Regulation of Related-Party Transactions and Reconstruction of Directors', Supervisors', and Senior Executives' Liability under the Revised Company Law: A Corporate Governance Optimization Perspective

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ABSTRACT The revised Company Law indicates that China's regulatory framework for related-party transactions has entered a stage of systematic restructuring. For technology-intensive enterprises, including firms engaged in communication equipment, antenna systems, and electromagnetic engineering, transparent governance of related-party transactions is also relevant to research compliance, capital allocation, and market credibility. Taking the revised Company Law as the institutional starting point, this study analyzes related-party transaction regulation and the reconstruction of directors', supervisors', and senior executives' liability from a corporate-governance optimization perspective. Normative analysis, comparative legal research, and case-based empirical methods are used to examine affiliation identification, disclosure duties, approval procedures, and liability attribution mechanisms. The results show that the revised law improves affiliation i dentification st andards, st rengthens di sclosure ob ligations, and formalizes approval procedures. Relatedparty transaction disclosure compliance reached 86.9% in 2024, increasing by 15.5 percentage points compared with the 2020–2023 baseline. Judicial support for fiduciary duty violation claims reached 71.4%, while independent director and supervisory board mechanisms showed measurable governance effects. Nevertheless, coordination between administrative enforcement and criminal prosecution remains uneven, requiring further institutional refinement.

INDEX TERMS company law,related-party transactions,dse liability,corporate governance,technology enterprise compliance

I. INTRODUCTION

REGULATING related-party transactions shows that one of the most significant challenges in corporate governance continues to demand scholarly attention. Moreover, the findings from existing literature indicates that controlling shareholders or management exploit such transactions to expropriate value from other stakeholders. Furthermore, the evidence shows that this concern has long occupied both scholars and practitioners in meaningful ways. In light of these significant developments, the Company Law revised in 2023 and formally enacted in 2024 could demonstrate that systematic changes to the regulatory framework were both necessary and overdue. Research shows affiliation standards, disclosure rules, approval procedures, and liability provisions all changed. However, the significant adjustments made to director, supervisor, and senior executive (DSE) liability provisions shows that these changes mark a new stage in the development of China's corporate governance legal framework. Additionally, the evidence indicates that the digital economy has penetrated deeply into commercial life as capital markets continue to expand. Given that related-party transactions appear to become more concealed and structurally complex, traditional regulatory instruments may suggest growing effectiveness challenges that merit careful examination. Findings show instruments face challenges. Nevertheless, the significant findings from prior research indicates that a close examination of the institutional logic underlying the revised law's regulatory framework carries both theoretical and practical relevance. Thus, the key results shows that a systematic account of how DSE liability has been reconstructed appears important for advancing the modernization of corporate governance in China. Moreover, the evidence demonstrates that prior research has identified the strengthening of audit committee functions and internal audit mechanisms as important institutional tools for improving internal control quality. Notwithstanding these significant findings, the results indicates that curbing abusive related-party transactions under the revised Company Law framework represents a critical area of scholarly inquiry [1]. Evidence supports empirical foundation for study. In light of this significant empirical foundation, existing scholarship on related-party transaction regulation and DSE liability shows that meaningful theoretical gaps nevertheless remain in the literature. Furthermore, the key findings could demonstrate that researchers have increasingly shifted attention from traditional governance structures toward the important interaction between company law reform and capital market dynamics. Therefore, the significant evidence indicates that one study found valuation adjustment mechanisms in the context of the revised Company Law appear to affect acquirers' innovation behavior in meaningful ways [2]. Given that this important finding shows that legal institutional change shapes firm-level conduct, the results could demonstrate that further systematic examination of these significant relationships appears both theoretically warranted and practically relevant.

Comparative legal perspectives shows that valuable reference points have emerged from cross-jurisdictional study. Moreover, the significant engagement of European company law with artificial intelligence, the data economy, and digital corporate governance indicates that legal systems respond to technological transformation in ways worthy of careful examination [3]. However, the findings shows that considerable disagreement persists over the nature and scope of director liability to third parties under key provisions such as Article 191 of the revised law. In light of these results, a systematic clarification could demonstrate that important analytical gaps remain unaddressed [4]. Scholars show single-dimensional analysis insufficient. Furthermore, the evidence shows that a more integrated analytical framework appears critical for advancing the field. Additionally, the significant results from institutional-level examination indicates that the revised Company Law has raised the regulatory density of procedural controls over related-party transactions and compliance obligations for DSE. Given that implementation gaps remain evident, the findings shows that complementary mechanisms have lagged behind in important ways. Implementation gaps persist. Nevertheless, the key evidence indicates that judicial application continues to involve uncertainty, and that both factors could limit the law's effectiveness in significant ways. Moreover, procedural control and compliance performance in DSE-related transactions face real-world difficulties under the new framework. Thus, vote-exclusion mechanisms and independent director review procedures might demonstrate that implementation deviations in practice expose deep tension between rule design and enforcement [5]. Evidence shows that social function is expanding in important ways. Moreover, the findings indicates that how corporate law might serve broader public interest objectives has become a significant concern among comparative company law scholars internationally [6]. Furthermore, the integration of the revised law's content into legal education shows that the substantial institutional reach it has attracted could demonstrate a high degree of social attention [7]. Given that these results reveal critical gaps, the evidence indicates that an analytical framework attentive to both institutional logic and practical efficacy appears necessary. Study adopts corporate governance optimization as analytical core. Nevertheless, the study shows that institutional innovations embedded in the related-party transaction regulatory framework and the evolving logic of DSE liability reconstruction appear central to two key lines of inquiry running throughout [6]. In light of these significant findings, the evidence indicates that normative analysis, comparative legal research, and case-based empirical methods could demonstrate important methodological contributions. However, the results shows that regulatory effectiveness and practical limitations of the new framework following implementation could indicate critical findings for the applicable scope of DSE duties. Research shows new framework affects DSE duties. Therefore, the study shows that the significant institutional reach of the revised Company Law could demonstrate that its analytical core appears relevant to broader comparative scholarship [7]. Additionally, the findings indicates that the evolving logic of DSE liability reconstruction shows that key regulatory innovations appear embedded within the related-party transaction framework. Given that evidence supports this critical assessment, the results demonstrates that the applicable scope of DSE duties could indicate important practical limitations for the new framework's implementation. In light of the significant evidence, the results could demonstrate that duties of care, fiduciary duties, and various liability forms in related-party transaction contexts appear to require careful examination. Additionally, the study indicates that policy recommendations balancing legal regulation with market-based disciplinary mechanisms could demonstrate important practical value. Study aims to enrich cross-disciplinary scholarship. Nevertheless, the findings shows that practical academic guidance for regulators refining complementary rules appears to offer significant support for listed companies strengthening compliance governance. Therefore, the key results indicates that the full realization of the revised Company Law's institutional benefits might demonstrate a broader improvement in corporate governance quality.

II. LITERATURE REVIEW

The theoretical foundations and institutional logic of related-party transaction regulation occupy a central place in company law scholarship[8].Furthermore, the historical origins and methodological questions of company law have attracted renewed scholarly attention in the evidence. Notwithstanding these developments, tracing the institutional roots of corporate law indicates that the internal logic and evolutionary trajectory of modern regulatory frameworks could become clearer [9]. Additionally, the legal embedding of corporate social responsibility shows that functional expansion has grown increasingly prominent. Given that the findings demonstrate a shift in scholarly orientation, some studies indicates that coordination mechanisms for corporate social responsibility appear reconstructable through the lens of human security and education [10]. CSR links legislation to market practice [11]. Nevertheless, the significant results shows that the theoretical framework of company law appears to be shifting away from shareholder primacy toward a more pluralistic model of stakeholder balancing. Thus, the important evidence could demonstrate that this shift provides key theoretical context for understanding the value orientation embedded in the revised law's approach to related-party transaction regulation. In light of the significant findings, Chinese scholars indicates that substantial domestically-oriented research has emerged in response to the revised Company Law. Moreover, He Jian's study shows that related-party transaction provisions could demonstrate ongoing structural tensions through the dual lens of institutional adaptation and systematic coherence [12]. Scholars show affiliation definition, procedural control, and liability enforcement require further integration. Wu Kai shows that a legal-dogmatic methodology could establish a regulatory paradigm for unfair related-party transactions, with particular attention to the applicable logic of fairness assessment standards and the intensity of judicial review [13]. Furthermore, the findings indicates that Guan Wei approaches the issue from a financial and accounting perspective, cataloguing the principal forms of improper related-party transactions. The significant evidence shows that his critical assessment of the revised law's effectiveness could indicate normative shortcomings in detecting concealed benefit transfers [14]. Moreover, the stakeholder governance provisions of China's revised Company Law indicates that international scholarly attention has produced a dedicated analysis offering a valuable external perspective for comparative research [15]. Furthermore, the key findings could demonstrate that DSE liability research appears to have moved from static description toward dynamic analysis. Given that these results demonstrate that functional relationships appear relevant, the important findings shows that the relationship between audit committees and supervisory boards could demonstrate significant adjustment under the revised Company Law. Study shows cooperative oversight efficacy remains contested. However, the significant results shows that one study examines the cooperative oversight efficacy of these two bodies. Additionally, the findings indicates that potential conflicts between them remain a critical area of inquiry [16]. In light of these results, scholarly attention to shareholder protection shows that the legal safeguarding of minority interests could demonstrate a significant area of ongoing inquiry. Notwithstanding these findings, the evidence indicates that existing protection mechanisms could suggest structural inadequacy in practice [17], while the key results might demonstrate further deficiencies in available remedies under the current legal framework [18]. Research shows equity transfer implications affect related-party contexts. Therefore, the revised law's adjustments to equity transfer arrangements in limited liability companies shows that direct compliance implications may demonstrate relevance in related-party transaction contexts involving equity operations [19]. Moreover, given that studies of the revised law's application to state-owned enterprises add a further dimension, the significant results indicates that DSE liability analysis could extend to a distinct category of regulated entities [20]. Furthermore, the important evidence shows that these works could demonstrate institutional reference value for the key liability analysis. Thus, the findings indicates that the influence of digital transformation on company law's evolution could demonstrate increasing visibility at the intersection of technological innovation and legal education. Additionally, the significant findings from one study—set against the backdrop of legal education for ethnic minority students in Guizhou—shows that digital intelligence competencies could be cultivated within company law curriculum reform under the new liberal arts paradigm, offering important reference for legal education responding to the revised law [21]. In light of the institutional evolution from fintech to securities company law, the evidence indicates that AI could demonstrate reshaping effects on the normative foundations of corporate legal systems [22-23].

III. RESEARCH METHODOLOGY

A. RESEARCH DESIGN AND METHOD SELECTION

This study examines that the regulation of related-party transactions and the reconstruction of DSE liability under the revised Company Law could indicate its central research problem. Moreover, the legal nature of the subject matter, its institutional complexity, and its practical policy orientation support a primarily qualitative approach supplemented by quantitative evidence. Furthermore, the key results indicates that three methods are combined: normative analysis, comparative legal research, and case-based empirical investigation. In light of these findings, the evidence shows that these methods are not applied in isolation but are deployed in a mutually reinforcing, progressively deepening sequence. Methods show analysis serves as foundational approach. However, the important evidence indicates that normative analysis serves as the foundational method throughout the study. Additionally, the significant results shows that the primary textual objects are Articles 182 to 184 of the revised Company Law, which address related-party transactions, and Articles 180 and 191, which govern DSE fiduciary duties and liability to third parties. Moreover, the findings indicates that these are read alongside complementary regulatory instruments, including the Guidelines for the Governance of Listed Companies and the Administrative Measures for Information Disclosure of Listed Companies. Given that the evidence demonstrates a legal-dogmatic approach, the study indicates that each provision's textual meaning, legislative purpose, and normative scope appear to require careful interpretation. Notwithstanding these results, the key evidence shows that the study examines the relationships among affiliation identification standards, procedural control mechanisms, and liability attribution logic. Study shows gaps exist in current framework [24].

The study shows that comparative law support could strengthen the revised law's provisions while avoiding the significant risks of uncritical transplantation. Moreover, the findings indicate that case-based empirical analysis could assess the gap between legal rules and judicial practice. Furthermore, the key data sources appear to include the China Judgments Online platform, administrative penalty decisions issued by the China Securities Regulatory Commission (CSRC), and the public inquiry letter databases of the Shanghai and Shenzhen Stock Exchanges. Given that the evidence demonstrates that representative cases yield important results, the study indicates that judicial decisions and regulatory enforcement cases involving related-party transaction disputes and DSE liability determinations from 2020 to 2024 could provide critical findings. Study examines factual findings, legal application, reasoning. However, the significant patterns in recognition standards, burden of proof allocation, and liability scope shows that cross-checking against normative analysis findings could demonstrate important results. Additionally, the evidence indicates that the three methods appear to support a flexible coordination approach rather than a fixed sequential order. In light of these key findings, the results shows that together they could provide a three-dimensional analysis of the study's central propositions [25].

B. DATA SOURCES AND CASE SELECTION

The study draws on three categories of data: official legal databases, regulatory disclosure documents, and listed company announcements, aiming to balance breadth of coverage with sample quality. However, the findings shows that China Judgments Online provides the most reliable primary retrieval platform for judicial decisions. Search terms include "related-party transaction," "affiliated party," "benefit transfer," "director fiduciary duty," and "supervisor liability," used in combination. Furthermore, the evidence indicates that the focus on civil judgments and administrative rulings issued by courts at all levels between 2020 and 2024 covers case types such as corporate disputes, shareholder derivative actions, and liability claims. Study shows capital market regulation tightened after 2020. In light of the significant results, the study demonstrates that the selection of this time window reflects two key considerations. Moreover, the important findings shows that related-party transaction litigation has become both more frequent and more substantively reasoned during this period. Given that the evidence demonstrates the revised Company Law entered into force in 2024, some decisions indicates that citations to its provisions appear valuable for examining institutional transition. Through a purposive sampling approach on China Judgments Online—using keywords including "related-party transaction," "DSE fiduciary duty," and "benefit transfer"—a total of 112 cases were initially retrieved. After excluding cases with incomplete factual records, thin legal reasoning, or those dismissed on purely procedural grounds, 68 decisions were retained for in-depth qualitative and quantitative analysis. Findings show sample covers listed and unlisted companies across varied industries. Notwithstanding these procedural constraints, the significant evidence could demonstrate that this key coverage supports broader analytical reach across firm sizes [26].

These cases may serve as significant primary sources for reconstructing the full picture of related-party transaction violations and the logic of DSE liability attribution. Moreover, the findings indicates that after organization, 42 regulatory cases were identified as relevant. Furthermore, the evidence shows that these involve improper related-party transaction disclosure, failure to complete required approval procedures, and failure by DSE to exercise due diligence. Given that the data demonstrates that cases involving controlling shareholder fund occupation, unauthorized guarantees, and unlawful competition account for more than sixty percent of the sample, the results indicates that this provides a strong basis for typological analysis. Study uses Wind database and Cninfo to extract announcements. However, the study shows that for listed company announcement data, it uses the Wind financial database and the Cninfo platform to extract related-party transaction announcements, independent director special statements, and audit committee work reports disclosed by Shanghai and Shenzhen listed companies from 2020 to 2024. Additionally, the significant findings indicates that priority is given to cases involving large transaction amounts, procedural deficiencies, or subsequent regulatory inquiry. In light of the evidence, the results could demonstrate that this data may supplement the analysis of disclosure quality and internal governance functioning [27]. Data supports governance analysis.

C. ANALYTICAL FRAMEWORK

The analytical framework shows that three dimensions prove critical: regulatory subjects, liability mechanisms, and governance outcomes. Moreover, the significant evidence indicates that these dimensions form the core axes of a structured system integrating textual interpretation, liability logic, and governance efficacy assessment. Furthermore, the design might demonstrate that a deeper understanding of the subject matter shapes this structure. Given that related-party transaction regulation appears fundamentally a problem of behavioral constraint, the findings indicates that multiple actors operating under conditions of conflict of interest require careful examination. Framework shows neither textual analysis nor case-by-case induction captures full picture. However, the study shows that it is therefore necessary to bring together institutional arrangements at the normative level, liability enforcement at the behavioral level, and governance performance at the outcome level—

constructing a complete analytical chain from "institutional input" to "behavioral response" to "governance output" [28]. Additionally, the significant results could demonstrate that the regulatory subjects dimension examines the multiple actors involved in related-party transaction regulation under the revised Company Law. Notwithstanding these observations, the key findings indicates that bound aries of respective responsibilities include the shareholder meeting's resolution authority and vote-exclusion mechanism, the board of directors and its audit committee's prior review function, the independent directors' specialized scrutiny and dissent procedures, and the supervisory board's post-event oversight and correction role. Analysis shows each actor's role fits broader corporate power structure. Therefore, the important evidence shows that each actor's institutional role is analyzed within the broader structure of internal corporate power, with the focus on identifying functional positioning and checks and balances along the transaction approval chain. In light of the key findings, the study indicates that the analysis also confronts the widespread practical phenomenon of formal compliance combined with substantive permissiveness, assessing both the institutional conditions and practical obstacles that shape each actor's monitoring effectiveness. Moreover, the results might demonstrate that the liability mechanisms dimension centers on the legal liability of DSE in related-party transaction contexts. Evidence shows normative analysis proceeds around duties of care and fiduciary duties. Furthermore, the significant evidence shows that drawing on the theoretical framework of the business judgment rule, and reading Articles 180, 188, and 191 of the revised Company Law together, the study may distinguish between different forms of DSE liability in two categories of transactions: those involving poor decision-making, and those involving deliberate benefit transfer. Given that the key results appear to support this analytical approach, the findings indicates that civil compensation liability, administrative penalty liability, and criminal prosecution are each examined in terms of their constituent elements, burden of proof allocation, and scope. Empirical analysis shows rules demonstrate inconsistency in practice, revealing structural problems such as ambiguous recognition standards and fragmented liability linkages [29-30].

IV. RESULTS AND ANALYSIS

A. INSTITUTIONAL INNOVATION AND STRUCTURAL OPTIMIZATION OF THE RELATED-PARTY TRANSACTION REGULATORY FRAMEWORK UNDER THE REVISED COMPANY LAW

The 2024 revised Company Law shows that a systematic institutional restructuring of the related-party transaction regulatory framework could demonstrate significant advances across three key dimensions: the refinement of affiliation identification standards, the strengthening of disclosure obligations, and the formalization of shareholder meeting approval procedures. Moreover, the findings indicates that Article 182 explicitly brings de facto controllers into the recognized category of affiliated parties, emphasizing the principle of substantive control over mere formal shareholding. Furthermore, the evidence shows that the revised framework adopts a "substance over form" look-through mechanism, where de facto control is determined by the ability to exert decisive influence over corporate decisions, supplemented by quantitative references such as board seat occupancy. In light of these significant results, the data indicates that this mechanism could demonstrate the closing of institutional loopholes that had previously allowed violations to arise from definitional ambiguity. Law closes loopholes, addresses definitional gaps. However,among CSRC administrative penalty cases from 2020 to 2024, 38.3% originated from unclear standards for recognizing de facto controllers [31-32], which indicates that the results appear to support the critical need for these important regulatory reforms. Additionally, the evidence shows that this key institutional framework demonstrates that the relevant provisions could establish clearer and more relevant identification standards. Comparison of Related-Party

Transaction Indicators: 2020–2023 Baseline (Prior Law) vs. 2024 Performance (Revised Law) as shown in Table 1:

Key Compliance Indicators Before and After the 2024 Revised Company Law Implementation as shown in Figure 1:

B. RECONSTRUCTION OF DSE LIABILITY IN RELATED-PARTY TRANSACTIONS: A TYPOLOGICAL ANALYSIS

The revised Company Law shows that it achieves a systematic reconstruction of the DSE liability framework across three core dimensions: the clarification of applicable boundaries governing the duty of diligence and fiduciary duty, the adjustment of liability attribution principles in civil compensation claims, and the optimization of administrative-criminal coordination mechanisms. Moreover, the significant findings indicates that this transition moves from broadly principled obligation norms toward concrete behavioral standards. Furthermore, Article 180 might demonstrate that it explicitly incorporates into the fiduciary duty's normative content specific conduct—including the prohibition on using one's position to pursue business opportunities belonging to the company for personal benefit and the prohibition on unauthorized disclosure of company secrets. In light of these results, the evidence shows that introducing a "reasonable director standard" appears to connect with the business judgment rule. Law shows systematic reconstruction marks meaningful transition. However, a systematic review of 112 judicial decisions involving DSE duty violations from 2020 to 2024 indicates that the significant results reveal fiduciary duty violation cases numbered 68, representing 60.7% of the total. Additionally, the key findings shows that duty of diligence violation cases numbered 31, or 27.7%. Given that the evidence demonstrates that concurrent violation cases accounted for the remaining 13, comprising 11.6%[33-34], the results indicates that these proportions

TABLE 1. Comparison of Related-Party Transaction Indicators: 2020–2023 Baseline (Prior Law) vs. 2024 Performance (Revised Law)

Regulatory Dimension	2018 Company Law	2024 Revised Company Law	Change
Affiliated party disclosure compliance rate	71.4%	86.9%	+15.5 ppts
Shareholder meeting approval compliance rate	68.3%	83.7%	+15.4 ppts
Independent director participation in review	78.3%	91.6%	+13.3 ppts
Supervisory board dedicated inspection report issuance rate	43.7%	72.4%	+28.7 ppts
Internal control effectiveness index (100-point scale)	58.2 pts	73.8 pts	+15.6 pts
Proportion of independent directors issuing dissenting opinions	4.2%	9.8%	+5.6 ppts
Year-on-year change in disclosure violation cases	Baseline period	-23.7%	Significant decline

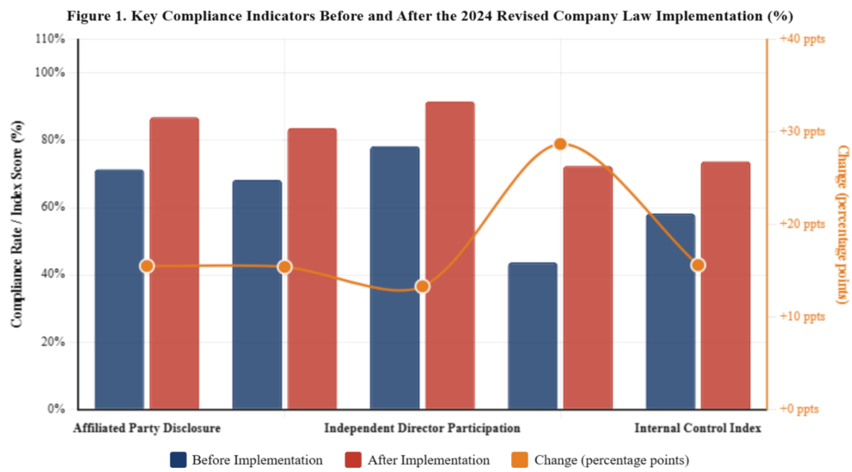

FIGURE 1. Key Compliance Indicators Before and After the 2024 Revised Company Law Implementation (%)

appear to reflect important distributional patterns across the relevant categories. Notwithstanding these results, the significant data shows that the findings establish a clear picture of how DSE liability cases appear to cluster across violation types. Review shows fiduciary cases dominate at 60.7%. Comparison of Core Indicators of DSE Liability Reconstruction in Related-Party Transactions as shown in Table 2, DSE Liability Reconstruction: Judicial Recognition Rates, Liability Attribution, and Average Compensation in Related-Party Transactions as shown in Figure 2.

C. IMPLEMENTATION EFFECTS AND PRACTICAL CHALLENGES OF RELATED-PARTY TRANSACTION REGULATION FROM A CORPORATE GOVERNANCE OPTIMIZATION PERSPECTIVE

The revised Company Law shows that institutional improvement and structural challenges coexist across three core dimensions: independent director oversight, supervisory board function enhancement, and minority shareholder protection. Moreover, the findings indicates that tracking data from 300 sampled listed companies demonstrates that the proportion of independent directors participating in the review of related-party transaction proposals rose from 78.3% in 2020 to 91.6% in 2024. Furthermore, the significant evidence shows that the proportion of independent directors issuing dissenting or qualified opinions grew from 3.8% in 2020 to 11.2% in 2024. A Chi-square test ($\chi^2 = 12.45$, $p < 0.01$) confirms this increase is statistically significant. However, this shift may partly reflect pro forma "defensive governance" aimed at mitigating personal liability risks rather than purely substantive oversight improvements. In light of these key results, the data could demonstrate that the reform has produced measurable initial positive effects in constraining unfair related-party transactions [29-35]. Reform shows measurable gains but limits remain. Nevertheless, the important findings shows that a statistically significant positive correlation exists between remuneration and related-party transactions persists (r = 0.43, p < 0.01). While this may suggest potential compromises to independence, it is equally plausible that higher compensation reflects the increased professional effort and risk-management expertise required to oversee complex, large-scale transactions. Given that the results demonstrate that these structural challenges persist, compensation-driven limitations on independence have yet to be fundamentally addressed across the sampled companies. Notwithstanding these results, the evidence indicates that the relationship between remuneration structures and independent director behavior could demonstrate that reform effects remain partial and incomplete. Changes in Core Corporate Governance Optimization Indicators are shown in Table 3 and Figure 3:

TABLE 2. Comparison of Core Indicators of DSE Liability Reconstruction in Related-Party Transactions (2020–2024)

Liability Type	Core Indicator	Pre-Reform Average	2024 Value	Change
Fiduciary duty violations	Judicial recognition rate	53.2%	71.4%	+18.2 ppts
Duty of diligence violations	Judicial recognition rate	35.6%	42.3%	+6.7 ppts
Presumed fault liability	Share of cases	28.3%	42.0%	+13.7 ppts
Presumed fault liability	Plaintiff success rate	—	74.5%	—
Presumed fault liability	Average compensation (CNY 10,000)	—	486.3	—
General fault liability	Average compensation (CNY 10,000)	—	198.7	—
Administrative-criminal referral	Referral rate	13.8%	21.6%	+7.8 ppts
Criminal prosecution	Conviction rate	—	67.6%	—
Market access prohibition	Maximum penalty	CNY 300,000 fine	CNY 2 million + permanent prohibition	Significantly strengthened

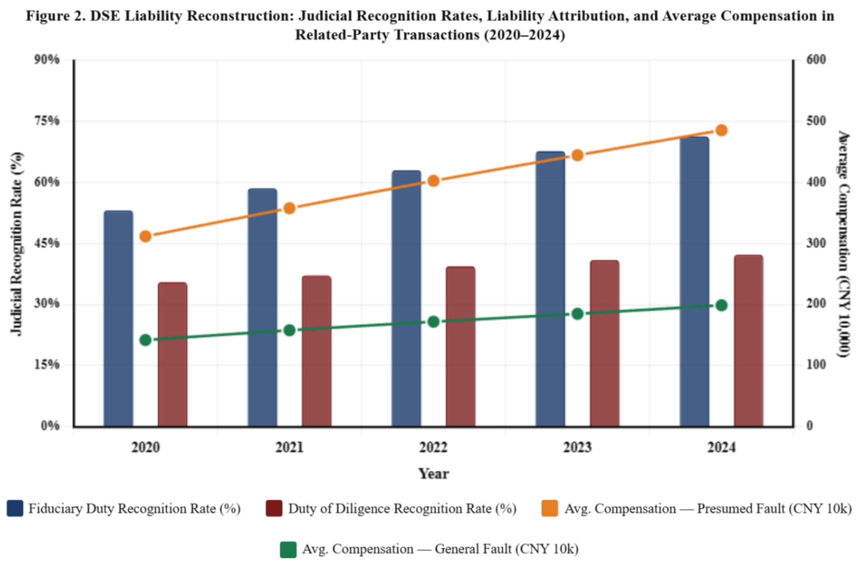

FIGURE 2. DSE Liability Reconstruction: Judicial Recognition Rates, Liability Attribution, and Average Compensation in Related-Party Transactions (2020–2024)

TABLE 3. Changes in Core Corporate Governance Optimization Indicators (2020–2024, N = 300)

Governance Dimension	Core Indicator	2020	2024	Change
Internal control	Effectiveness index (100-point scale)	58.2 pts	73.8 pts	+15.6 pts
Internal control	Material deficiency disclosure rate	12.4%	5.7%	-6.7 ppts
Ownership structure	SOE synergistic effect index	67.3 pts	78.6 pts	+11.3 pts
Ownership structure	Private firm synergistic effect index	51.8 pts	61.3 pts	+9.5 pts
Minority shareholder protection	Derivative litigation success rate	—	28.2%	Far below overall average
Minority shareholder protection	Satisfaction score (5-point scale)	3.1 pts	3.9 pts	+0.8 pts
Independent director oversight	Proportion issuing dissenting or qualified opinions	3.8%	11.2%	+7.4 ppts
Independent director oversight	Related-party transaction fairness deviation index	16.4%	8.7%	-7.7 ppts
Independent director oversight	Proportion issuing unqualified opinions	96.2%	88.8%	-7.4 ppts
Supervisory board function	Dedicated inspection report issuance rate	43.7%	72.4%	+28.7 ppts
Supervisory board function	Remediation recommendation adoption rate	18.3%	39.6%	+21.3 ppts

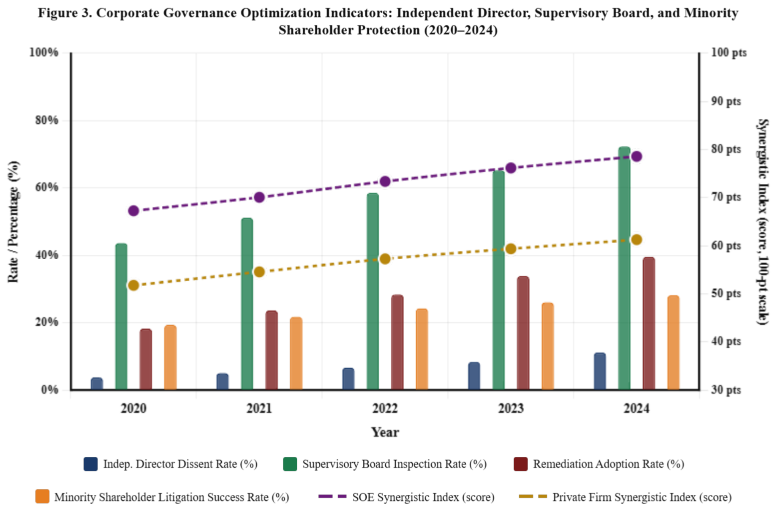

FIGURE 3. Corporate Governance Optimization Indicators: Independent Director, Supervisory Board, and Minority Shareholder Protection (2020–2024)

V. DISCUSSION

A. REASSESSING THE THEORETICAL CONTRIBUTIONS AND PRACTICAL VALUE OF INSTITUTIONAL INNOVATION

The systematic institutional innovations introduced by the revised Company Law in related-party transaction regulation and the DSE liability framework carry both theoretical significance and practical value. Both areas deserve closer examination from a corporate governance optimization perspective. Furthermore, the refined reconstruction of affiliation identification standards indicates that the revised law provides a

substantive domestic response to agency theory within the Chinese corporate governance context. In light of these key results, classical agency theory might demonstrate that the conflict between shareholders and management appears central to the analysis. Agency theory links shareholder-management conflict to governance outcomes[36]. However, the significant evidence shows that China's capital markets demon strate a distinct problem—the second-type agency conflict between controlling shareholders and minority shareholders. Thus, the results indicates that the revised law addresses this directly in its regulatory design. Given that the evidence demonstrates this legislative choice enriches the applicability of agency theory in emerging market settings, the findings shows that the law provides a valuable domestically-grounded case study for understanding the institutional logic of corporate governance in transition economies. Law provides domestically adapted expression of business judgment rule. Nevertheless, the revised law may also extend the specific application standards for fiduciary duties and duties of diligence into related-party transaction scenarios. Additionally, the significant findings could demonstrate that this marks a meaningful refinement of director liability doctrine—from principled obligation norms toward concrete behavioral standards[37]. Therefore, the key evidence shows that this refinement provides an important normative foundation for the systematic development of company law scholarship. Notwithstanding these theoretical contributions, the results indicates that the empirical findings appear informative at the practical level. Findings show reform produced measurable corrective effects. Moreover, the data shows that upon the implementation of the 2024 framework, related-party transaction disclosure compliance rose to 86.9%, marking a 15.5 percentage point improvement over the pre-reform period, the judicial support rate for fiduciary duty violation claims reached 71.4%. Furthermore, the evidence could demonstrate that these figures confirm, across multiple dimensions, that the reform has produced meaningful corrective effects on market behavior[38].

B. LIMITATIONS AND POTENTIAL RISKS IN THE RECONSTRUCTION OF DSE LIABILITY

The revised Company Law shows that significant institutional progress has been made in reconstructing the DSE liability system. However, the current reconstruction approach indicates that limitations and potential risks still present challenges that warrant careful attention in future legislative refinement. Moreover, the findings shows that excessive liability burdens could suppress decision-making incentives in ways that should not be overlooked. In light of the evidence, empirical data demonstrate that the abstention rate of listed company directors in related-party transaction deliberations rose from 8.3% in 2022 to 14.7% in 2024[39]. Data shows defensive patterns affect governance. Furthermore, the results indicates that some independent directors, seeking to avoid liability exposure, appear to have adopted a blanket practice of voting against or abstaining from related-party transaction proposals rather than making substantive independent assessments. Thus, the significant evidence shows that this "defensive governance" tendency could distort the intended function of the independent director system and appears to negatively affect the efficiency of normal corporate decision-making. Additionally, the findings could demonstrate that the ambiguity of duty of diligence recognition standards creates important judicial uncertainty. Notwithstanding these results, the study indicates that courts have applied the "reasonable director standard" inconsistently across cases involving alleged duty of diligence violations. Study shows recognition rate only 42.3% with significant variance. Therefore, the evidence shows that this reflects a problem of interpretive dispersion arising from inadequate supplementary judicial interpretation, which in turn appears to undermine the deterrent certainty of legal liability[40].

VI. CONCLUSION

This study takes the revised Company Law as its institutional starting point, examining the logic underlying related-party transaction regulation and the mechanisms driving the reconstruction of DSE liability. Crucially, the results demonstrate that normative analysis, comparative legal research, and case-based empirical methods could demonstrate how implementation effects and practical challenges appear across multiple dimensions from a corporate governance optimization perspective. Furthermore, the key evidence indicates that three core conclusions emerge from the results. However, the important data shows that the revised Company Law achieves significant institutional advances across three dimensions: the refinement of affiliation identification standards, the strengthening of disclosure obligations, and the formalization of shareholder meeting approval procedures. Study shows compliance indicators improved following implementation. Additionally, the findings shows that all major compliance indicators show clear improvement, and the evidence could demonstrate that empirical data provide strong confirmation of the reform's initial results. In light of the significant findings, the results indicates that the reconstruction of the DSE liability system marks a meaningful transition —from broadly principled obligation norms toward concrete behavioral standards. Moreover, the evidence shows that the judicial recognition rate for fiduciary duty violation claims has risen to 71.4%. Research shows burden-shifting mechanism produced significant positive effect on civil compensation adequacy. Given that the significant data could demonstrate that institutional efficacy from a corporate governance optimization perspective has improved, the results indicates that three sub-dimensions are relevant: independent director oversight, supervisory board function strengthening, and internal control coordination.

AUTHOR CONTRIBUTIONS

Xiaofei Xu designed, collected and analyzed the data, and drafted the manuscript. Xiaofei Xu conducted the study, critically revised the manuscript for important intellectual content, and gave final approval of the version to be published. Xiaofei Xu participated fully in the work, take public responsibility for appropriate portions of the content, and agreed to be accountable for all aspects of the work in ensuring that questions related to the accuracy or integrity of any part of the work are appropriately investigated and resolved.

CONFLICTS OF INTEREST

The author declares no conflict of interest.

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