

Share reform and the performance of China's listed companies

Bing Bing Jiang, James Laurenceson*# & Kam Ki Tang, Share reform and the performance of China's listed companies. East Asia Economic Research Group† Discussion Paper No. 10, March 2007, School of Economics, The University of Queensland. Queensland.

Full text available as:

[PDF](#) - Requires Adobe Acrobat Reader or other PDF viewer.

Abstract

The latest round of share reform in China, which began in 2005, sets two related processes in motion: it increases the tradable share proportion and signals the start of a decline in the government-owned share proportion. This paper considers the effect these processes might have on firm performance in the future by analysing the impact the above share proportions had on firm performance immediately prior to reform commencing. The government-owned share proportion is found to exert a linear and positive impact on firm performance. Further, it is revealed that this impact is best explained by the high ownership concentration of government shareholdings. The policy implication is that simply making all shares tradable need not lead to better firm performance. Rather, a more pertinent consideration is whether shareholdings become more or less diffuse, and this highlights the importance of non-government institutional investors playing a more prominent role than they currently do.

JEL classifications – G38

Keywords: China, stock markets, firm performance, ownership

* Corresponding author –
James Laurenceson
The School of Economics
The University of Queensland
Brisbane Queensland 4072
Australia
Ph – (+617) 3365 6085
j.laurenceson@uq.edu.au

We would like to thank Phil Grey, Tingqiu Cao and seminar participants at the Shandong University for providing useful comments on earlier drafts. All errors are obviously ours.