

## China regulates SOE share transfers

China's state asset watchdog said Thursday it will prohibit management staff of state-owned enterprises (SOEs) from transferring their shares in SOE affiliates and subsidiaries to their close relatives, its latest move to stop state assets ending up in private hands.

China issued a rule last October to forbid SOE middle and senior management officials to own shares in SOE affiliates, subsidiaries or other SOE-invested businesses, in order to curb state-asset losses. Those who already held such shares were ordered to transfer those interests.

□

### **Related readings:**

- ✦ [China bans central SOEs' speculative derivatives trading](#)
- ✦ [SOEs lead upsurge in charitable donations for 2008](#)
- ✦ [Official urges tighter supervision of SOEs](#)

The management staff are not allowed to sell the shares to their close relatives or the companies that the relatives control, said the State-owned Assets Supervision and Management Commission (SASAC) in a document, which made clear the details of the October rule.

Instead, the SOEs should be the first to buy those shares, whose prices should not exceed their audited net value in the previous fiscal year, said the SASAC.

Public discontent with state asset losses and privatization has been growing since share-holding reforms were launched three decades ago to introduce private ownership into SOEs.

SOE management ownership of equities in affiliates, subsidiaries and SOE-invested companies has led to problems, such as executives procuring products or services of those businesses at prices unreasonably higher than the market price, resulting in "state-owned assets losses in disguise," according to Zuo Daguang, director of the SASAC's Liaoning branch.

In order to contain insider-control and state-owned assets losses, the SASAC and the Ministry of Finance jointly issued a document in April 2005, forbidding management buyouts of large SOEs.

Thursday's document also specified the definition of the SOE senior and middle management staff, which include members of board of directors and supervisors. They were required to transfer shares in SOE affiliates within a year of the publication of the October rule or resign from their posts.

(For more biz stories, please visit [Industries](#))