

Research on the Protection Path of Minority Shareholders' Rights and Interests Under the Mandatory Delisting System

Min Yang¹ & Yanxiu Zhou¹

¹ Guangzhou Huashang College, Guangzhou, Guangdong 511300, China

Correspondence: Yanxiu Zhou, Guangzhou Huashang College, Guangzhou, Guangdong 511300, China.

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Abstract

With the continuous development of the capital market, the mandatory delisting system has become an important means to maintain market health. Since the implementation of the *Opinions on Strictly Implementing the Delisting System*, the number of listed enterprises subject to mandatory delisting has increased sharply, significantly enhancing the market's capacity for clearing out inefficient entities. However, the issue of minority shareholders' rights and interests being impaired during the delisting process has become increasingly prominent, making the protection of these rights a major social concern. Taking the mandatory delisting case of Guanghui Automotive, whose stock closed below 1 yuan for 20 consecutive trading days, as the research object, this paper explores the internal and external causes of the company's mandatory delisting against the backdrop of the current delisting system. It further analyzes the root causes of the infringement on minority shareholders' rights and interests, and proposes targeted counter-measures including improving the information disclosure system, strengthening accounting supervision, implementing compensation mechanisms, perfecting the representative litigation system, and enhancing investor education. This study aims to provide theoretical support and practical reference for protecting minority shareholders' rights and interests under the capital market delisting system, and promote the construction of a more fair, transparent, and efficient capital market environment.

Keywords: mandatory delisting, minority shareholders' rights and interests, information disclosure

1. Introduction

Mandatory delisting refers to the termination of a listed company's listing qualification by securities regulatory authorities and exchanges in accordance with laws and regulations when the company fails to meet listing standards, such as non-compliant stock market prices, poor operating conditions, or serious violations of

securities exchange rules or regulatory laws. The Shanghai Stock Exchange, Shenzhen Stock Exchange, and Beijing Stock Exchange classify delisting into voluntary delisting and mandatory delisting, with the latter further divided into four categories: trading-based delisting, financial-based delisting, regulatory compliance-based delisting, and major

violation-based delisting. Unlike voluntary delisting, mandatory delisting does not require an application from the issuer. When a listed company triggers specific delisting criteria, regulators or exchanges directly issue a delisting ruling and force the relevant securities to withdraw from market trading. The core objectives of mandatory delisting are to maintain the standardization of securities market operations, protect the legitimate rights and interests of investors, and thus promote the healthy development of the market.

Amid sluggish economic recovery, China's new energy vehicle sector has disrupted the traditional fuel vehicle market. Coupled with sufficient supply chains and changing consumer demand, the automotive industry has entered a period of profound restructuring. In 2024, 6 automotive companies were delisted, tying with the power equipment industry for the highest number of delistings. Among them, 3 companies including Guanghai Automotive and Jianye B were delisted due to stock price below par value, while 2 were delisted for failing to meet financial indicators. Industry-wide operational pressures are prone to triggering financial and regulatory compliance issues, ultimately leading to delisting. As a key part of the automotive industry chain, dealers face dual pressures from upstream brand authorization adjustments and downstream market demand changes. Once a leading domestic automotive dealer group, Guanghai Automotive was subject to trading-based delisting after its stock closed below 1 yuan for 20 consecutive trading days, and was transferred to the New Third Board for trading in 2025. Following delisting, the company fell into multiple crises, resulting in severe damage to minority shareholders' rights and interests. Some minority shareholders spontaneously organized class actions, collecting authorizations and loss information through online platforms, but faced high costs and difficulties in evidence collection during the rights protection process. Delisting has led to the failure of corporate governance and asset freezes, which have undermined the company's compensation capacity. This not only exacerbates the difficulties faced by minority shareholders in protecting their rights, but also exposes the gap between individual rights protection efforts and institutional safeguards. Since the implementation of the new delisting regulations, the contradiction between the sharp

increase in mandatory delistings and the weak rights protection mechanism has become increasingly prominent. How to protect minority shareholders' rights and interests, address the current delisting system's shortcomings of prioritizing market clearing over investor protection, and strengthen accounting supervision have become pressing issues.

Regarding research on the causes of mandatory delisting, Abdelhakeem A (2025) explored the potential impact of corporate governance reforms on delisting from the Egyptian Exchange, finding that approximately 60% of delisted enterprises were forced to withdraw due to non-compliance with corporate governance regulations. Du Yan (2024), through a case study of ST Kedi, identified flaws in financial indicators, corporate governance structures, violations of information disclosure rules, and dereliction of duty by audit institutions as the fundamental causes of mandatory delisting. Yang Yi (2025) argued that to ensure the smooth operation of the capital market's exit mechanism, the delisting system is an important supporting measure for the registration-based reform. In terms of research on minority shareholders' rights protection, Yuji Lin (2025) pointed out that the weak information disclosure system in securities laws allows some enterprises to engage in selective disclosure and conceal important information, exacerbating information asymmetry between minority shareholders and controlling shareholders. Using voting data of minority shareholders collected by Chen Yunsen et al. (2025), the study indicated that the registration-based reform has promoted the awakening of minority shareholders' awareness of exercising their rights by enhancing their motivation to participate in corporate governance and their ability to utilize information. Ma Deshui et al. (2023), taking the Kangmei Pharmaceutical case as an example to study delisting in the pharmaceutical industry, argued that the participation of the China Securities Investor Services Center in litigation can stimulate and encourage minority shareholders to actively protect their rights. Yan Qiyue et al. (2025) proposed promoting the reconstruction of corporate governance and strengthening minority investors' awareness of rights protection and their participation in corporate management. By sorting out special investor

protection cases across “five regions and three jurisdictions”, Mao Yirong (2025) proposed constructing a four-dimensional collaborative system of “regulation, judiciary, market, and enterprises”: at the regulatory level, strengthen penetrating supervision over information disclosure and impose rapid penalties for violations. Jin Xuan (2024), Shen Bing & Long Xingliao (2022), and Kusuma et al. (2025) all put forward suggestions on improving the information disclosure system, dispute resolution mechanisms, and special representative litigation systems to address the damage to minority investors’ interests caused by mandatory delisting.

In summary, existing research on mandatory delisting focuses on the period of institutional reform, with an emphasis on the implementation of the new *Company Law*, registration-based reform, and the normalization of delisting. Research on minority shareholders’ rights protection has shifted from macro-institutional studies to the implementation of micro-mechanisms, generally characterized by the integration of theory and practice and multi-perspective analysis. However, existing research has two shortcomings: first, there is a lack of in-depth studies on how listed companies can practically protect minority shareholders’ rights and interests under the new delisting regulations; second, there is insufficient industry pertinence, making it difficult to adapt to the characteristics of automotive industry distributors. Based on domestic and foreign research, this paper takes the delisting of Guanghai Automotive as a case study, starting from the new delisting regulations, combining industry characteristics and enterprise data to analyze the specific impact of mandatory delisting on the protection of minority shareholders’ rights and interests, and explore corresponding protection paths. This study aims to enrich the theoretical research on minority shareholders’ rights protection in the automotive dealer industry and

provide more targeted reference for corporate practice.

2. Analysis of the Causes of Guanghai Automotive’s Mandatory Delisting

On June 21, 2024, Guanghai Automotive issued a warning announcement stating that its stock closed at 0.98 yuan per share on June 20, 2024, falling below 1 yuan for the first time and facing the risk of delisting due to stock price below par value. By July 17, 2024, the company’s stock had closed below 1 yuan for 20 consecutive trading days, triggering the delisting conditions. On August 21, 2024, Guanghai Automotive issued an announcement on the termination of listing and delisting of its stocks and convertible corporate bonds. Compared with its peak market value of over 100 billion yuan, the company’s market value plummeted to only 6.471 billion yuan on the delisting day, a decrease of nearly 94%. After being forcibly delisted, Guanghai Automotive was transferred to the New Third Board, where its stock price further dropped to 0.07 yuan per share, and the company fell into multiple crises following delisting.

An in-depth analysis of the causes of Guanghai Automotive’s mandatory delisting reveals the following aspects:

2.1 Macroeconomic Pressure

China’s macroeconomic operation has gradually entered a recovery track, but the international political and economic situation has become increasingly complex and severe, with the global economic recovery remaining sluggish and high inflation persisting. Affected by these factors, China’s economic development continues to face pressure, and the momentum of consumer confidence and demand recovery has fallen short of expectations. As shown in Figure 1, China’s overall GDP has maintained an upward trend, but the year-on-year growth rate experienced declines and significant fluctuations in 2020 and 2022.

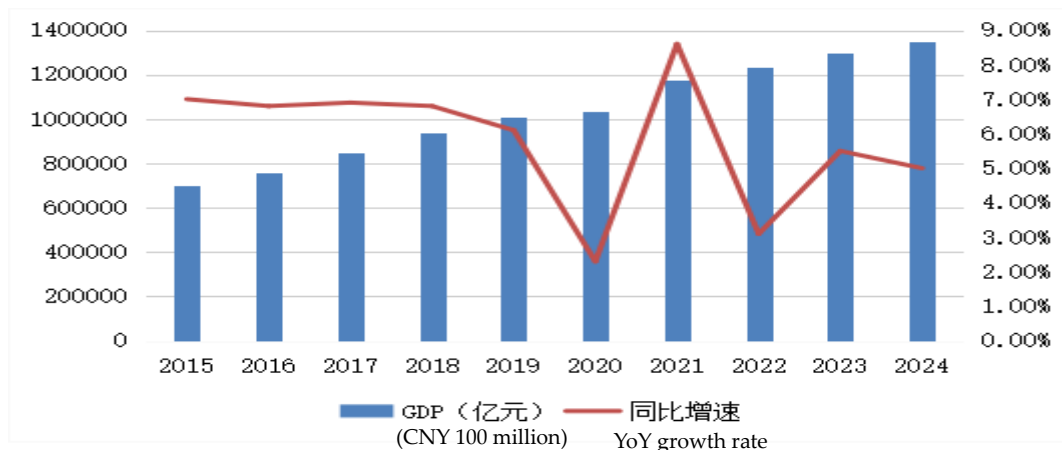


Figure 1. Changes in China's GDP Growth Rate (2015-2024)

Data source: National Bureau of Statistics.

Supported by steady growth policies in 2023, the domestic automotive industry chain and supply chain accelerated their recovery, and automotive consumption rebounded rapidly. However, after the initial rapid recovery driven by policies, the overall operation of the automotive industry still faces significant challenges, and the industry remains in a phase of slow recovery. Currently, the complex and volatile external environment has a major impact on consumer confidence, with some consumers showing weak confidence in spending. First-time car purchase demand has underperformed compared with replacement demand. To further stimulate automotive consumption, the central government and local governments have successively introduced relevant consumption policies, combined with various regional auto shows and shopping festivals. Although these measures have achieved certain results, their sustainability is relatively limited, and the release of demand has not met expectations. Against the backdrop of the contradiction between excessive capacity release and relatively insufficient demand in the automotive industry, market supply-demand imbalance has triggered price wars. Automotive dealers are thus forced to continuously adjust their strategies under the dual pressures of accelerated product transformation and intensified market competition.

2.2 Intensified Industry Transformation

In recent years, China's automotive industry has been in a critical period of transformation and upgrading. The 2024 Government Work Report proposed consolidating and expanding the

leading advantages of industries such as intelligent connected new energy vehicles and boosting bulk consumption of intelligent connected new energy vehicles. The rise and vigorous development of new energy vehicles have continuously squeezed the market space of traditional fuel vehicles, leading to increasingly fierce competition in the fuel vehicle market. Independent brands, new energy vehicles, and export business have become the core drivers of industry growth. With the rapid development of new energy vehicles, the pattern of the domestic automotive terminal market has undergone significant changes in a short period, and the trend of new energy vehicles replacing traditional fuel vehicles has become increasingly obvious. As the end of the automotive industry chain, the automotive distribution service industry is in a stage of digesting various adverse factors brought about by industry adjustments, coupled with the slow recovery of the automotive consumer market. To seize market share, various automotive brands have intensified price competition in the passenger car market, which has had a profound impact on the automotive dealer industry. The economic interests of automotive dealers at the end of the industry chain have been further squeezed, leading to increased capital and operational pressures, rising operational risks, and a growing proportion of loss-making enterprises. The profit and loss situation of the automotive dealer industry from 2015 to 2024 is shown in Figure 2.

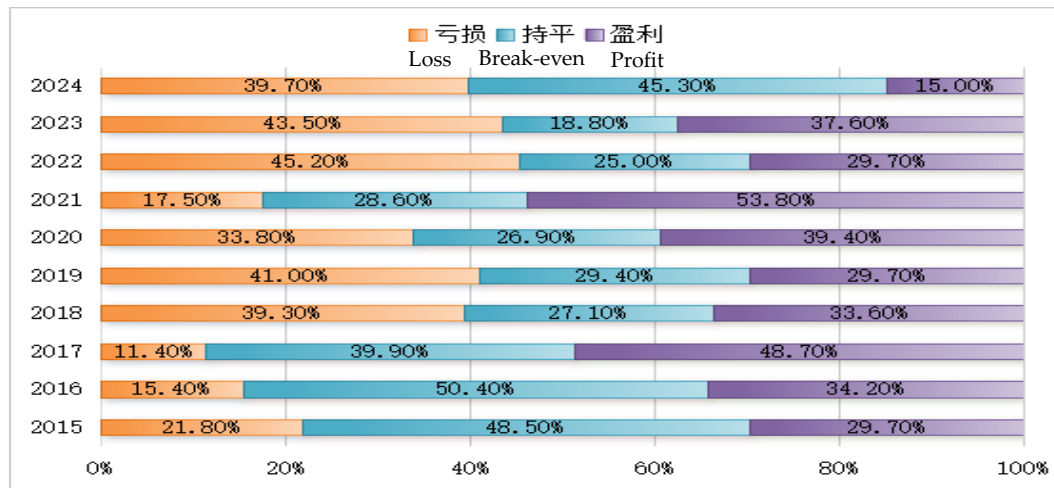


Figure 2. Profit and Loss Ratio of Domestic Automotive Dealers (2015-2024)

Data source: China Automobile Dealers Association.

As shown in Figure 2, the proportion of loss-making automotive dealers has increased year by year over the past decade, while the levels of profitability and break-even have fluctuated significantly, showing an inverse relationship. In 2023, the proportion of loss-making dealers reached 43.5%, compared with 37.6% of profitable dealers and 18.8% of break-even dealers, marking a high point of loss ratio in recent years. However, as the link closest to the terminal market in the automotive industry chain, leading automotive dealers possess mature and indispensable resources such as distribution networks, after-sales service systems, supporting services, and refined management, which will remain a key link in promoting the restructuring of the entire automotive consumer market.

2.3 Gradually Tightened Delisting System

The delisting system is a key basic system of the capital market. Since the issuance of the *Implementation Plan for Improving the Delisting Mechanism of Listed Companies* in 2020, the normalization of the delisting system has been initiated. To further deepen the reform, achieve a pattern of orderly entry and exit and timely market clearing, and better protect the legitimate

rights and interests of minority shareholders, the China Securities Regulatory Commission (CSRC), based on a careful summary of reform experience and full consideration of national conditions and market conditions, issued the *Opinions on Strictly Implementing the Delisting System* in April 2024. The three major exchanges in Shanghai, Shenzhen, and Beijing have simultaneously implemented the reform requirements, revised and issued new rules, further tightened mandatory delisting standards, broadened diversified exit channels, increased efforts to clear out zombie enterprises and bad actors, and strengthened the protection of investors in delisted companies. The CSRC has severely cracked down on market manipulation and insider trading behind “shell speculation” to maintain trading order; strengthened supervision over information disclosure and transaction monitoring, urging companies to promptly disclose delisting risks; and intensified regulatory efforts against violations aimed at evading delisting, resolutely delisting companies that meet delisting criteria. The number of A-share listed companies delisted from 2015 to 2024 is shown in Figure 3.

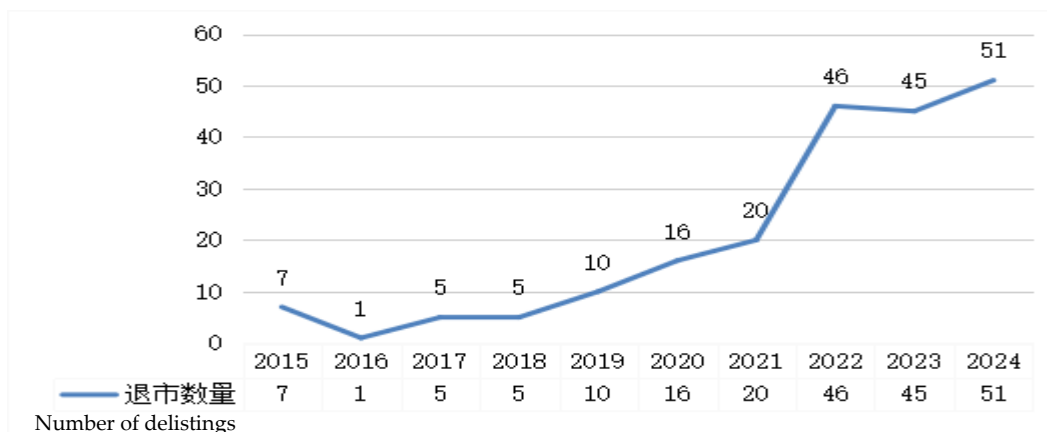


Figure 3. Number of Delisted A-share Listed Companies (2015-2024)

Data source: Shanghai Stock Exchange and Shenzhen Stock Exchange.

As shown in Figure 3, the number of delisted A-share listed companies reached 51 in 2024, setting a new record. Among them, 39 were subject to trading-based mandatory delisting, 10 to financial-based mandatory delisting, 1 to major violation-based mandatory delisting, and 1 to voluntary delisting, with trading-based delisting accounting for more than 70%, mostly due to stock prices falling below par value. With the strict implementation of the new delisting regulations, the normalized delisting mechanism has been gradually improved, which is crucial for further strengthening the virtuous cycle of survival of the fittest in the capital market.

2.4 Decline in Corporate Operating Performance

The overall economic downturn and price wars launched by major automakers to compete for market share have led to a continuous decline in automotive sales prices, which has had a certain impact on the market order of the automotive industry and corporate profits, especially

bringing enormous operational pressure to distributors like Guanghai Automotive.

2.4.1 Overall Performance

Guanghai Automotive's operating income showed a steady upward trend from 2015 to 2019, but peaked in 2019 and has been on a downward trend since 2020. As shown in Figure 4, the operating income remained relatively stable in 2020 and 2021, and dropped to 133.544 billion yuan in 2022. In terms of net profit, there has been a relatively obvious fluctuation with a downward trend. The net profit reached 2.046 billion yuan in 2021, turned into a loss of 2.719 billion yuan in 2022, and rebounded to 629 million yuan in 2023. In 2022, the company not only suffered its first loss since listing, but also ended its 11-year consecutive record of being the industry leader. Although there was a recovery in 2021 and 2023, the overall trend was not favorable. In the first half of 2024, the net profit was -686 million yuan, falling into loss again.

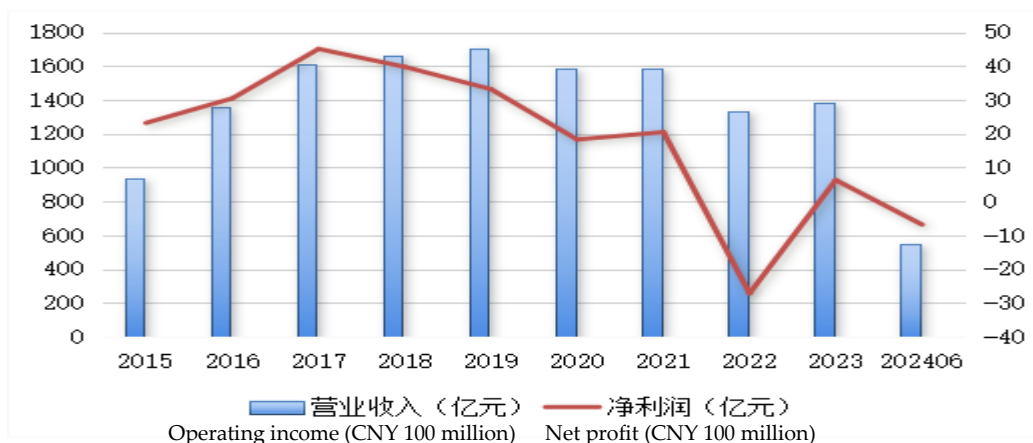


Figure 4. Changes in Operating Income and Net Profit of Guanghai Automotive (2015-2024)

Data source: Annual Reports of Guanghui Automotive (Note: Since Guanghui Automotive only disclosed financial data for January-June 2024, all financial data in this paper are up to June 2024.)

2.4.2 Gradually Diminishing Profitability

As shown in Figure 5, Guanghui Automotive's sales gross profit margin and net profit margin have shown a trend of decline followed by recovery since 2019. Although there was a rebound in 2021 and 2023, neither has exceeded the 2019 level. The sales gross profit margin

stood at 6.48%, 8.29%, and 7.87% from 2022 to June 2024, respectively, while the corresponding net profit margin was -2.04%, 0.46%, and -1.26%. The net profit margin fell into negative territory in 2022 and June 2024, reflecting the gradual decline in the company's operating conditions in recent years.

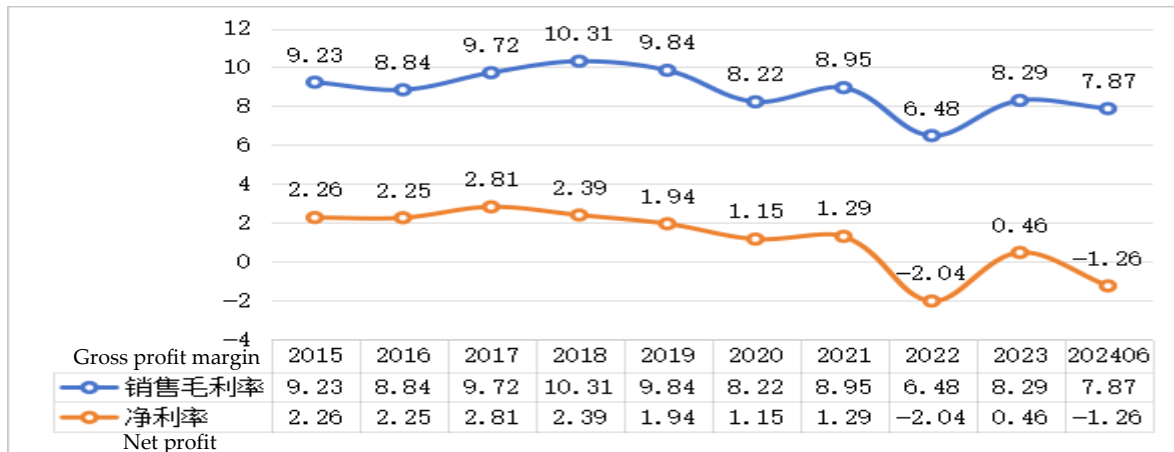


Figure 5. Changes in Sales Gross Profit Margin and Net Profit Margin of Guanghui Automotive (2015-2024)

Data source: Compiled based on East Money Information Co., Ltd.

2.4.3 Income Structure Analysis

In the current domestic automotive sales market, most dealers still focus on traditional fuel vehicle sales as their core business. However, with the steady increase in the market share of new energy vehicles, coupled with the intensifying automotive price wars since 2023

and the accelerated popularization of the direct sales model, dealers at the end of the automotive industry chain are facing pressure from multiple aspects. The changes in the proportion of Guanghui Automotive's income structure in 2023 are shown in Figure 6.

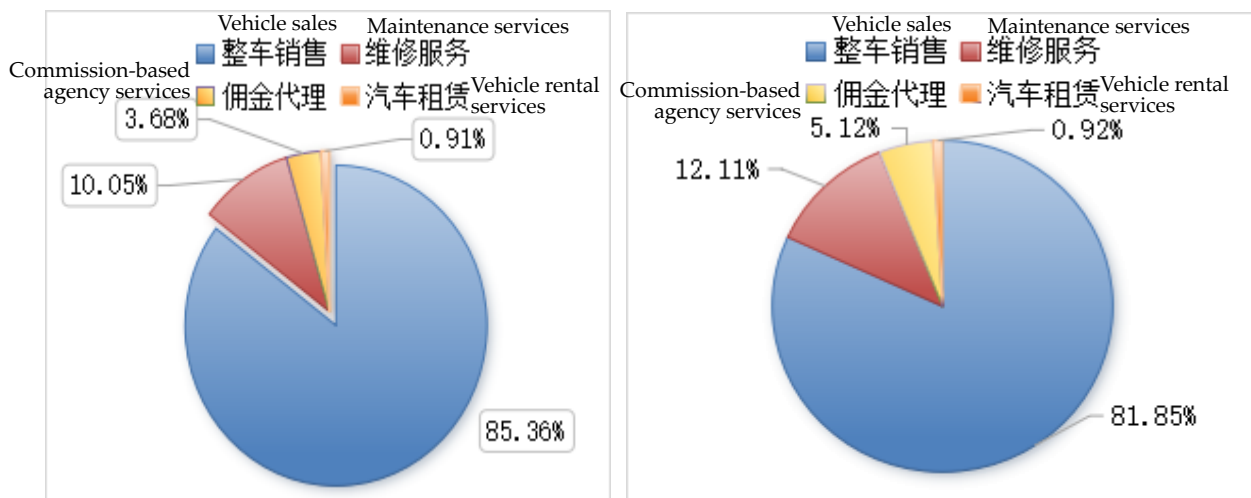


Figure 6. Distribution of Main Business Income Structure of Guanghui Automotive in 2023

Data source: Type and proportion of main business income in Guanghui Automotive's 2023 Annual Report.

Against the backdrop of price wars, the profitability of automotive dealers has further weakened, with losses from new car sales being one of the biggest challenges. As shown in Figure 6, like most dealers, Guanghui Automotive focuses on vehicle sales. Compared with 2023, the proportion of vehicle sales in main business income decreased by 3.51% in the first half of 2024, while the proportion of maintenance services increased by 2.06%, showing the most significant growth. The proportion of commission agency and leasing business remained almost unchanged. The increase in the proportion of maintenance services indicates a slight enhancement in the contribution of non-sales businesses. Although adjustments have been made to the business strategy, the profit margin of vehicle sales has been continuously compressed and rebates have been delayed, ultimately leading to losses in the first half of 2024.

3. The Impact of Guanghui Automotive's Mandatory Delisting on Minority Shareholders' Rights and Interests

3.1 Information Disclosure Violations Exacerbate Information Asymmetry

Information disclosure violations have a multi-faceted impact on the decision-making of minority shareholders. Information asymmetry prevents minority shareholders from accurately understanding the true situation of the company, putting them at a disadvantage in investment decision-making. Most minority shareholders can only rely on the information disclosed by the company to evaluate its value and risks, and then make investment decisions. In the 10 trading days before delisting, Guanghui Automotive issued an optimistic announcement stating that it "is advancing the transformation to new energy vehicles" but failed to warn of the risk of delisting due to stock price below par value. At that time, the company's stock price had been in a prolonged slump, and the risk of delisting was imminent, yet the company did not truthfully inform minority shareholders of this critical situation in the announcement. On the contrary, the release of such an optimistic announcement was likely to mislead minority shareholders, making them believe that the company's operating conditions were sound and its future development prospects were promising, thus choosing to continue holding or buying the company's stock. According to statistics, 32,000 minority

shareholders bought the stock in the price range of 0.8-1 yuan, ultimately becoming "bag holders". Misled by the company's false information, these minority shareholders bought the stock without full knowledge of the risks and ultimately suffered heavy losses as the company was delisted.

When a company discloses false information or deliberately conceals key information that would have a significant impact on investors, minority shareholders, who are in a disadvantaged position in terms of information access, will make incorrect investment judgments, thereby suffering losses to their economic interests. Such violations also undermine market fairness and transparency, and damage market confidence. If investors lose trust in the information disclosed by companies, it will have a negative impact on the healthy development of the entire capital market, weakening its vitality and dynamism.

3.2 Liquidity Exhaustion and Direct Economic Losses

The most direct impact of delisting on minority shareholders is the sharp decline in stock prices. For creditors, the company's fund shortage has led to overdue loans, while for suppliers, payment for goods has been delayed. As shown in Figure 7, after the delisting announcement was released, Guanghui Automotive's stock price plummeted sharply, and the market value of the stocks held by minority shareholders also shrank accordingly. Many minority shareholders bought the stock at a relatively high price, and after delisting, the stock price may drop to an extremely low level, resulting in a substantial loss of investment principal. The value of their stocks may be reduced to only a fraction of the original price or even lower, potentially wiping out years of savings. Liquidity exhaustion is another important issue. After delisting, the trading of the company's stock on the main board market is restricted, and liquidity is greatly reduced, making it extremely difficult for minority shareholders to cash out their stocks, which may become a "hot potato". Due to the far lower trading activity of the New Third Board compared with the main board market, it is difficult for minority shareholders to find suitable buyers on the New Third Board, and even if they can sell their stocks, they may have to do so at a much lower price, further expanding their losses. Reduced dividends are also inevitable. As the company's operating

conditions have already deteriorated, its profitability has dropped significantly, and its ability to pay dividends has been severely affected. Minority shareholders originally expected to obtain a certain return on

investment through dividends, but after delisting, dividends may be reduced or even completely cancelled, which will further damage their economic interests.



Figure 7. Stock Price Trend of Guanghui Automotive Before Delisting

Data source: East Money Information Co., Ltd.

4. Root Causes of the Infringement on Minority Shareholders' Rights and Interests

4.1 Deficiencies in Internal Corporate Governance

As shown in Table 1, Xinjiang Guanghui Industrial Investment (Group) Co., Ltd. is the largest shareholder of Guanghui Automotive, holding a high proportion of shares that enable it to exert a decisive influence on the company's decision-making process and strategic direction, and thus possess absolute control power. The combined shareholding ratio of CGAML and Guanghui Group exceeds 50%, reflecting their controlling power over Guanghui Automotive. It can also be seen that although other minority

shareholders also have voting rights, their low shareholding ratios make it difficult for them to play a decisive role in the company's decision-making process. Sun Guangxin holds more than 50% of the shares of Guanghui Group, which is equivalent to indirectly controlling Guanghui Automotive, making him the actual controller of the company. He can also easily gain access to the general meeting of shareholders and control the board of directors and the audit committee. When Guanghui Group conducts equity pledges, the management and minority shareholders have limited ability to restrict such actions.

Table 1. Top 10 Shareholders of Guanghui Automotive in 2024

Shareholder Name	Number of Shares Held (10,000 shares)	Shareholding Ratio (%)
Xinjiang Guanghui Industrial Investment (Group) Co., Ltd.	2,526,119.6	31.14
CHINA GRAND AUTOMOTIVE (MAURITIUS) LIMITED	1,620,000.0	20.00
Blue Chariot Investment Limited	189,049.9	2.33
Guanghui Industrial Corporation Pledge Special Account	111,527.2	1.37
Shaanxi International Trust · Jinyu No.11 Securities Investment Collective Fund Trust Plan	69,565.2	0.86
Hong Kong Securities Clearing Company Limited	57,963.9	0.71
Gu Hefu	54,152.2	0.67

Shareholder Name	Number of Shares Held (10,000 shares)	Shareholding Ratio (%)
Guohua Life Insurance Co., Ltd. - Own Funds	50,847.8	0.63
Ma Guoqin	46,860.0	0.58
Wu Fang	46,489.4	0.57

Data source: 2024 Annual Report of Guanghui Automotive.

From 2015 to 2023, Guanghui Automotive conducted equity pledges frequently, with a total of 82 pledge executions and 51 pledge cancellations during this period, amounting to 133 transactions in total, indicating the frequency of equity pledges by the company, which has taken equity pledge as its main financing method. Equity pledge by controlling shareholders will lead to the separation of control rights and cash flow rights, allowing controlling shareholders who hold control rights to influence the company's internal governance, weakening the supervisory and management functions of effective internal controls, thereby triggering interest encroachment behaviors and damaging corporate value. The equity pledge behavior of controlling shareholders will affect the company's investment preferences, which is likely to lead to inefficient investment or over-investment, exacerbating cash flow constraints and financial risks, and affecting corporate performance. In the long run, such behavior may damage corporate value and the rights and interests of minority shareholders. The equity pledge behavior of controlling shareholders will also affect the economic behaviors of other non-controlling major shareholders, increasing the instability of the equity structure and the difficulty of financing, undermining trust and cooperation among shareholders, and harming the long-term development of the company. In 2016, Guanghui Group illegally transferred 200 million yuan from Guanghui Automotive's fund-raising special account to its own account without approval, reflecting that Guanghui Group's control over the subsidiary's finances has seriously damaged the subsidiary's capital security and independence. In addition, Guanghui Group used the name of Guanghui Automotive to provide guarantees for itself without going through relevant approval procedures. When pursuing the maximization of corporate value, the controlling shareholder failed to balance the protection of the interests of

relevant stakeholders, reflecting the company's governance problems.

4.2 Inadequate External Supervision

In the delisting incident of Guanghui Automotive, regulatory authorities were derelict in their duties, and regulatory work suffered from lag, failing to detect the company's violations in a timely manner. When the company faced problems such as prolonged stock price slump and deteriorating operating conditions, regulatory authorities failed to take effective measures in a timely manner, neither supervising the company to strengthen risk management nor safeguarding the rights and interests of minority shareholders promptly. Regarding the company's information disclosure violations, such as concealing fund occupation and failing to warn of delisting risks, regulatory authorities did not intervene in investigations and disposal in a timely manner, resulting in minority shareholders suffering losses without full knowledge of the facts.

Insufficient coordination between regulatory authorities is also a prominent problem. When Guanghui Automotive conducted equity pledges, the pledge announcements only included basic information such as time and ratio, and did not explain key information such as specific purposes and capital flow directions, yet regulatory authorities did not conduct in-depth investigations and handling of this issue. The delisting process of Guanghui Automotive involved multiple regulatory authorities including the CSRC, stock exchanges, and local financial bureaus, but the lack of effective communication and coordination mechanisms among these departments led to regulatory loopholes. Weak regulatory enforcement has had a serious negative impact on the protection of minority shareholders' rights and interests. Regulatory lag has prevented the timely correction of the company's irregular operations, leaving the rights and interests of minority shareholders in a

state of being infringed upon.

4.3 Inadequate Institutional Construction and Implementation

China's current delisting system has shortcomings, one of which is the excessive reliance on the rule of delisting due to stock price below par value. Guanghui Automotive was delisted for triggering the par value delisting clause after its stock closed below 1 yuan for 20 consecutive trading days. Although this rule seems simple and clear, it has many drawbacks. Stock prices are affected by various factors such as market sentiment and macroeconomic environment, and are highly volatile, making it difficult to accurately reflect the company's true value and operating conditions. The decline in Guanghui Automotive's stock price cannot be entirely attributed to poor management; external factors such as the overall market downturn and intensified industry competition have also played a significant role. Deciding whether to delist a company solely based on its stock price below par value may lead to the wrongful delisting of some companies with sound fundamentals, ultimately harming the rights and interests of minority shareholders.

The lack of supporting compensation mechanisms is another flaw in the delisting system. When a listed company is delisted for various reasons, minority shareholders often suffer huge economic losses due to the sharp decline in stock prices leading to asset impairment and the inability to cash out in a timely manner. At present, China does not have a sound compensation mechanism, making it difficult to effectively compensate minority shareholders for their losses. In the delisting incident of Guanghui Automotive, since the company was not delisted due to financial fraud or major violations of laws and regulations, it could not trigger the "investor compensation during the delisting transition period" clause in the *New Delisting Regulations*, forcing minority shareholders to bear all losses on their own. This situation is not only unfair to minority shareholders, but also weakens investors' confidence in the market, affecting its healthy development.

4.4 Limitations of Minority Shareholders Themselves

Minority shareholders have deficiencies in professional knowledge and information acquisition capabilities. When faced with

Guanghui Automotive's financial statements, minority shareholders may be unable to identify existing problems, leading to incorrect investment decisions.

4.4.1 Inadequate Information Acquisition Capabilities

In terms of information acquisition, minority shareholders have always been in a relatively passive and disadvantaged position. Information about listed companies is mainly released through announcements, news media and other channels. Minority shareholders have relatively narrow channels for obtaining information and often lag behind in the timeliness of information reception. Compared with controlling shareholders and management, minority shareholders cannot promptly understand the company's internal situation and major decisions, making them more vulnerable to misleading under conditions of information asymmetry. The optimistic announcement issued by Guanghui Automotive before delisting may have misled minority shareholders into believing that the company's operating conditions were sound, while ignoring the potential risk of delisting.

4.4.2 Blindness in Investment Decision-Making

Investment itself requires certain professional knowledge such as financial analysis and industry research to accurately judge the value and potential risks of listed companies. However, most minority shareholders have not received systematic financial knowledge training, have limited ability to analyze financial statements, and struggle to accurately judge the company's operating conditions and development prospects from complex financial data. Due to their lack of professional knowledge and information acquisition capabilities, minority shareholders tend to make blind investment decisions. They lack in-depth research on the market and the company, and make investment decisions based solely on intuition or the recommendations of others, making them vulnerable to market sentiment and falling into the trap of chasing rising prices and selling at falling prices. When Guanghui Automotive's stock price was rising, some minority shareholders may have blindly followed the trend to buy, and when the stock price fell, they sold in a panic, resulting in losses on their investments. The weak awareness of rights protection among minority shareholders

is also a common problem. When their rights and interests are infringed upon, many minority shareholders are unclear about the legal channels available to protect their rights, or choose to abandon their rights protection efforts due to high costs and complex procedures. In the delisting incident of Guanghui Automotive, although a large number of minority shareholders suffered huge losses, only a small number chose to claim compensation through legal channels, while most chose to silently bear the losses. This not only means that the rights and interests of minority shareholders are not effectively protected, but also to a certain extent condones the irregular behaviors of listed companies and controlling shareholders.

5. Paths for Protecting Minority Shareholders' Rights and Interests After Guanghui Automotive's Mandatory Delisting

5.1 Strengthen Compliance Supervision Over Information Disclosure by Listed Companies

In the supervision of the US capital market, information disclosure supervision is carried out for different industries, with industry-specific key indicators reflecting the competitiveness and risks of enterprises in the sector. Since the implementation of the registration-based reform in China's capital market, supervision has been strengthened at all links, and a comprehensive chain supervision system has been continuously improved to resolutely crack down on violations, enhance the deterrent effect of law enforcement and information transparency, and promote the further purification of the capital market. The CSRC can continue to strengthen the penalties for listed companies that violate information disclosure regulations, and at the same time clarify the requirements for information disclosure regarding corporate finances, risks, and operations, forming a sufficient deterrent to make enterprises fully aware of the serious consequences of violating the information disclosure system. The key to reducing such violations is to maintain consistent penalty intensity for different types of information disclosure violations. The information disclosure obligations of intermediary institutions can be increased. At present, minority shareholders often rely on the credibility of intermediary institutions to judge listed companies, so intermediary institutions must exercise due diligence. Enterprises can use blockchain technology and data visualization to improve information transparency, and establish

direct communication channels with minority shareholders to increase communication and interaction.

5.2 Improve the Internal Corporate Governance Structure

5.2.1 Optimize the Equity Structure

Guanghui Automotive should take measures to diversify its equity and prevent excessive concentration in the hands of a few shareholders. The shareholding ratio of controlling shareholders can be reduced through private placements and the introduction of strategic investors, thereby enhancing the checks and balances effect of the equity structure. When conducting private placements of new shares, the company can issue shares to multiple different investors to increase the number of shareholders and reduce the shareholding ratio of individual shareholders. Strategic investors with rich industry experience and resources, such as upstream and downstream enterprises in the automotive industry or financial institutions, can be introduced. These strategic investors can not only inject capital into the company, but also provide reasonable suggestions for its development and help achieve the goal of collaborative development by virtue of their professional knowledge and resources.

Optimizing the equity structure can balance the power of controlling shareholders. When equity is diversified, controlling shareholders will find it difficult to unilaterally control the company's decision-making by virtue of their absolute holding position, which can reduce the possibility of controlling shareholders damaging the rights and interests of minority shareholders for their own selfish interests. Different shareholders can form a mutual restraint relationship, and all parties can fully express their opinions when making corporate decisions, leading to more scientific and fair decisions. The introduction of strategic investors can also bring new management concepts and technologies to the company, improve its governance level and competitiveness, and fundamentally protect the rights and interests of minority shareholders.

5.2.2 Strengthen Internal Control and Supervision

First, improve the internal control system. Establish and improve internal control elements such as risk assessment, control activities, information and communication, and internal

supervision. Formulate detailed internal control rules and implement them at all levels of the company to ensure that the company's operational activities are legal and compliant, capital is secure, and the information related to financial reports is true and reliable. Strengthen the control over key business links and high-risk areas such as fund management and investment decision-making, and establish an effective risk early warning mechanism to timely identify and resolve potential risks.

Second, strengthen the supervisory function of the audit committee of the board of directors. The audit committee should earnestly perform its supervisory duties, strengthen the inspection of the company's financial situation, business activities, and the behavior of the management. Regularly verify the company's financial statements to ensure the authenticity and accuracy of financial information, and supervise the company's major decisions and events to prevent the abuse of power by the management. Independent directors should maintain independence and professionalism, play a supervisory and balancing role in corporate governance, actively participate in strategic decision-making, issue independent opinions on major matters, and safeguard the rights and interests of minority shareholders.

Third, improve the efficiency and quality of internal audit. The internal audit department should conduct regular audit evaluations of the company's internal control system, timely identify defects and loopholes in the system, and put forward improvement suggestions. Attach importance to the application of internal audit results, promptly rectify the problems identified, and ensure that the internal control system is effectively implemented. By strengthening internal control and supervision, problems in the company's operation can be timely identified and corrected, risks can be prevented, and the infringement on the rights and interests of minority shareholders can be reduced.

5.2.3 Regulate the Behavior of the Management

First, improve the salary incentive and restraint mechanism, and closely link the salary of the management with the company's performance and long-term development. Design a reasonable salary structure, increase the proportion of performance bonuses, stock options and other salary components linked to corporate performance, and incentivize the

management to strive to improve operating performance and maximize shareholder interests. Establish a strict salary restraint mechanism, reasonably control the salary level of the management, and prevent excessive pursuit of personal interests at the expense of the company and shareholders' interests due to excessively high salaries. For the management who causes the company's performance to decline or damages shareholder interests due to poor management, their salaries should be reduced or corresponding penalties should be imposed. Second, strengthen the integrity education of the management and clarify the accountability for legal liability. Regularly organize the management to participate in integrity training and legal education, help them enhance their awareness of integrity and legal literacy, and make them realize the importance of protecting shareholder interests. Establish and improve a legal liability investigation system, and in accordance with the law, investigate the civil liability, administrative liability, and even criminal liability of the management for illegal and irregular behaviors that damage shareholder interests. Finally, increase the penalties for violations to form an effective deterrent, and make the management consciously abide by laws, regulations and the company's articles of association, faithfully perform their duties, and protect the rights and interests of minority shareholders. By regulating the behavior of the management, the interest conflicts between the management and minority shareholders can be reduced, the company can achieve healthy and stable development, and the legitimate rights and interests of minority shareholders can be safeguarded.

5.3 Strengthen External Supervision and Institutional Construction

5.3.1 Improve the Delisting System

Optimize the rule of delisting due to stock price below par value to reduce the impact of stock price fluctuations on corporate delisting. Drawing on the experience of the United States and other countries, the period of consecutive trading days for triggering delisting can be extended from 20 to more than 60 trading days, giving listed companies sufficient time to improve their stock price performance. Introduce reference indicators such as corporate market value, operating income, and net profit to comprehensively evaluate whether a company should be delisted, avoiding delisting

decisions based solely on stock price below par value. For companies whose stock price is temporarily below par value but have sound fundamentals and development potential, a certain buffer period can be granted to help them improve their operating conditions and boost their stock price through strengthened supervision and guidance.

5.3.2 Establish a Sound Compensation Mechanism

When the delisting of a listed company leads to damage to the rights and interests of minority shareholders, the subject of liability and the method of compensation should be clarified. For companies delisted due to their own reasons such as financial fraud and information disclosure violations, the company, controlling shareholders, and management should bear corresponding compensation liabilities; for companies delisted due to uncontrollable factors such as market conditions, consideration can be given to establishing a delisting investor protection fund, jointly funded by regulatory authorities, listed companies, securities companies and other parties, to provide appropriate compensation to minority shareholders. Clarify the scope and standards of compensation to ensure that the losses of minority shareholders can be reasonably compensated. By continuously improving the delisting system, delisting decisions can be made more scientifically and reasonably, the protection of minority shareholders' rights and interests can be strengthened, and the fairness and stability of the securities market can be maintained.

5.3.3 Strengthen Regulatory Coordination and Law Enforcement

Regulatory authorities such as the CSRC, stock exchanges, and local financial bureaus should strengthen collaborative cooperation and establish an effective communication and coordination mechanism. Clarify the division of responsibilities of each regulatory authority in the supervision of listed companies to avoid regulatory gaps and redundant supervision. In the delisting incident of Guanghui Automotive, all regulatory authorities should share information and jointly supervise the company's operating conditions, financial situation, and information disclosure to form a joint force of supervision. Establish a joint law enforcement mechanism to conduct coordinated

investigations and punishments for illegal and irregular behaviors of listed companies, improving law enforcement efficiency.

Regulatory authorities should improve law enforcement efficiency and strengthen daily supervision and risk monitoring of listed companies. Establish and improve a regulatory indicator system, and use technical means such as big data analysis and artificial intelligence to timely detect abnormal situations and potential risks of listed companies. For the problems identified, timely investigations and handling should be carried out, and corresponding regulatory measures such as ordering rectification, imposing fines, and suspending listing should be taken to prevent the further deterioration of problems. Increase the penalties for illegal and irregular behaviors to raise the cost of violations for listed companies. For serious illegal and irregular behaviors such as information disclosure violations, financial fraud, and insider trading, severe penalties should be imposed in accordance with the law, not only punishing the company, but also imposing fines on relevant responsible persons, prohibiting them from entering the market, and investigating criminal liability, forming an effective deterrent to protect the rights and interests of minority shareholders. By strengthening regulatory coordination and law enforcement, the illegal and irregular behaviors of listed companies can be effectively curbed, the order of the securities market can be maintained, and the legitimate rights and interests of minority shareholders can be protected.

5.4 Promote the Improvement of Minority Shareholders' Awareness of Self-Protection

5.4.1 Strengthen Investor Education

Carry out a series of activities to popularize investment knowledge for minority shareholders, mainly to help them improve their professional skills and analytical capabilities. Through a combination of online and offline methods, organize investment lectures, training courses, seminars and other activities, inviting financial experts, scholars, investment consultants and other professionals to share investment basic knowledge, financial analysis methods, investment strategies and other content with minority shareholders. Provide a simulated investment platform to allow minority shareholders to learn investment skills

and accumulate investment experience in practice, improving the scientificity and prudence of investment decision-making.

5.4.2 Enhance Risk Awareness and Rights Protection Education

Help minority shareholders understand the risks behind investment. Through case analysis, risk tips and other methods, introduce the risk characteristics of different investment products to minority shareholders, as well as the impact of risk factors such as market risks, credit problems, and industry changes on investments. Guide minority shareholders to establish a correct investment philosophy, rationally view investment returns and risks, and avoid blind following and excessive investment. At the same time, strengthen the publicity of rights protection to improve minority shareholders' awareness of rights protection. Popularize relevant laws, regulations and policies to minority shareholders, so that they understand their rights and obligations in the securities market, as well as the rights protection channels and methods available when their rights and interests are infringed upon. Through media publicity, distribution of publicity materials and other means, enhance minority shareholders' awareness of rights protection and encourage them to actively safeguard their own rights and interests. By strengthening investor education, the investment literacy and risk awareness of minority shareholders can be improved, their ability to protect their rights and interests can be enhanced, enabling them to better protect their own interests in the securities market.

5.4.3 Improve the Rights Protection Mechanism for Minority Shareholders

The construction of a centralized rights protection mechanism is a systematic project. First, establish a special rights protection assistance agency for minority shareholders to provide legal consultation, legal aid, and rights protection guidance services. The agency should be composed of professional lawyers, accountants, financial experts and other professionals with rich knowledge of securities laws and rights protection experience. When the rights and interests of minority shareholders are infringed upon, they can timely obtain professional help and support, reducing the difficulty of rights protection. Second, reduce the cost of rights protection for minority shareholders and improve the efficiency of

rights protection. The rights protection procedures can be simplified, reducing cumbersome formalities and links, making it more convenient for minority shareholders to exercise their rights to protect their interests. Establish a small claims procedure to quickly resolve rights protection cases involving small amounts of money through simplified procedures, reducing the litigation costs of minority shareholders. Strengthen legal aid for rights protection cases and provide free legal services to minority shareholders with financial difficulties, reducing the economic burden of rights protection. Finally, improve the class action system, optimize the special representative litigation mechanism of the China Securities Investor Services Center, and enhance the rights protection capacity of minority shareholders. Drawing on the experience of class actions in the United States and other countries, clarify the scope of application, procedures and rules of class actions, lower the threshold for class actions, and allow more minority shareholders to participate in them. Strengthen the organization and guidance of class actions, encourage minority shareholders to unite and jointly safeguard their legitimate rights and interests. By improving the rights protection mechanism for minority shareholders, more effective rights protection channels and means can be provided for them, enhancing their ability to protect their rights and effectively safeguarding their legitimate rights and interests.

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Author Profile

Yang Min is a professor and master's supervisor at the School of Accounting, Guangzhou Huashang College, holds a PhD in Accounting and currently serves as Vice Dean of the School of Accounting.

Zhou Yanxiu is an undergraduate student at the School of Accounting, Guangzhou Huashang College.