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Aging Scions Stoke Concerns Over Succession

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By TE-PING CHEN

HONG KONG—Many of Hong Kong's tycoons, now in their twilight years, will hand over the reins of power to their children soon, raising questions about how their corporate dynasties will weather the transitions.

In addition to real-estate magnate Li Ka-shing, 84 years old, some of the city's aging moguls include casino titan Stanley Ho, 90; Kerry Properties' 0683.HK -0.27% Robert Kuok, 88; jewelry retailer Chow Tai Fook Enterprises' Cheng Yu-tung, 87; and Henderson Land Development's 0012.HK +1.61% Lee Shau Kee, 84.

Hong Kong's conglomerates are mostly family-run affairs, with their patriarchs exerting tight control over company operations, complicating succession issues, particularly how to distribute power after they can no longer hold the reins.

The city's corporate magnates tend to "keep cards close to their chests, and basically control everything," said Christian Stewart, managing director at Family Legacy Asia (HK) Ltd., which advises local families on governance and succession. Once the founding patriarch steps down, the threat of failure for such businesses tends to be significantly higher, he notes. "Often, the father doesn't teach children to work well as collaborative stakeholders."

Such uncertainty poses a risk for minority shareholders, who could suffer heavy losses during leadership changes. One recent analysis of 250 family firms in Hong Kong, Singapore and Taiwan, for example, found that during the succession process, company stocks' value fell by an average of 60%.

In addition, complex family disputes have arisen because some tycoons have more than one family, in part because polygamy was legal in Hong Kong until 1971. Some of the city's patriarchs, including Mr. Ho, have several wives, complicating battles over their business empires. Earlier this summer, when cotton-yarn magnate and devout Buddhist Chen Din Hwa passed away, local tabloids reported that his two feuding daughters brought in rival teams of monks to chant at his bedside.

To be sure, two of Hong Kong's most powerful octogenarians, Li Ka-shing and Cheng Yu-tung, have laid out clear succession plans. In May, Mr. Li announced that he would give his older son control of company assets and offer the younger one cash for his independent businesses. Earlier this year, Mr. Cheng declared he was stepping down from his roles at the conglomerate New World Development, which is controlled by Chow Tai Fook, to be succeeded by his son Henry.

In addition, a number of Hong Kong's prominent companies have created highly professional management teams, including Mr. Li's [Cheung Kong Holdings](#) 0001.HK +1.25% and [Sun Hung Kai Properties](#), 0016.HK +1.26% to smooth the succession process and ensure stable company leadership.

But such moves are far from the norm. Other local tycoons, including Mr. Ho and Mr. Chen, have held on to their titles even as they have grown too ill to fulfill their company duties. Questions over who will inherit control—and the family wealth—have already engulfed numerous families in dueling lawsuits and squabbles that have played out across the city's tabloids.

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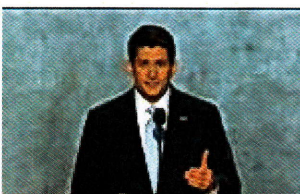
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