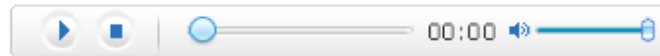


[Home](#) >> [ChinaBiz](#) >> [Industries](#)

## SASAC focuses on added-value

08:48, January 19, 2010

[Email](#) | [Print](#) | [Subscribe](#) | [Comments](#) | [Forum](#) [Share](#)



China's State-owned companies, which boast high sales and substantial assets, may no longer be deemed "successful" under new government performance criteria.

Huang Shuhe, vice chairman of the State-owned Assets Supervision and Administration Commission (SASAC), has announced that the commission will focus on the economic value added (EVA) measure to assess the performance of the 129 State-owned enterprises affiliated to the central government.



# MINISTRY OF COMMERCE THE PEOPLE'S REPUBLIC OF CHINA

Fri.5/2/2010

[Homepage](#)

[Sitemap](#)

[Statement](#)

[Mission](#)

[Search](#)

[Contact us](#)

Real-Time Update

Current Location: [Homepage](#) > [News Release](#) > [Common News](#) > [Text](#)

[Today Updates](#)

[News Release](#)

[Policy Release](#)

[Speech](#)

[Bilateral  
Exchanges](#)

[Statistics](#)

[From  
Counselor's -  
Office](#)

[Supply &  
Demand](#)

[Exhibition Info](#)

[Topic](#)

[Photo Gallery](#)

## China to use EVA index to assess central SOEs

BEIJING, — China will use an economic value added (EVA) index when assessing the performance of state-owned enterprises affiliated to the central government, known as central SOEs in China.

"Profitable enterprises don't necessarily create value," said Huang Shuhe, vice chairman of the State-owned Assets Supervision and Administration Commission (SASAC), adding that the EVA index aims to assess how efficiently capital is utilized by the 165 central SOEs and to what extent they create value.

The EVA refers to the residual income of enterprises after taking the cost of capital out of their net operating profit after tax. It considers not only the actual cost of capital but also its opportunity cost, in other words the maximum returns that could have been achieved with the capital if it had been invested elsewhere.

Huang said the EVA index reflects the performance of enterprises more accurately, but that the present indices are still useful.

Established in 2004 by the SASAC, the current performance assessment system for central SOEs examines their annual profits and returns on net assets, and metes out rewards or punishments depending on their scores.

The SASAC reported that 156 of the 183 central SOEs earned profits in 2003, with the other 27 losing money. However, only 49 central SOEs passed the EVA test, with the other 134 unable to cover the cost of their capital.

Since then progress has been made, according to a SASAC official. The 2005 report said the proportion of EVA-creating central SOEs had increased to half the total, confirming that the time was ripe for introducing the EVA index into the assessment system.

Huang said the incentive and regulatory aspects of the new way of evaluating central SOEs would be further improved. He added that, in the future, the market value of listed companies could also be included in the assessment system.