

2004 Asia-Pacific Corporate Disclosure Survey
Executive Summary
Hong Kong

The total number invited to participate in the survey was 2969, with a response rate of 5.22%, or 155 respondents. The total number of respondents whose professional activities, now or in the past year, include analyzing the financial statements and other financial reports of publicly held companies was 199 (6.70%).

Respondents were asked to consider the companies they usually analyze and use a five-point rating scale (from “1”=lowest to “5”=highest) to rate sources of corporate information for its (a) **importance** to their analysis and its (b) **quality** across the publicly traded companies that they follow. The results can be found in the following tables.

Respondents rated the following sources of corporate information as most important:
Footnote Disclosures to the Financial Statements-68% ranked it “5” (most important).
Cash Flow Statement-64% ranked it a “5.”
Income or Profit and Loss Statement-61% ranked it “5.”
Balance Sheet or Statement of Financial Position-59% ranked it a “5.”
Explanation of Extraordinary, Unusual, or non-recurring charges-46% ranked it “5.”

When considering all the available corporate information sources and disclosure practices that respondents were asked to rank, 2% of respondents rated the overall quality of financial or corporate information disclosed by the publicly traded companies that they follow with a letter grade of “A” (Excellent). 32% responded with Good (grade of “B”), 53% responded with Average (grade of “C”), and 11% responded with Below Average (grade of “D”). 3% rated the quality of information as poor (or failing, a grade of “F”).

71% of respondents noted that over the past three years, the overall quality of corporate information disclosed by most of the publicly traded companies that they follow had improved some. 6% said it had improved a lot while 22% thought it had remained about the same. In general, quality of corporate information still needs improvement. No source of information received a “5” in quality by more than 18% of respondents.

When asked to agree or disagree with the following statement: corporate issuance of comprehensive quarterly financial reports is a global best practice that should be emulated by public companies in Asia and the Pacific region, 39% strongly agreed, 39% somewhat agreed, 13% neither agreed nor disagreed, 8% somewhat disagreed, and 1% strongly disagreed.

37% strongly agreed (34% somewhat agreed, 15% neither agreed nor disagreed, 11% somewhat disagreed, and 3% strongly disagreed) that regulators around the world should make it mandatory for the public companies to issue comprehensive quarterly financial reports.

Respondents were then asked to what extent companies’ disclosure practices and quality of their financial statements are a factor in their investment/financial recommendations, decisions, or actions. 29% said they are an extremely important factor, 53% said they are a very important factor, 16% said they are a somewhat important factor, and 2% said they are not a very important factor. To the extent that company corporate governance practices is a factor in their investment/financial recommendations, decisions, or actions, 29% of respondents indicated it was extremely important, 52% very important, 17% somewhat important, and 2% not very important.

Selected written comments from respondents:

- Different countries have different accounting disclosure, it is very difficult for me to generalize. Some countries like Singapore and Hong Kong are particularly better than Taiwan/Indonesia/India/China. Thus, the weighted average answer is average.
- Segment information are usually not sufficient in breaking down the business segment. For example, property development and property investment are treated under the same business segment.
- Some respondents pointed out the predominantly family-owned and founder-run nature of companies as a cause for the lack of transparency.