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UK ends quarterly reports - how about Singapore?

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Firms here divided on rule but say it should be tweaked to suit business climate

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Britain quietly scrapped quarterly reporting last month but some industry watchers here want to keep the rule but modify it to better reflect the business environment.

It has been 12 years since quarterly reporting was introduced in 2003 for Singapore-listed companies. The current rule is those with a market capitalisation of more than $75 million have to report their earnings results every three months.

The arguments for and against have been debated extensively for many years, and some still hold strong views about the drawbacks of more frequent reporting.

Ms Olivia Lum, executive chairman and group chief executive of Hyflux, said short-term financial results may send inaccurate signals on the business performance of companies that are project-based. "Longer-term financials may be more meaningful (for them)," she added.

SCRAP THE RULE

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MS OLIVIA LUM, executive chairman and group chief executive of Hyflux

She argued that scrapping quarterly reporting would relieve companies of the administrative burden and costs. "Without quarterly reporting, existing disclosure requirements by the Singapore Exchange should provide sufficient information to stakeholders without sacrificing transparency," she added.

But others are in favour of quarterly reporting.

Mr Takahashi Kenichi, executive chairman and chief executive of Japan Foods, felt that quarterly reporting allowed him to update shareholders and potential investors more regularly on the firm's financial performance.

The Singapore-based Japanese restaurant chain has crossed the $75 million market capitalisation mark, and started issuing quarterly results since August.

Mr Takahashi saw no major differences between reporting results quarterly and half-yearly.

"I now get to see the familiar faces of research analysts, institutional investors and major shareholders four times a year instead of twice a year, and we also get to hear their views about how the industry and market is doing more often," he said.

Beyond the arguments on the merits and demerits of quarterly reports, industry watchers think that a review should be conducted given the experiences that the market has accumulated over the past decade.

"The implementation could be tweaked and the type and format of the report (could be changed) given that circumstances have also changed," said Ms Joyce Koh, executive director of the Singapore Institute of Directors.

She suggested instead of making it a requirement for companies with a market capitalisation of above $75 million, which covers about 50 per cent of the 773 listed firms here, the threshold could be raised.

One definition of small-cap companies here refers to those with market capitalisation of below $300 million. If this higher threshold is applied, only about a quarter of the listed companies here would need to file these reports.

Ms Koh noted that the performance of a company in non-financial areas, such as contributions to social and environmental causes, could also be included in these reports.

National University of Singapore Business School's Associate Professor Mak Yuen Teen backs quarterly reporting but also sees the need for a format change.

Most companies will have a mix of long-term and short-term shareholders, he noted. The long-termers are not going to make decisions to buy, hold or sell shares based on quarterly reports.

"The answer is not to stop quarterly reports but to complement such reports with information about the longer term," Prof Mak added.

Mr Takahashi said instead of using market capitalisation as the sole criterion, other factors, such as revenue, trading volume and the number of shareholders, should also be considered when setting the quarterly reporting requirement. "What might work in Britain may not work for the listed companies in Singapore."