



## Rights and obligations of shareholders under the laws of Singapore and Japan, and a comparison with Vietnamese law

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### Abstract

In the corporate governance model, particularly in joint-stock companies, shareholders' rights play a crucial role in the management and operations of the company. In Singapore and Japan, the law clearly defines the fundamental rights of shareholders, including the right to vote at general meetings of shareholders, the right to receive dividends, the right to request information, and the right to protect their interests against violations. In Vietnam, shareholders' rights are also stipulated in the Law on Enterprises; however, the enforcement mechanisms and protection for shareholders, predominantly minority shareholders, need to be positively oriented to ensure the comprehensive development of shareholder rights. This analysis and comparison aim to highlight similarities and differences, thereby proposing solutions to improve Vietnam's legal framework to enhance the effectiveness of shareholder rights protection.

**Keywords:** Shareholder, shareholder rights, joint-stock company, corporate governance, business

### Introduction

In the context of globalization and international economic integration, establishing and improving a legal framework to protect the rights of shareholders in joint-stock companies has become an important and urgent issue. Shareholders, as the company's owners, not only contribute to financial resources but also play a supervisory and directional role in the company's operations through fundamental rights such as voting rights, the right to receive dividends, and the right to access information. In developed countries like Singapore and Japan, shareholder rights are clearly defined by law and supported by effective enforcement mechanisms, promoting transparency and fairness in corporate governance. Meanwhile, in Vietnam, although the Enterprise Law provides relatively comprehensive regulations on shareholder rights, there are still limitations in enforcement and protection mechanisms, particularly for minority shareholders.

Shareholders in a joint-stock company contribute capital by purchasing a certain number of shares, and their contributed assets are transferred to the company as the owner. Once shareholders purchase shares, the company's assets are legally separated from the shareholders' assets. As the legal owner of the assets contributed by its founders, the company becomes an independent legal entity with a legal personality. Shareholder rights can be understood as the rights of individuals or entities that own shares in a joint-stock company, arising from their capital contribution to form the company's charter capital. Accordingly, "shareholders purchase company shares, which creates their obligations. Conversely, shares represent their interests in the company. These rights include participation in the company's management, dividend distribution, preemptive rights to purchase newly issued shares, and entitlement to a portion of the company's assets" [1]. Shareholders do not have the right to directly possess, use, or dispose of any company assets. Instead, they exercise their rights and fulfill

their obligations based on the number of shares they own, as stipulated by law or the company's charter.

Therefore, shareholder rights are a special type of rights established through share ownership and exercised over an independent entity, the joint-stock company, as a legal person. The number of shareholders in a joint-stock company "may fluctuate daily, but its assets always remain stable, intact, and continuously operate to increase their value" [2].

### Legal Regulations on Shareholder Rights Under the Laws of Singapore, Japan, and Vietnam

#### 1. Legal Regulations on Shareholder Rights Under Singapore Law

Section 76D.6 of the Companies Act 1967 Singapore allows a member or any person associated with that member to exercise voting rights on those shares. Therefore, ordinary shares not only grant shareholders a vote but also provide a similar right to those associated with the shareholder if the shareholder is unable to exercise their voting rights directly. The Companies Act 1967 Singapore stipulates shareholder rights, which include the right to attend and convene meetings, the right to fair treatment, the right to receive dividends, the right to dissolve the company, The right to asset distribution upon dissolution...

Regarding the right to attend and convene meetings, shareholders can participate in annual general meetings (AGMs) and express their opinions directly, engaging in discussions with other shareholders and the board of directors. To protect the interests of minority shareholders, the Companies Act 1967 Singapore allows two or more members holding at least 10% of the company's total issued shares to convene an Extraordinary General Meeting (EGM) [3].

As for the right to fair treatment, Section 216 of the Singapore Companies Act grants shareholders the right to petition the Singapore courts in the following cases: (i) Acts by the company or directors that are oppressive or disregard

the interests of one or more shareholders; (ii) Acts by the company, shareholders, bondholders, or directors that unfairly discriminate against or harm one or more shareholders.

## 2. Legal Regulations on Shareholder Rights Under Japanese Law

According to Article 105 of the Companies Act Japan, the rights of shareholders are as follows:

- The right to receive dividends from surplus profits: Shareholders have the right to receive dividends from the company's surplus profits, reflecting their share in the company's financial success and earning interest based on the number of shares they hold.
- The right to receive a distribution of surplus assets: When the company is dissolved or issues additional shares, shareholders have the right to receive a distribution of surplus assets after paying off debts and other preferential claims. This ensures they benefit from the company's asset value when its operations end.
- The right to vote at shareholder meetings: Shareholders have the right to vote. This right allows them to participate in important decisions regarding the company's management, contributing to its effective governance.

However, the Companies Act Japan law also stipulates that any provision in the articles of incorporation of a joint-stock company that denies shareholders certain rights, such as the right to receive dividends or the right to receive surplus assets, will be considered invalid. This ensures that shareholders are treated equally and have the opportunity to participate fully in the company's management<sup>[4]</sup>.

Thus, the rights and responsibilities of shareholders in a joint-stock company represent a balance between protecting personal assets and their interests, along with contributing to the company's operations and management. This creates a fair and transparent system, encouraging investment and sustainable development in joint-stock companies.

## 3. Legal Regulations on Shareholder Rights Under Vietnamese Law

The 2020 Enterprise Law classifies shareholder rights based on the type of shareholder, including the rights of ordinary shareholders, shareholders holding voting-preference shares, shareholders holding dividend-preference shares, and shareholders holding redeemable-preference shares.

According to Clause 1, Article 115 of the 2020 Enterprise Law, the rights of ordinary shareholders include the right to attend, speak at the Annual General Meeting (AGM), and exercise voting rights directly or through a proxy or any other form as prescribed by the company's charter or law. Each ordinary share carries one vote; The right to receive dividends as decided by the AGM; The priority to purchase newly issued shares in proportion to their current ownership of ordinary shares in the company; The freedom to transfer their shares to others, except in cases stipulated in Clause 3, Article 120 and Clause 1, Article 127 of the 2020 Enterprise Law, and other related legal provisions; The right to review, inspect, and extract information about names and contact addresses in the list of shareholders with voting rights, and request corrections to any inaccurate information; The right to review, inspect, extract or copy the company's charter, minutes of AGM meetings, and AGM resolutions; In the

event of the company's dissolution or bankruptcy, the right to receive a portion of the remaining assets proportional to their shareholding in the company.

According to Clause 2, Article 116 of the 2020 Enterprise Law, the rights of shareholders holding voting-preference shares include the right to vote on issues within the AGM's authority, with the number of votes determined by the company's charter. Other rights are similar to those of ordinary shareholders, except that shareholders holding voting-preference shares cannot transfer their shares to others unless through a court ruling or legal decision or by inheritance.

According to Clause 2, Article 117 of the 2020 Enterprise Law, shareholders holding dividend-preference shares have the following rights: The right to receive dividends, The right to receive a portion of the remaining assets in proportion to their shareholding after the company settles its debts and preferred redeemable shares in case of dissolution or bankruptcy; Other rights similar to those of ordinary shareholders, except that shareholders holding dividend-preference shares do not have voting rights, cannot attend AGMs, or nominate candidates for the Board of Directors or Supervisory Board.

Shareholders holding redeemable-preference shares have rights similar to those of ordinary shareholders as specified in Clause 2, Article 118 of the 2020 Enterprise Law, except that they do not have voting rights, cannot attend AGMs, or nominate candidates for the Board of Directors or Supervisory Board.

## Some Recommendations for Improving the Legal Framework on Shareholder Rights in Joint-Stock Companies Under Vietnamese Law

In recent years, Vietnam's laws on joint-stock companies have continuously developed, focusing on addressing practical issues to minimize limitations while optimizing the protection of business interests. However, regarding shareholder rights, the legal framework has yet to ensure objectivity, and protecting shareholder rights under the law remains insufficient. Improving the legal framework on shareholder rights in joint-stock companies stems from practical needs, aiming to address existing gaps and enhance the law's effectiveness in regulation. At the same time, the continued implementation of the important goal of the 2020 Enterprise Law, which is to expand shareholder rights, aims to make it easier for shareholders to exercise their rights and protect their interests when violated. The author proposes several recommendations to improve the law on shareholder rights in joint-stock companies:

Firstly, it protects minority shareholders' interests by clearly regulating their right to access critical company information, such as significant contracts and detailed financial reports. Lower the minimum shareholding percentage required for shareholders to request the convening of a General Shareholders' Meeting. Add mechanisms to protect minority shareholders from the abuse of power by major shareholder groups, particularly in decisions regarding profit distribution and business mergers.

Secondly, it enhances transparency in corporate governance by requiring the full and timely disclosure of transactions between the company and related parties to prevent conflicts of interest. Increase the accountability of the Board of Directors and the Supervisory Board to shareholders,

particularly concerning business strategies, profits, and financial risks.

Thirdly, the mechanisms for resolving disputes between shareholders and the company should be supplemented by simplifying the complaint and lawsuit procedures for shareholders against the Board of Directors or the Executive Board when their rights are violated. Create an internal mediation mechanism within the company before taking disputes to court to save time and costs.

Fourthly, the voting and decision-making mechanisms can be improved by applying digital technology to organize online General Shareholders' Meetings, enabling shareholders to participate and vote remotely easily. For important decisions, consider requiring a higher percentage of favorable votes to avoid the abuse of power by large shareholder groups.

Fifthly, it creates favorable conditions for shareholders to transfer shares by reducing procedural barriers, particularly in non-listed companies. Consider applying a public auction mechanism when major shareholders wish to sell shares to ensure transparency and protect the interests of minority shareholders.

### Conclusion

It is observed that the shareholder rights in joint-stock companies under the laws of Singapore and Japan are strictly regulated to ensure transparency, fairness, and protection of shareholder interests, especially those of minority shareholders. Singapore has an advanced corporate governance system with robust mechanisms to protect shareholders. At the same time, Japan focuses on monitoring the rights of shareholders over management and implementing mechanisms to prevent abuse of power. Compared with Vietnam's laws, although significant progress has been made in improving the legal framework regarding shareholder rights, some limitations remain, particularly in protecting small shareholders and dispute resolution mechanisms. Therefore, Vietnam could learn from the experiences of Singapore and Japan to enhance transparency and accountability in corporate governance and strengthen shareholder rights, which would contribute to the development of the stock market and a sustainable investment environment.

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