ASIAN COMPANIES’ FINANCIAL REPORTING FREQUENCY
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Executive Summary

This research reviewed the financial reporting patterns of Asian markets with the following objective in mind:

1.) Create a profile and examine what leads to the deviance in the reporting of a company within a particular Asian country.
2.) Use the profile to suggest which financial reports should be used in the construction of the LTM (Last Twelve Months) calculation.

The following were the significant findings of this research:

1.) The reporting frequencies of markets, whether quarterly or semi-annual, are heavily explained by regional practices adopted in that region. In Asia, for example, there is the presence of written regulations, effectively enforced, which ensure that the reporting of companies is explained.

There are other regions, like EU, outside the scope of this research but reviewed briefly, which will be making semi-annual as the official reporting frequency of members with the options to report quarterly statements.

2.) Differences in reporting, even within same markets, are explained by the following:
   a. **Market Capitalization** – In stock exchanges such as those found in Hong Kong, Singapore and Taiwan, market capitalization or strong track record or earnings are used as guiding rules on whether companies should report a half-year or a quarterly report. In some markets, companies that have not proven a strong track record are considered riskier stock choice so they are required to report more frequently than the stable companies. For some, the opposite is true. Higher capitalization companies tend to be more actively traded, therefore, needs to report more frequently than lower capitalization companies.
   b. **Being listed in more than one exchange, a local and international exchange** – This arise because exchanges are subjecting the company to different reporting requirements. For example, Hong Kong companies are usually reporting in semi-annual reports but when these companies are listed in the New York Stock Exchange, they are required to report quarterly as with other US GAAP companies.
   c. **Company Preference** – Mostly true with stocks with larger trading volume, companies might prepare financial reports more frequently compared to other companies with smaller market capitalization. Although mostly true for Europe, where financial reporting frequency practices are not written, this point is worth mentioning for comprehensive analysis of Asian companies that are also listen in non-Asian stock exchanges.

3.) The research findings were generally true for commercial companies. Non-commercial or Financial companies have different sets of regulations, both for the frequency of reporting or for the level of details.
Introduction
Countries/Markets have different frequency of presentation. The difference in financial reporting is due to a combination of reasons which can be regulatory, legal, investor or company preference. This difference is one the major source of “data friction”. This friction comes in two forms:

1. From the estimation of the discreet quarterly reports from which the base reports do not contain the same level of detail. Therefore, estimation of certain items such as “unusual” or “non-recurring” items may not be smoothly done. “Non-recurring” items are usually found in the footnotes of the financial statements, especially with Asian markets, where reports follow a uniform template on the face of the financial statements.
2. This leads to the incorrect calculation of ratios especially those of the earnings ratio, where a lot of adjustments should be made to make analysis comparable for each company.

Limitation of the Research
This research only examined Asian companies but reviewed reporting of European countries as well, for immediate comparison to make analysis more meaningful on the regional basis.

Findings:

Asia Pacific
Asia Pacific Companies tend to have heavily enforced written regulations on the frequency of companies’ reporting. Both Singapore and Hong Kong practice a dual reporting standard where a company can either report on a quarterly or semi-annual basis based on certain financial criteria.

For most companies in the Asia Pacific, quarterly reports are being released by the company, with a complete set of financial statements, with or without footnotes.

China
Level of Detail: Without footnotes for quarterly reports; With footnotes for half-year reports

Semi-annual financial statements covering the first six-months of a company’s results are required of listed companies, and they must be submitted to the China Securities Supervision and Control Committee and the stock exchange within two months of the end of the period.¹

In addition to the semi-annual reports, which are as detailed as the annual report, companies in Chinese stock exchanges are required to file quarterly reports.

Recommendation: LTM should be done on semi-annual reports.

¹ Article 39 of Interim Procedures on the Management of Stock Exchanges (http://www.asianlii.org/cn/legis/cen/laws/ipotmose494/)
**Hong Kong**

**Level of Detail:** Without footnotes for quarterly reports (GEM listed); With footnotes for the semi-annual

**H-shares companies** - Hong Kong follows a semi-annual reporting of financial statements; the quarterly reports come from companies listed as well in the local exchanges of China, as these require companies to file quarterly reports. For these companies, the quarterly reports issued are the following:

1.1. One Native report issued in local standards
1.2. One English report issued in HKFRS
1.3. One Native report issued in HKFRS

If companies are listed in the Growth Enterprise Market (GEM), a subset of the Hong Kong stock exchange where all the riskier companies are listed, the reporting requirement is quarterly. The semi-annual report is the same as for companies listed also in the Hong Kong stock exchange (paragraph 18.53 to 18.56 of *Regulations for GEM-listed companies*) but the quarterly interim, needs only to disclose income statement (paragraph 18.66 to 18.77 of *Regulations for GEM-listed companies*).

**Recommendation:** LTM should be done on the semi-annual since quarterly reports lack the balance sheet statements.

**Indonesia**

**Level of Detail:** With footnotes to financial statements for all quarterly reports

Indonesian companies are required to submit quarterly reports that are detailed and complete with explanatory footnotes on accounts reported on the statements as required by the *Listing Regulations IE, III.*

**Recommendation:** LTM should be done on the quarterly reports

**Japan**

**Level of Detail:** With footnotes to financial statements for all quarterly reports

Japanese companies are required to report quarterly financial statements that are considered Type 1 or at par with annual reports in terms of the level of detail. This is in accordance with Rules and Regulations of the Japan Exchanges.

**Recommendation:** LTM should be done on the quarterly reports

**Malaysia**

**Level of Detail:** Without footnotes to financial statements

Malaysian companies present quarterly reports pursuant to *Part K – Periodic Disclosures, Paragraph 9.22.* These have the same level of details across time series but lack the footnotes that are present for the annual reports.
**Recommendation**: LTM should be done on annual basis if we need to consider footnotes but on the face of the quarterly statements if no adjustments are needed for the reported values.

**Philippines**
**Level of Detail**: With footnotes to financial statements for all quarterly reports

Philippine companies report detailed reports on a quarterly basis with footnotes. There may be some companies which does not present explanatory footnotes but this should be noted that the quarterly reporting are consistent across all interim periods.

**Recommendation**: LTM should be done on the quarterly financial statements.

**Singapore**
**Level of Detail**: With footnotes to financial statements for all quarterly and semi-annual reports

Similar to Hong Kong Stock exchange, there are rules being applied in order for the strict reporting of the company to be truly “quarterly”.

This reporting requirement is predictable; once a company is reporting on quarterly basis, even though it went below $75 Million SD benchmark, then it should not abandon the quarterly reporting.

**Recommendation**: The LTM should be done consistently according to the company’s reporting pattern as it is market capitalization-based.

**South Korea**
**Level of Detail**: With footnotes to financial statements for all quarterly reports

South Korean companies are required by the Korea Exchange (KRX) to file quarterly reports.

**Recommendation**: LTM should be done on the quarterly financial statements.

**Taiwan**
**Level of Detail**: With footnotes to financial statements for all reports

Taiwan has three regulated stock exchanges: the Taiwan Stock Exchange (TWSE), Gre Tai Securities Market (GTSM)\(^2\), an OTC exchange and Taiwan Futures Exchange.

For Equities, only the TWSE and GTSM are relevant. Those listed under TWSE report financial statements on a quarterly basis while GTSM reports quarterly for emerging stocks and semi-annual statements for non-emerging stocks. This can be determined by checking Taiwan’s EMOP system.

Regardless of reporting pattern, or where the company is listed, the reports can be considered full reports having a complete set of balance sheet, income statement and cash flow statement. These interim reports have accompanying footnotes that eases standardization.

\(^2\) In February 2015, this stock exchange changed its name to Taipei Exchange.
**Recommendation**: The LTM should be done in accordance to the reporting frequency required by the stock exchange where the stock is listed.

**Thailand**

**Level of Detail**: With footnotes to financial statements for all reports

Thai companies are required to submit quarterly reports that are detailed and complete with explanatory footnotes on accounts reported on the statements as required by the Disclosure requirements for listed companies ([Bor.Jor./Por.03-00](#)).

**Recommendation**: LTM should be done on the quarterly financial statements.
Indian, Pakistan, Sri-Lanka, Bangladesh

Technically speaking, the countries of India, Pakistan, Sri-Lanka and Bangladesh are still part of Asia. They exhibit similar reporting patterns with that of Asian countries, hence majority are reporting quarterly, and have strong written regulatory framework about required disclosures and its frequency.

Together with China in the Asia Pacific group, these Asian countries do not provide explanatory footnotes for their interim financial statements.

India
Level of Detail: Without footnotes to quarterly statements

Indian companies are required by stock exchange to file quarterly reports, audited or unaudited, where the financial statements do not have footnotes to explain the accounts. Those who are listed on the SME exchange, however, are only required to file reports on a half-year (semi-annual basis).

Recommendation: LTM should be done on annual basis if we need to consider footnotes but on the face of the quarterly statements if no adjustments are needed for the reported values.

Pakistan
Level of Detail: Without footnotes to quarterly statements

Pakistani companies are required by Article 5.6.3 of the PSX rulebook to submit quarterly reports. The income statements of these reports are presented on the face with the same format as the annual report but lack the notes to make a detailed analysis.

There are occasional notes to the interim reports but most of these are explanatory to the Balance Sheet accounts.

Recommendation: LTM should be done on annual basis if we need to consider footnotes but on the face of the quarterly statements if no adjustments are needed for the reported values.

Sri Lanka
Level of Detail: Without footnotes to quarterly statements

The Colombo Stock Exchange of Sri Lanka requires all listed companies to issue the unaudited interim reports every quarter. This is pursuant to Article 7.5.A of the Listing Rules found on their website.

Sri Lanka is among the few countries that actually report a Quarter 4 together with the Annual Report. All the interim reports have the same level of details and do not contain explanatory notes to income statement.

Recommendation: LTM should be done on annual basis if we need to consider footnotes but on the face of the quarterly statements if no adjustments are needed for the reported values.
**Bangladesh**

**Level of Detail:** Without footnotes to quarterly statements

Bangladeshi companies listed in the Dhaka Stock exchange are required to submit quarterly reports according to the [Dhaka Stock Exchange Listing Regulations Section V, Article 14-17](http://www.nytimes.com/2003/03/27/business/europe-moves-to-require-quarterly-financial-reports.html).

**Recommendation:** LTM should be done on annual basis if we need to consider footnotes but on the face of the quarterly statements if no adjustments are needed for the reported values.

**Europe (Overview)**

Prior to 2003, many of the countries in Europe, particularly European Union members, are reporting primarily half-yearly or semiannual reports. These reports are detailed with explanatory footnotes at the time.

Around 2003\(^3\), however, the European Union, required all of the companies listed on the members exchanges to report quarterly financial information of all financial statements, that are not required to be audited, and not required to be as detailed. This move caused significant discrepancies both on the frequency of reporting and on the level of detail.

This move, however, will be subsequently reversed 10 years later\(^4\), when the same union scraps the quarterly reporting for its listed companies.

**Future Developments in Interim Financial Reporting in the European Union**

The Transparency Directive regulates the annual and interim reporting requirements in the European Union. In its latest revision, it proposes to abolish the requirement on publicly listed companies to publish quarterly financial information in order to encourage long-term investment and reduce the administrative burden on smaller firms in particular. Member States may only under specific conditions require issuers to publish additional periodic financial information on a more frequent basis than the annual or half-yearly reports required by the Directive. Companies could still continue to publish quarterly information on a voluntary basis. ([European Commission](http://www.accountancyage.com/aa/news/2274727/eu-scraps-quarterly-reporting-for-listed-companies))

Previously, the European Commission generally favored the mandatory quarterly reporting that is similar and originated from the US. However, this proposal adopted because it was criticized heavily by several Member states.

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