



## SRI MARKETS IN ASIA

# CHINA

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## 1. Executive Summary

The financial industry in China is in its early stage of growth. There is every opportunity for China to leapfrog in areas such as corporate governance because it does not have the baggage of family-owned enterprises, as has been the case with many overseas Chinese companies. State-owned enterprises dominate the business scene. Once the state is determined to change, reform is unstoppable. The Green Olympic Games of 2008 is also an important incentive for China to gear towards environmental friendly practices. SRI has a long way to go before it establishes itself in China. Nonetheless prospects are bright.

### **CARING GROUPS ARE POORLY PAID**

Caring professionals in the West have the financial means to promote SRI. This advantage is not presently shared by their Chinese counterparts.

### **A GROWING FUND INDUSTRY BOLSTERED BY GOVERNMENT BLESSING**

At the end of 2000, China's 33 securities investment funds had total net assets valued at Rmb84.6bn (US\$10.37 billion), up 35% from year-end 1999. Mutual funds are aimed strictly at the retail investor. There are 33 closed-end funds managed by 15 local asset management companies. Open-ended funds made their debut in September.

### **CORPORATE GOVERNANCE AND ENVIRONMENTAL ISSUES GAIN PROMINENCE**

China has made continuous efforts to plant good corporate governance into its state-owned enterprises restructuring drive. Much reform is needed. This issue has powerful sponsorship from senior government officials. The Hong Kong-based 'Political and Economic Risk Consultancy' gave China a score of 8.22 points on its quality of corporate governance (on a scale of zero to ten, with ten being the worst). Environmental issues, too, are topical. Chinese cities are some of the dirtiest in the world and polls show that the populace is more than concerned.