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The Association between Related Party Transactions and Corporate Governance Mechanisms: Empirical Evidence from Chinese Listed Companies
關聯交易與公司治理機制的關係: 以中國上市公司為實証

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ABSTRACT

Chinese listed companies are frequently found to have engaged in related party transactions (“RPTs”) with their controlling shareholders. This study examines the association between RPTs and the relevant corporate governance mechanisms, and the association between RPTs and their economic consequences for Chinese listed companies. Three types of RPTs are investigated in this study: (1) regular sales and purchases and other services, (2) loans and guarantees with controlling shareholders, and (3) irregular exchanges of assets, using company data from between 1999 and 2005. The empirical results suggest that the proportion of ownership held by the first (or top) largest shareholders is a key factor affecting the magnitude of certain RPTs, though this can be restricted by the combination of other minority shareholders. It is also found that the magnitude of RPTs may have a limited association with their economic consequences for Chinese listed companies. From the results of this study, a number of recommendations are made for policy makers to improve the corporate governance of Chinese listed companies and suggestions for future studies are highlighted.

Keywords: Controlling Shareholders, Chinese Listed Companies, Corporate Governance, Economic Consequences, Related Party Transactions