevant factors that should enter into judicial determination must also be identified more clearly.

Specifically, courts should conduct the review in the following sequence. First, they should examine whether the new capital-contributing shareholder is a genuine external investor. Second, if that shareholder is a genuine external investor, courts should further examine whether the shareholder acted in good faith. Third, courts should determine whether a concrete, genuine, and legally protectable external legal relationship has already been formed, and whether cancellation of registration would cause a substantial impact on the existing transaction order.

Only after completing this analysis can the court determine which approach is more appropriate in the individual case: cancelling the corporate registration changes made on the basis of the defective resolution and restoring the original registration status, so as to better protect and remedy the injured shareholder; or exercising a degree of restraint toward the existing registration status, so as to better preserve the existing transaction order and the legitimate interests of bona fide counterparties.



5 Protection of the Injured Shareholder's Rights Where the Resolution Is Not Established but Corporate Registration Changes Are Not Cancelled

Even where a court ultimately confirms that a capital increase resolution is not established, but does not further cancel the corporate registration changes made on the basis of that resolution, the matter does not end there. On the contrary, in such circumstances, how the injured shareholder's rights and interests can be substantively protected becomes an even more acute issue in judicial practice. Zhejiang 01 Civil Final No. 2909, 2021 provides a useful example. Although the court in that case confirmed that the resolution was not established, it declined to support the claim for restoration of the pre-change registration status. As a result, the injured shareholder formally succeeded in the validity action, but the adverse registration consequences arising from the defective capital increase were not automatically eliminated.

From the perspective of the remedial structure of company law, confirmation that a resolution is not established undoubtedly has independent legal value. At the very least, it denies the effectiveness of the defective resolution as a legitimate basis for the formation of corporate intent within the company, and it also lays the foundation for subsequent remedies. However, if the judgment stops at this point and does not make any substantive arrangement regarding the corporate registration changes that have already been completed, the injured shareholder's legal position will not be substantively restored. Without sufficient institutional linkage, an action concerning the validity of a resolution may fall into the dilemma of formal success while the substantive harm continues.

A more practical difficulty is that, even if the law recognises that the company should in principle restore or correct the registration, the entity entitled to apply for registration changes is still, as a general rule, the company itself. Where the company refuses to cooperate, minority shareholders do not necessarily have a direct and effective means of procuring restoration of the registration. In this sense, a more realistic approach would be as follows: where the company refuses to perform its obligation to restore or correct the registration, minority shareholders without effective influence, former legal representatives who have lost control, and other relevant parties may rely on the rules concerning the duty of diligence owed by directors and dual controllers, including those who may also function as shadow directors, in order to compel those who influence or even determine the formation of the company's intent to perform the obligation to apply for registration changes in a timely manner.

Article 180, paragraphs 2 and 3, of the Company Law of the People's Republic of China provide for the duty of diligence owed by supervisors, senior executives, and dual controllers.¹ In the future interpretation and application of Article 28, paragraph 1, of the Company Law, it is necessary to establish a mechanism connecting the company and the entity responsible for applying for registration changes. Under such a mechanism, the company's application for registration changes may be understood as part of the duty of diligence owed by directors and actual controllers, and liability for breach of fiduciary duty may be pursued accordingly. This is particularly important where conflicts arise between majority and minority shareholders. Directors should remain neutral, actively respond to lawful applications, and perform such duties of

i Company Law of the People's Republic of China, (2023), art. 180.

diligence in a timely manner. Such a layered approach both preserves the boundaries of the matters to be adjudicated in the case and provides the injured shareholder with an institutional pathway from confirmation of invalidity or non-establishment to substantive restoration.ⁱ

Therefore, in cases where a resolution is confirmed as not established but the corporate registration changes are not cancelled, the judgment should not be confined to denying the legal effect of the resolution. If the company continues to maintain an incorrect registration status, the court should at least make clear in its reasoning that the company is, in principle, obliged to restore or correct the registration. If the company refuses to perform that obligation, the injured shareholder should be able to seek further protection in subsequent proceedings by pursuing the liability of directors, supervisors, senior executives, controlling shareholders, and actual controllers. Only in this way can an action seeking confirmation that a resolution is not established avoid becoming a merely formal procedural tool that lacks the capacity to provide substantive restoration.

6 Conclusion

After a capital increase resolution is confirmed as not established, whether the corporate registration changes should be cancelled and whether the original registration status should be restored are not questions that can be resolved automatically by a single rule. Existing comparable cases show that the divergence in judicial practice does not primarily concern whether the resolution is not established. Rather, the real controversy lies in the subsequent question of how registration should be treated after the resolution has been found not to be established.

The real dividing line among different adjudicative approaches does not lie in whether courts generally emphasise shareholder protection or transaction security. Instead, it lies in whether the court has sufficiently examined the identity of the new capital-contributing shareholder, that shareholder's subjective good faith, and the formation of external legal relationships.

This article argues that, after a capital increase resolution has been confirmed as not established, the decision whether to cancel corporate registration changes should not be based solely on the validity of the internal corporate resolution. Courts should also focus on whether the new capital-contributing shareholder is a genuine external investor, whether that shareholder acted in good faith, and whether the stability of transaction order would be affected. Courts should further address how the injured shareholder's rights and interests may be substantively protected. Only in this way can judicial practice develop more persuasive and workable adjudicative rules that properly balance the correction of defects in internal corporate governance with the maintenance of external transaction order.

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