

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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EDITORIAL

Dear readers!

This issue of the journal *Corporate Ownership and Control* is devoted to corporate governance in Asia. We are happy to introduce to the reading audience several high-class papers describing various issues of corporate governance in emerging markets in Asia.

Ching-Hai Jiang , Kuei-yuan Wang, Yen-Sheng Huang examine the relationship among managerial ownership, capital expenditures and firm performance using data of 359 firms listed on the Taiwan Stock Exchange over the period 1998-2005. The empirical results indicate a concave relationship between managerial ownership and future firm performance and a positive relationship between managerial ownership and capital expenditures. Moreover, for firms with larger capital expenditures, the interactive effect of managerial ownership and capital expenditures is significantly positively related to firm performance.

Hsi-Mei Chung, Yunshi Liu attempt to investigate the relationships among overlapping investment, use of particularistic ties, group performance, and succession in family business group. The results show that the family business group's overlapping investment between the owner-managers and family members occupying the decisive positions of group affiliates significantly influence its leader change. This study highlights the importance of alternative control choices within the family business. Furthermore, it also provides a good comparing start-point for researches interested in understanding the succession issue of Chinese family business in Great China.

Chia-Hsing Huang, Liang-Chun Ho explore the relationship among the bio-energy company stock index in Taiwan, TAIEX, DJI, Nikkei 225 and SSE composite index for a period from January 1, 2005 to March 11, 2008. Test results indicate two things are noteworthy: 1. Granger causality tests show that the interaction between the bio-energy company stock index in Taiwan and TAIEX is one-way only; however, that between the bio-energy company stock index in Taiwan and DJI is two-way. 2. According to the results of variance decompositions, though TAIEX has the highest explanation power; nevertheless, the explanation strength tends to decrease.

Yung-Shi Liau, Jack J. W. Yang apply a two-factor asset pricing model (market and foreign exchange) to examine the stock pricing behaviors in export-oriented Asian markets (Hong Kong, Malaysia, the Philippines, South Korea, Taiwan and Thailand) for the period 1994-2005. The three foreign exchange risk factors are Japanese yen, US dollar and EURO. GMM test results indicate only the US dollar exchange risk factor is priced in Asian stock markets, i.e., the appreciation/depreciation of the US dollar should affect investors' buying/selling decision to some extent. The empirical results are valid for both subperiods as well as the whole period.

Azlan Amran, Mohd Hassan Che Haat, Rosli Abdul Manaf focus on the importance of ownership structure as a determinant of risk disclosure. It is expected to contribute to the literature particularly in the Malaysian context, where risk disclosure practice is in the infancy stage. This study uses multiple regressions in assessing the variability of the extent of risk disclosure. The overall results confirm that highly concentrated ownership would lead to high agency problem, which then leads to less disclosure. This implies that, to promote greater transparency in countries where many of the large listed companies are family-owned, more stringent laws that mandates adequate risk disclosure is clearly warranted.

Ngui Kwang Sing, Voon Mung Ling explore the role of selected internal governance mechanisms as mediators of the relationship between ownership and firm performance. Data from 2004 and 2005 was gathered from 177 firms listed on Bursa Malaysia. Structural equation modelling was used as the primary statistical analysis approach. Insiders and blockholders were found to compete for board dominance. Selected internal governance mechanisms mediate the effect of ownership on performance, suggesting that these were used to advance the investment interests of insiders/ blockholders.

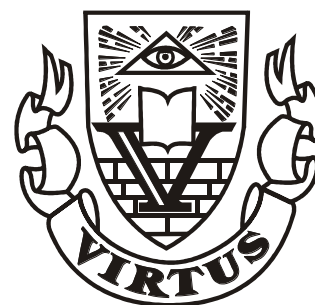
Jing Chi, Guang Zeng investigate how ownership structure affects the market performance of the Chinese publicly listed companies. The sample consists of all firms listed in the Shanghai and Shenzhen Stock Exchanges from 1998 to 2001. They find that a firm's market performance is positively related to the proportion of legal person shares but negatively related to the proportion of shares owned by the state. Using cross-sectional regressions, they further find that corporate value decreases with a firm's increasing leverage and size, while surprisingly foreign ownership does not increase a firm's market performance.

Yi-Hua Lin, Yenn-Ru Chen and Jeng-Ren Chiou examine large shareholders' rights offering behavior and firms' subsequent operating performance. The results reveal that with a higher ratio of state-owned shares, large shareholders tend to give up all preemptive rights for new shares of stock. Evidence confirms a predicted positive relation between large shareholders' full rights subscription behavior and firms' subsequent operating performance.

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