



国务院国有资产监督管理委员会

State-owned Assets Supervision and Administration Commission of the State Council

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Reform and Corporate Governance of SOEs in China

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2. The ongoing progress of setting up standardized BOD in Chinese central SOEs
3. Problems which need further inquiry in setting up standardized BOD



1. SOEs' Reform in China

Chinese SOEs are independent legal persons.

Chinese SOEs enjoy entire legal persons' property rights and autonomous operation rights.

(1) It is clearly stipulated in laws that Chinese SOEs are independent market players.

The rights of Chinese SOEs and their investors are clearly distinguished from each other.

Chinese SOEs set up relatively sound corporate governance.



(2) Property right management of Chinese SOEs changed significantly.

1. Number of SOEs listed in foreign and domestic stock markets

- Listed stake-holding companies: more than 900
- Listed companies whose actual controllers are central SOEs: 307

2. Up to the end of 2008, majority of SOEs' quality assets have been injected into the listed companies:

Index	Total Assets	Net Assets	Total Profit	Net Profit
Listed SOEs (RMB)	12.41 trillion	6.01 trillion	723.51 billion	613.83 billion
Proportions in All SOEs	29.16%	35.22%	54.37%	62.87%



3. The total assets, net assets, total profit and net profit of listed companies held by central SOEs respectively accounted for 48.17%, 57.74%, 73.8% and 88.11% of those in all central SOEs.
4. Most SOEs have implemented the reform of adopting company system and joint-stock system.
5. Set up corporate governance according to the “The Company Law”
 - Listed companies
 - Non-listed companies with multiple investors
 - State-funded corporations



(3) Chinese SOEs highlight commercial operation

SOEs operate independently and are in accordance with the market rules

Market-oriented transfer of state-owned property rights

Market-oriented recruitment of managers

Stakeholders perform their rights according to laws

Bonus compensation system of SOEs is gradually improved



2. The Ongoing Progress of Setting up Standardized BOD in Chinese Central SOEs

✚ Set up scientific and reasonable BOD

✚ Bring up numbers of well-educated directors

✚ Establish mechanisms to make sure that BOD could play an important role

✚ Set up BOD operating in standardized manner

Change
From
Pilot
Program
To
Standardized
BOD



Features of BOD structure and bring up new directors

• Time of Point

Scientific BOD Structure

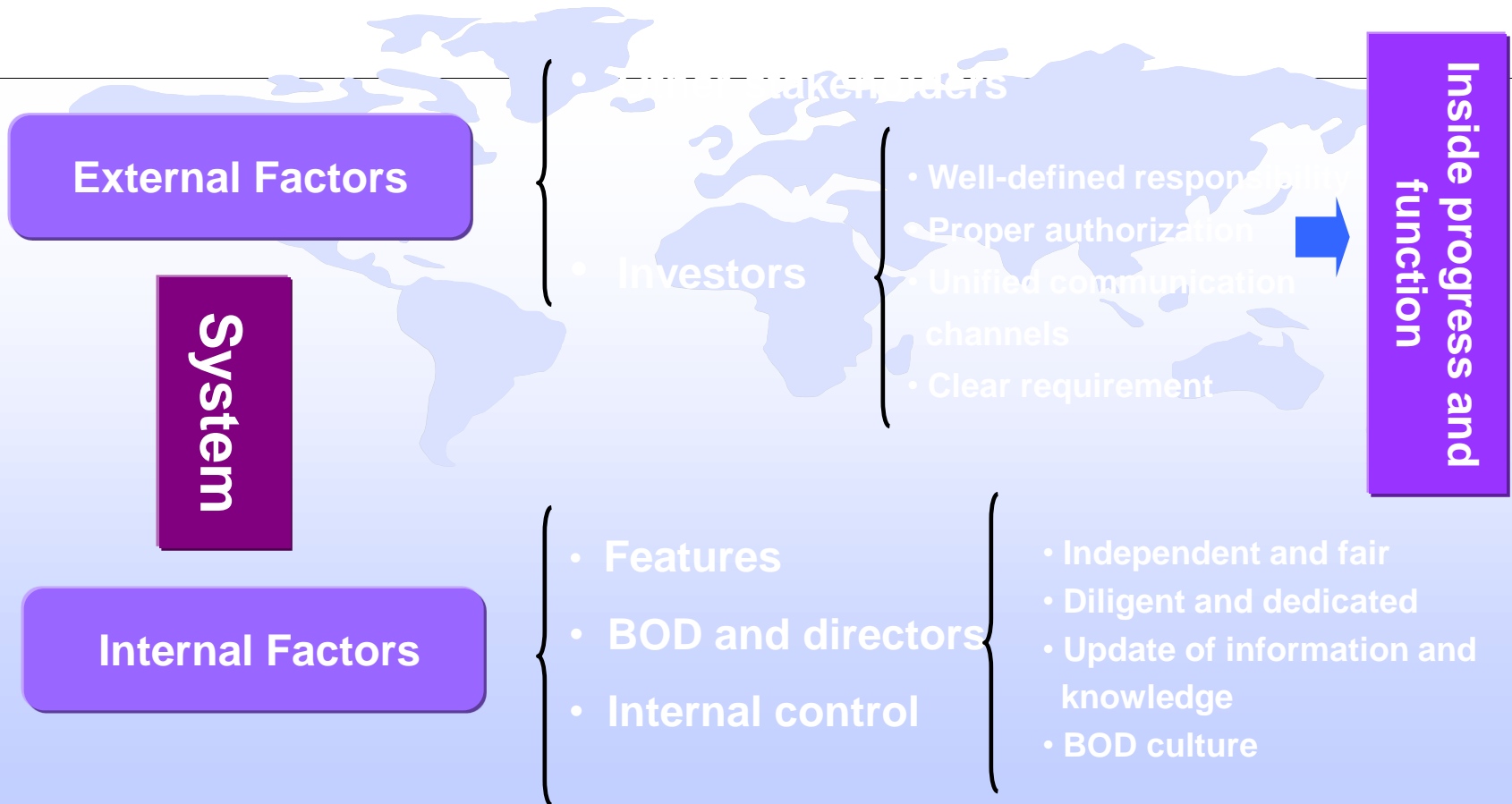
• Trends

Dynamic Optimization of BOD

- Opportunities of external and internal directors
- The quality, ability and experience of directors
- Source of external directors
- Different functions between Chair of the BOD and General Manager
- Dynamic adjustment according to the real situation of enterprises
- Terms of directors
- Training of directors

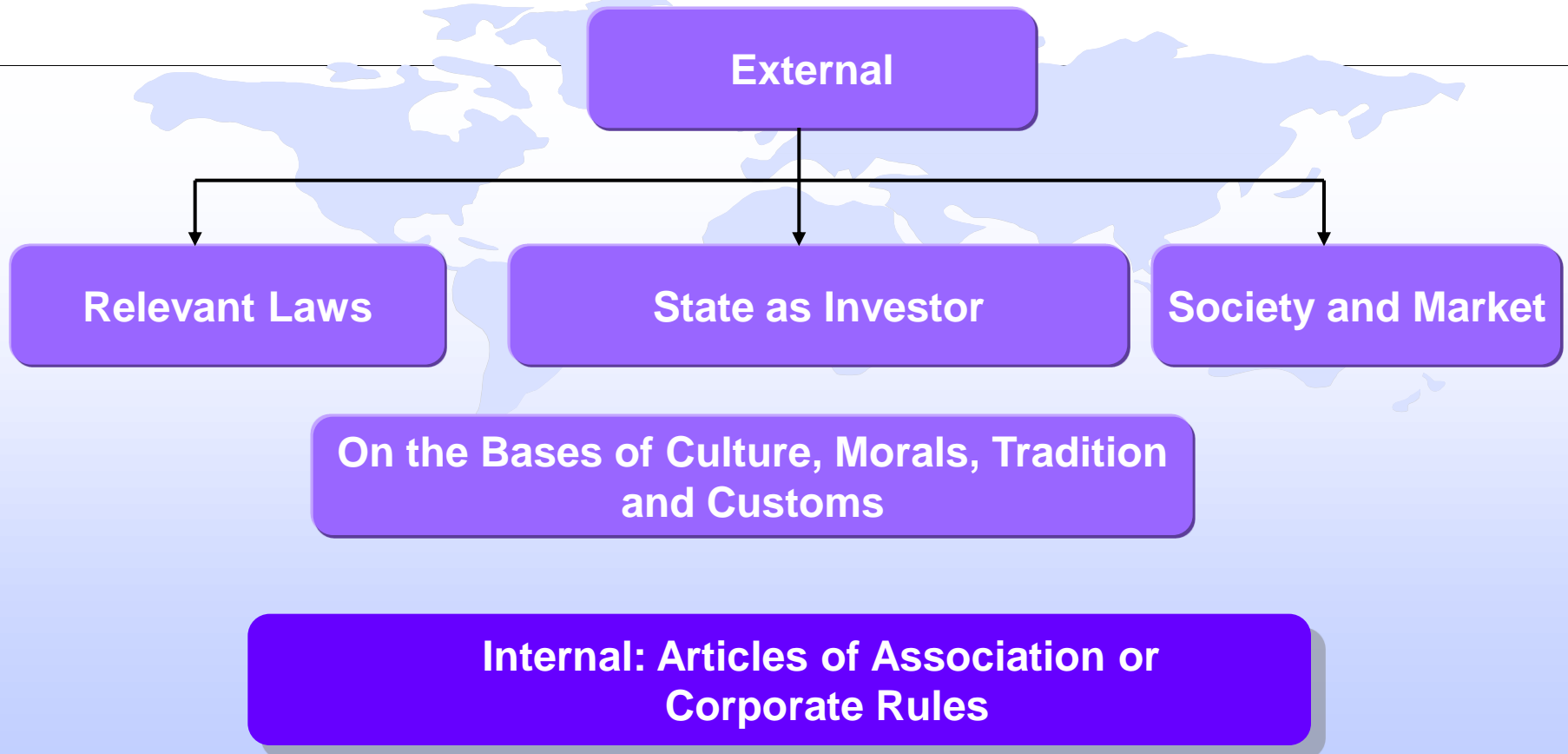


✚ Establish mechanisms to make sure that BOD could play an important role





✚ Set up BOD operating in standardized manner





3. Problems Which Need Further Inquiry in Setting up Standardized BOD

- **Difficulties:**

Internal Control – authorizing, supervising and evaluating BOD

Risk of Morality – designing and implementing incentive mechanism; assessing, rewarding and punishing both directors and senior managers

- **Source of External Directors**

- **Coordination Mechanism in Corporate Governance**

Interests Completely Coincide

Interests Completely Don't Coincide



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Thank you!