

# Preface

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This book examines the post-listing evolution of the first nine Chinese companies to be listed on the Hong Kong stock exchange in 1993–94. It also provides a comprehensive summary of the various law reforms which have formed the background to that evolution over the past 12 years. What emerges is not, as one might predict, a story of the tensions between Hong Kong-based western-derived common-law notions of the corporation versus Chinese socialist, collectivist state-controlled ideas of the corporation. Nor is the classical evolutionary model from law and economics demonstrated by, for example, selection and survival of only the more ‘efficient’ reforms in corporate governance within H-share firms and the H-share market generally. Rather, corporate structures within the H-share market have been built upon those in existence in earlier times. Two sources of path dependence are identified and analysed. First, the corporate structure of individual H-share firms has emerged from the state-ownership structures of the Mao era, and their evolution has been determined by the tensions between the interests of different parties involved in the ownership/management of the firm. Only some of these interests have had both incentive and power to (usually) impede or (less frequently) advance change. Second, as well as influencing the structure and business strategies of individual firms over which they have direct or indirect control, different state agencies have also influenced the identity and timing of corporate governance reforms generally within the PRC. This story of path dependence sheds light on the reason why, despite pressures to converge, mainland China and Hong Kong vary so significantly in their corporate ownership structures. It also provides a basis for explaining why some important differences are likely to persist.

This book reflects the law as at December 2006. It has not been possible to more fully take into account reforms occurring after that date.