

Minority Shareholders Rights in Asia

The Weak Shall Be Strong

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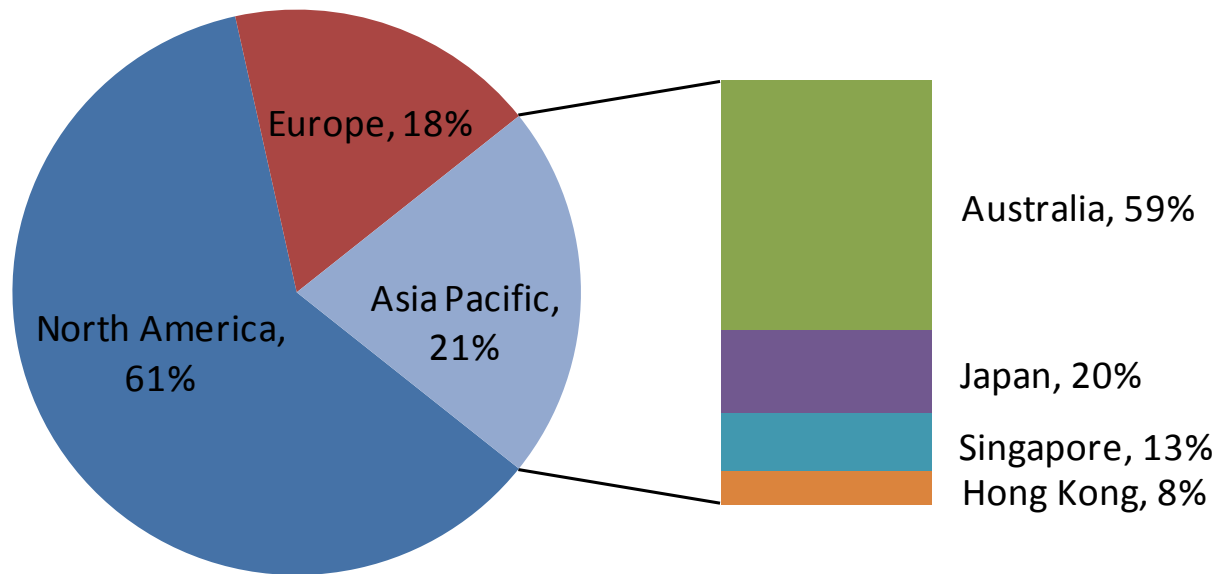
Corporate Governance Initiatives in Asia

The CFA Institute Agenda

Minority shareholder protection

- REITs – BUILDING Trust Through Governance
 - Report due to be released in Feb 2011
- Agenda for debate/ research
 - Usurpation of Corporate Opportunity
 - Dilution through Share Issuance
 - Fight for Corporate Control
 - Corporate Disclosures by Issuers

Global REIT market



Source: FTSE EPRA/NAREIT Global Developed REIT Index, at 30 June 2010

REITS – conflicts of interests

| Company (Bloomberg code) | Champion REIT (2778:HK) | Regal REIT (1881:HK) | GZI REIT (405:HK) |
|---|--|---|--|
| Manager | Eagle Asset Management (CP) Ltd, wholly owned by sponsor | Regal Portfolio Management Ltd, wholly owned by sponsor | GZI REIT Asset Management Ltd, wholly owned by sponsor |
| REIT Sponsor | Great Eagle Holdings Ltd | Regal Hotels International Holdings Ltd (RHIHL) | GZI Group (principal subsidiary of Yue Xiu) |
| Largest substantial unitholder of the REIT | Lo Ka Shui, Chairman, founder and managing director of Great Eagle Holdings Ltd (63.57%) | Lo Yuk Sui, Chairman, son of the founder and CEO of RHIHL (74.5%) | Yue Xiu (36.55%) |
| REIT Manager - Board of Directors | | | |
| Number (%) INEDs | 3 (38%) | 3 (33%) | 3 (50%) |
| Separation of the role of CEO and Chairman | Yes | Yes | Yes |
| Is the Chairman a NED, INED or ED? | NED | NED | ED |
| Is the Chairman connected to the substantial unitholder/sponsor? | Yes, Chairman is also Chairman and Managing Director of Great Eagle Holdings Ltd | Yes, Chairman is also Chairman and CEO of RHIHL | Yes, Chairman is the vice-chairman of Yue Xiu |

Ownership structure common in REITs in Hong Kong.

- ◆ Manager is wholly owned subsidiary of the sponsor
- ◆ Sponsor is a large substantial shareholder in the REIT
- ◆ Chairman is not independent

Usurpation of Corporate Opportunity

Competing business through unlisted vehicles

- Shinsegae
 - Shinsegae Department Store, SDS is a listed entity. The Chung Family set up Gwangju Shinsegae in mid nineties and operated stores using Shinsegae brand.
- GOME
 - GOME, electrical appliance company listed in Hong Kong manages 370 stores owned by Huang Guangyu. Prohibited from operating stores where 370 stores are located. GOME manages those 370 stores owned by Huang, the controlling shareholder.

Usurpation of Corporate Opportunity

Non-compete agreements

- CNOOC was listed in Hong Kong in 2001. It holds exclusive rights to PRC offshore oil and natural gas exploration rights as stated in prospectus when listed. CNOOC called for an EGM in 2005 and sought minority shareholder approval to give consent to parent to engage in competing business.

Share Issuance – General Mandate

Dilutive effect on Minority Shareholders

| | Hong Kong | Singapore | United Kingdom |
|-----------------------------------|----------------------|----------------------|----------------------|
| Maximum – issue of shares | 20% | 20% | 5 % |
| Maximum Discount | 20% | 10% | 5% |
| Placement with related parties | Shareholder Approval | Shareholder approval | Shareholder approval |
| Disclosure required for placement | yes | yes | yes |

renewal required at next annual general meeting.

Fight for Control – watch this space

- GOME –
 - 7 June 2009 GOME issued USD233 million convertible bonds to Bain Capital Glory Limited, at 5 per cent semi annual interest.
 - GOME agreed to appoint 3 directors nominated by Bain; and breach of that will trigger redemption at 1.5 times the principal sum.
 - 18 May 2010 – Huang was sentenced to 14 years jail by mainland court; and Du Juan, received 3.5 year sentence.
 - GOME is run by Chairman Chen Xiao, and owns 1.38 per cent of GOME.
 - Sept 28 – Huang called EGM to remove Chen and Sun as executive directors; appoint Zou (Huang's lawyer) and Huang Yan Hong (sister) as directors.
 - The 3 Bain directors will have to stand for election by shareholders.

Corporate Disclosures and Practices

Let the **SUNSHINE** in

Quarterly Reporting - Form, Format and Substance
- Accuracy and Reliability

Side Agreements – Fortis / Parkway

-Two directors will vote according to the instructions of Fortis; not disclosed to investors

Allow Non Binding Vote on CEO/ Senior Executive Pay