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**AN EMPIRICAL EXAMINATION OF THE
CORPORATE GOVERNANCE STRUCTURE
OF CITIC PACIFIC**



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ABSTRACT

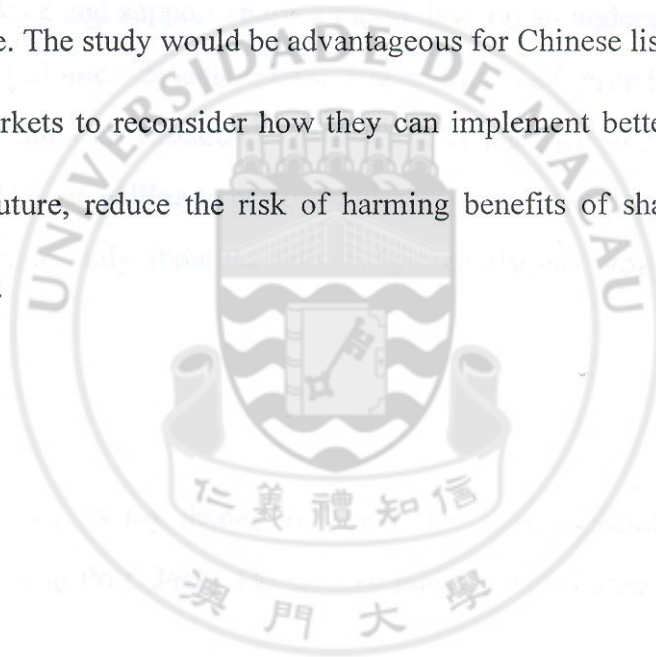
Purpose – Effective corporate governance system plays an important role in preventing frauds and protecting resources effectively in organization, especially in listed companies. The lack of research and application in Chinese listed companies motivate this study. The purpose of this paper is based on the foreign exchange contracts issue of the CITIC Pacific, to examine the corporate governance structure and propose recommendations for CITIC Pacific and other Chinese listed companies in the future.

Design/methodology/approach— 32 experienced professionals of Big 4 audit firm auditors are interviewed to summarize the ideas of how to maintain an efficient corporate governance system.

Findings -- Results of the study show that effective corporate governance should avoid the board of directors to become the family board or the buddy board. Second, in Chinese listed companies, more attention should be paid in the audit committee in order to maintain corporate governance. Further, most respondents think that the top management is profit-oriented and cares less about ethics, this tone at the top may lead employees to be unethical and affect corporate governance. Results also support that the complexity of financial products becomes a challenge for external auditors to

ensure corporate governance effectiveness. Finally, most of the respondents believe that the internal audit in China is still developing and have a long way to go. They suggest that the culture of high punishment on ethical issues and enhancing communications between employees and managers may help to establish an effective corporate governance system.

Originality/value- Companies need to design and implement an effective system of corporate governance. The study would be advantageous for Chinese listed companies in HK and other markets to reconsider how they can implement better in corporate governance in the future, reduce the risk of harming benefits of shareholders and protect the resources.



ABSTRACT	3
ACKNOWLEDGEMENT	5
CHAPTER 1 INTRODUCTION	8
1.1 Research Background	8
1.2 Changing of Corporate Governance	10
1.3 Corporate governance principles	11
1.4 Corporate Governance Functions	13
1.4.1 Oversight function	14
1.4.2 Managerial function	15
1.4.3 Compliance function	15
1.4.4 Internal audit function	16
1.4.5 Legal and financial advisory function	17
1.4.6 External audit function	18
1.4.7 Monitoring function	18
1.5 Corporate Governance Mechanisms	19
1.6 Motivation of the Research	20
1.7 Aims, Objectives and Research Questions	22
1.7.1 Aims	22
1.7.2 Objectives	22
1.7.3 Research Questions	23
CHAPTER 2 BACKGROUND OF CITIC PACIFIC	24
2.1 Overview of CITIC Pacific	24
2.2 The Issue of CITIC Pacific's Foreign Exchange Loss	25
2.3 Board of Directors and Management of CITIC Pacific	27
2.3.1 Overview of the board of directors	27
2.3.2 Confusing functions and titles of management	29
2.4 Internal and External Auditing of CITIC Pacific	30
2.4.1 Internal Audit Aspect of CITIC Pacific	30
2.4.2 Audit Committee of CITIC Pacific	32
2.4.3 External Audit Aspect of CITIC Pacific	35
CHAPTER 3 LITERATURE REVIEW	37
3.1 Corporate Governance in China	37
3.2 Internal Control Effectiveness	39
3.3 Corporate Governance and other parties	43
3.3.1 Board of Directors	44
3.3.2 Senior Management	44
3.3.3 External Auditors	45
3.3.4 Audit Committee and Internal Auditors	46
CHAPTER 4 METHODOLOGY AND RESEARCH DESIGN	48
4.1 Research Design	48
4.1.1 Research Questions Design	48
4.1.2 Qualitative Interview and Data Collection	51
4.2 Methodology – Content Analysis	53

CHAPTER 5	RESULTS	55
5.1	Aspects of Board of Directors in Corporate Governance (RQ 1 & RQ 2).....	55
5.2	Aspects of Audit Committee in Corporate Governance (RQ 3 & RQ 4).....	58
5.3	Aspects of Top Management in Corporate Governance (RQ 5 & RQ 6).....	60
5.4	Aspects of External Auditors in Corporate Governance (RQ 7 & RQ 8)	62
5.5	Aspects of Internal Auditors in Corporate Governance (RQ 9 & RQ 10).....	65
5.6	Aspects of Company Culture in Corporate Governance (RQ 11).....	68
CHAPTER 6	SUMMARY AND CONCLUSION	70
6.1	Conclusions.....	70
6.2	Implications	73
6.3	Limitations	74
REFERENCES		75
APPENDIX I: Interview Questions		81

