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## Companies must step up disclosure efforts

Low BT-CTI scores show that SGX-listed firms are not communicating enough with investors

By **MAK YUEN TEEN** and **PENELOPE PHOON-COHEN**

**T**HE second instalment of the Business Times Corporate Transparency Index (BT-CTI), conducted jointly with the Corporate Governance and Financial Reporting Centre at the National

University of Singapore and Association of Chartered Certified Accountants (Singapore), surveyed 99 companies listed on the Singapore Exchange (SGX). All 99 companies released their results between Jan 31 and Mar 31, 2006.

Seven companies with the financial year ending on Dec 31, 2005, that were not scored in the previous article have also been included — bringing the total number of companies scored so far this year to 535.

As the scores are based on the revised scorecard introduced in June 2006, the scores are not directly comparable with the previous year's CTI scores. It should also be noted that the ranking of a company would change according to the number of companies added to the index in each quarter.

Hence it is our view that for companies to gain a clear understanding of their position in relation to all the other SGX-listed companies, the complete list of scores — expected to be released in early 2007 — should be taken into account.

**Methodology**  
The CTI reviews, analyses and scores year-end financial reports filed with SGX, and associated documents, such as press releases, corporate fact sheets and presentations, against a scorecard which is split into two sections: "content" and "context". The main source of information is that which is released via SGXNet and

found on corporate websites. The "content" section assesses the quality and quantity of financial information provided, with a maximum score of 60. The "context" section scores the effectiveness of how the "content" is communicated to the market, with a maximum score of 40.

In awarding points for "context", we have relied on our own research of company websites, public disclosures, e-mails and telephone calls to companies. Where we have not been able to obtain updated information in producing this edition of the BT-CTI, we have used information on past practices — such as whether briefings are held for analysts and the media — and assumed that these practices remain. Periodically, we will contact companies to determine their current practices.

If companies do not respond to these periodic enquiries to assist us to update their disclosure practices and we are unable to obtain independent confirmation, such as from our media partner BT, we will in future downgrade the scores of these companies.

**Findings**  
Qian Hu Corporation continues to lead the index with a total score of 94 points, followed by Raffles Holdings and SingTel which tied for second position with a total score of 87. Ascendas Real Estate Investment Trust, Singapore Post and SMRT Corporation achieved the third position with a total score of 80.

The average total score for the companies scored was 46, which is less than the "pass" mark of 50. Less than one-third of the firms — 29 per cent — got a total score of 50 or more.

In the content section, the companies achieved an average of 35 points out of a maximum score of 60. Nine per cent of the companies scored less than 30 points, the "pass" mark for

this section. Some of the key areas in which disclosure seems to be lacking are information on future plans, details of borrowings and risk management practices.

In the context section, Ascendas Reit, SingPost and SMRT achieved the maximum score of 40 points while SingTel was close behind with a score of 38.

The average score for this section was only 11 points, which re-emphasises the need for companies to go beyond simply meeting mandatory disclosure requirements to having effective measures in place to communicate this information to the investors. The context scores varied widely with some companies achieving the maximum score while others received no points at all.

Most companies managed to release their financial results before the 60-day reporting deadline, while 5 per cent of the companies released the results within 30 days. Six per cent of the companies released their results after 60 days.

Despite the increased usage of the Internet, companies still seem to be reluctant to use it as a tool to communicate with investors. Almost half the companies surveyed — 47 per cent — either do not have a website, have a website that does not have a dedicated section for investors or have outdated investor information on their corporate websites.

**Future changes**  
We are considering incorporating interim reporting into the BT-CTI from 2008, which will take into account the frequency of earnings announcements — i.e. half-yearly or quarterly — and timeliness of these announcements. Companies should note that their scores may change accordingly once these components have been incorporated.



**On top again:** Qian Hu managing director Kenny Yap. His company continued to lead the index with 94 points, followed by Raffles Holdings and SingTel which tied for second position with a score of 87

The next edition of the BT-CTI, covering companies with financial year-ends from April 30 to Jun 30, 2006, is expected to be published in October or November.

The revised scorecard can be downloaded from our websites at [www.cgfr.nus.edu.sg](http://www.cgfr.nus.edu.sg) and <http://singapore.aacglobal.com/singapore/news/>.

Associate Professor Mak Yuen Teen is the director of the Corporate Governance & Financial Reporting Centre at the NUS. Penelope Phoon-Cohen is the lead of the Association of Chartered Certified Accountants (Singapore).

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