

PRIVATIZATION AND CORPORATE GOVERNANCE PRACTICES IN CHINA

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ABSTRACT

In the People's Republic of China (PRC), research on the corporate governance issue is relatively less developed. In the PRC, consequent to the economic reform in the 1980s, share-holding companies have been established and they have become important investment opportunities for multinational investors. The idea of separating ownership and management is also accepted in the PRC. The boards of directors are accountable in various ways to a number of different stakeholders.

The purpose of this study is to shed some light on the corporate governance issues in the PRC based on an analysis of the PRC public companies quoted on the PRC and overseas stock exchanges, relating the corporate governance variables to accounting performance from the pre- and post-listing perspective.

The results of this study suggest that some cases with improved corporate governance issues show improved corporate performances expressed in terms of net asset value per share and cash dividend per share; and that the good corporate governance characteristics for the PRC public companies are smaller board size, higher director independence, older age profile of board members, multiple offices of the chairman of the board/general manager/Secretary to Communist Party, higher board's total shareholding in the companies, more staff members in the supervisory committee and higher presence rate of supervisors at the board meetings.

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