

ABSTRACT

This paper addresses the development and issues in Chinese corporate governance during its market-oriented economic reforms. The paper begins with a summary of relevant research in the area of corporate governance. Next, we describe the historical development of corporate governance in China, the corporate governance framework that is presently in place, and the impact of the current financial crisis and the SOX act on the development of corporate governance in China. Third, we analyze the main deficiencies in existing governance practices of Chinese companies. The introductory chapter is followed by my empirical research. Recently, the Chinese government has made efforts to promote capital market reforms and to improve corporate governance practices. It adopted or experimented with a series of good corporate governance practices from the developed Western countries. We find that all of these changes have positively contributed to the advancement of corporate governance practices in China. The non-controlling block holders contribute to firm value only when the ultimate owners are different from the controlling block holders in terms of the public/private distinction. The monitoring and managing of potential conflicts of interest among management, board members, and shareholders, including the misuse of corporate assets and abuse in related party transactions, also contribute positively to Chinese corporate governance practices.

KEYWORD: Corporate governance; Company management; Shareholders; China; Development