“Best Corporate Governance Practices in Asia: Learning from Asian Companies”

Presentation by:
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Asian Corporate Governance Association
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Agenda

1. Best corporate-governance practices in Asia: What are they?
2. What type of companies are going "beyond compliance"?
3. Implications for companies listed in China?

1. Best practices in Asia

- High-quality disclosure
- Fair treatment of all shareholders
- Robust checks and balances within the organisation

High-quality disclosure

- Prompt and detailed financial reporting:
  - Annual results in less than 60 days
  - Consolidated results (including quarterlies)
  - Explanations of complex subjects (eg, connected transactions, share options) in simple language not “legalese”
- Meaningful “non-financial reporting”:
  - Explanation of how + why independent directors were chosen
  - Sufficient detail on what the board does
- Management openness:
  - Willingness to meet investors; give regular analyst briefings
  - A senior person in the investor relations role

Fair treatment of <u>all</u> shareholders

- Financial:
  - Not diluting minority shareholders through non pre-emptive share issues.
  - Paying dividends rather than hoarding cash (in low-growth mature companies).
- Shareholder meetings & rights:
  - Facilitating voting and attendance of investors
  - Informing investors of their rights
  - Allowing minorities a say in director nomination
- Avoiding negatives:
  - Connected transactions (eg, intra-company loans)
  - Value-destroying “conglomeration”
  - Excessive director pay

Organisational checks and balances

- This is not just about having more “independent” directors on paper, but…
  - Selection of independent directors—asking the right questions as to what your company needs?
  - Induction and training of all directors, especially non-executive and independents.
  - Giving independent directors some real responsibility.
  - Strong internal controls and financial/information systems
  - A philosophy of business: Seeing governance as contributing to organisational efficiency and development—not just a set of rules to comply with.

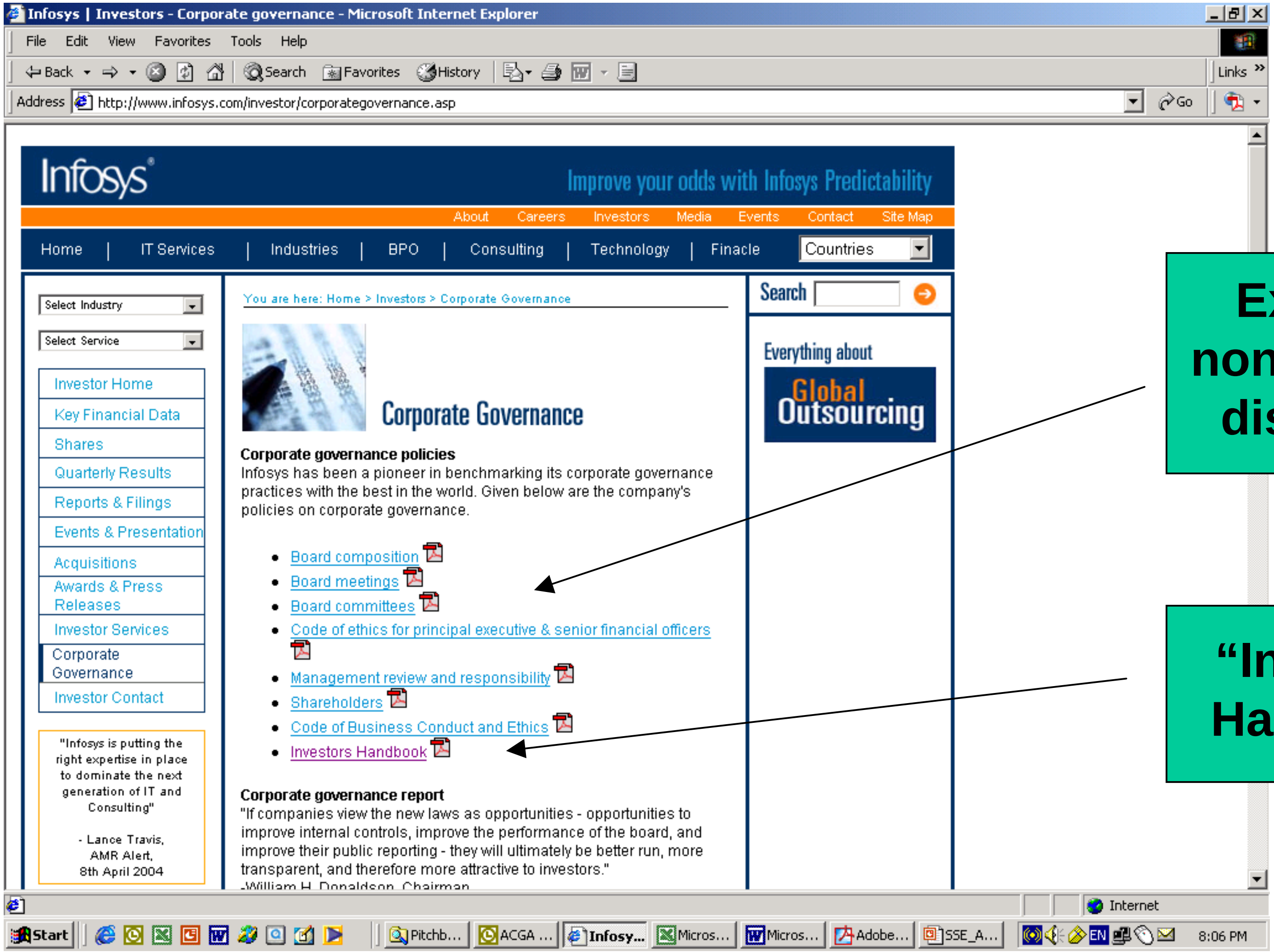
2. Companies that stand out

- Quick reporting:
  - Hong Kong: Bank of East Asia; ASM Pacific; IDT Int'l; CLP Holdings; HSBC; Hang Seng Bank; HKEx.
  - Singapore: SGX; ST Engineering; Capitaland; Singtel; Sembcorp.
  - Malaysia: Public Bank

- Voluntary reporting:
  - Hong Kong: A number of small- to mid-caps are voluntarily reporting quarterly, including IDT Int'l and Sino Biopharm.
  - Singapore: Singtel began quarterly reporting in June 2000, three years early.

Note: You don't have to be huge to excel.

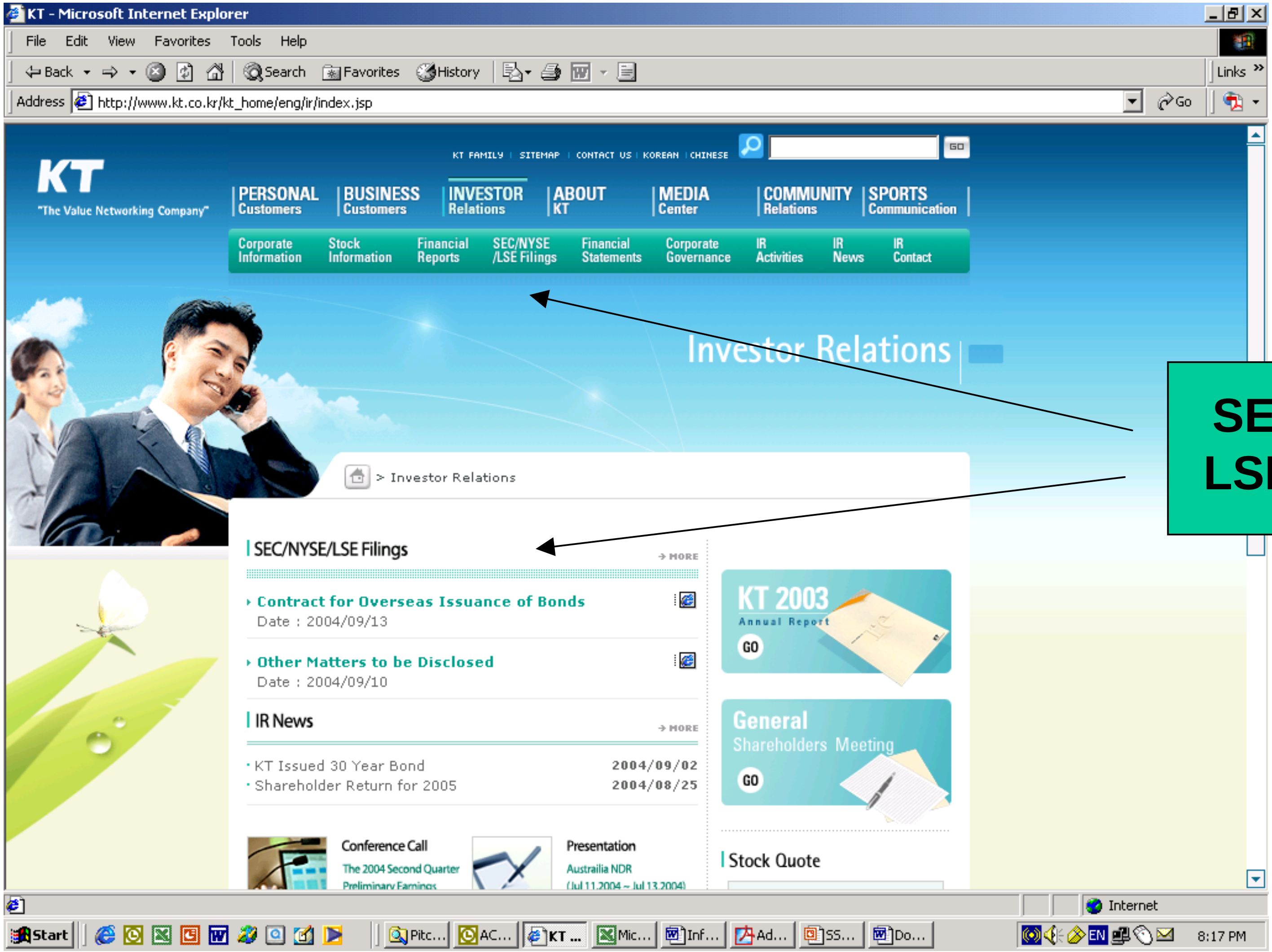
www.infosys.com



Excellent non-financial disclosure

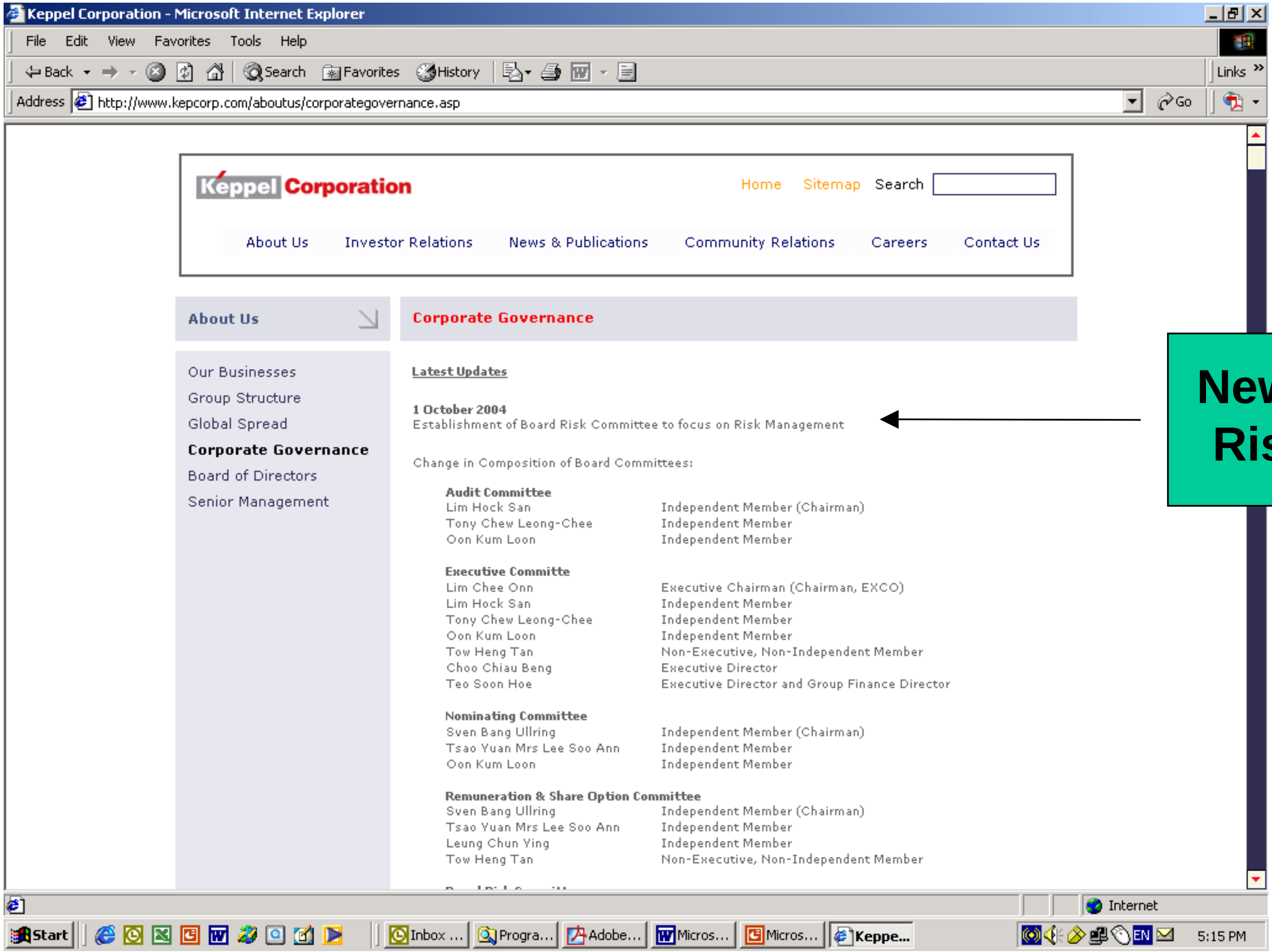
"Investors Handbook"

www.kt.co.kr



SEC/NYSE/ LSE Filings

www.kepcorp.com



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Corporate Governance

Latest Updates

1 October 2004
Establishment of Board Risk Committee to focus on Risk Management

Change in Composition of Board Committees:

Audit Committee

Lim Hock San	Independent Member (Chairman)
Tony Chew Leong-Chee	Independent Member
Oon Kum Loon	Independent Member

Executive Committe

Lim Chee Onn	Executive Chairman (Chairman, EXCO)
Lim Hock San	Independent Member
Tony Chew Leong-Chee	Independent Member
Oon Kum Loon	Independent Member
Tow Heng Tan	Non-Executive, Non-Independent Member
Choo Chiau Beng	Executive Director
Teo Soon Hoe	Executive Director and Group Finance Director

Nominating Committee

Sven Bang Ullring	Independent Member (Chairman)
Tsao Yuan Mrs Lee Soo Ann	Independent Member
Oon Kum Loon	Independent Member

Remuneration & Share Option Committee

Sven Bang Ullring	Independent Member (Chairman)
Tsao Yuan Mrs Lee Soo Ann	Independent Member
Leung Chun Ying	Independent Member
Tow Heng Tan	Non-Executive, Non-Independent Member

New "Board Risk C'tee"

Do these companies fit a type?

- Similarities among the companies mentioned:
  - Most operate in highly competitive international markets.
  - Do not depend for their success or survival on a large and friendly conglomerate.
  - Often in risky high-tech/IT, telecoms and banking/finance sectors.
  - The mindset of the senior executives is more of an issue than country of origin.
  - A diverse shareholder base helps.
  - Several are reformed and privatised (partially or fully) state-owned enterprises.

3. Implications for China

- General implications for Chinese listed companies:
  - Size is not a major issue: smaller companies can achieve high standards of governance.
  - Former SOEs—if allowed by their dominant owner or sufficiently privatised—can sometimes start afresh and create new systems of governance.
  - See governance as something that can bring organisational and efficiency gains.

Economic implications

- Broad economic, social and technological forces driving corporate governance in the rest of Asia are affecting China too, namely:
  - Capital market development
  - Growth of investment management industry
  - Pension fund reform (+ pension privatisation)
  - Expansion in the use of IT for managing information and communicating it.
- Same demands on the best or biggest Chinese companies to:
  - Be much more transparent, accountable and ethical.
  - Continuously improve in all these areas.
  - Adopt technology quickly. This is an opportunity (eg, webcasting).

Conclusion

- Asian companies can achieve world-class or very high levels of corporate governance. Culture (local customs) and country (quality of the market) need not be an obstacle.

- ‘Substance over form’ does exist (even if it is not widespread yet) and is being shaped more by competitive forces and individuals than by governments. If companies have a clear incentive to improve their governance, they will do it.

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