NUS BUSINESS SCHOOL’S DATABASE OF CHINESE LISTED FIRMS’ OWNERSHIP STRUCTURES

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I. Introduction

The National University of Singapore (NUS) Business School's database of Chinese listed firms’ ownership structure is based on material published on several websites (www.sunsc.com.cn; www.sse.com.cn; www.sse.org.cn; www.cnlist.com), and other sources. The NUS Business School's database contains extensive information on the form and extent of ownership structure of Chinese listed firms. The information includes the shareholder identity and percentage held by the ten largest owners of the firm. NUS Business School's database is longitudinal. Information is available at from the inception of the Chinese stock market to the year 2002.

This monograph describes the data in the NUS Business School’s database of Chinese listed firms’ ownership structure, as well as the data sources and collection procedure. By reading through this manuscript, researchers will become familiar with the types of data available and the research projects undertaken to date using the current and earlier forms of the database. This manuscript's main function is to serve as a guide to researchers who intend to use the NUS Business School's database of Chinese listed firms’ ownership structure. To fulfill this function, in subsequent sections of the manuscript, we describe the sources of the database, the structure of the database, and the research that has been completed using this database.

II. Sources of the Database and Collection Procedure

Data are collected from several websites (www.sunsc.com.cn; www.sse.com.cn; www.sse.org.cn; www.cnlist.com), where the annual report of each China’s listed company is provided. To ensure the maximum possible number of observations, a list of all the codes of China’s listed companies from software on China’s listed companies: Tinysoft (www.tinysoft.com) are created. Next, these codes are inserted into a search
engine of those websites and the information of the corresponding companies is found one by one. Although this method makes full advantage of internet sources, it raises the concern about the reliability of the data from those websites. To inspect the reliability of the data, the data collected are compared with other information sources such as the website of CSRC (China Securities Regulatory Commission) and the websites of the listed companies. The accounting and stock market data of China’s listed companies are also collected from Bloomberg and DataStream. To inspect the reliability of this database, the database are also compared with data obtained from the Taiwan Economic Journal (TEJ).

In these comparisons, most of the data after 1997 are consistent across all the different data sources. However, the data before 1997 have the following problems: they are either inconsistent in different sources or missing in any of the databases we mentioned above. Given these features of the data, several guidelines are used to construct the database. First, the figures that are reported with consistency across the different data sources are used to construct the database; secondly, if there are inconsistencies in data across sources, the data from annual reports are used; thirdly, where data at the business sector level are missing from all sources, those company are excluded. The financial data are not available for download because of private company nature of some of the sources from which they were obtained.

The time period begins from 1991 because the Shanghai and Shenzhen Stock Exchanges were initiated in that year. The year 2002 is the one for which the most updated and complete information are available from public information sources about China’s listed companies.
III. New Categories of Ownership Identity

This section will describe the new category of ownership identity developed by Delios, Wu and Zhou (2006). The new category traces the ultimate ownership up to the first level owner of the shareholder of the listed companies. This method has the advantage of being clear cut and reliable in classifying the identity of the shareholders across all listed companies in China.

Based on the methodology discussed above, for each year of the SHSE and SZSE from inception to 2002, each of the top ten shareholders of China’s listed companies is classified into one of 16 possible categories. We follow the criteria of incentive and motivations of owners and that of ultimate control to classify the shareholders into these 16 categories.

In terms of establishing these 16 categories, we first sought to distinguish between state owned and non-state owned. In the category of state owned, we made a further distinction between government agencies and marketized state owned enterprises. In the government agency category, we differentiated between owners based on the geographic variation in level of ownership (central versus local government ownership) and functional variation (industrial company and state asset investment bureau). We followed a similar logic to sub-classify non-state owned shareholders. As a result of following these procedures, 16 categories of shareholding identities come out, as described below.

(1) **Local Government:** These shareholders are local governments of counties, cities and provinces. For example, the third largest shareholder for Jiao Da Ke Ji (600806) in 2002 is the Yunnan Provincial Government, which is a Local Government.

(2) **Government Ministry:** These entities represent the ministries of either central or local governments. They are not common as shareholders of a company, but do exist. One example is the China Water Ministry, which was the second largest shareholder in Min Jiang Shui Dian (600131) in 2002.
(3) **Government Bureau:** These owners are the functioning departments of a local or central government, and include such entities as tax or commercial bureaus. The third largest shareholder for Min Fu Fa A (000547) in 2002 is the Department of Finance of Fuzhou, which is a government bureau at the city level.

(4) **Industry Company:** Most industry companies were ministries of the central or local government before economic reforms were initiated in 1978. For example, the largest shareholder for Yun Lv Gu Fen (000807) in 2002 was Yunnan Metallurgy Corporate Group, which was previously the Ministry of Metallurgy of Yunnan Province.

(5) **State Asset Investment Bureau:** These entities have the right to control state-owned assets including those listed on the SHSE and the SZSE. For example, Beijing International Trust and Investment Co., Ltd was the second largest shareholder for Gan Nan Guo Ye (000829) in 2002. The shareholder is itself a state asset investment bureau.

(6) **State Asset Management Bureau:** These entities were established to separate the government’s control from some state assets and to manage and preserve the quality of state assets. For example, the second largest shareholder for Jing Shan Qing Ji (000821) in 2002 was Jing Shan State Asset Management Bureau.

(7) **Infrastructure Construction Company:** These companies were established when the government invested in infrastructure or construction projects such as a highway or a port. Once construction was completed, the major business activities of Infrastructure Construction Companies were to maintain the daily operation and support for the infrastructure. As an example, the largest shareholder of Xian Dai Tou Zi (000900) in 2002 is Hunan Highway Construction and Development Co., Ltd, which is an infrastructure construction company at a province level.

(8) **Market-oriented State Owned Enterprise:** These companies are owned by the state but have gone through a transition towards the market-oriented structure of for profit, private corporations. Many legal person shareholders fall into this category. For example, the second largest shareholder of Shen Fang Zhi A (000045) in 2002 was Bao Steel, which is a state-owned enterprise that has undergone reforms.

(9) **Research Institute:** These entities are owned or led by research institutions or universities. For example, Fudan University is the largest shareholder for Fudan Fu Hua (600624) in 2002.

(10) **Security Company:** A security company is an investment bank or a brokerage house. Security Companies hold transferable A-shares on the SHSE and the SZSE. For example, Shenyin Wanguo Security Company, one
of the largest security companies in China, was the second largest shareholder of ST Dengta (000695) in 2002.

(11) **Investment Fund:** Most of the shareholdings controlled by investment funds are transferable A-shares. As an example of an investment fund, Hongfei Security and Investment Fund was the third largest shareholder of ST Tianyi (000710) in 2002.

(12) **Private:** Privately owned companies have increased rapidly in China and are playing a more and more important role in the nation’s economy. Interestingly, numerous private companies have been the largest or second largest shareholders for a listed company, but identified as a legal person shareholder. This means that these shareholdings were not acquired by the shareholder through public channels but through other approaches such as private transfer agreements. An example of a private company is Shanghai Hua Xin Investment Limited, which was the largest shareholder of Jian Te Sheng Wu (000416). Shanghai Hua Xin Investment Ltd did not become a shareholder of Jian Te Sheng Wu until it acquired most of the shareholding from Qing Dao Commercial Company, a state-owned enterprise (legal person) that was the largest shareholder for Jian Te Shen Wu before 2001.

(13) **Individual:** Several individual investors have shareholdings large enough to be among the largest ten shareholders. For example, Wu Xianxi was the sixth largest shareholder of Xi’an Minsheng (000564) in 2002.

(14) **Foreign:** Foreign shareholders are rare among the three largest shareholders, but they are common in the ten largest shareholders. Standard Chartered Bank Hong Kong Credit Ltd was the fourth largest shareholder of Hua Xin Shui Ni (600801) in 2002. It is worth noting here that shares from Hong Kong and Taiwan investors are classified as foreign shares.

(15) **State Owned Bank:** This category includes the five major state owned banks in China: Industrial and Commercial Bank of China (ICBC), Agriculture Bank of China (ABC), China Construction Bank (CCB), Bank of Communications (BOC) and Bank of China.

(16) **Work Union:** A work union is a unique type of shareholder of listed companies and it represents employee shares. For example, The Work Union of Hu Bei Fiber Ltd was the second largest shareholder of Hubei Jinhuan (000615) in 2002.

The sixteen categories listed above provide good detail on the identity of each owner. Although these identities are specific and well-defined, they are too numerous to facilitate detailed empirical analysis. One possible reclassification of these 16 categories
of shareholder identities is to collapse them into three broad categories: government shareholding, marketized corporate shareholding and private shareholding (Table 1).

**Government Shareholding.**

As shown in Table 1, government shareholding category consists of local governments, government ministries, government bureaus, industry companies, state asset investment bureaus, state asset management bureaus, research institutes and state owned bank owners. The corporate strategies of firms with these owners are influenced by the government, and thus they may have goals other than pure profit seeking, such as keeping unemployment rates low.

**Marketized Corporate Shareholding**

Marketized corporate shareholdings are owned by the government, but they are not constrained by the same social objectives that government ownership bears. Marketized corporate shareholdings are somewhat motivated to seek profit-making strategies. We categorized infrastructure construction companies and market-oriented state owned enterprises as marketized corporate shareholding. Infrastructure Construction Companies were appointed by the government to manage a construction project such as a highway or a wharf. Upon the completion of the project, the company’s main function was turned to the daily operations of the infrastructure project. Market-oriented state-owned enterprises refer to the majority of state-owned enterprises in China. With the development of the market-oriented economy, the government has gradually reduced support for these market-oriented SOEs and encouraged increasingly higher levels of freedom in the operation of these companies.
<table>
<thead>
<tr>
<th>Sub-Group</th>
<th>Example</th>
<th>Broad Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>Yun Nan Province</td>
<td>Government</td>
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<td></td>
<td>Government</td>
<td>Shareholding</td>
</tr>
<tr>
<td>Government ministry</td>
<td>Water Ministry</td>
<td></td>
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<tr>
<td>Government Bureau</td>
<td>Department of Finance of Fuzhou</td>
<td></td>
</tr>
<tr>
<td>Industry Company</td>
<td>Yun Nan Metallurgy Corporate Group</td>
<td></td>
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<tr>
<td>(Previous government ministry)</td>
<td></td>
<td></td>
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<tr>
<td>State Asset Investment Bureau</td>
<td>Beijing International Trust and Investment Co., Ltd</td>
<td></td>
</tr>
<tr>
<td>State Asset Management Bureau</td>
<td>Jing Shan State Asset Management Bureau</td>
<td></td>
</tr>
<tr>
<td>Research Institute</td>
<td>Fudan University</td>
<td></td>
</tr>
<tr>
<td>State Owned Bank</td>
<td>Commercial Bank of China</td>
<td></td>
</tr>
<tr>
<td>Infrastructure Construction Company</td>
<td>Hunan Highway Construction and Development Co., Ltd</td>
<td>Marketized Corporate Shareholding</td>
</tr>
<tr>
<td>Market-oriented State Owned Enterprise</td>
<td>Bao Steel</td>
<td></td>
</tr>
<tr>
<td>Security Company</td>
<td>Shenyin Wanguo Security Company</td>
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<tr>
<td>Investment Fund</td>
<td>Hongfei Security and Investment Fund</td>
<td></td>
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<tr>
<td>Private</td>
<td>Shanghai Hua Xin Investment Limited</td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>Lu Weiwei</td>
<td></td>
</tr>
<tr>
<td>Foreign (Hong Kong, Taiwan, other countries)</td>
<td>Standard Chartered Bank Hong Kong Credit Ltd</td>
<td></td>
</tr>
<tr>
<td>Work Union</td>
<td>The Work Union of Hu Bei Fiber Ltd</td>
<td></td>
</tr>
</tbody>
</table>
Private Shareholding

All other shareholders are classified as private shareholding. These shareholders include Private Corporations, Individuals, Security Companies, Investment Funds, Foreign and Work Unions. These shareholder identities are grouped together on the basis that they share the same profit seeking mandate. Entrepreneurs of privately-owned enterprises are motivated to implement a strategy that has profit maximization as its goal. Security companies, investment funds and foreign owners all face considerable profit seeking pressures, which aligns them with the interests and motivations of private shareholders. A work union is an organization that controls the capital of a company – capital that belongs to the employees who are members of the union. The work union faces a stringent selection threat from union members, who pressure the committee of the union to seek good financial returns.

IV. Structure of the Database

The information presented in this section is a variable-by-variable listing of the items in the database. In this listing, a definition and brief explanation of each variable is provided. The order of the variables in the list below roughly follows the left to right listing of variables in the EXCEL version of the database.

Variables

Code. This is the list code of the firm, unique for every firm that is listed in Shanghai or Shenzhen Stock Exchange.

Year. This variable represents the year of the observation.

C_Name. This is the name of the firm, in Chinese.
D. This is a dummy variable indicating whether the firm goes to public in the year of the observation. It equals to one when the firm has already become a public listed firm in that year, it equals to zero otherwise.

S1. This is the name of the largest shareholder of the firm, in Chinese.

ID1. This is a unique identification number for the largest shareholder.

CATE1. This variable indicates the identity of the largest shareholder of the firm. It is a categorical variable that ranges from 0 to 17. 0=cannot decide, 1=state, 2=local government, 3=government ministry, 4= government bureau, 5=industry company, 6=State Asset Investment Bureau, 7=State Asset Management Bureau, 8=Infrastructure Construction Company, 9=Market-oriented State Owned Enterprise, 10=Research Institute, 11=Security Company, 12=Investment Fund, 13=Private, 14=Individual, 15=Foreign (Hong Kong, Taiwan, other countries), 16=State Owned Bank, 17=Work Union.

S2 to S10. This is the name of the second, third, fourth, fifth, sixth, seventh, eighth, ninth, and tenth largest shareholders of the firm, respectively, in Chinese.

ID2 to ID10. This is a unique identification number for the second, third, fourth, fifth, sixth, seventh, eighth, ninth, and tenth largest shareholders, respectively.

CATE2 to CATE10. This variable indicates the identity of the second, third, fourth, fifth, sixth, seventh, eighth, ninth, and tenth largest shareholder of the firm. It is a categorical variable that ranges from 0 to 17, defined the same as in CATE1.

LOCAL_GOV. This variable represents the percent shareholdings held by local government.

GOV_MIN. This variable represents the percent shareholdings held by government ministry.

GOV_BUR. This variable represents the percent shareholdings held by government bureau.

SAIB. This variable represents the percent shareholdings held by State Asset Investment Bureau.

SAMB. This variable represents the percent shareholdings held by State Asset Management Bureau.

RESEARCH. This variable represents the percent shareholdings held by research institute.

SOB. This variable represents the percent shareholdings held by State Owned Bank.
ICC. This variable represents the percent shareholdings held by Infrastructure Construction Company.

MSOE. This variable represents the percent shareholdings held by Market-oriented State Owned Enterprise.

SECURITY. This variable represents the percent shareholdings held by security company.

INVEST. This variable represents the percent shareholdings held by investment fund.

PRIVATE. This variable represents the percent shareholdings held by private identity.

INDIVIDUAL. This variable represents the percent shareholdings held by individuals.

FOREIGN. This variable represents the percent shareholdings held by foreign identities (Hong Kong, Taiwan, other countries).

WORK UNI. This variable represents the percent shareholdings held by work union.

GOV. This variable represents the government shareholding percentage (Broad Category).

MCS. This variable represents the marketized corporate shareholding percentage (Broad Category).

PS. This variable represents the private shareholding percentage (Broad Category).

V. Research using the Database

NUS Business School’s database on Chinese listed firms’ ownership structure has been used by researchers at the NUS Business School since 2003. In that time, a number of research studies have been published. These include refereed journal articles, MSC theses, conference papers and other works in progress. Listed below is a summary of these papers and publications, current to the end of April 2006. More recent editions of this list can be obtained by contacting the Department of Business Policy at NUS Business School.
ARTICLES (2)


CONFERENCE PRESENTATIONS (2)

Xu, Weiwei. Foreign Shareholders and Survival of Overseas Subsidiaries of MNEs From Emerging Countries. 2006 Academy of International Business (Beijing, China).

Zhou, N., & Delios, A. Diversification and Diffusion: A Social Networks and Neo-Institutional Perspective. 2005 Academy of Management (Honolulu, U.S.) and 2005 Academy of International Business (Quebec City, Canada).

MSc and PhD THESES (4)


IN PREPARATION (1)