

INVESTMENTNEWS

Report Slams Chinese Firms on NYSE

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Top Chinese companies traded on the New York Stock Exchange and have poor quality of earnings, inadequate corporate governance standards, and serious accounting related-issues, according to a new study.

“Government Controlled Entities Masquerading as Independent Public Companies,” which was compiled by Rate Financials Inc., a New York-based risk research firm, criticizes the New York Stock Exchange for allowing the listings of 10 top Chinese companies to exist, even with ratings of “poor” and “very poor.”

Other findings included serious accounting and quality of earnings issues; a lack of proxy statements; differences in accounting standards; and questionable English translations on public filings.

The study also found that the companies are ultimately majority-controlled by the People’s Republic of China and frequently engage in related-party transactions, make strategic decisions that are not adequately disclosed, and pose potential conflicts of interest.

The report said that Chinese companies listed on the NYSE are exempted from the exchange’s standard corporate governance requirements because of a loophole provision for corporations who are “foreign private issuers.”

These companies are permitted to follow home country practices instead of some of the key corporate governance practices required to be followed by U.S. companies listed on the NYSE, according to the report.

The NYSE declined to comment.