MEDIA RELEASE

Corporate Governance Watch 2012
Cracks in Asian Corporate Governance reappear in recent years

Hong Kong - Wednesday, 19 September 2012 - CLSA Asia-Pacific Markets ('CLSA'), Asia's leading and longest-running independent brokerage and investment group, has released its *Corporate Governance ('CG') Watch 2012*, the 9th survey of corporate governance across Asia since 2000.

Produced in collaboration with the Asian Corporate Governance Association ('ACGA'), the report examines 864 listed companies across Asia-Pacific markets, including Japanese and Australian firms, to produce the most comprehensive assessment of corporate governance performance, issues and trends in Asia.

The report, entitled '*Tremors and cracks*', finds that cracks in Asian corporate governance have become more apparent with corporate scores slipping since the previous *CG Watch* report was issued in 2010. Investors have faced issues ranging from relatively minor corporate transgressions to growing concerns about the reliability of financial statements and, at the extreme, outright fraud. Corporate Governance, once again, can no longer be taken for granted.

Among the market rankings, those with improved CG ratings are in Southeast and South Asia with Singapore remaining at the top in 2012 followed by Hong Kong and Thailand. Most of those with falling CG ratings are in North Asia, including Japan and Taiwan both down 2 percentage points ('ppts'), and China down by 4ppts. Korea is an exception and is up 4ppts this year while its overall score remains lower than Japan and Taiwan. The Philippines and Indonesia are once again at the bottom of the market rankings, with Indonesia coming last in 2012.

Author of the *CG Watch 2012* market analysis, **Secretary General of the ACGA Jamie Allen** said: "There is no common reason as to why markets in the south are improving. Each country has been motivated by different factors. Singapore, for example, has rejuvenated its CG policies and is becoming more open; Malaysia produced a five-year "CG Blueprint" and its companies are performing better; and the Philippines has a new government that is making some progress in the fight against corruption and for better administration."

"Overall, we believe that the systemic quality of CG in Asia is gradually getting better, despite the appearance of numerous frauds and other market malfeasance around the region. Indeed, it is precisely such crises and challenges that spur regulators, investors, the media and others to take governance more seriously," concluded Allen.

In this year's survey, the governance scoring of corporations has been streamlined and the focus of the main CG questionnaire was narrowed from 46 to 30 main issues, covering five core areas: discipline, transparency, independence, responsibility and fairness. Corporations from Australia lead in CG scoring, while Singapore and Hong Kong remain among the better markets for corporate standards. Marketplace perceptions of

CG are typically coloured by the very worst companies. With China, Korea and Indonesia generally seen as locations where CG is a major issue.

Commenting on the overall analysis of companies, **CLSA Head of Asia Research, Amar Gill** said: "Asian corporations fare worst on the independence of boards. The composition of the audit committee is a genuine test that most companies fail. Few have an independent chairman, and not many have a majority of independent directors. The potential for conflict of interest is a major issue."

As with the previous report, we have included a Clean & Green and Corporate Social Responsibility score and find that scores are down slightly from 2010, albeit on a sample size that has nearly doubled. **CLSA Head of Sustainable Research, Charles Yonts** commented: "For investors pitfalls remain as companies are forced to deal with issues that previously would have been swept under the rug. Reporting standards are improving, driven by both stock exchanges tightening disclosure standards, and rising subscription to global environment, social and governance reporting standards."

Concluding on the overall findings, Gill said: "Corporate governance is largely about checks and balance; it can be seen as like the braking system of a car. While essential for handling a track safely, the fastest cars around a track are not necessarily those with the best braking system - although they should be! Investors will need to swerve and get a tighter grip when dealing with the cracks in governance and the tremors in Asian investing."

- end -

Authors of the report, CLSA Head of Asia Research Amar Gill, Secretary General of the ACGA Jamie Allen and CLSA Head of Sustainable Research Charles Yonts are all based in Hong Kong and will be available for media interviews upon request.

About CLSA Asia-Pacific Markets

CLSA Asia-Pacific Markets is Asia's leading and longest-running independent brokerage and investment group. The company provides equity broking, investment banking and asset management services to global corporate and institutional clients.

Renowned for service excellence, product innovation and award-winning market intelligence, CLSA has built its reputation on unrivalled equity research and economic analysis which is consistently ranked the best in Asia.

CLSA was ranked the No.1 broker in Asia for the past 19 years in the *Asiamoney* No.1 Brokers Poll 1990-2008 published in July 2009. The company was voted Best Overall Brokerage in Asia (ex-Australia and Japan) for Combined Research and Sales in 2010-2007 and No.1 Most Independent Research Brokerage the past decade in the annual *Asiamoney* Broker's Poll (except 2005). CLSA has ranked No.1 for equity strategy in *Institutional Investor's* All-Asia Research Poll between 2003 and 2012 (except 2006 and 2010).

CLSA is one of the world's largest agency brokers and one of Asia's largest independent equity brokers. The group's investment banking services include equity public offerings (primary and secondary) and M&A advisory. Alternative asset management is offered through a range of Asia-based funds under CLSA Capital Partners.

MEDIA RELEASE

Founded in 1986 and headquartered in Hong Kong, CLSA has over 1,500 dedicated professionals located in 20 cities across Asia-Pacific, as well as UK and the US. CLSA's major shareholder is France's Crédit Agricole, which merged in 2003 with Credit Lyonnais. In July 2012, China's CITIC Securities became a minority shareholder of CLSA.

Additional information is available at www.clsa.com.

For further information, please contact:

Anna Tehan, Head of Communications
Tel: (852) 2600 8196
Email: anna.tehan@clsa.com

Mandy Ho, Communications Manager
Tel: (852) 2600 8193
Email: mandy.ho@clsa.com

Media Team:
Email: media@clsa.com

About Asian Corporate Governance Association (ACGA)

The Asian Corporate Governance Association (ACGA) is a non-profit, membership association dedicated to promoting substantive improvements in corporate governance in Asia through independent research, advocacy and education. ACGA engages in a constructive dialogue with regulators, institutional investors and listed companies on key corporate governance issues and works towards making improvements.

For more details on ACGA's activities and a database of information on corporate governance in Asia, see our website: www.acga-asia.org

Jamie Allen, Secretary General
Asian Corporate Governance Association
Room 1801, 18th Floor, Wilson House
19-27 Wyndham Street, Central, Hong Kong

General tel: (852) 2160 1788
Direct tel: (852) 2160 1789
Fax: (852) 2147 3818
Email: jamie@acga-asia.org