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VOLUNTARY ANNUAL REPORT DISCLOSURES BY MALAYSIAN MULTINATIONAL CORPORATIONS

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Annual reports disclosure of multinational corporations (MNCs) is subject to various domestic as well as international users requirements. Voluntary disclosures act as one of the ways that these MNCs can use to overcome the gap between information provided in annual reports and information expectation by these users. This study examines the relationship between the level of information disclosures and some of the MNCs characteristics. The level of disclosures is based on the amount of the voluntary disclosure information gathered from annual reports of listed MNCs on Bursa Malaysia across six industries. Overall, the results show that level of voluntary information disclosures is positively related to size of the company and the type of audit. Meanwhile, the level of multinationality is significantly related to the level of projected information disclosures. We also found MNCs in particular industries (e.g. construction industry) seem particularly inclined to provide certain information (e.g. summary of history results). Additional tests show that the level of multinationality and the number of countries where the products were exported jointly determine the level of voluntary disclosure in MNCs. Thus, these results indicate that the factors explaining voluntary annual report disclosures differ by the types of voluntary information presented in annual reports.

Keywords: *Voluntary disclosure, multinational corporations (MNCs)*

Data: *2003 annual reports*

Introduction

International business and global expansion are now driven by more than 60,000 multinational corporations (MNCs) with over 800,000 subsidiaries around the world (Luo, 2002). Their foreign assets amounted to USD\$2 trillion in 2000, hiring over six million people around the world (Luo, 2002). The concentrations of these businesses are mainly in electronics and electrical equipment, automobiles, petroleum, chemicals, and pharmaceuticals.

MNCs are exposed to various accounting and reporting requirements, both national and international requirements (Meek, Roberts and Gray, 1995). Voluntary disclosures act as one of the ways that these MNCs can use to overcome the international diversity in accounting principles (Choi and Levich 1990 in Meek et al., 1995). Additional information from voluntary disclosures would help users to better understand the company and its operating environment (Meek et al., 1995). In this regard, voluntary disclosure is defined as any additional piece of information (apart from what is required by any guidelines or standards) provided by a company in the financial report (Skogsvik, 1998).

Regulatory authorities in Malaysia, like any other country in the world, require companies to report their financial and non-financial condition in annual reports. However, companies are encouraged to report beyond what is required in the Bursa Malaysia listing requirement, Companies Act, and extant accounting standards. The extent of voluntary disclosure is particularly important after the adoption of a Disclosure-Based Regime in Malaysia. Under the new regime, companies are required by the regulatory framework to make full disclosure of its affairs to the investors that would enable the investors to make informed decision. The regulator has no right to intervene in the investment decision and company-investors relationship. Since not all information can be coded into disclosure requirement in the listing requirement, act and standards, firms are obligated to make voluntary disclosures of its affairs which are expected to be important for investors' decisions. This is consistent with Lang and Lundholm (1996) who suggest that more informative disclosure is associated with more analysts following and would determine the accuracy of analyst forecast. A study on voluntary disclosure is particularly more important in MNCs compared to a company operating locally because the users' information requirements are more diverse.

Therefore, the main objective of this study was to provide some evidence on the level of voluntary disclosure of accounting information for the MNCs operated in Malaysia. In addition to that, the study also attempted to identify some potential factors that might affect the level of voluntary disclosure for the selected Malaysian MNCs. It is hoped that this study would shed some light into the issue of voluntary disclosure in the Malaysian MNCs. The understanding factors affecting voluntary disclosures in the MNCs could help policy makers to make efforts in order to protect the interest of shareholders.

To our knowledge, this was the first study of the level of and factors that influence voluntary disclosure in Malaysia after the financial crisis and the launching of Malaysian Code of Corporate Governance in year 2000 (with an exception to Mohd Ghazali and Weetman, 2006). Haniffa and Cooke (2002) investigated the relationship between a number of corporate governance, culture and firm specific characteristics that determine the extent and scope of voluntary disclosure in year 1995. However, the Code has a large impact on the governance of companies in Malaysia. This Code outlines some necessary conditions for the structure and process of the board of directors, audit committee, and auditors in order to run the business according to the interest of shareholders. This study is different from Haniffa and Cooke (2002) and Mohd Ghazali and Weetman (2006) when the degree of multinationality is investigated. In addition, we also provide a joint test of the influence of the degree of multinationality and the number of geographical segments on voluntary disclosure. We argue that this measure is better than merely looking at the ratio of foreign

sales to total sales (as suggested in prior literature) because the measure includes the varieties of users' information needs as one important determinant of voluntary disclosure, particularly in multinational companies.

The institutional background is unique in Malaysia where Claessens, Djankov and Lang (2000) classified firms in Malaysia as having concentrated ownerships, significant family ownerships and interlocking business relationships. These factors are not found in other developed countries, where most voluntary disclosure research studies were conducted (Klein, 2002; Xie et al., 2003). In addition, Malaysia also follows International Accounting Standards (IAS) that only prescribed principles rather than detailed rules. Therefore, IAS gives managers more discretion to determine the level of voluntary disclosure (compared to managers in the U.S. and U.K. who have to follow more detailed rules).

The organization of the paper is as follows. In the next section, voluntary disclosure literature is discussed, followed by a section on the research methodology. The results is presented and discussed in Section IV. Finally, conclusions and suggestions for future research are presented in the final section.

Literature Review

The determinants of voluntary disclosures most often and consistently identified in the literature are size of company (Belkaoui, 2001; Chow and Wong-Boren, 1987; Cooke, 1989; Hossain, Perera and Rahman, 1995; Meek et al., 1995; Raffournier, 1995; Watson, Shrivs and Marston, 2002), audit size or quality (DeAngelo, 1981), types of industry (Cooke, 1989; Meek et al., 1995; Watson et al., 2002), leverage (Hossain et al., 1995) level of multinationality or internationality (Belkaoui, 2001; Cooke, 1989; Raffournier, 1995), profitability (Haniffa and Cooke, 2002), and ownership concentration (Chau & Gray, 2002; Haniffa & Cooke, 2002; Mohd Ghazali & Weetman, 2006). The results of these prior studies on the voluntary disclosures are summarised in Table 1 below.

Based on the theoretical and empirical evidence, this study examines the potential association between the level of voluntary information disclosures and the seven firm characteristics mentioned earlier, i.e. the size of company, audit quality, types of industry, leverage, level of multinationality or internationality, profitability, and ownership concentration.

Size of Company

A number of disclosure studies find that size of company is an important factor in explaining the extent of corporate voluntary disclosures (Hossain et al., 1995). Agency theory suggests that large companies have higher agency costs (Jensen and Meckling, 1976) and thus the theory predicts a positive association between size and the level of voluntary disclosures. Larger companies are more sensitive to political costs (Watts and Zimmerman, 1986). First, we expect a positive relationship between the extent of voluntary disclosure and the size of the MNCs because large companies are expected to face additional political

Table 1: Results of Previous Studies on the Voluntary Disclosures in Annual Report

Authors	Country	Type of VD	Significant Influence (at the 0.05 level)	Not Significant (at the 0.05 level)
Mohd Ghazali and Weetman (2006)	Malaysia	Voluntary disclosure	Ownership structure	Government, new governance initiatives and industry competitiveness
Chau & Gray (2002)	Hong Kong & Singapore	Corporate voluntary disclosure	Hong Kong - ownership structure; family ownership; Singapore - ownership structure; size	Singapore – family ownership Both country - audit size; leverage; profitability; multinationality; industry
Haniffa & Cooke (2002)	Malaysia	Voluntary disclosures	Corporate governance (family members; non-executive chairman); Firm-specific characteristics (size; diversification; asset-in-place; ownership structure; profitability)	Culture (race; qualification of BOD; qualification of financial controller) Firm characteristics (leverage, auditor type, listing age, foreign activities)
Watson, Shrivs Marston (2002)	U.K.	Accounting ratios	Size; industry type	Profitability; return & on investment; gearing; company efficiency
Williams (1999)	Asia-Pacific Region	Environmental and social accounting	Culture; political and civil system;	Legal system; level of economic development; equity market
Hossain, Perera & Rahman (1995)	New Zealand	All voluntary disclosure	Size; leverage; foreign listing status	Assets-in-place; type of auditor
Meek, Roberts & Gray (1995)	U.S., U.K. & Continental Europe	Strategic, non-financial & financial	Size; country/region; international listing status; industry (influential in some cases)	Leverage (wrong sign); multinationality; profitability
Raffournier (1995)	Switzerland	Voluntary financial disclosure	Size, internationality	Ownership structure; leverage; profitability; auditor's size; percentage of fixed assets; industry type
Cooke (1989)	Sweden	Voluntary corporate disclosure	Size; listing status; Internationality; industry type	Leverage; fixed assets; no. of subsidiaries; parent co. relationship;
Chow & Wong Boren (1987)	Mexico	Voluntary financial disclosure	Size	Leverage; proportion of assets in place
Firth (1984)	Canada	Voluntary corporate disclosure	Leverage; earnings beta	Size; dividend yield

VD = Voluntary disclosure; U.S. = United States of America; U.K. = United Kingdom; BOD = Board of Directors

costs. Such companies may use voluntary disclosure to disclose more of their operations and social responsibility efforts in order to reduce the possibility of government intrusions (Watts and Zimmerman, 1986). Large-sized companies seem likely to respond to regulatory threats by “voluntarily” increasing their level of disclosure (Craig and Diga, 1998). Larger sized companies are also predicted to be more complex, producing multi products, and involved in many geographical areas than smaller sized companies (Cooke, 1989). Larger sized companies also require more capital and use disclosure to attract more investors compared to smaller sized companies (Cooke, 1991). Thus, voluntary disclosure is expected to be higher in larger sized companies compared to smaller sized companies.

Industry

Cooke (1989) found weak evidence that the type of industry affects voluntary disclosure. The evidence suggests that companies in trading industry disclose less than companies that belongs to manufacturing and services industries or a conglomerate. Prior studies suggested that companies from a specific industry might adopt, in addition to mandatory disclosure practices for companies from all industries, some disclosure practices of their own (Naser, Al-Khatib and Karbhari, 2002). Other study that found significant association between type of industry and the level of voluntary disclosure is Watson et al. (2002). However, the relationship is not obvious. There are some other studies that found insignificant relationship between industry type and voluntary information disclosure such as Chau and Gray (2002) and Raffournier (1995). According to the mimetic institutional influence argument (DiMaggio and Powell, 1983), firms tend to gravitate toward similarity as a low cost and low risk reaction to environmental uncertainty. This mimetic behaviour is expected to occur at the industry level. Therefore, although the results are mixed, we expect that the level of voluntary information disclosures vary across industries.

Leverage

Revealing information would also reduce information asymmetry between the company and debt holders, which in turn would reduce the cost of capital (Botosan 1997; Firth 1979; Hossain et al. 1995). These costs are higher for firms with proportionally more debt in their capital structure (Jensen and Meckling 1976) since potential wealth transfers from debt holders to shareholders and managers increase with leverage. With debt holders price-protecting themselves, shareholders and managers have the incentives to offer an increased level of monitoring and voluntarily disclose more information in the published annual reports to reduce the costs of capital (Hossain et al. 1995). The disclosure would also contribute to solve monitoring problems between stockholders and creditors (Raffournier 1995). Thus, a positive relationship between leverage and the level of voluntary disclosures can be expected. This is consistent with the expectation made in Chow and Wong-Boren (1987) and Raffournier (1995). Hossain et al. (1995) found a significantly positive association between leverage and the extent of voluntary disclosure in New Zealand companies. However, Craig and Diga (1998) found that the sign of correlation coefficient is positive as expected but not statistically significant for the association between the corporate accounting disclosure in firms operating in ASEAN countries and the degree of financial leverage. Therefore, given the mixed results particularly in the case

of ASEAN countries, it is interesting to explore whether leverage do influence voluntary disclosure in Malaysia.

Audit Quality

The extent of disclosure is also related to the quality of audit (often proxies by *Big-4* or large auditing firms). Quality auditors are expected to be able to influence managers to provide more disclosures because they want to maintain their reputations (DeAngelo 1981). Therefore, we expect to see more disclosure in firms audited by *Big-4* auditing firms and vice versa. However, studies by Chau and Gray (2002), Hossain et al. (1995) and Raffournier (1995) found that the type of auditor or auditor's size is not significantly related to the level of voluntary disclosures. The type of auditor is also not significantly related with extent of voluntary disclosure in annual reports of Malaysian listed companies (Haniffa and Cooke, 2002). In this study, we wanted to test whether big-4 auditing firms which expected to be dominant in MNCs, were effective in their monitoring and promote more voluntary disclosures.

Performance

Impression management is necessary for legitimisation purposes. Future oriented information would facilitate predictions, valuations and perceptions of the company's affair. When the rate of return is high, the managers are motivated to disclose detailed information in order to support the continuance of their positions and remuneration (Singhvi and Desai, 1971). Inversely, they may disclose less information in order to conceal the reasons for losses or declining profits (Raffournier, 1995). Voluntary disclosure may also be used to signal private information, i.e. when the performance of a company is under-estimated by the market. The managers may use additional disclosure to improve capital market valuation of firm stocks (Lev, 1992). Haniffa and Cooke (2002) found that profitability, as the performance-related variable is highly significant in relation to the extent of voluntary disclosure of Malaysian listed companies. Therefore, we expect that MNCs would disclose more information when their performance is good and disclose less if the performance is bad.

Degree of Multinationality

As companies go multinational, they face new demands for information beyond those faced in the home country (Meek et al. 1995). It is likely that a company's presence in international market will increase its level of disclosure (Craig and Diga, 1998). Much of the impetus for voluntary disclosures by MNC surrounds the need to raise capital at the lowest possible cost (capital-need hypothesis). Multiple listed companies often have an interest in foreign capital markets since foreign operations are often financed by foreign capital (Choi and Mueller, 1984 in Cooke 1989). Annual reports are also useful to other users of accounting information such as customers, suppliers and the state (Raffournier, 1995). When these users examine reports of foreign companies, they are likely to refer to disclosure practices of domestic companies. At the same time, foreign companies are

induced to comply with the usual practices of countries in which they operate (Raffournier, 1995). The more international the operations of a company, the larger the inducement would be. Therefore, we expect a positive association between voluntary disclosures and the degree of multinationality.

Ownership Concentration

Prior research during and before the 1997 financial crisis has found a significant association between ownership structure and the level of voluntary disclosure in annual reports of Malaysian companies (Haniffa & Cooke, 2002; Hossein et al., 1994) and of companies in Hong Kong and Singapore (Chau & Gray, 2002; Eng & Mak, 2003). The association is also found to be significant after the financial crisis for companies in Malaysia (Mohd Ghazali & Weetman, 2006).

Malaysian PLCs are typically characterized with high levels of ownership concentration (Lai, 2004; Mohd Ghazali & Weetman, 2006). Haniffa and Cooke (2002) show that this variable is positively related to voluntary disclosure. However, Hossain et al. (1994) found a negative association between the proportion of shares held by the 10 largest shareholders and the extent of voluntary disclosure in annual reports.

Research Methodology

This study used content analysis to determine the level of voluntary information disclosures and the factors affecting its level by the MNCs. Each section of the selected companies' annual reports were analysed and a score was given for each disclosure made. This study adopted theme analysis using a checklist as suggested by Botosan (1997). This method was proven to be relevant and reliable in assessing the level of voluntary information disclosures. An index of voluntary information disclosures was calculated to represent the level of voluntary disclosures for each of the selected MNC. Consistent with Meek et al. (1995), we classified a company with at least 10 percent of its sales is from overseas as a multinational company.

Attention was given on the aspect of voluntary information reported in annual reports for MNCs listed on Bursa Malaysia. Consistent with Botosan (1997) we assume that the disclosure provided in annual reports can serve as a good proxy for the level of voluntary disclosure of information by companies in all disclosure mediums. This is because the level of voluntary disclosure in annual report is reported as having a positive relationship to the amount of disclosure made in other media (Lang and Lundholm 1993).

The unit of analysis for this study is the multinational companies listed on the Main Board of the Bursa Malaysia as at 31 December 2003. Annual reports of firms with financial year ended 2003 were selected because it is the most recent years when the study took place. The analysis was limited to only one year (2003) because the disclosure policy used by companies is relatively unchanged through time (Botosan 1997).¹ The companies

are from consumer products, industrial product, trading and services, plantation, construction, and technology industries.

Annual reports of listed companies on Bursa Malaysia as at 31 December 2003 were analysed to identify companies, which fit the definition of an MNC. According to Meek et al. (1995), a company with at least 10 percent of sales from non-domestic sources can be classified as an MNC. The companies that satisfy this 10% foreign sales were further analysed.

We began the sampling procedure by excluding companies from the financial, banking, insurance, trust, closed-end funds and securities sectors since these companies are subject to different rules from other companies in other sectors. Companies in PN4 category during the time when the study was being carried out were also excluded.² We only included companies listed on the Main Board of Bursa Malaysia (then Kuala Lumpur Stock Exchange) since these companies are relatively large compared to the companies listed on the Second Board, thus they are more likely to have multinational operations. Finally, we excluded companies under the Mesdaq board i.e. high growth technology firms from this study because the nature of the operation may have influenced the incentives for voluntary disclosure of intellectual capital that may cloud interpretations. These procedures yielded a list of 519 companies.

Therefore, this study included companies from ten industries listed on Bursa Malaysia i.e. consumer product, industrial product, construction, trading and services, infrastructure project, hotels, properties, plantation, and technology industries. Audited financial statements were read and segmental report section was given full attention since most of the information about foreign activities can be found in the geographical segment section. From the information, we identified 132 companies that met the definition of an MNC. A list of the names of selected MNCs is summarized in Appendix A. Table 2 summarizes these companies according to industry.

Table 2: Summary of MNC Based on Industries

No.	Industries	Multinational	No. of Companies	Percentage
1	Consumer Products	27	74	36.5
2	Industrial Products	44	134	32.8
3	Construction	10	43	23.3
4	Trading and Services	22	126	17.5
5	Infrastructure project companies	1	8	12.5*
6	Hotels	0	5	0.0*
7	Properties	11	74	14.9*
8	Plantation	9	38	23.7
9	Mining	1	1	100.0*
10	Technology	7	16	43.8
Total		132	519	25.4

Based on this initial analysis, there are about 25% of the companies listed on the Main Board of Bursa Malaysia on 31 December 2003 is classified as MNCs. We selected six sectors and excluded four other sectors (those being marked ‘*’ in Table 2 above) because the percentage of companies falls under MNCs for these industries is low (less than 15%). As for the mining industry, there was only one company listed under the industry on 31 December 2003. This company was excluded although it is a multinational company. We excluded these firms because the companies are not fairly distributed across industries. After excluding these firms, each industry was represented by 17.5% to 43.8% MNCs.

These processes yielded 119 companies to be studied. However, only 107 from 119 annual reports were complete. Table 3 below shows a summary of the sampling selection procedure used in this study.

Table 3: Summary of Sampling Selection Procedure

Selection Process	No. of Companies
Audited financial statements gathered for reviewed (Excluding financial, insurance, trust, closed-end funds, and PN4 companies)	519
(-) Companies without geographical segment or did not report sales from abroad	(322)
(-) Companies with less than 10% of overseas sales to total sales ratio	(65)
Multinational Company	132
(-) Multinational companies from industries with less than 15% of multinational companies	(12)
(-) Mining company	(1)
Multinational companies selected for the purpose of this study	119
(-) Incomplete 2003 annual report of the selected multinational companies	(12)
No. of Company Selected	107

The data was collected from the annual reports downloaded from the Bursa Malaysia Web page (<http://www.bskl.com.my>). All listed companies lodged an English version of annual report to Bursa Malaysia. However, a few companies also provided a supplement of Malay version annual report (27 from 107 annual reports or 25%) and only 5% (5 annual reports) in Chinese.

Dependent Variable

There are variety types of measurements for level of voluntary disclosure that had been used in previous literature. For the purpose of this study, the measurement for the level of voluntary disclosure used an index of voluntary information disclosures adopted from Botosan (1997). This study used the disclosure index as in Botosan (1997) because the measurement suggested in the study portrays more voluntary disclosure for this sample of study compared to other instruments used in other past studies. Furthermore, Botosan

(1997) proves that the measurement is reliable and valid. Annual reports are the main focus to the disclosure index because generally, the annual report is one of the most important sources of corporate information (Botosan 1997).

This disclosure index was weighted based on the amount of voluntary disclosure made by companies in the annual reports. The items for the index were selected following Botosan (1997) as quoted in Singleton and Globerman (2002). Singleton and Globerman (2002) provide a more comprehensive list of disclosure items compared to Botosan (1997). There are five categories for voluntary information disclosure that had been identified by analysts and investors to be the most important information for decision-making:

1. Background information;
2. Summary of historical results;
3. Key non-financial statistics;
4. Projected information;
5. Management discussion and analysis

Background Information

Information in this category includes objectives and strategy of the business, the industry environment, the main products produced and the markets served which is useful to investors. This information is considered as important to the users to interpret other detailed information about the company. We gave one point for each background information item disclosed and an additional one point per item if the information provided includes quantitative data which was not obtainable from the financial statements. The total score for this first category was 26 points.

Summary of Historical Results

Historical summaries provide useful information (or very important) to the users (Botosan, 1997). Usually, companies present five or ten years of annual data of basic information necessary to compute profitability ratios such as return-on-assets, net profit margin, asset turnover and return-on-equity. If a company voluntarily presented a summary of ten years or more data, it received twice the points compared to a company with five years data.³ Appendix B shows that this category of information had a maximum of 5 items. We gave a maximum of 1 point if a company disclosed ten years or more data for item (i) to (iv), and additional 0.5 points for each item if the company also disclosed five years data. Therefore, the maximum points for item (i) to (iv) was 6 points. We gave a maximum of 1 point for item (v) if a company disclosed a summary of sales and net income for most recent eight quarters. In total, the maximum points for this category were 7 points.

Key Non-Financial Statistics

Non-financial information that is not recoverable from the financial statements and related disclosures provides users with important information. Annual reports should include company performance statistics and ratios. This non-financial statistics category includes items such as market share, units sold, order backlog and average compensation/employee.

Two points were awarded for each non-financial statistic disclosed. The total maximum score for this third category was 40 points.

Projected Information

Information on the opportunities and risks and management's future plans is important to professional investors and analysts. Other than that, information about the forecast of sales, profits and capital expenditures, and disclosure of future opportunities, risks and plans are among the items that are included in the index. Two points were given for each directional prediction and three points for a point estimate. The total maximum score for this fourth category was 27 points.

Management Discussion and Analysis

Information about the year-to-year changes that is not recoverable from the basic financial statements is usually included in this section. One point was given to each item discussed and which provided a detailed explanation not recoverable from financial statements or footnotes. We assigned one additional point per item if the explanation included quantitative data which could not be obtained from financial statements or footnotes. The total score for this final category was 26 points.

Therefore, the maximum score that a company may earn was 126 points. Table 4 below shows the points that a company would be awarded if it disclosed all of the items in each of the category discussed above.

Table 4: Summary of the Voluntary Disclosure Scores for Each Category

No.	Category	Points
1	Background information	26
2	Summary of historical results	7
3	Key non-financial statistics	40
4	Projected information	27
5	Management discussion and analysis	26
Total Maximum Scores		126

Appendix B shows the summary of the major elements of the voluntary disclosure information. Below is the formula to calculate the voluntary information disclosures index (VD Score):

$$\text{VD Score} = \frac{\sum \text{score earned by a company}}{\sum \text{maximum score (126 points)}}$$

Independent Variables

One of the main objectives of this paper was also to examine the possible relationship between the level of voluntary information disclosures and some of the identified MNCs

characteristics. There are six independent variables in this study. The size of a company, leverage, level of multinationality, type of industry, type of audit firms and profitability were all expected to be positively associated with voluntary information disclosures of the MNCs.

The size of the company was measured using the log of total sales at the end of the current year. Since the relevance of the selected items of disclosure can vary across industries (Meek et al., 1995), the level of voluntary disclosures might also vary across industries. In other words, industry membership may influence the voluntary disclosures. This variable was measured using the dichotomous value of 0 and 1. Leverage variable was measured using the ratio of long-term debt to total equity (Craig and Diga, 1998).

The choice of external auditors is a mechanism, which helps to alleviate conflicts between principals and agents (Watts and Zimmerman, 1986). It had been argued that large and well-known auditing firms might incite companies to disclose more information (Firth, 1979). The dichotomous of 0 and 1 value was used to measure this variable, where '1' if the company that was being audited by big audit firms such as KPMG, PWCopers, and Ernst & Young and "0" otherwise.

Profitable companies have the incentives to distinguish themselves from less profitable companies in order to raise capital on the best available terms (Meek et al., 1995). One way to do this is through voluntary information disclosures. Thus, more profitable companies can be expected to disclose more voluntary information disclosures. This variable was measured using the ratio of profit to total revenue of the current year.

An increase in the degree of internationalization of operations results in a larger proportion of foreign stakeholders in the corporation (Meek et al., 1995). The variety of demands can therefore results in an increased level of voluntary information disclosures. The degree of multinationality was measured using the ratio of foreign sales to total sales of the current year (Meek et al., 1995).

We also included ownership concentration in the regression because Haniffa and Cooke (2002) show that this variable is positively related to voluntary disclosure. However, an earlier study produces a negative association (Hossain et al., 1994). Based on the argument that majority largest shareholders in Malaysian listed companies are controlling shareholders and managers (insiders), they may have the power and incentives to involve in some expropriation activities (Mohd Ghazali & Weetman, 2006). Consistent with Mohd Ghazali and Weetman (2006), we expect a negative association between ownership concentration and voluntary disclosure.

Data Analysis

Descriptive and regression analyses were performed on the data gathered. The equation for the regression analysis is as follows:

$$VD\ Score = \beta_0 + \beta_1 SIZE + \beta_2 LEV + \beta_3 MNC + \beta_4 IND1 + \beta_5 IND2 + \beta_6 IND3 + \beta_7 IND4 + \beta_8 IND5 + \beta_9 AUDIT + \beta_{10} PROFIT + \beta_{11} CONCENT + \epsilon$$

Where,

<i>VD Score</i>	=	Voluntary disclosure information index
<i>SIZE</i>	=	Logarithm of total assets (end of current year – 2003)
<i>LEV</i>	=	Logarithm of the ratio of long term debt to total equity
<i>MNC</i>	=	Ratio of foreign sales to total sales
<i>IND1</i>	=	1 if the company is from consumer products industry; and 0 otherwise
<i>IND2</i>	=	1 if the company is from industrial products industry; and 0 otherwise
<i>IND3</i>	=	1 if the company is from trading and services industry; and 0 otherwise
<i>IND4</i>	=	1 if the company is from plantations industry; and 0 otherwise
<i>IND5</i>	=	1 if the company is from construction industry; and 0 otherwise
<i>AUDIT</i>	=	0 if the company that is audited by small audit firms; and 1 if the company that is audited by big audit firms (KPMG, PwCoopers, Ernst & Young)
<i>PROFIT</i>	=	Ratio of profit to sales revenue
<i>CONCENT</i>	=	The level of ownership concentration i.e. ownership of top 5 shareholders.
ε	=	Error term

Results

Descriptive Analysis

Based on the descriptive analysis carried on the voluntary disclosure information index, it was found that the overall lowest level was 0.04, whereas the highest was 0.34, and on average, the level of voluntary disclosure of the MNCs was 0.1076. This level was low i.e. disclosure level is only at 10-11% from total voluntary disclosures items identified as important. In some cases, some most important information was not disclosed. Although this information is not mandatorily required, past studies show that this type of information is useful for the investors and analysts.

The breakdown of results however, shows that the background information and summary of historical results were among the most popular voluntary disclosure information made by the MNCs. It is found that these two categories had the average scores higher than the other three categories. This might be due to the fact that this information is normally presented as the introduction to the annual report. Most companies are found to disclose their historical results summary by providing at least five years financial information (1999-2003), and some disclose more than five years information. For example, Berjaya Group Berhad presented 16 years results; Cosway Corporation Berhad 15 years; and Malaysian Airline System Berhad 10 years. However, 8 percent of the 107 companies, did not disclose any past results summary at all.

On the other hand, the least popular category of voluntary information disclosed is the projected information, key non-financial statistics, and management discussion and analysis. Table 5 shows a summary of the descriptive results for the voluntary disclosures information.

Table 5: Results of Descriptive Analysis for Voluntary Disclosure Index

No.	Category	Min	Max	Range	Mean	Standard deviation
1	Background information	0.08	0.62	0.54	0.25	0.12
2	Summary of historical results	0.00	0.57	0.57	0.24	0.11
3	Key non-financial statistics	0.00	0.30	0.30	0.00	0.01
4	Projected information	0.00	0.22	0.22	0.00	0.00
5	Management discussion and analysis	0.08	0.31	0.23	0.13	0.01
Total (Overall)		0.04	0.34	0.30	0.11	0.00

Independent Variables

The independent variables that are in the form of ratio and nominal value, the results of descriptive analysis are summarized in Table 6. From the descriptive analysis, it is found that the mean for the size of company (log of total sales) is 19.29 and the standard deviation is approximately 1.45.

Table 6: Results of Descriptive Analysis for the Independent Variables

No.	Category	Minimum	Maximum	Range	Mean	Standard deviation
1	Size of company	15.57	22.88	7.31	19.49	1.44
2	Leverage	-16.12	7.06	23.17	2.44	3.56
3	Level of multinationality	0.11	1.00	0.89	0.45	0.26
4	Profitability	-2.50	1.68	4.18	0.06	0.43
5.	Ownership concentration	0.04	0.83	0.79	0.48	0.19

Meanwhile, the average logarithm of the ratio of long-term debt to total equity (leverage) was 2.43. As for the level of multinational (foreign sales to total sales ratio), the lowest level was 11.4 percent, and 3 out of the 107 companies had a ratio of 100% foreign sales in the year 2003 (i.e. Southern Steel Berhad; Tong Herr Resources Berhad; and Uchi Technologies Berhad).

Meanwhile, for the profitability ratio (i.e. profit to total assets ratio), a small average value of 0.7% was recorded due to the losses made by many of the selected companies for the financial year ended 2003. Most of the companies reported the event of war in Iraq and SARS outbreak in Asia region were the main factors that affect the profitability of the companies. However, when we compared the profitability of these companies in year 2003 to reported figures in year 2004 and 2005, the difference in the profitability ratio was not statistically significant (t-statistics = 0.461). We conclude that although there is a concern whether the chosen period (year 2003) would reflect the normal condition of the MNCs, the stated events were proven not to be the main reason for their poor performance. The performance of MNCs remained unchanged materially in year 2004 and 2005.

Results of Correlation Analysis

Based on the correlation analysis, it is found that the relationship between level of voluntary disclosure information and several determinant factors exists. Factors such as size of company and size of audit firms are found to be positively and significantly related with the level of voluntary disclosure. Meanwhile, other factors are not significantly related. Table 7 summarizes the results of the correlation analysis.

Table 7: Correlation Analysis between Voluntary Disclosure Factors and Index

No.	Variables	Expected Signs	Correlation
1	Size of company	+	0.287**
2	Leverage	+	-0.112
3	Level of multinational	+	0.154
4	Type of industry	?	
	IND1		- 0.145
	IND2		0.003
	IND3		-0.069
	IND4		0.106
	IND5		0.046
5	Size of audit firm	+	0.211*
6	Profitability	+	0.012
7	Ownership concentration	-	0.089

IND1 = consumer products; IND2 = industrial products; IND3 = trading and services; IND4 = plantations industry; IND5 = construction

Results of Regression Analysis

Table 8 reports the regression results for the voluntary information disclosure index and for each of the five-information category. Overall, the results are statistically significant for the voluntary disclosure index model (voluntary disclosure index as dependent variable) and in the voluntary summary of history information model (voluntary summary of history information as dependent variable).

The amount of explained variation in disclosure ranges from about 4.1% in the case of key non-financial information to 17.1% for summary of historical results. The adjusted R^2 for voluntary information disclosures overall is approximately 10.7%. This might suggest that there are other factors that may explain the variation in voluntary disclosure which need to be further analysed. However, this study only investigated whether there was any association between the factors discussed in the literature review section and voluntary disclosure of MNCs in Malaysia, rather than the determinants of voluntary disclosure of those companies. Therefore, such low adjusted R^2 was not a concern.

Overall, it can be seen that the voluntary disclosure index model (column 6) is significant with F-value of 2.267 and $p = 0.020$. Company size and quality audit (the type of audit firm) are two most important variables in explaining the level of voluntary disclosure in our sample. Consistent with previous empirical studies, larger MNCs voluntarily disclosed

Table 8: Regression Results^a

	Background Information	Summary of History Results	Key non-Financial	Projected Information	Management Discussion & Analysis	Overall Voluntary Disclosure
R ²	0.163	0.236	0.143	0.181	0.161	0.207
Adjusted R ²	0.066	0.148	0.044	0.086	0.064	0.116
F Statistic	1.685	2.668	1.442	1.907	1.658	2.260
Significance	0.088*	0.005***	0.167	0.048**	0.095*	0.017**
Intercept	-0.110 (-0.700)	-0.263* (-1.854)	-0.110 (-1.617)	-0.063 (-1.068)	-0.071 (-0.998)	-0.100 (-1.647)
Independent Variables:						
Size	0.019** (2.377)	0.027*** (3.715)	0.006 (1.589)	0.004 (1.176)	0.009** (2.596)	0.010*** (3.177)
Leverage	0.005* (1.681)	-0.001 (0.359)	0.001 (0.556)	-0.002* (1.692)	0.002 (1.531)	0.001 (1.065)
Multinational	-3.0E-04 (0.664)	3.8E-04 (0.935)	2.4-04 (1.216)	3.7E-04** (2.176)	1.5E-04 (0.734)	1.4E-04 (0.823)
Industry						
IND1	-0.099* (-1.970)	-0.064 (-1.414)	-0.007 (-0.298)	-0.035* (-1.879)	-0.010 (-0.433)	-0.036* (1.830)
IND2	-0.060 (-1.262)	-0.056 (-1.300)	-0.003 (-0.132)	-0.012 (0.653)	0.001 (0.040)	-0.019 (-1.013)
IND3	-0.127** (-2.056)	-0.016 (-0.292)	-0.003 (-0.126)	-0.011 (-0.481)	0.014 (0.488)	-0.028 (-1.161)
IND4	-0.070 (-1.358)	-0.027 (-0.583)	-0.005 (-0.220)	-0.009 (-0.469)	0.010 (0.424)	-0.017 (-0.872)
IND5	-0.085 (-1.298)	-0.115* (-1.945)	0.039 (1.370)	-0.006 (-0.241)	0.009 (0.315)	-0.011 (-0.432)
Audit Firm	0.043* (1.818)	0.010 (0.478)	0.019* (1.850)	0.012 (1.377)	0.018* (1.711)	0.022** (2.381)
Profitability	-0.018 (-0.611)	-0.024 (-0.871)	0.001 (0.044)	-0.003 (-0.274)	0.010 (0.707)	0.004 (-0.310)
Ownership Concentration	0.067 (1.121)	0.012 (0.217)	0.028 (1.100)	0.029 (1.283)	-0.010 (-0.356)	0.028 (1.195)

^aIND1 = consumer products; IND2 = industrial products; IND3 = trading and services; IND4 = plantations; IND5 = construction. Other variables are as previously defined. Figures in parentheses are t-statistics
***, **, * Significant at 1%, 5% and 10% confidence level, respectively (2-tailed).

significantly more annual report information than smaller MNCs (Meek et al., 1995). However, when voluntary disclosure index is splitted into five categories, the size phenomenon only holds for three out of the five categories of information, i.e. background information, summary of historical results and management discussion and analysis. This result is consistent with other disclosures studies such as Meek et al. (1995), Raffournier (1995), and Hossain et al. (1995) when they found that the factors explaining voluntary annual report disclosures differed by information types.

Most previous voluntary disclosure studies, did not find any significant relationship between type of audit or audit quality with the level of voluntary disclosure (e.g. Chau and Gray, 2002; Haniffa and Cooke, 2002; Hossain et al., 1995; Raffournier, 1995). However, this study found that the type of audit firm was significantly related with the voluntary disclosure index model. The result suggests that the level of voluntary disclosure was more in companies audited by the big audit firms. However, the type of audit firm was not significant in explaining each category of voluntary disclosure.

Meanwhile, the leverage, industry, profitability and the degree of multinationality do not appear to be significant in explaining voluntary annual report disclosures for our samples of companies. However, some of the variables are significant within a certain type of information disclosures (i.e. multinationality and industry type). On an overall basis, the level of multinationality was significantly related to the disclosure of projected information. Meek et al. (1995) also found that the level of multinationality was weakly related to the disclosure of non-financial and financial information subgroups. In this study, the more multinational an MNC is, the more projected information it disclosed (but unrelated to company size and type of auditor).

There were industry type patterns in two of the five information categories. Overall, the industry type was not significantly related to the level of voluntary disclosures. However, it was statistically significant in some categories of voluntary information disclosure. For instance, within background information, two of the six industries (i.e. consumer products; and trading and services) were negatively related to the level of voluntary disclosure of such information. Meanwhile, the construction industry was negatively related to the level of voluntary disclosure of the summary of history results. The negative relationship suggests that these MNCs in the particular industries seem particularly inclined to provide such information. This result is consistent with Meek et al. (1995) where the industry type was found to be influential to the level of voluntary disclosures in some case (companies in the oil, chemicals and mining industry seem particularly inclined to provide non-financial information).

While leverage appears to be an important explanatory variable in other studies (e.g. Hossain et al., 1995), this study found no significant association between leverage and the level of voluntary disclosures. The insignificance of leverage was also found in Chau and Gray (2002), Chow and Wong Boren (1987), Cooke (1989) and Raffournier(1995). Finally, we find no evidence that voluntary disclosure behaviour was different between various levels of MNCs profitability. This insignificant result is consistent with Chau and Gray (2002), Watson et al. (2002), Meek et al. (1995), and Raffournier (1995).

Additional Analyses

We conducted several additional analyses. First, we conducted regressions to see whether influential observations might affect the distribution of the data which in turn could affect the result. In this regression, all continuous variables were transformed into ranks (Cooke, 1998). The results are qualitatively similar to those reported in Table 8. Winsorizing the observations to the point equivalent to top and bottom 5% of the ranked data also did not

change the result significantly. Second, we changed the measurement of several independent variables from revenues or sales to total assets to see whether the result is stable if we use alternative measure of size. In this regression we defined *LEV* as debt to total assets, *MNC* ratio of foreign sales to total assets and *PROFIT* as the ratio of profit to total assets. The results did not change our conclusion. However, using the new measurement reduced the adjusted R² in all regressions significantly.

We also provide an additional test on the measure of multinationality. In our opinion, if a company had a high ratio of foreign sales and sold their product to many foreign countries (the number of geographical segments), it had to be given a high score on the degree of multinationality, and vice versa. The number of foreign countries where the products are sold was important since more varieties of users were interested to know about the company, and thus the demand for more disclosure was higher than if the company was involved in one foreign country. Therefore, we used a variable which was a product of the ratio of foreign sales and the number of foreign countries where the products were sold, to test this concern. The results are presented in Table 9. We found that while the significance levels of variables were qualitatively similar to those presented in Table 8, the new measure of multinationality (MNCGEO) was significantly positively related to voluntary disclosure index at less than 5% level. It was positively related to disclosure of projected information, key non-financial information and summary of history results.

Table 9: Additional Analyses^a

	Background Information	Summary of History Results	Key non-Financial	Projected Information	Management Discussion & Analysis	Overall Voluntary Disclosure
R ²	0.161	0.260	0.196	0.181	0.163	0.238
Adjusted R ²	0.064	0.174	0.103	0.087	0.066	0.150
F Statistic	1.656	3.027	2.106	1.913	1.681	2.703
Significance	0.096*	0.002***	0.027**	0.047**	0.089**	0.005**
Intercept	-0.101 (-0.637)	-0.242* (-1.728)	-0.096 (-1.451)	-0.055 (-0.938)	-0.067 (-0.942)	-0.090 (-1.507)
Independent Variables:						
Size	0.017** (2.081)	0.025*** (3.399)	0.004 (1.135)	0.003 (1.054)	0.009** (2.496)	0.009*** (2.805)
Leverage	0.006* (1.786)	-0.001 (-0.438)	0.001 (0.490)	-0.002* (1.925)	0.002 (1.474)	0.001 (1.042)
MNGEO	0.003 (0.415)	0.015* (1.980)	0.010*** (2.800)	0.007*** (2.189)	0.003 (0.866)	0.007** (2.137)
Industry IND1	-0.087* (-1.687)	-0.048 (1.051)	-0.005 (-0.222)	-0.032* (-1.666)	-0.008 (-0.331)	-0.028 (-1.4.9)

Cont'd

Cont'd Table 9: Additional Analyses^a

IND2	-0.048 (-1.995)	-0.041 (-0.957)	-0.007 (-0.367)	-0.009 (-0.492)	0.003 (0.124)	-0.011 (-0.611)
IND3	-0.107* (-1.708)	-0.004 (0.080)	-0.011 (-0.423)	-0.009 (-0.378)	0.016 (0.556)	-0.017 (-0.715)
IND4	-0.062 (-1.194)	-0.019 (-0.417)	-0.001 (-0.033)	-0.008 (-0.435)	0.011 (0.455)	-0.013 (-0.674)
IND5	-0.071 (-1.063)	-0.097 (-1.638)	0.051* (1.850)	-0.002 (-0.090)	0.012 (0.392)	-0.002 (-0.067)
Audit Firm	0.043* (1.812)	0.007 (0.319)	0.017* (1.676)	0.010 (1.148)	0.017 (1.625)	0.020** (2.254)
Profitability	-0.018 (-0.587)	-0.024 (-0.878)	0.001 (0.057)	-0.003 (-0.295)	0.010 (0.703)	0.003 (-0.304)
Ownership Concentration	0.068 (1.136)	0.024 (0.445)	0.036 (1.447)	0.035 (1.560)	-0.007 (-0.247)	-0.033 (1.452)

***, **, * Significant at 1%, 5% and 10% confidence level, respectively (2-tailed).

Conclusion

Overall, it was found that the level of voluntary disclosure was at a relatively low for the MNCs in Malaysia although it was expected that these MNCs would disclose more voluntary disclosure in overcoming the diversity demand of information. The results show that level of voluntary information disclosures was positively related to size of the company and the type of audit. Meanwhile, the level of multinationality was significantly related to the level of projected information disclosures. We also found MNCs in particular industries (e.g. construction industry) seemed particularly inclined to provide certain information (e.g. summary of history results). Additional tests show that the level of multinationality and the number of countries where the products were exported jointly determine the level of voluntary disclosure in MNCs.

There are several limitations to this study. For instance, most of the companies listed on Bursa Malaysia which were found to satisfy the 10% foreign sales to total sales ratio (a criteria for MNC as set by Meek et al., 1995), have Malaysia as its home country, which was not expected. It was initially thought that the MNCs would have its parents companies overseas, and Malaysia as the host country. Only a few companies (about 3 companies only) stated that their home country was abroad. Due to this limitation, a study to examine the possible influential factors of voluntary disclosure such as culture, political and civil system, legal system and level of economic development of home countries cannot be preceded. It is important that future studies be able to look into these factors, because the differences in culture, political and civil system, legal system and level of economic development between home and host country may have some relationship which might explain the behaviour of the reporting and disclosing the accounting information.

The amount of explained variation in disclosure ranges from about 4.1% in the case of key non-financial information to a maximum of 17% for summary of historical results. The adjusted R² for overall voluntary information disclosures is approximately 11%. Results

of additional test utilizing an alternative measure of multinationality show the adjusted R^2 ranges from 6.4% to 17.4%. This low explanatory power suggests that there are obviously additional factors influencing the voluntary disclosures. Other potential explanatory variables to examine include the possible uniqueness of the MNCs as compared to other domestically operated companies. These possible unique characteristics of MNCs (yet to be identified) could be modelled for its impact on voluntary disclosures of the MNCs.

Another limitation is that like most previous disclosure studies, this study had focused on one form of disclosure medium, i.e. the annual reports. Although the disclosures provided in the annual reports is assumed to serve as a good proxy for the level of voluntary disclosure of information by companies in all disclosure mediums, future research could extent this to include other channels of disclosure, such as interim reports, preliminary announcement to stock exchange, press release, etc. Other than that, this study has examined the level of voluntary disclosures cross-sectionally using 2003 data and thus more robust results can be obtained from longitudinal studies.

Notes

- 1 We did not use observations prior to year 2003 because during those years most companies were badly hit by Asian financial crisis which started in 1997 and still struggling to survive. At the time the research was conducted (year 2005), year 2003 was the most recent year with all available data.
- 2 PN4 is Practice Note 4. Only distressed companies are listed under the PN4 category. Companies under this category may have different incentives for disclosure. Managers of these companies may have the incentives to justify their position, or to lobby for government aid by disclosing more information.
- 3 We also gave twice the score if the company discloses a summary of historical results for the maximum number of years possible, for firms established for less than 10 years

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APPENDIX A

The List of Selected MNCs

No.	Name of Company	Listing Date	Industry Type	Multinational Level (%)
1	AIC Corporation Bhd	14/12/1994	TECH	82.7
2	AKN Technology Bhd	2/9/1998	TECH	77.4
3	Aluminium Company of Malaysia Bhd	20/12/1969	IP	39.1
4	Amalgamated Containers Bhd	28/10/1993	IP	21.4
5	Amsteel Corporation Bhd	13/1/1983	IP	50.8
6	Ancom Bhd	29/3/1990	IP	48.9
7	Antah Holdings Bhd	28/11/1983	TS	47.2
8	APL Industries Bhd	8/9/1992	IP	18.9
9	Apollo Food Holdings Bhd	25/9/1996	CP	50.7
10	Asia File Corporation Bhd	4/3/1996	CP	58.8
11	Baneng Holdings Bhd	25/3/2002	CP	23.3
12	Batu Kawan Bhd	12/10/1971	PL	15.0
13	Berjaya Group Bhd	13/2/1969	TS	49.1
14	Bintai Kinden Corporation Bhd	23/1/1998	TS	20.5
15	Brem Holdings Bhd	23/6/1993	CN	29.2
16	Chin Well Holdings Bhd	10/3/1970	IP	47.6
17	Coastal Contracts Bhd	13/8/2003	IP	14.4
18	Cosway Corporation Bhd	24/10/1990	CP	32.2
19	Dai Hwa Holdings (M) Bhd	6/10/1995	CP	50.0
20	DNP Holdings Bhd	17/1/1979	CP	69.5
21	Eng Teknologi Holdings Bhd	8/7/1993	TECH	77.1
22	Fraser & Neave Holdings Bhd	3/8/1970	CP	13.6
23	General Corporation Bhd	14/1/1971	CN	15.9
24	Gold IS Bhd	17/6/1993	CP	33.8
25	Golden Pharos Bhd	13/9/1993	CP	49.9
26	Grand United Holdings Bhd	17/12/1968	IP	38.8
27	Ho Wah Genting Bhd	28/12/1994	IP	70.4
28	Hytex Integrated Bhd	8/11/2002	CP	16.6
29	IJM Corporation Bhd	29/9/1986	CN	16.8
30	Ingress Corporation Bhd	9/3/2001	IP	18.1
31	Intan Utilities Bhd	2/7/1997	TS	38.5
32	Integrated Logistic Bhd	15/7/1993	TS	19.5
33	IOI Corporation Bhd	28/7/1980	PL	67.7
34	Jerasia Capital Bhd	10/11/1993	CP	77.9
35	Johan Holdings Bhd	2/8/1973	TS	90.7
36	Keck Seng (M) Bhd	26/5/1977	IP	15.1

Cont'd

Cont'd The List of Selected MNCs

37	Ken Holdings Bhd	22/5/1996	CN	17.6
38	KFC Holdings (M) Bhd	11/11/1988	TS	26.9
39	Kim Hin Industry Bhd	22/7/1992	IP	15.2
40	Kinta Kellas PLC	28/5/1974	TS	80.8
41	Kluang Rubber Co (M) Bhd	6/4/1961	PL	11.4
42	Kretam Holdings Bhd	18/1/1989	PL	36.6
43	Kulim (M) Bhd	14/11/1975	PL	61.6
44	Kumpulan Fima Bhd	15/11/1996	TS	21.5
45	Kumpulan Guthrie Bhd	25/8/1989	PL	60.5
46	Leader Universal Holdings Bhd	25/8/1978	IP	41.3
47	Leong Hup Holdings Bhd	29/10/1990	CP	28.9
48	Linear Corporation Bhd	18/11/1994	IP	39.9
49	Lion Diversified Holdings Bhd	11/2/1982	CP	91.2
50	Lityan Holdings Bhd	1/3/1994	TECH	19.0
51	LKT Industrial Bhd	12/6/1995	TECH	54.4
52	Malayan Flour Mill Bhd	7/10/1968	CP	22.0
53	Malayan United Industries Bhd	30/6/1971	TS	80.3
54	MISCBhd	2/3/1987	TS	53.9
55	Malaysia Smelting Corp Bhd	15/12/1994	IP	44.2
56	Malaysian AE Models Holdings Bhd	26/5/1999	IP	12.9
57	Malaysian Airline System Bhd	14/12/1985	TS	83.5
58	Matsushita Electric Co (M) Bhd	14/12/1966	CP	51.0
59	Measat Global Bhd	1/7/1978	TS	25.9
60	Mechmar Corporation (M) Bhd	17/1/1986	TS	88.8
61	Mega First Corporation Bhd	11/8/1970	TS	59.7
62	Meico Chipboard Bhd	26/5/1998	IP	15.1
63	Muda Holdings Bhd	2/11/1984	IP	12.5
64	Muhibbah Engineering (M) Bhd	25/2/1994	CN	18.0
65	Mulpha International Bhd	30/11/1983	TS	43.2
66	Nestle (M) Bhd	13/12/1989	CP	17.0
67	NTPM Holdings Bhd	25/4/2003	CP	29.0
68	Nylex (M) Bhd	17/12/1990	IP	54.9
69	Oriental Holdings Bhd	10/3/1964	CP	56.4
70	Paracorp Bhd	7/5/1997	IP	20.6
71	PDZ Holdings Bhd	5/7/1996	TS	26.3
72	Pentamaster Corporation Bhd	23/7/2003	TECH	36.7
73	Pernas International Holdings Bhd	25/9/1990	TS	16.4
74	Pilecon Engineering Bhd	27/12/1984	CN	49.3
75	Pohmay Holdings Bhd	12/3/1997	CP	89.7
76	Polymate Holdings Bhd	29/4/1997	IP	13.6
77	PPB Group Bhd	30/3/1972	CP	65.4
78	PPB Oil Palms Bhd	12/8/1997	PL	12.3
79	Ramatex Bhd	12/11/1996	IP	45.4

Cont'd

Cont'd The List of Selected MNCs

80	Rohas-Euco Industries Bhd	16/3/1995	IP	15.6
81	Silverstone Corporation Bhd	25/7/1991	CP	77.9
82	Sime Darby Bhd	28/12/1979	TS	62.0
83	Sinora Industries Bhd	3/7/1996	IP	81.2
84	Southern Acids (M) Bhd	23/8/1991	IP	70.7
85	Southern Steel Bhd	17/12/1993	IP	100.0
86	Subur Tiasa Holdings Bhd	27/11/1997	IP	83.2
87	Sungei Bagan Rubber Co (M) Bhd	18/4/1961	PL	27.0
88	Supermax Corporation Bhd	7/8/2000	IP	38.0
89	Ta Ann Holdings Bhd	23/11/1999	IP	91.8
90	Tekala Corporation Bhd	28/8/1996	IP	70.0
91	Texchem Resources Bhd	17/5/1993	TS	53.3
92	Thong Guan Industries Bhd	19/12/1997	IP	56.6
93	Tong Herr Resources Bhd	3/11/1999	IP	100.0
94	Top Glove Corporation Bhd	27/3/2001	IP	12.7
95	Tradewinds (M) Bhd	23/8/1988	CP	23.9
96	TSH Resources Bhd	31/1/1994	IP	85.6
97	UAC Bhd	13/7/1966	IP	16.3
98	Uchi Technologies Bhd	19/7/2000	IP	100.0
99	UEM Builders Bhd	1/11/1990	CN	25.8
100	Unisem (M) Bhd	30/7/1998	TECH	90.8
101	UPA Corporation Bhd	5/3/1997	CP	37.9
102	V.S. Industry Bhd	15/6/1998	IP	56.2
103	Versatile Creative Bhd	11/1/1991	IP	20.3
104	Wah Seong Corporation Bhd	19/9/1991	IP	37.5
105	Ye Chiu Metal Smelting Bhd	12/9/1996	IP	18.9
106	Yeo Hiap Seng (M) Bhd	9/5/1975	CP	22.5
107	YTL Corporation Bhd	3/4/1985	CN	46.1

APPENDIX B

Summary of the Major Elements of Voluntary Disclosure Score

1. Background Information: (Maximum 13 items x 2points = 26 points)

- i. Statement of corporate goals or objectives is provided
- ii. A statement of corporate strategy is provided
- iii. Action taken during the year to achieve the corporate goal is discussed
- iv. Planned actions to be taken in future years are discussed
- v. A time frame for achieving corporate goals is provided
- vi. Barriers to entry are discussed
- vii. Impact of barriers to entry on future profits is discussed
- viii. The competitive environment is discussed
- ix. The impact of competition on future profits is discussed
- x. A general description of the business is provided
- xi. The principle products produced are identified
- xii. Specific characteristics of these products are described
- xiii. The principle markets are identified

2. Ten- or Five-Year Summary of Historical Results: (Maximum item (i) to (iv) x 1.5 points + item (v) x 1 point = 7 points)

- i. Return-on-assets or sufficient information to compute return-on-assets (i.e. net income, tax rate, interest expense and total assets) is provided
- ii. Net profit margin or sufficient information to compute net profit margin (i.e. net income, tax rate, interest expense and sales) is provided
- iii. Asset turnover or sufficient information to compute asset turnover (i.e. sales and total assets) is provided
- iv. Return-on-equity or sufficient information to compute return-on equity (i.e. net income and stockholder equity) is provided
- v. Summary of sales and net income for most recent eight quarters is provided

3. Key Non-Financial Statistics: (Maximum 20 items x 2 points = 40 points)

- i. Number of employees
- ii. Average compensation per employee
- iii. Order backlog
- iv. Percentage of order backlog to be shipped next year
- v. Percentage of sales in products designed in the last five years
- vi. Market share
- vii. Dollar amount of new orders laced this year
- viii. Unit sold
- ix. Unit selling price
- x. Growth in units sold

- xi. Rejection/defect rates
- xii. Production lead-time
- xiii. Age of key employees
- xiv. Sales growth in key regions not reported as geographic segments
- xv. Break-even sales
- xvi. Volume of materials consumed
- xvii. Prices of materials consumed
- xviii. Ratio of inputs to outputs
- xix. Average age of key employees
- xx. Growth in sales of key products not reported as product segments

4. Projected Information: (Maximum 9 items x 3 points = 27 points)

- i. A comparison of previous earnings projections to actual earnings is provided
- ii. A comparison of previous sales projections to actual sales is provided
- iii. The impact of opportunities available to the firm on future sales or profits is discussed
- iv. The impact of risks facing the firm on future sales or profit is discussed
- v. A forecast of market share is provided
- vi. A cash flow projection is provided
- vii. A projection of capital expenditures and/or R&D expenditure is provided
- viii. A projection of future profits is provided
- ix. A projection of future sales is provided

5. Management Discussion and Analysis (explanations for change is provided): (Maximum 13 items x 2 points = 26 points)

- i. Change in sales
- ii. Change in operating income
- iii. Change in cost of goods sold
- iv. Change in cost of goods sold as a percentage of sales
- v. Change in gross profit
- vi. Change in gross profit as a percentage of sales
- vii. Change in selling and administrative expense
- viii. Change in interest expense or interest income
- ix. Change in net income
- x. Change in inventory
- xi. Change in account receivable
- xii. Change in capital expenditures of R&D
- xiii. Change in market share

(Source: Botosan, 1997 as quoted in Singleton and Globerman, 2002)