



Mr Robert Bunker

Message from Deputy Chairman Towards Better Corporate Reporting

The Hong Kong Securities Institute participates in the Hong Kong Management Association's "Best Annual Report" competition. Started 25 years ago, this breaks out companies into various segments – by market capitalisation, by whether they are Hang Seng Index stocks etc. There is also a section for charities and non-profit-making companies. In total there are average 130-150 entries. "Why do I read 130-150 annual reports every year?" asked ASAF Deputy Chairman Bob Bunker, who sits as HKSI's representative on the judging panel. "It is hard work, but quite fascinating". The interest lies in seeing how good some companies are, and surprisingly how poor some are, and it is often the companies one would least expect. There is satisfaction too in seeing how the standard improves

year after year, and how some companies really do make an effort. Also, companies which fell short in any one criterion one year often "bounce back" and do much better in the following year. In fact the problem this year was "clustering" at the top end of the range – so many companies produced reports which were very good, and quite brutal marking was needed to differentiate them.

The team of judges comprises accountants, analysts, brokers, fund managers and a graphic designer, plus a representative from the Securities and Futures Commission.

Besides the marking, the judges produce a report, commenting on trends etc, and complimenting companies which do particularly well in any criteria. Generally, criticisms of individual shortcomings by companies are pointed out privately to the companies – this competition is more concerned with engendering a spirit of rivalry to be the best, and is not intended to be a source of public censure. As stated, it is satisfying how in most cases, the companies really do make an effort the following year to improve.

The criteria include – general accordance with HK accounting standards, promptness of reporting, understandability, and prospects.

Bunker's pet dislike: "The number of companies who, under 'Prospects' put just one line in the Chairman's report saying: 'We look forward boldly to the challenges the future will bring'".

Clarity and understandability has been on an uptrend over the last few years – previously many companies produced reports which whilst meeting the minimum legal reporting requirements, gave little information about how the company was doing, how it made its money, and in extreme cases, even what the company did.

Nowadays, companies use a variety of methods to convey their message. Particularly popular methods are the "Frequently Asked Questions" section, or an interview of the CEO by a group of analysts. "CEO's Chatroom" is also a popular format.

It has long been a complaint of the judges that few companies actually mention anything about their shares or their shareholders. Strange, since the largest audience for an annual report is presumably existing or potential shareholders. More and more companies are now devoting space to this important area.

Some companies produce a list of the brokerage analysts who follow the company's stock, which is particularly useful.

An interesting tendency in recent years has been the desire to tell the bad news as well as the good. Presumably the global downturn which has affected so many means there is less "loss of face" in admitting missed targets. In particular, some big conglomerates break up their business by segments or geographically, and set out the areas where they beat their budget targets, and the areas where they fell short, and then tell what they are going to do about it. This is all very useful, and does show that the company is aware of what it is doing and where it is going.

The Annual Report Competition is a useful method of improving the culture of corporate reporting.

Robert Bunker
Deputy Chairman/ComComm Co-Chair

Committee News

Education Committee News

The second phase of the EdComm action plan "Study for the implementation of an exchange scheme for educational materials and examination questions, etc." was officially approved at the Annual General Meeting held on 25 October 2003 in Beijing. A questionnaire was sent to all 14 societies on 5 January 2004 to ascertain the specific needs/capabilities of each society with respect to receiving/providing materials and services. After analyzing all responses, EdComm will set up an exchange scheme, which is expected to become operational by the end of 2004.

Advocacy

The ASAF Advocacy Committee is commencing work on two projects in 2004. The first issue is the preparation of a seminar on effective advocacy in Asian financial markets, following in the footsteps of the excellent seminar on education presented at the last ASAF meeting, in Beijing China in October 2003. We hope to explore how our societies are able to influence regulatory and policy decisions in our financial markets, and assist each other by the sharing of ideas and strategies. Member societies who wish to participate, through a brief presentation on their advocacy activities, are invited to contact the Chair Society, the Securities Institute of Australia, to express their interest. Please email Mike Willis on willismk@ozemail.com.au.

The other project, which will be explored in conjunction with the International Council of Investment Associations, is a review of societies' codes of conduct and ethics. While it is not expected that a common code would be developed for ASAF, it is hoped to provide societies with an awareness of the codes and strategies used to raise standards in their markets through these codes. ASAF member societies are invited to submit their current code of conduct or code of ethics to the ASAF secretariat, to assist this process.

The ASAF Position Paper *Recommendations for Addressing Conflicts of Interest in Securities Analyst Research* was recently publicly released. The [media release](#) is attached. This provides an opportunity for member societies to place this document before regulators, securities exchanges and securities firms in their markets, as an excellent guide to good practice in the area of analysts' independence.

ACIIA® News

On 6 March 2004, the Iranian society, the Investment Industry Development Association of Iran-IIDAI, held a reception in Tehran on the occasion of the inauguration of its two-year program for the CIIA®. More than 100 people gathered, including Mr Jean-Francois Balmay, Chairman of the Promotion and Marketing Commission of the ACIIA®, and Mr. Kazumichi Karita, ASAF Manager, who delivered a congratulatory speech. Details of the program will be reported by Dr. Farshad Heybati, Secretary General of IIDAI, in the June Newsletter.

Secretariat News

An interim Executive Committee meeting will be held on 2 April 2004 at the Heritage Auckland, Auckland, New Zealand. The Chairman, Mr. Kiyoto Hagiwara, and other ExComm members, as well as the Treasurer and the Manager will attend and discuss the management and future course of the Federation. Since the interim ExComm meeting scheduled to be held in Bangkok last year was cancelled due to SARS, this one in Auckland will be the first since the one held in March 2002 in Shanghai.

Calendar 2004

2 April 2004

ASAF Interim
Executive Committee Meeting
Auckland, New Zealand

June 22 2004

ACIIA® Promotions and Marketing
Commission Meeting

23 June 2004

ACIIA® Council Meeting

24 June 2004

ACIIA® Annual General Meeting
Amsterdam, The Netherlands

16 October 2004

ASAF Education Committee Meeting
ASAF Advocacy Committee Meeting
ASAF Communications
Committee Meeting
ASAF Executive Committee Meeting

17 October 2004

ASAF Annual General Meeting

18 October 2004

2004 SAAJ Annual Conference

19-20 October 2004

2004 ASAF Conference

Tokyo, Japan

Members' Regional News

Australia — SIA

Managing Conflicts of Interest: Institute Responds to ASIC

The Institute prepared a detailed submission in response to the ASIC Policy Proposal Paper: *Licensing: Managing Conflicts of Interest* which proposes guidance on how licensees generally and research providers specifically should meet their Conflicts Management Obligation, as proposed in the draft CLERP 9 Bill (Corporations Act s. 912A(1)(aa)).

We endorsed ASIC's flexible principles-based approach as providing an appropriate broad framework for addressing conflicts of interest, and preferable to a prescriptive rules-based approach. We stated that ASIC's guidance was heading in the right direction, but that clarification of core definitions and concepts and further consideration of the practicality of some measures would be needed to form an effective and workable solution for conflict management.

Our major concern was how ASIC would apply the proposed Conflict Management Obligation to all licensees, and argued that without further consideration, consultation and investigation, the scope of the proposed Policy Statement should not be extended beyond research report providers.

ASIC released the Policy Proposal Paper as early guidance on its thinking on addressing conflicts of interest. The Institute will be actively involved in further discussions with ASIC to shape the proposed Policy Statement which is due to be finalised by 1 July 2004 for 1 January 2005 implementation.

In late 2003, the Advocacy Committee of the Asian Securities Analysts Federation (ASAF) approved a policy position paper "Recommendations for Addressing Conflicts of Interest in Securities Analyst

Research" and adopted its principles as the voluntary regional standard. As current Chair of the ASAF Advocacy Committee, the Securities Institute prepared the draft policy, with constructive input and review from all 14 ASAF member societies.

Based on the high-level principles approach adopted in our *Best Practice Guidelines for Research Integrity* and consistent with the approach adopted by the IOSCO Statement of Principles and the UK's Financial Services Authority, the ASAF position paper states the various principles for effectively managing research-related conflicts of interest and then reinforces the practical application of each principle by providing commentary and guidance on what constitutes acceptable and unacceptable conduct by research firms and their broking firm employer. (For further information on the ASAF organisation, see the ASAF website www.asaf.org.au).

Institute Comments on the Draft CLERP 9 Bill

In November 2003, the Institute submitted comments to Treasury on several proposals contained in the CLERP 9 Draft Bill. In general, the Institute endorsed the Government's principles-based approach to improve transparency, disclosure and accountability in financial reporting.

Our submission primarily focused on how the draft Bill dealt with three particular suggestions that we proposed in our 2002 response to the CLERP 9 Issues Paper, namely establishing a Financial Reporting Panel (FRP); CEO/CFO sign-off of financial statements; and a requirement to prepare a Management Discussion and Analysis (MD&A).

We also raised some practical concerns about the detail and implementation of other provisions (infringement notices for breaches of continuous disclosure requirements, executive remuneration, disclosure of fundraising documents and conflict management for licensees).

In February 2004 ASIC announced its timetable for releasing policy proposal papers and other guidelines for implementing the CLERP 9 Bill. ASIC plans to issue policy papers and consult with the industry on a range of issues including auditor registration and rotation, insurance requirements for authorised audit companies, ASIC's discretionary powers relating to audit and financial reporting, product disclosure and how ASIC intends to apply the proposed infringement notice regime. The Institute will evaluate these papers and respond as appropriate.

Institute Supports ASX Exposure Draft on New Capital Raising Mechanisms

The Institute has supported a number of proposals contained in ASX's Exposure Draft: *Capital Raising Mechanisms in a Disclosure-based Market – ASX Proposals for Informed Choice*.

The Exposure Draft proposes to amend certain aspects of Chapter 7 of the Listing Rules and the timetables for pro rata offers. Initially the amendments were due to take effect on 30 January 2004, however, it is now expected that the proposed amendments will take effect around March 2004.

The main proposal is to amend the Listing Rules to increase the percentage of capital that may be issued without investor approval from 15% to 20%. In our submission to ASX, we acknowledged the threshold increase as a practical development and consistent with international practice. The increase in the threshold reflects changes in the scale, depth and liquidity of Australia's market and improves the competitiveness of Australian listed companies by providing for a consistent capital raising environment to overseas exchanges. Small cap companies, particularly, will be able to raise capital with swiftness and certainty.

Draft Guidance Note on Financing Arrangements for Takeover Bids

On 30 October 2003, the Takeovers Panel released its Draft Guidelines on Financing Arrangements for Takeovers. The draft Guidance Note provides important guidance on circumstances that are unacceptable in relation to proposing and announcing a takeover bid and on the disclosure requirements of bidders statements.

In our submission we acknowledge that the main purpose of the draft Guidelines is to promote certainty in takeover bids by ensuring that a bidder only announces an offer after careful and responsible consideration and only when they have every reason to believe that they will be able to implement the offer. Indeed, inadequate financing arrangements where the bidder fails to maintain a reasonable basis to consider their arrangements adequate would constitute unacceptable circumstances, and would contravene the bidder's obligations under the Corporations Act.

The Institute believes that the Panel's guidance will ensure that shareholders and directors of the target company are provided with sufficient information and a reasonable opportunity to assess the merits of any takeover bid. The guidance will also ensure that the information disclosed to the market is accurate and discourages a false market in the target's securities. As such, we consider that the guidance will improve efficiencies in takeover bids and therefore deliver significant commercial benefits for bidders and targets.

However, in our submission we highlight that there is a gap in guidance about disclosure in relation to equity funding facilities. Due to the complexities associated with underwriting, such as the implications of outclauses, we believe that it would be useful for the Panel to expand on its guidance and provide the market with greater certainty regarding its obligations.

Transition to International Financial Reporting Standards — Insurance Contracts

The Institute's Company Reporting Subcommittee made a brief submission to the Australian Accounting Standards Board (AASB) on the adoption and application of the IASB's proposed approach to accounting for insurance contracts, as set out in Exposure Draft ED 5: Insurance Contracts.

The Institute expressed serious concerns about adopting the IASB's proposed approach, based on our belief that the current Australian insurance standards (AASB 1023 and AASB 1038) with a mark-to-market approach are more advanced and of better quality than the proposed draft ED 5 standard.

We therefore urged the AASB not to proceed with adopting an equivalent-ED 5 standard in its present form as the interim Phase I standard, while awaiting Phase II finalisation of the draft IFRS replacement standard on recognition and measurement of insurance contracts. Although this would be contrary to the Financial Reporting Council's mandatory adoption policy, we believe that in the long term, non-adoption of the IASB's proposed interim solution in ED 5 would be advisable.

SIA Policy Issues for 2004

During 2004, the Institute will focus on a range of policy issues including:

- CLERP 9 legislation, audit reform and continuous disclosure
- international accounting standards- transition to IFRS — from a report user perspective
- conflicts of interest for licensees (including research report providers and analysts)
- corporate governance
- insider trading
- takeovers reform
- market conduct
- capital raising practices
- managed investments and asset management
- executive remuneration, fees and commissions disclosure and
- anti-money laundering reforms

Professional Development

The second Australasian Investment Management Conference will be held in Sydney on 16/17 September 2004. The program is being delivered in conjunction with AIMR and its local chapters, SSFA and MSFA.

Local and international speakers are being sought to deliver the two-day conference. Five plenary sessions and fourteen concurrent sessions are being developed to run across two streams – Investment Analysis and Portfolio Management

The conference program is designed to meet the needs of finance professionals who are interested in updating their knowledge. In particular the program will be of value to:

- Investment and research analysts
- Portfolio Managers
- Investment/fund managers
- Stockbrokers
- Superannuation executives and trustee boards
- Investment and Finance Professionals

The Conference will be held at the Four Seasons Hotel, George St, Sydney. There will be opportunities to network with your peers, make new contacts and consult with experts in your field at the Social Function and the Gala Lunch.

For further information visit the Institute's website at www.securities.edu.au or contact Grant Thompson or Mary Orgill on 02 8248 6799 or email natsalessupport@securities.edu.au for more information.

Education

Summer School ran nationally over the November-January period for the second time, with a particularly high take-up of Masters subjects. The **Award Education** restructure of the open-entry Diploma of Financial Services (DFS) offerings has been completed, with new course materials delivered to those studying in First Semester 2004. The new courses have been listed on the ASIC Training Register.

International presence

Six technical workshops were conducted in Vietnam for the State Securities Commission (SSC) to assist in raising the standard of local market expertise, with over 600 attendees over the second half of 2003. Feedback from the SSC has been extremely positive.

In Fiji, the Securities Institute is currently running the first exam for the year as part of the Securities Licensing Examination Course scheduled for the 16 March in Suva. This course has been written and administered by the Securities Institute in consultation with the local market to provide the educational component necessary for an application for a Securities License in Fiji. This Examination course is fully endorsed by the Capital Markets Development Authority.

JASSA awards for 2003

Each year since 1988, the Institute has awarded a prize of \$1,000 for the best original article contributed to JASSA. The JASSA Prize article and up to 3 articles granted Merit awards must be written in a manner that is in a manner that is masterly, stimulating, shows a good grasp of the issues involved and is well written.

Judged by members of the Editorial Board of the journal, the 2003 prize was awarded to **David Gallagher and Adrian Looi**, for their article, *Are active managers more successful?* published in the Autumn (March) 2003 issue. Both authors are at SIRCA and the University of NSW. We congratulate David and Adrian on presenting new evidence on an old debate - well known to regular readers of JASSA.

Three Merit awards of \$350 each were awarded for 2003. **Wayne Lonergan FSIA**, of Lonergan Edwards and Associates, was awarded one Merit award for his article, *The Emasculation of Accounting Standard setting in Australia*, in the Spring (September) issue. We congratulate Wayne for his highlighting of problems in the current regime of incorporating international accounting standards into the existing Australian marketplace.

Another Merit award was awarded to **Direk Uthartharm**, of TechInvest Pty Ltd, for his article, *Sector diversification, home-country bias and global investments*, in the Winter (June) issue. Direk's article investigated a strategy to lessen our tendency to home-country bias, remove excess sector risk and achieve optimum sector diversification in investments. We congratulate Direk on his achievement.

A third Merit award was made to **James Alexander and Jamie Krasowski** of ACMS for their article, *The value of adding corporate bonds to Australian fixed interest portfolios* in the Summer (December) issue of JASSA. We congratulate James and Jamie for exploration of the risks and rewards involved in investing efficiently in corporate bonds.

Hong Kong — HKSI

HKSI Regional Update- ASAF March 2004 Newsletter

Hong Kong stockbrokers offered a fast track into the Mainland China market

Following the introduction of the Closer Economic Partnership Arrangement (CEPA), Hong Kong professionals have now been offered a fast track to obtain the required industry qualification to practise in the Mainland China securities markets.

Hong Kong professionals (defined as Hong Kong permanent residents holding or having held within the past three years a relevant license issued by the Securities and Futures Commission of Hong Kong), can now complete certain specified examination(s) on the laws and regulations of Mainland China, in order to be eligible to apply for the corresponding industry qualification from the Securities Association of China (SAC), subject to other requirements of Mainland China. This group of professionals will be exempted from taking any technical examinations. Upon satisfying all other requirements of Mainland China, they will also be able to apply for the corresponding practicing qualification of Mainland China.

In light of the above agreement, the SAC has specially developed the PRC Securities Regulations Examination for Hong Kong professionals. The Hong Kong Securities Institute (HKSI) has been assigned by the SAC as the sole agent for handling the enrolment of Hong Kong professionals for the examination.

HKSI offers Mainland China examination preparatory course

To assist candidates to prepare for this new examination, the HKSI organised a two-day intensive examination preparatory course jointly with the Shenzhen Stock Exchange (SSE). This course proved to be enormously popular with a wide variety of Hong Kong practitioners who were able to familiarise themselves with the latest Mainland China securities laws and regulations.

Launch of 'on line' events for members

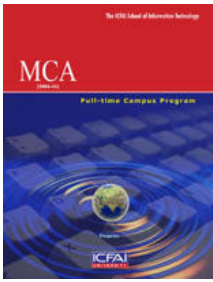
Following on from the successful launch of the E-training in November 2003, in January 2004 the HKSI launched its first 'on line' professional event. Using the latest video streaming technology, HKSI individual members are now be able to view a select number of high profile professional events online.

India – ICFAI

ICFAI University Case Studies Bag the Top Awards at the Regional Asia-Pacific Case Competition in Hong Kong

Mr A Mukund and Ms A Neela Radhika of the ICFAI Center for Management Research (ICMR), the research and development division of the ICFAI University bagged the top award in the eighth regional Asia-Pacific case writing competition for their case 'DoCoMo-The Japanese Wireless Telecom Leader'. Mr. Vivek Gupta of ICMR won the first runner-up prize for his case FedEx vs. UPS in China – Competing with Contrasting Strategies. The eight regional Asia-Pacific case writing competition was organized by the Vocational Training Council's Management Development Center (MDC) of Hong Kong.

The ICFAI University launches The ICFAI School of Information Technology



The ICFAI University has launched the ICFAI School of Information Technology (ISIT), to promote quality education, research, training and consultancy in different areas of information technology. ISIT offers a two year Master of Computer Applications (MCA)

Program on full-time campus format. In the two years of study at ISIT, the focus of the MCA students will be on training in core subjects, elective courses and designing information systems and its applications. The MCA Program comprises of 27 courses spread over 2 years. For further details, you may visit www.icfai.org/isit

New Journals from ICFAI

ICFAI has recently launched the following Journals in the area of Management, Finance and Economics.



Management Journals

- Business Strategy
- Knowledge Management
- Brand Management
- Supply Chain Management
- Entrepreneurship
- Services Marketing
- Infrastructure
- Mergers & Acquisitions

Finance Journals

- Audit Practice
- Derivative Markets
- Behavioral Finance
- Financial Risk Management

Economics Journals

- Financial Economics
- Industrial Economics

These Journals contain contemporary, thought-provoking and insightful articles that are authored by eminent personalities from corporate world, academia and other professionals. These Journals are useful resources for executives, practitioners, academicians and students. These journals are published every quarter. For further details, please visit www.icfaiexpress.org

The Convocation 2003

The Convocation of the Institute was held at Hyderabad on December 20, 2003. Mr. G N Bajpai, Chairman, Securities and Exchange Board of India, was the Chief Guest. The Chief Guest congratulated all the students who were conferred their Charters, Degrees, Diplomas, Certificates, Medals and Awards.



New Books from ICFAI Press:

ICFAI Press, a constituent of the ICFAI University has recently published the following new books :

Vision 2020 – What India can be, and how to make that happen ·

Global Bond Markets – Trends and Issues

Retailing – Concept and Cases

Balanced Scorecard – Concepts and Experiences

Pharma Sector – Trends and Cases

Strategic Marketing – Concepts and Cases

Enterprise Application Integration – An Introduction
Alternative Risk Management – Concepts and Practices

Business Scenario Planning – Concepts and Cases

For further details on the books published by the ICFAI Press, please visit www.icfaiexpress.org/books



Japan — SAAJ

Expansion of Individual Investors

Following the bursting of the bubble economy, Japan has been experiencing tough times

for the past ten years, so much so, that it is often referred to as “the lost decade”.

Against this background and conscious of our social responsibility, SAAJ believes it should contribute to supporting the recent recovery of Japanese economy. Hence, to this end, we aim to promote the participation of individual / retail investors in the stock market by pursuing the following measures in fiscal year 2004:

- 1) Cultivation of individual investors : A new Security Analyst Foundation Course has been developed which is open to college students and the general public. The course will start this year.
- 2) Cooperation with educational groups utilizing professional securities analysts’ know-how owned by SAAJ. Organising open seminars at educational establishments for non-members as well as CMA holders.
- 3) Provision of information to promote corporate disclosure for individual investors. Distribution of corporate profiles and announcements to non-CMA holders including high school and college students.
- 4) Constant efforts to enhance ethics and standards of professional conduct.

We hope these activities on the part of SAAJ will help lead the public and the economy in the right direction to achieve the required goals.

Recent Seminars

10th SAAJ Seminar, 20 January 2004, Tokyo:

SAAJ seminar was held successfully with 122 participants. “Corporate governance and Accounting Information” was main theme and fruitful lectures were given by five speakers.

16th SAAJ-AIMR/JSIP Joint Seminar, 4-5 March 2004, Tokyo:

SAAJ has held an annual seminar in cooperation with AIMR since 1989 (since 2001 with AIMR and its member society, JSIP) focusing on various investment topics. This 16th joint seminar,

“Managing the Investment Firm: Searching for Solutions in a Rapidly Changing Environment” was

held in Tokyo, 4-5 March 2004 with eight prominent speakers from overseas and Japan, and provided participants with latest knowledge and skills through two days of intensive discussions.

Thanks to the promotion by ASAF member societies, We had several participants from Chinese Taipei and Korea.



Disclaimer: Not for distribution in North America. Members’ regional news are supplied by ASAF members and ASAF takes no responsibility for the accuracy of the articles or views expressed therein.

Published by the ASAF Secretariat, Contact: Kazumichi Karita,

c/o 5F Tokyo Stock Exchange Building, 2-1 Nihonbashi-Kabutocho, Chuo-ku, Tokyo 103-0026, Japan

Tel: 81 3 3666 1576 Fax: 81 3 3666 5845 E-mail: asaf-manager@saa.or.jp Website: www.asaf.org.au