

Doing Business in Hong Kong

Tireless champion of shareholder's rights

PROFILE
DAVID WEBB

Charles Lee examines the campaigns of a one-man phenomenon

Hong Kong takes pride in being a leading international financial centre, but it has its share of boardroom shenanigans and dubious dealings it would rather keep hidden.

Investors, however, have become a lot more familiar with the foibles of Hong Kong's business elites, thanks to the efforts of one man.

Since 1998 David Webb, a 44-year-old retired investment banker who manages his own money and runs a financial and corporate governance website (www.webb-site.com), has made it his mission to defend the rights of minority shareholders and improve corporate governance in Hong Kong. And he is succeeding. "Things are gradually moving forward. Otherwise, I'm wasting my time," he says.

During his decade-long campaign, Mr Webb has butted heads with some big-name Hong Kong executives.

None is bigger than Richard Li, who is chairman of the city's dominant telecoms company and the younger son of Li Kashing, one of Asia's richest men.

This year, Mr Webb almost single-handedly foiled Mr Li's attempt to take private his company, PCCW. After coming across suspicious registrations of new shares in the lead-up to a shareholders' vote in February that approved PCCW's bid to buy them out for \$2bn, Mr Webb complained to regulators that the process may have been rigged.

Neither Mr Li nor PCCW was implicated of any wrongdoing in connection with the transaction.

Hong Kong's Securities and Futures Commission pounced and in April a court ruled against the company, blocking the deal.

This was the second clash between Mr Webb and Mr Li. The shareholder activist first grabbed headlines in 1999 when he criticised Mr Li's "Cyber-

port" IT hub, which was awarded without a competitive bidding process, as a huge property development concession. Mr Webb considered the project an ill-advised government intervention in the property sector.

No one could have missed his message between the lines: that Cyberport was just another cosy deal among Hong Kong's governing and business elites. The deal went ahead, however.

Mr Webb's more lasting impact, though, has been on less high-profile causes.

In 2003, he bought 10 shares in each of the Hang Seng Index's component companies so he could demand a full count of votes at shareholder meetings on the basis of one share, one vote (voting by poll), rather than a one person, one vote (a show of hands). After six years of pressing companies and the stock exchange, Mr Webb at last saw voting by poll become mandatory this year.

"His work on shareholder voting has moved this market forward," adds Melissa Brown, managing director of IDFC Global Alternatives, a fund. Institu-



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tional shareholders who were not fulfilling their fiduciary responsibilities have had to step up, and companies that were abusing informal voting practices have been put on notice."

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Mr Webb has not always been an outside agitator. In recognition of his work on corporate governance issues, he was twice elected as an independent non-

executive director of the Hong Kong stock exchange, Hong Kong Exchanges and Clearing, in 2003 and 2006. The SFC also seeks out his advice on a wide range of policy issues.

But he resigned from the HKEx board in May 2008 with a year remaining on his term, frustrated at the slow pace of internal reform and what he alleged was too much government interference. He says resigning has given him more time to pursue issues dearer to his heart.

His latest projects include advocating quarterly reporting and building a database of prominent citizens who risk conflicts of interest by sitting on multiple corporate boards

and government advisory committees.

Mr Webb's detractors sometimes portray him as a publicity hound, and for local journalists he is indeed a reliable quote machine. His slightly exasperated response is that being an activist requires media-savvy. He adds that his work is nothing more than another form of community service.

"If you have the expertise and financial security to give something back, you should," he said. "It's almost selfish not to."

A UK native, Mr Webb has lived in Hong Kong since 1991. One of the worries he has for the place he considers his permanent home is the growing risk that Shanghai will displace

it as China's premier financial centre.

Quarterly reporting is already the norm on the mainland. But even if the renminbi becomes an international currency sooner rather than later, Shanghai will be hard-pressed to replicate the integrity of Hong Kong's legal system and the civic freedoms which make possible the work of activists such as Mr Webb.

"I welcome what he's doing," says Chakara Sisowath, managing director of Comgest Far East, a French fund management company. "Ten years ago, no one cared about minority shareholders in Hong Kong. But now people are paying more attention to the issues he's addressing."