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## **Interim Regulation on the Board of Supervisors of State-owned Enterprises (Excerpt)**

Article1 For purpose of improving the supervisory mechanism of state-owned enterprises and strengthening supervision over state-owned enterprises (SOE), this regulation is formulated.

Article2 Board of supervisors of major large-sized SOEs (hereinafter “the board of supervisors”) are dispatched by and responsible to the State Council, and are in charge of supervising maintenance and appreciation in state-owned asset value of the major large-sized SOEs.

Regarding candidate name list of major large-sized SOEs to which the State Council dispatches a board of supervisors, the governing institution of the board of supervisors may propose and submit one to the State Council for decision.

Article 3 The board of supervisors shall focus on supervision of financial record, and conduct supervision over the financial activities of the enterprises and the business management acts of persons-in-charge of the enterprises so as to ensure no encroachment on the state-owned assets and the relevant rights and interests attached to the assets under the relevant laws, regulations, as well as the relevant provisions of the Ministry of Finance.

The relationship between the board of supervisors and the enterprises shall be that between the supervisor and the supervised. The board of supervisors shall not involve in nor interfere with the business decision-making and business management activities of the enterprises.

Article4 (omitted)

Article5 The board of supervisors perform the following functions:

- (1) to check the enterprises' implementation of the relevant laws, regulations, and rules;
- (2) to check the financial record of the enterprises, consult their financial and accounting materials as well as materials relating to its other business operations respectively, verify truthfulness and legality of the financial statements;
- (3) to check the financial performance, profit distribution, state-owned asset value maintenance and appreciation, capital flow of the enterprises; and

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(4) to check business management activities of persons-in-charge of the enterprises, to evaluate the business management performances, and to put forward proposals of award, punishment, appointment and dismissal.

Article6 (omitted)

Article7 The board of supervisors may carry out supervision and inspection by way of:

(1) listening to reports by the persons-in-charge of the enterprises about the relevant status of financial affairs, assets, and business management, to hold meetings in enterprises in regard to the relevant matters under supervision and inspection;

(2) consulting the financial reports, accounting vouchers, accounting books and other financial and accounting materials as well as other materials relevant to the business management activities of the enterprises;

(3) checking the financial affairs and status of assets of the enterprises, inquiring the personnel thereof about the relevant information and listening to their opinions, and demanding the persons-in-charge of the enterprises to make explanations where necessary; and

(4) inquiring the departments of public finance, industry and commerce, tax, audit, customs, etc. about the financial status and business management of the enterprises.

The Chairman of the board of supervisors may, in light of the needs of supervision and inspection, attend, as a nonvoting delegate or, authorize other members to attend as non-voting delegates, the relevant meetings.

Article8 (omitted)

Article9 (omitted)

Article10 (omitted)

Article11 (omitted)

Article12 (omitted)

Article13 (omitted)

Article14 The board of supervisors consists one Chairman and a number of supervisors.

The supervisors are classified into full-time supervisors and part-time supervisors. Those selected from the relevant departments and entities are full-time supervisors, the delegates dispatched from the relevant departments of the State Council or entities and personnel representatives are part-time supervisors.

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The board of supervisors may hire staff where necessary.

Article15 (omitted)

Article16 (omitted)

Article17 (omitted)

Article18 A supervisor of the board of supervisors shall satisfy the following conditions:

- (1)being familiar with and able to practice the relevant laws, regulations, and rules;
- (2) having professional knowledge of finance, accounting, auditing or economic and being familiar with the business management of the enterprises;
- (3) adhering to the principle, being uncorrupt, honest, self-disciplined and loyal, and
- (4) being able to make comprehensive analyses and judgments, having strong writing ability and being able to work independently.

Article19 The Chairman, full-time supervisors, dispatched supervisors and expert supervisors of the board of supervisors shall be governed by the principle of avoidance of conflict of interest. None of them may assume a position in the board of supervisors of the enterprises, in which he ever managed, worked or his close relative takes up a position of senior management.

Article20 (omitted)

Article21 (omitted)

Article22 The members of the board of supervisors shall keep the inspection reports confidential. None of them may divulge any business secret of the enterprises.

Article23 (omitted)

Article24 (omitted)

Article25 (omitted)

Article26 (omitted)

Article27 (omitted)

Article28 (omitted)

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Article29 This Regulation shall come into effect as of the promulgation date. “The Regulation on Supervision and Management of Property of the State-owned Enterprise” issued by the State Council on July 24, 1994 shall be abolished simultaneously.