

IR Strategy Series: Using XBRL to Increase Financial Transparency and Reduce Disclosure Costs

While CFOs and IROs have long been aware of the impending need to convert their financial reporting to XBRL, in 2010 U.S. filers will now need to make sure that they are ready to embrace this profound change in the way that financial information is shared and investors are about to discover a whole range of possibilities that will transform their staffing approaches, work flow and investment strategies. The impact of XBRL adoption will include:

- The accuracy of financial information available to investors will materially increase, while the value of data intermediaries and aggregators will plummet
- Comparability of financial performance across geographies and reporting standards will increase, supporting an ongoing trend towards global capital allocation strategies by funds
- Buy-side analysts will be less reliant than ever on sell-side analysts to build historical and projected financial models and will shed large numbers of junior analysts responsible for number-crunching activities such as modeling and valuation analysis
- The advent of machine readable financial data will unleash a variety of computer driven investment decision tools and new investment strategies
- Companies that adopt XBRL early and implement it well will be seen as leaders in transparency and shareholder orientation

Small-cap issuers today have the opportunity to embrace the forefront of financial transparency and disclosure by leading their peer groups in the adoption of XBRL reporting. We believe that early adopters of XBRL will enjoy a substantial advantage in the competition for global capital that will translate into improved liquidity and value for their shares. XBRL is a language for the electronic communication of business and financial data. It provides major benefits in the preparation, analysis and communication of business information and offers greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data.

The idea behind XBRL, eXtensible Business Reporting Language, is simple. Instead of treating financial information as a block of text - as in a standard internet page or a printed document - it provides an identifying "tag" for each individual item of data that is computer readable. For example, net income has its own unique tag. Moreover, each company's financial statements will be coded according to an industry-specific "XBRL taxonomy" that makes it possible for computers to suck up vast amounts of fully accurate data and make instant analyses of comparable equities performance, key ratios and valuations, resulting in better informed investment and trading decisions with far less human intervention. The national consortium for XBRL business reporting standards can be found at xbrl.us, which is the website for XBRL US, Inc. Today the financial data available through aggregators such as Thomson, Factset and Bloomberg is often riddled with errors - despite the vast armies of back office financial statement scrapers employed by these companies in data centers in India and the Philippines - and is most evident for small cap and emerging markets issuers.



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The introduction of XBRL tags enables automated processing of fully accurate business information by computer software, reducing laborious and costly processes, such as manual re-entry and comparison. Computers treat XBRL data "intelligently", whereby they recognize the information in a XBRL document, select it, analyze it, store it, exchange it with other computers and present it automatically in a variety of ways for users. As a result, this process enables companies to update documents simultaneously and automatically with the latest financial figures after each reporting period. In general, XBRL increases the speed for financial data processing, minimizes errors, and permits automatic checking of information. In addition, the use of XBRL enables companies with multiple reporting divisions and subsidiaries with different accounting systems to compile data quickly and consistently.

The current financial reporting process presents investors with many complications in retrieving accurate data quickly. For example, the lack of standardized electronic dissemination frequently introduces delays in the delivery of information. Further, institutional investors use multiple custodians, often leading to conflicting data presentations. In addition, with no uniform presentation, companies that do not use XBRL may have their financial statements reported erroneously on financial websites, such as Yahoo! Finance. These errors delay stock trading decision making and may even cause issuers to bear reputational risk and missed opportunities.

Therefore, with increased volatility in the equity markets, there are compelling reasons for issuers, small and large, to embrace initiatives to improve transparency and reduce reporting costs.

XBRL is Transformative

XBRL enables public companies to create the most accurate, transparent, computer-readable data possible so that investors, analysts, and others could extract information more quickly and perform analysis more efficiently, thus reducing labor costs to reach an equivalent analysis or investment conclusion. Efficient preparation and reliable extraction of financial data across all technology formats, including the Internet, are among the greatest advantages of XBRL.

XBRL provides the financial community with a standards-based method to prepare, publish, reliably extract and automatically exchange financial statements contained in SEC filings. Financial analysts will be able to extract, analyze, and process financial statements and other data with software tools designed specifically for the XBRL process. As a result, analysts will be able to evaluate multiple companies concurrently.

In addition, with XBRL, financial data only needs to be entered once and the same information can be rendered as a printed financial statement, an HTML document for a web site, an EDGAR filing, and other financial reports. Thus, the financial information chain is enhanced with accelerated delivery of key data and lower preparation costs.

XBRL is Imminent: Requirements and Deadlines

While the timeline for XBRL has been evolving, the Securities and Exchange Commission posted its final version of the rule mandating eXtensible Business Reporting Language for public companies in early 2009.

The new XBRL rule requires U.S. public companies to begin filing their financial statements in an interactive data format in annual and quarterly filings as well as registration statements, enabling investors to download them more easily into spreadsheets and other types of software. The technology aims to make it easier for analysts to compare financial information across companies and industries.

There will be a three-year phase-in of the new requirements. Large accelerated issuers with a worldwide float of more than \$5 billion began providing XBRL filings with their financial statements for fiscal periods ending on or after June 15, 2009. All other domestic and foreign large accelerated filers that use U.S. Generally Accepted Accounting Principles (GAAP) will be subject to the same requirements the following year for fiscal periods ending on or after June 15, 2010.

Subsequently, all remaining filers using U.S. GAAP, including smaller reporting companies, and all foreign private issuers that prepare their financial statements in accordance with International Financial Reporting Standards, will be required to file XBRL statements the following year for fiscal periods ending on or after June 15, 2011.

The XBRL mandate is part of the SEC's planned move to an Interactive Data Electronic Application (IDEA) system to replace its legacy EDGAR system for storing and accessing financial filings.

XBRL requirements are disclosure neutral and will be phased-in over a number of years. During the first year of filing in XBRL format, companies are required to tag face financial statements and block tag footnotes and financial statements schedules. During subsequent years of filings in XBRL format, issuers must tag face financial statements and individually tag each significant accounting policy and table within a footnote, and each figure within a footnote. Implementing a robust XBRL taxonomy will place a significant strain on the finance personnel of smaller companies, many of whom are already struggling to implement new accounting rules and meet accelerated filing deadlines. A detailed understanding of XBRL implementation can require a substantial investment in training, new software and outside consultants. Company specific extensions are allowed under specific guidance but are not recommended by the SEC, whereas tagging of additional narrative footnote disclosures are permitted but not required. In general, the deeper the level of XBRL taxonomy and conversion, the more valuable your financial information will become to investors and the fewer errors will be propagated in investor databases across the globe that drive capital allocation decisions. As a result, many companies may choose to outsource this project to an XBRL service bureau as they already outsource functions such as EDGARizing financial reports submitted to the SEC.



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XBRL documents are required to be posted on the company's corporate website by the end of the calendar day that the documents are submitted to the SEC. Further, the documents are required to remain on the website for a minimum of 12 months. This will also make it much easier to populate and maintain interactive financial models that enable investors to create their own forecasts based on individual assumptions as to key financial trends and ratios. While legal liability provisions are phased out over a 2-year period, auditor involvement is not required.

XBRL Made Easy

Since the XBRL Voluntary Financial Reporting Program was launched in 2005 by the SEC to improve financial reporting of companies worldwide, CCG Investor Relations through our partner MZ Consult has been an active player in the deployment of XBRL, assisting 18% of the companies that joined the Voluntary XBRL Financial Reporting Program in 2006. CCG has been making XBRL easy for companies by providing a full set of solutions ranging from developing customized XBRL taxonomies to preparing SEC-compliant XBRL submissions. CCG helps its clients in a very straightforward manner at an extremely competitive cost.

CCG offers the following XBRL services:

- Preparation of industry and company-specific XBRL taxonomies
- Conversion of documents to SEC-compliant XBRL for LIVE filings
- Preparation of TEST filings of XBRL documents
- Preparation for publishing XBRL files in clients' websites
- XBRL consultancy and training: concepts and workflow
- Definition of objectives and deliveries schedule
- Tagging and mapping of data to the appropriate taxonomy concepts
- Recommendations and insertion of extensions when required
- Validation of XBRL documents with calculations and extensions when necessary
- Review of the XBRL mapping and any extension with client
- Presentation of XBRL filing document in HTML format

For more information on how CCG can help your company become an early adopter in XBRL please contact **Crocker Coulson** at (646) 213 1915 or crocker.coulson@ccgir.com or **Elaine Ketchmere** at (310) 477 9800 or elaine.ketchmere@ccgir.com.

The logo for CCG (China Chemical Group) is displayed in large, white, serif capital letters. The background of the header features a blue and red gradient with a globe and financial data patterns.

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XBRL International - A not-for-profit consortium of approximately 550 companies and agencies worldwide that work together to build the XBRL language and promote and support its adoption. The consortium members meet periodically in international conferences, conduct committee work regularly via conference calls, and communicate in email and phone calls throughout the week. www.XBRL.org

XBRL US - XBRL US is the non-profit consortium for XML business reporting standards in the United States and is a jurisdiction of XBRL International. It represents the business information supply chain, including accounting firms, software companies, financial databases, printers and government agencies. Its mission is to support the implementation of XML business reporting standards through the development of taxonomies for use by US public and private sectors, with a goal of interoperability between sectors, and by promoting XBRL adoption through the collaboration of the business reporting supply chain. XBRL US has developed taxonomies for U.S. GAAP and mutual fund reporting under contract with the Securities and Exchange Commission. XBRL US Labs, the research and development arm of XBRL US, leverages the XBRL US platform, methodologies and people to address the quality of taxonomies and the harmonization of XBRL with other XML standards with the goal of enabling faster XBRL adoption. www.XBRL.us

SEC's FINAL RULING ON XBRL: <http://sec.gov/rules/final/2009/33-9002.pdf>