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Policy Challenges of Corporate Governance Reform of SOEs in China

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Three Aspects of Contents

- Recent focus of policy reform on corporate governance of SOEs in China
- Progresses has been made regarding corporate governance of SOEs in China
- Challenges to improve corporate governance of SOEs in China

Recent Focus of Policy Reform on Corporate Governance of SOEs in China

- **Pilot actions of setting up or perfect boards in SOEs which are solely owned by the State.**
 - ☞ Total 15 SOEs of the first and second experiment groups
 - ☞ Setting up boards, consign relevant responsibilities to the board
 - ☞ Selection and nomination of outside board members and senior managements
- **Disputes on loss of State owned assets brought forward issues of layout of State owned economy**
 - ☞ Whether State owned capital should withdraw
 - ☞ Which sectors should withdraw from
 - ☞ How withdraw, pricing and monitoring transactions
 - ☞ Manner of State holding of shares
- **Several crucial laws and policys are under constitution**
 - ☞ State-owned Asset Act
 - ☞ Insolvency Law
 - ☞ Budget system of State-owned capitals

Progresses has been Made Regarding Corporate Governance of SOEs in China

- By establishing SASAC, a centralised ownership entity, China has facilitated the fundamental separation between the state's ownership function and other state functions, such as industrial policy, social security, etc.
- Common views on SOEs should abide the Company Law have been achieved, and newly big revision of Company Law passed in October of 2005.
- SOEs move forward to become autonomic business entity, such as spin-offs between core and non core businesses, carve-outs of social function, and adjustment of the commercial relationship between SOEs and SOBs since CBRC established.
- Decisions by the State Council and SASAC on all SOEs which solely owned by the state should set up board.
- Big declines of proportion of state owned economy in whole economy has been achieved, but there are still lots of administrative monopoly, as well as natural and business monopoly.

Challenges to Improve Corporate Governance of SOEs in China

- To constitute the programme and policies of state-owned economy layouts.
- How to harmonize the function of SOE reform policy making and its' enforcement among SASAC and other government departments.
- Lots of work need to be done in order to form overall ownership policy.
- Let board of SOEs to take on accountabilities and being in a real independence
- To improve transparency of both SOEs and SASAC



THANK YOU!

ANY QUESTIONS?