

Measures for the Liquidation of Public Shares and Public Assets in Enterprises

(Adopted at the 66th Meeting of the Government Administration Council, January 5, 1951)

A. Scope of Liquidation

1. The enterprises referred to in these Measures are joint public-private enterprises, as well as private enterprises containing public shares or public assets.
 2. Public shares and public assets within enterprises, regardless of whether they have already been taken over, managed on behalf, or supervised by the government, shall all be liquidated in accordance with these Measures.
 3. Public shares and public assets subject to liquidation under these Measures (including loans, advances, equipment, etc.) are as follows:
 - (1) The shares and property held in enterprises by the Kuomintang regime and its state economic organs, financial institutions, etc.;
 - (2) The shares and property held in enterprises by governments of former enemy states and their nationals;
 - (3) The shares and property in enterprises held by war criminals, traitors, bureaucratic capitalists, and others that have already been confiscated and made public property according to law, as well as other shares and property confiscated according to law and turned into public assets. Investments made by the People's Government and by state economic and enterprise organs in enterprises after Liberation shall also be converted into public shares and handled together.
 4. Ownership of the public shares listed in the preceding article belongs to the Ministry of Finance of the Central People's Government.
 5. Investments made by the Bank of China and the Bank of Communications in enterprises shall be calculated as public shares when computing equity, but ownership shall remain with the original investing bank.
 6. Investments made by joint public-private enterprises in other enterprises, except as provided in the preceding article, shall not be calculated as public shares; ownership shall remain with the original investing enterprise.
 7. Public shares in enterprises (including public assets that, after liquidation, are converted into investments by agreement of both parties) shall be uniformly managed by the Bank of Communications, entrusted by the Ministry of Finance of the Central People's Government. Public shares in enterprises that had been under the control of central or local governments must, after promulgation of these Measures, be transferred in accordance with regulations.
-

B. Competent Authorities

8. Liquidation of public shares and public assets shall be carried out by competent authorities designated by the Financial and Economic Commission of the Government Administration Council, according to the nature and scale of the enterprises. Alternatively, the Commission may entrust the Financial and Economic Commissions of Greater Administrative Areas or provincial (municipal) governments to designate competent authorities responsible for the work. The designated competent authority shall, together with other relevant authorities and private shareholders' representatives, deliberate on principles for liquidating shares and

property rights and for reorganizing boards of directors and supervisors, draft a liquidation plan, and submit it for approval or filing through the following procedures before it may take effect:

(1) For nationwide or specially important enterprises, the Financial and Economic Commission of the Government Administration Council shall designate the competent authority responsible for liquidation, and the liquidation plan shall be submitted directly to the Commission for approval;

(2) For local enterprises, the Financial and Economic Commission of the Government Administration Council shall entrust the Financial and Economic Commissions of Greater Administrative Areas or provinces (municipalities) to designate the competent authority responsible for liquidation. The liquidation plan shall then be submitted directly to the Greater Administrative Area Financial and Economic Commission for approval, or submitted by the provincial (municipal) Financial and Economic Commission to the Greater Administrative Area Financial and Economic Commission for approval; once approved, the Greater Administrative Area Commission shall report it to the Financial and Economic Commission of the Government Administration Council for record-filing.

9. The government authorities referred to in these Measures are:

(1) **Business supervisory organs:** at the central level, the relevant ministries, departments, and agencies of the Central People's Government; at the local level, the relevant departments of Greater Administrative Areas, provincial (municipal) departments (bureaus), or the regional and branch offices of the People's Bank of China. These are responsible for guiding and inspecting the business policies, production, and operating plans of joint public-private enterprises;

(2) **Investment supervisory organ:** the Bank of Communications, responsible for custody of the shares of public stock in joint public-private enterprises, collection of dividends and bonuses, and inspection of the execution of financial plans;

(3) **Industrial and commercial administrative organs:** at the central level, the Bureau of Private Enterprises; at the local level, the Financial and Economic Commissions of Greater Administrative Areas, provincial (municipal) bureaus of industry and commerce, or commercial bureaus, responsible for adjusting public-private relations.

10. In joint public-private enterprises, the competent authorities shall exercise management authority through public-share representatives and directors/supervisors they appoint, by participating in shareholders' meetings, boards of directors, boards of supervisors, etc.

C. Public-Share Representatives, Directors, Supervisors

11. Lists of public-share representatives for shareholders' meetings, and public-share directors and supervisors participating in old and new boards, shall be drawn up jointly by the designated competent authority together with other relevant authorities, and submitted in accordance with the following rules for approval or filing:

(1) For nationwide or specially important joint public-private enterprises, the lists shall be submitted to the Financial and Economic Commission of the Government Administration Council for approval and appointment;

(2) For local joint public-private enterprises, the lists shall be approved and appointed by the Financial and Economic Commission of the Greater Administrative Area, or submitted by the provincial (municipal) Financial and Economic Commission to the Greater Administrative

Area Commission for approval and appointment, and the Greater Administrative Area Commission shall report them to the Financial and Economic Commission of the Government Administration Council for record-filing.

12. When there are more than three public-share representatives or directors/supervisors, in principle they shall come from the three types of competent authorities listed in Article 9, and one shall be designated as chief representative.
13. For enterprises of very small scale or with very few public shares, public-share directors and supervisors may not be appointed; instead, the local branch of the Bank of Communications, with the assistance of local government, shall be responsible for liquidating and managing the public-share equity.

D. Procedures for Liquidation and Reorganization

14. Once a liquidation plan drawn up under Article 8 is approved by the Financial and Economic Commission, the old board of directors and supervisors shall first be reorganized to temporarily exercise their functions. In addition to handling routine business, they shall immediately form a joint liquidation group of both public and private representatives to verify shareholdings and property rights, assess assets, negotiate and determine management methods and the proportion of public-private investment, and investigate the enterprise's overall situation. The findings shall be reported to the designated competent authority for verification, which shall then submit them through the procedure of Article 8 to the higher Financial and Economic Commission for approval or filing.
15. In reorganizing old boards of directors and supervisors, all public-share directors and supervisors shall be reappointed by the government in accordance with Article 11. Private-share directors and supervisors shall remain unchanged, except for shareholders (and their representatives) who are war criminals, traitors, bureaucratic capitalists, or others whose shares and property have been confiscated according to law, whose director/supervisor qualifications shall be revoked.
16. If old private directors and supervisors cannot be convened for meetings, both public and private parties may negotiate to form a temporary management committee to exercise the functions of directors and supervisors. Members of such committees shall include public-share representatives and private-share representatives (private directors/supervisors), and, if necessary, representatives of the workers' union may also participate.
17. Once the reorganized boards of directors and supervisors or temporary management committees begin exercising their powers, the system of military representatives or government takeover, custodianship, or supervision shall be terminated.
18. After verification of public and private shareholdings and property rights and confirmation of investment ratios, a shareholders' meeting shall be convened within two months. All private shareholders must participate according to law; public-share representatives shall be appointed by the government in accordance with Article 11. Voting shall normally be according to shareholding ratios, but for matters involving public-private relations, negotiation between public and private sides should be emphasized to achieve fair and reasonable resolutions.

19. The new boards of directors and supervisors of joint public-private enterprises shall be elected by the shareholders' meeting to manage and supervise business operations and financial conditions. The number of public and private directors/supervisors shall, in principle, be allocated through negotiation according to the public-private shareholding ratio. Public-share directors/supervisors shall be appointed by the government in accordance with Article 11; private directors/supervisors shall be elected by private shareholders at the shareholders' meeting. In board discussions of public-private relations, negotiations should likewise be emphasized to achieve fair and reasonable resolutions.
 20. If there are matters on which public and private parties cannot reach agreement, they shall be submitted to the higher Financial and Economic Commission or the industrial and commercial administrative authorities for adjudication.
-

E. Time Limits for Liquidation

21. After promulgation of these Measures, enterprises already under government takeover, custodianship, or supervision shall, within three months, by initiative of the takeover/custodian/supervisory organ, convene with other relevant authorities and private shareholder representatives to negotiate a liquidation plan as prescribed in Article 8. Private shareholders' representatives may also apply on their own initiative within three months to the relevant authorities. If private representatives refuse to participate or fail to apply within the time limit, the government shall conduct liquidation unilaterally and temporarily take custody of their shares.
 22. In private enterprises with public shares or assets that have not yet been reported to the government, the persons in charge of operations shall, within three months of the promulgation of these Measures, report the situation of public shares/assets to the local government and apply for liquidation; those failing to report within the deadline may be punished according to law.
-

F. Supplementary Provisions

23. In partnership enterprises containing public shares, after liquidation, specific treatment may be decided according to circumstances, such as:
 - (1) Reorganizing into a joint public-private limited liability company or joint-stock company;
 - (2) Withdrawing public shares, leaving the enterprise entirely privately managed;
 - (3) Temporarily maintaining the status quo, with public shares held by the Bank of Communications, or entrusted to local governments for management.
24. In public utilities involving both public and private shareholdings, treatment shall be determined with reference to their importance and the proportion of public and private equity.
25. In the revaluation of assets and adjustment of capital in joint public-private enterprises, reference may be made to the "Measures for the Adjustment of Capital in Private Enterprises."
26. These Measures shall be promulgated and enforced by the Government Administration Council. Amendments shall follow the same procedure.