

Qian Hu, Raffles Holdings score high marks

Of the 330 firms whose scores were updated, 157 did worse than before

By **PENELOPE PHOON-COHEN**

THE first Corporate Transparency Index (CTI) of 2005 saw perennial high achiever Qian Hu Corporation, the ornamental fish breeder and retailer, score an impressive 94 points. International hotel operator Raffles Holdings came a close second, also breaking the 90-point barrier. Both companies improved on last year's top five scores with jumps of six and eight points respectively to take the top two spots outright.

Recent high-profile initial public offering (IPO) StarHub, which joined the SGX mainboard in October, was the top new entrant with a score of 82. Singapore's biggest banks and property companies continued to post high scores, illustrating their underlying commitment to provide stakeholders with quality and timely financial information.

Compliance with SGX rules requiring disclosure of year-end financial

results within 60 days once again saw a flurry of activity at the end of February as just over 40 per cent of companies took close to the maximum time allowed.

When analysing the timing of released results the data reveals that two companies provided figures within 14 days, 56 in 15-45 days and 325 between 45 and 60 days. Seven companies released results after the new ruling period and while some of these were granted extensions, there were a number which gave no details as to why they released their results outside the stipulated time.

This instalment of the CTI has scored 390 companies with a financial year ending Oct 31 to Dec 31, 2004, and takes into account results released up to March 20. These latest additions take the number of CTI entrants to a record 615. The number was bolstered by significant IPO activity in the last 15 months. The period between January 2004 and March 2005 saw 102 companies added to the mainboard and Sesdaq and all are included in this latest CTI.

Scoring for the CTI is undertaken by reviewing the financial reports and

associated documents, such as press releases and fact sheets, against a scorecard which is split into two sections — content and context. Only information that is released to the SGX via Masnet for the Singapore investment community is considered although there is some limited information gleaned from corporate websites. Interim reporting is not assessed.

While there are some companies that are listed both in Singapore and the United States and produce excellent reports that have to comply with US regulations, these do not satisfy the CTI criteria as they are often released in 90 rather than 60 days and are therefore not considered.

Overall, the CTI 2005 figures may be viewed with some disappointment when compared with the 2004 figures. Of the 330 companies whose scores were updated, 157 disappointingly scored lower than last year while 146 increased their score and 27 remained the same. But it is not all gloomy as, with the addition of first-timers to the CTI, the average score edged up 0.5 point from 49.5 at the end of 2004 to the "pass mark" of 50 points.

Comparisons with last year's CTI

are more meaningful this time around as the methodology has remained the same. The majority of changes were marginal but there were some big movers, both up and down.

In the "plus" column were Fibrechem Technology and Shanghai Asia Holdings; both improved their scores by over 25 points, with 29 other companies gaining more than 10 points. On the "down" side Agva, A-Sonic Aerospace, CSE Global and Sinwa fell by over 15 points, while 10 other companies lost 10 or more points.

Effective communication

To explain the scoring changes it is necessary to analyse the movement separately in the context and content sections of the CTI.

Most of the big gains and losses were in the context section and were a result of companies changing their timing of results releases and proceeding with or ceasing media and analyst conference activity. The context section scores the effectiveness of how the content is communicated to the market and 40 points are available to each company.

The content section assesses the quality and quantity of information disclosed and 60 points are available to each company. Low and negative scores were obtained when companies lumped items together which could leave the reader under-informed or bemused. This was reflected in the number of companies that saw small fluctuations in their scores. Quantitative detail was insufficient in the profit and loss account and expenses breakdown while qualitative disclosure in the areas of asset management, risk management and future plans and prospects were poor in comparison to the top 50 companies.

Companies that achieved high scores in the content area provided more depth in the explanation of figures and details revealing the "why" of their financial snapshot. Both quantitative and qualitative information are important with narrative explanation being essential in providing stakeholders with a better idea of the current and future state of the company.

It is important to note when considering the results of the 2005 CTI that transparency is not a reflection of how well a business is doing but rather an

attitude as to how it relates important information to stakeholders in order to provide a more complete picture of what is happening within the company and its business environment.

This latest version of the CTI introduces an all-inclusive and rolling scoring table. All available SGX listed company scores are incorporated into the scoring table with the date of their last results release appearing in the column next to the company name. The aim of this change is to keep a comparative score logged on the CTI for companies with later year-end dates. The 2005 scores of these companies will be updated when the year-end results are delivered at their respective due dates. The final CTI for 2005 will be produced around December and include all the latest available information.

The 2005 CTI will be updated in May to capture results up to March 31. Around 100 companies will be updated at this stage.

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