"The Growing Importance of Corporate Best Practices – Disclosure"

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Agenda

1. Why has disclosure (and investor relations) become such an issue?

2. What is the evidence that corporate reporting is getting better?

3. Link between good governance and share-price out-performance.

1. Catalysts for disclosure and IR

- Regulatory change in advanced economies:
  - Ongoing development of international accounting rules (eg, relating to connected transactions; consolidation; stock options and so on)
  - Extensive revisions to listing rules.
  - New codes of corporate governance.
  - Tougher disclosure requirements in securities laws (eg, relating to ownership stakes, share transactions by insiders, continuous disclosure of “material transactions” and connected transactions)

Corporate incentives

- Some listed companies in Asia invest heavily in disclosure and IR because they:
  - Are forced to for competitive reasons: to attract capital; keep a diverse shareholder base happy; have a reputation to uphold/build.
  - See a link between improved disclosure and better internal management information, hence efficiency.
  - Are trying to get noticed: move from mid- to large-cap status.
  - Want to find out who their institutional shareholders are!

Pressure on investors

- Institutional investors today want greater disclosure because they:
  - Are under pressure themselves to understand better how companies are performing, especially over the short term. (Investment horizons have shortened.)
  - Have their own quarterly reporting deadlines to meet.
  - Have a stronger appreciation of the value of good corporate governance (although views differ widely).
  - Have a deeper understanding (post Enron) of the issue of managed or massaged earnings.

2. Evidence of improvement

- In many Asian markets, financial reporting has become faster and more detailed:
  - Annual results in less than 60 days in some markets
  - Quarterly reporting now common
  - Consolidation of results (including quarterlies in some places)
  - More discussion of executive pay, segmental reporting
- More meaningful “non-financial reporting”:
  - Greater focus on the board, its committees, independent directors and internal controls
- More management openness:
  - Willingness to meet investors and give more regular briefings to analysts

Companies that stand out

- Quick reporting:
  - Hong Kong: Bank of East Asia; ASM Pacific; IDT Int'l; CLP Holdings; HSBC; Hang Seng Bank; HKEx.
  - Singapore: SGX; ST Engineering; Capitaland; Singtel; Sembcorp.
  - Malaysia: Public Bank
- Voluntary reporting:
  - Hong Kong: A number of small- to mid-caps are voluntarily reporting quarterly, including IDT Int'l and Sino Biopharm.
  - Singapore: Singtel began quarterly reporting in June 2000, three years early.

Note: You don't have to be huge to excel.

But it's all relative

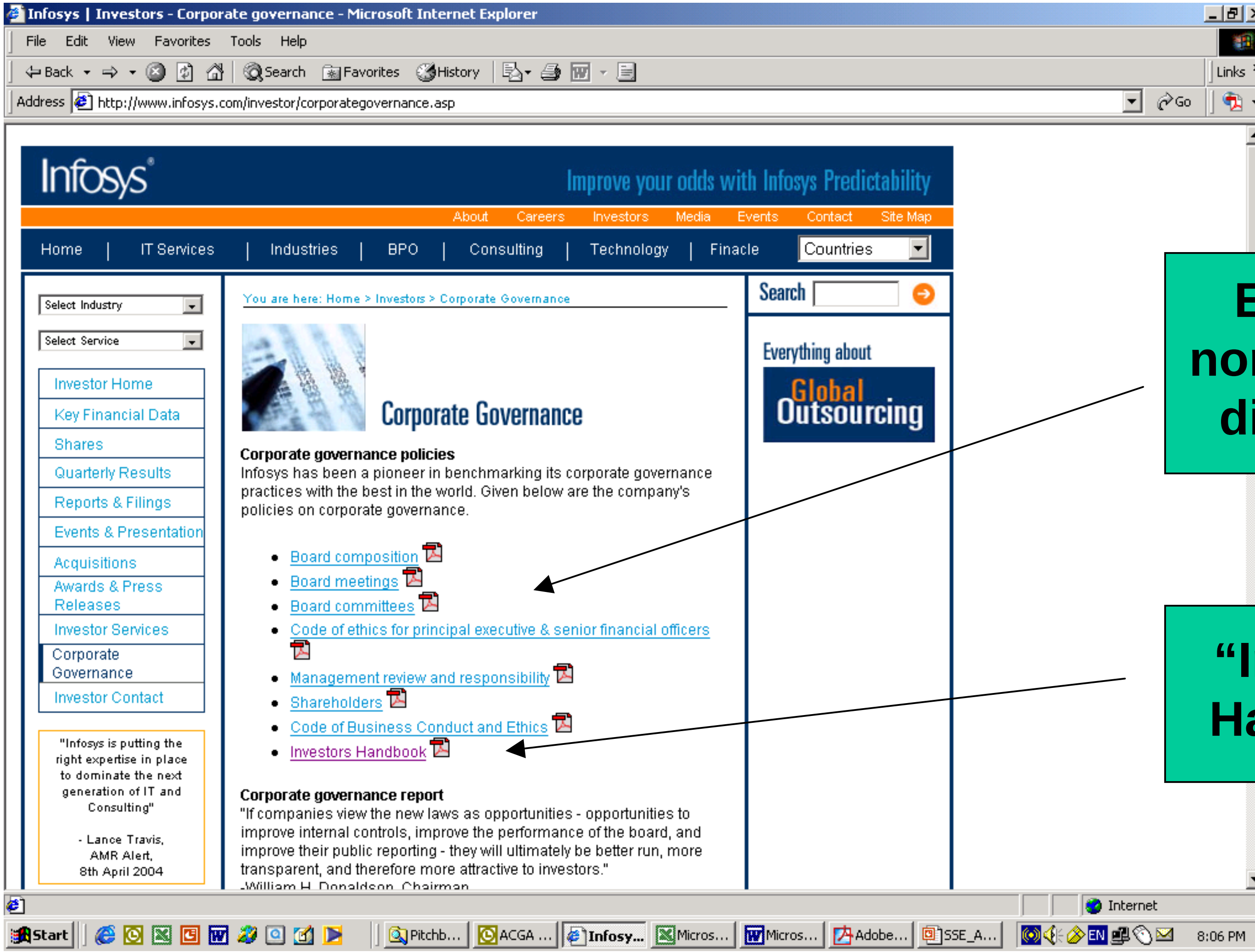
Company	# days	Company	# days
SGX (Interim 03)	15	HKEx (Interim 03)	44
Singtel (Interim 03)	37	PCCW (Interim 03)	59
Sembcorp	42	Hutchison	78
DBS	53	HSBC*	61
UOB	53	Hang Seng	61

Note: Except as otherwise indicated, the figures relate to the number of days between financial year-end for 2003 and announcement of annual results.

**Given its much greater scope of operations, HSBC's speed of reporting stands up well against DBS.*

Source: ACGA research

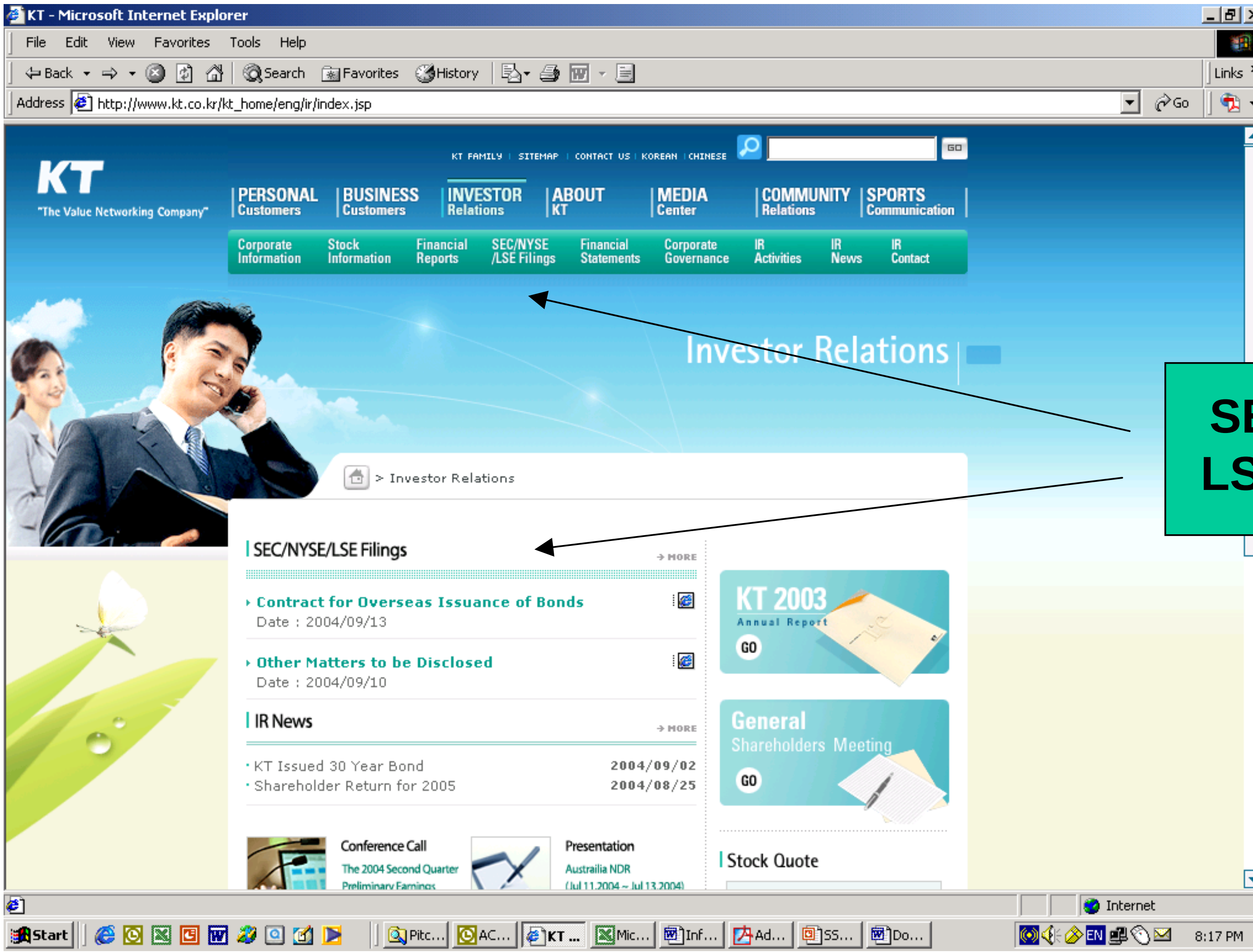
www.infosys.com



Excellent non-financial disclosure

“Investors Handbook”

www.kt.co.kr



SEC/NYSE/ LSE Filings

Reality check

- Despite improvements in disclosure and IR:
  - Only a small percentage of all listed stocks truly stand out. And always the usual suspects!
  - Huge variation between best and worst in every market.
  - Average levels of financial and non-financial reporting unimpressive.
  - Integrity of financial data remains an issue.
  - Much IR is like glorified PR.
  - Rules remain weak in some countries.

Selected findings of "CG Watch 2004"

Rules	China	HK	India	Indo	Korea	M'sia	Phils	Sing	Twn	Thai
Must companies report their annual results within two months?	N	N	N	Y	N	Y	N	Y	N	Y
Are most listed companies increasingly following the spirit, not merely the letter, of corporate governance rules?	S	S	S	S	S	S	N	S	S	S
Have listed companies improved their investor relations in recent years?	S	S	Y	S	S	S	S	S	S	S

Y = Yes; N = No; S = Somewhat.

Source: CLSA/ACGA 'CG Watch 2004'

3. Governance and performance

- "CG Watch 2004":
  - An annual survey: 10 markets and 450 companies.
  - Correlation between good governance and share-price out-performance in Asia not evident over the short term for various cyclical and sectoral factors, but appears quite strong over the medium term (3-5 years).

Large-cap* stock performance by CG

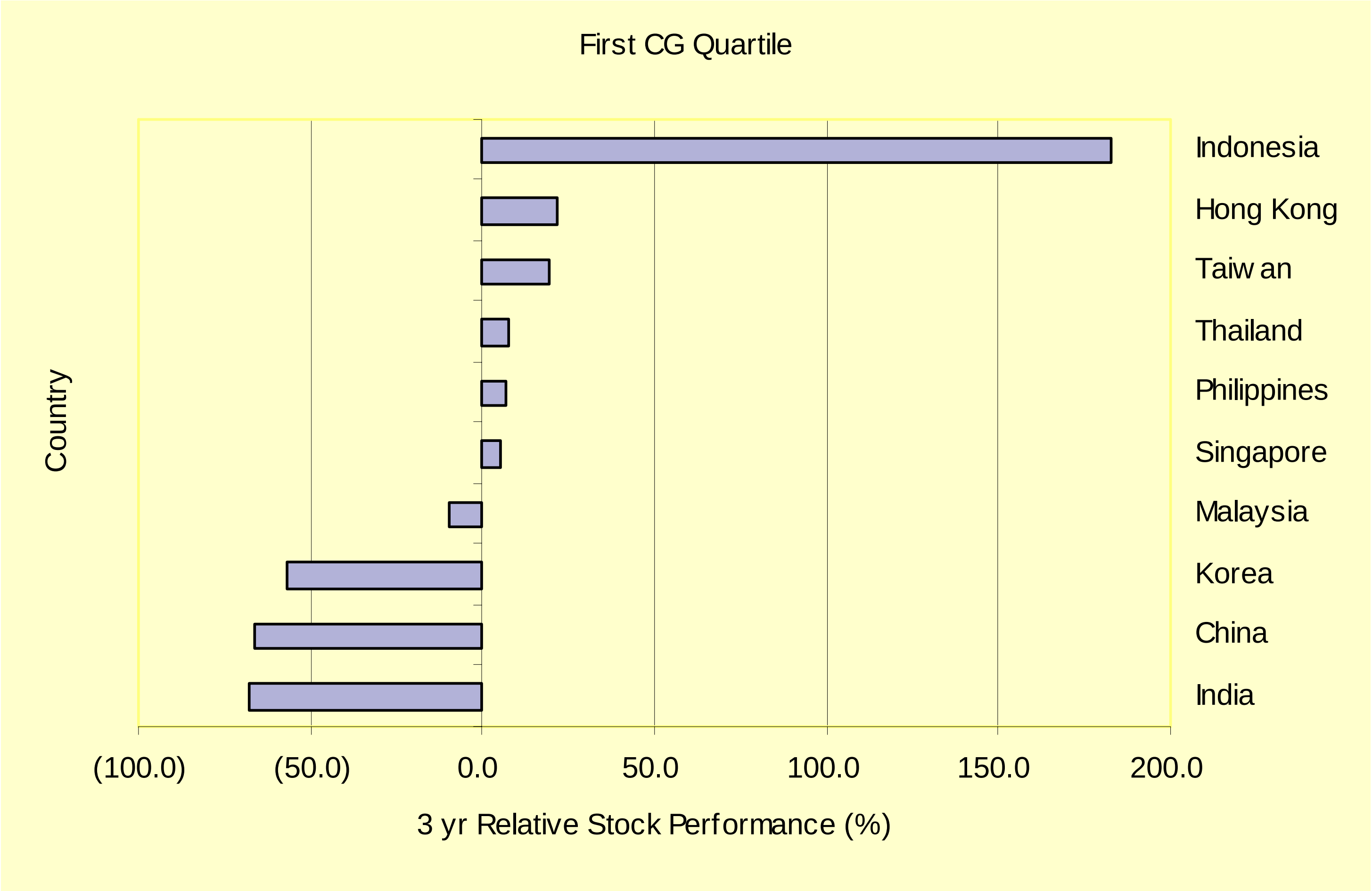
Stock performance of corporate-governance quartiles

(%)	Performance to 30 June 2004		
	One year	Three years	Five years
First CG Quartile	31	139	138
Second CG Quartile	53	57	89
Third CG Quartile	36	40	43
Fourth CG Quartile	56	120	140
Average of top 100 large caps	44	91	105
MSCI Asia ex-Japan index	27	26	(16)

**Top 100 companies across Asia out of the 450 surveyed.*

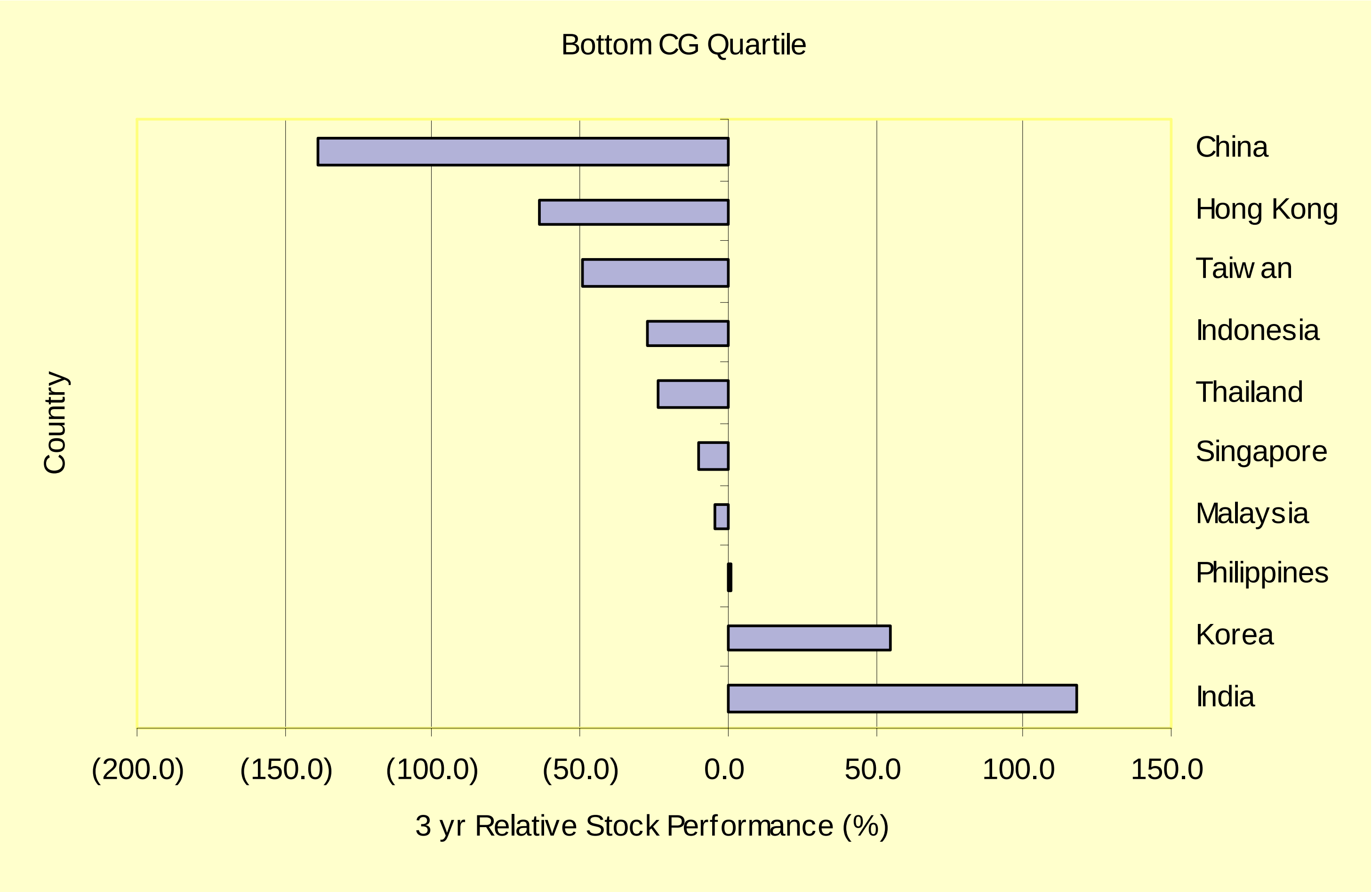
Source: CLSA Asia-Pacific Markets

Top CG stocks tend to outperform (3 years)



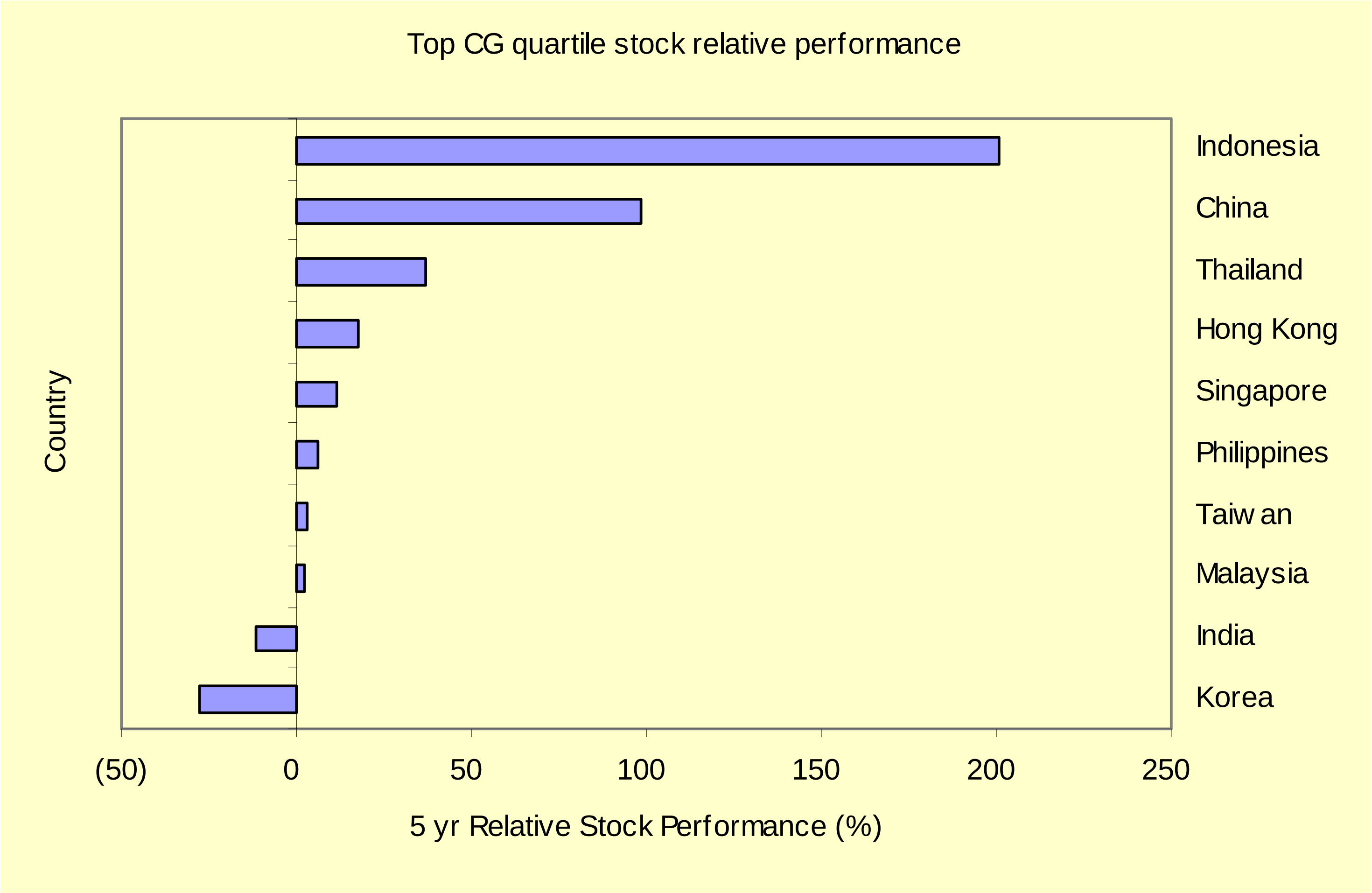
Source: CLSA Asia-Pacific Markets

Low CG stocks tend to underperform (3 years)



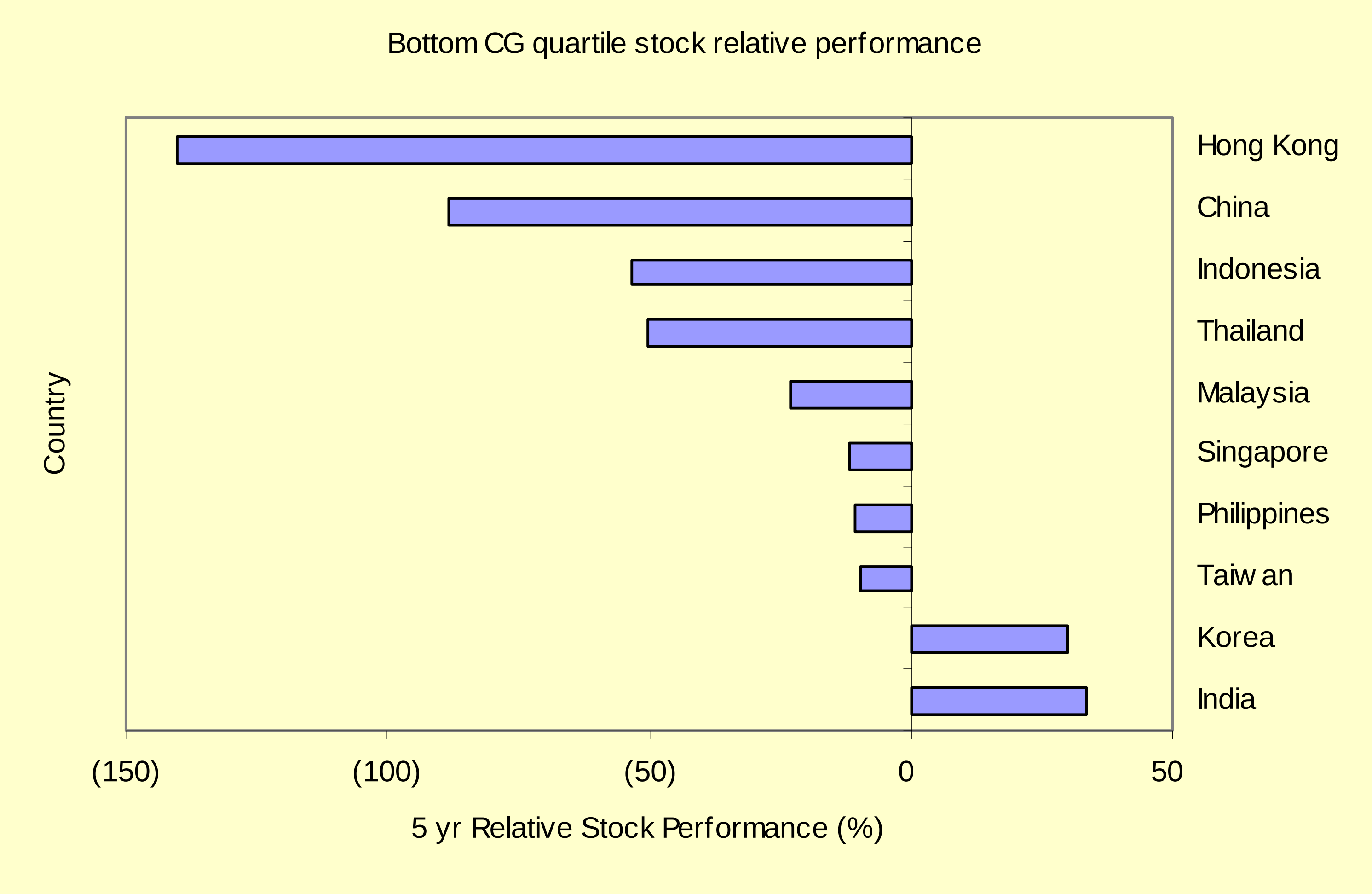
Source: CLSA Asia-Pacific Markets

Top CG stocks outperform more (5 years)



Source: CLSA Asia-Pacific Markets

Low CG stocks underperform more (5 years)



Source: CLSA Asia-Pacific Markets

Conclusion

- Disclosure and IR practices have improved in Asia in recent years—but relatively few companies stand out as being excellent.
- Much IR around the region appears to be quite superficial in its intent and substance.
- Over the medium term (3-5 years), there does appear to be a fairly strong correlation between good corporate governance and share-price out-performance.
- Pressure for improved disclosure and IR with substance will only increase.

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