



From left: Azahari, Hagger, Leong, Yusli, Ho, Low and Auyeung

# Investor relations is about transparency, accountability

Many Malaysian companies consider investor relations (IR) as something that is nice to have, not a must-have. Yet, during uncertain times, such as now, it is important that listed companies be more transparent and accountable, and the platform to do this is IR. *The Edge*, together with the Malaysian Investor Relations Association (MIRA), held a roundtable on the importance of IR. The main take? It is not only companies that must have good IR, it is also critical that the government practises it. The panellists are Datuk Justin Leong, chairman of MIRA; Stephen Hagger, head of Malaysian Research, Credit Suisse First Boston; Datuk Mohd Azahari Mohd Kamil, managing director, Amanah Raya Investment Bank Ltd, Labuan; Datuk Yusli Mohamed Yusoff, CEO, Bursa Malaysia Bhd; Low Teng Lum, executive director, Guinness Anchor Bhd; and Michael Auyeung, CEO, Pacific Mutual Fund Bhd. The discussion was moderated by *The Edge's* editor-in-chief Ho Kay Tat.

**The Edge:** We have a wonderful group of panellists this morning to tackle this subject, communicating investment merits in times of uncertainties. The issues we wish to address are a few. One is to highlight the current pertinence of investor relations (IR) practised by listed companies, especially in view of the soft market conditions that they are going through now. I hope we will have an interesting discussion and I encourage all of you to speak your mind on this subject. Leong, as MIRA chairman, can you share your views on the value of IR?

**Leong:** We started this association about a year ago as a voluntary association to help companies understand the value of IR, which is often confused with many other things. But it is communication with shareholders, stakeholders and what we would emphasise, communication during good and bad times. In a bull market, it is always very easy to talk to investors. When the market turns sour, in times of

uncertainty, companies can withdraw a little bit. But we would encourage people to continue to engage with the stakeholders.

IR is communication with the media as well as financial analysts. It may sound simple but, in practice, it is difficult because you have to take a fairly long-term view, and consistent investor education is important.

I have been doing this for about four years now at Genting. People say that, well, Genting is a big company, it is easy to attract investors' interest. It just means sometimes we get a lot more criticisms, and we have to get our message out there stronger than anyone else.

Sometimes, companies find it difficult to make disclosures on certain things. But I open my investor meetings these days, when I am overseas, by telling them, 'We at Genting made a mistake with the price we paid for the business in the UK, but we are spending a lot of time restructuring and right-sizing it in the face of the difficult economic conditions'. We

find that investors look on that quite well. Very few management teams start their meetings by owning up to mistakes, and telling them (investors) that this is how they are trying to fix it.

**What is the level of engagement that we are getting from companies and what is the quality of these engagements? Auyeung?**

**Auyeung:** We have seen some companies take up this challenge and become very proactive and interactive with the investment community. At the other end of the spectrum, we have some smaller companies, fairly new listings, which haven't really seen the value of IR. As Leong says, this is a long-term process, and it is not about moving the share price; there is a need to address the fallacy.

The companies that have been at the forefront of this have been very good, even by international standards. Where it has been disappointing is, some companies that have

engaged in this process have not achieved the short-term results — either price stability or price rise — and have therefore shut off the taps immediately. That would be quite dangerous. So I think a lot of education needs to be done. IR is not an elixir to solve all things. At the end of the day, it is still about management capability and the ability to communicate that strategy to investors.

I disagree with the view that IR is more important during a down market. I think IR is a consistent process, whether the market is up or down. I would argue that in a down market, the message has to be a little more carefully constructed. In an upmarket, investors are more forgiving; in a down market, the margin of error is extremely slim.

Case in point, you look at some of the most market-savvy companies in the world, like the US investment banks, which are probably the best at IR. During this downturn, they had probably ramped up the IR to allay fears but the problem was, the message that came out was one not founded on the underlying market conditions. What happened at the end of the day? These companies, their CEOs, all went down. The reality is, the admission of error is critical. If you are uncertain of the marketplace, say so but at least try to quantify your risks. Give the investors some sense of comfort... tell them that you know the situation is bad and you are doing everything to handle it. Don't come up and say, 'Everything is fine'.

**Azahari, any views on that?**

**Azahari:** It is about honesty and integrity. At the end of the day, we have to look at the information we are given, quantify as well as qualify it, and the board must be responsible for that information. Once the information is made, there must be constant monitoring to ensure you deliver. And if you are unable to

deliver, you must come out open, and admit that you have made a mistake.

**Steve, how good is the quality and honesty of the message that companies convey to you?**

**Hagger:** There is a huge range... the first part is to differentiate between investor relations and corporate communications. They are different. For investor relations to work, the IR person must be an insider. All too often, we have someone who is not privy to the companies' strategy, to management, and who read about the news of the company in the newspapers. There have, however, been huge improvements; you only have to look at the IR of Tenaga (Nasional Bhd) 10 years ago; it was horrendous and we felt so sorry for the IR person. Under the current management, the IR people are true insiders and are very well prepared. Unfortunately, there are many companies that see IR and talking to investors as an irritant.

All too often, you get a company dominated by a family, which is run for the family and continues to be run for the benefit of the family. Some of the GLCs (government-linked companies) are also guilty of finding IR an irritant. Some do it extremely well, like Bumi-putra-Commerce Holdings, S P Setia, IOI Corp and Public Bank.

I would say that the big letdown has come from the Malaysian government. At Credit Suisse, we have taken some of the regulators around to meet investors. They do a great job. I was in New York recently with Yusli, only to come back to Malaysia and read about announcements relating to windfall tax, renegotiations with independent power producers (IPPs), renegotiations on toll roads... These are all market-sensitive information, and have a huge impact on listed companies. Yet the government has not handled the announcements well. It was only after a few weeks that the reality came out. So, the companies can do all they want on IR, but if the government is not giving them the real facts, how can an IPP, for instance, give a proper answer following the announcement on the windfall tax? They can't, and give misleading information.

**Low, as someone who meets these so-called irritants, how often do you meet them and what sort of engagements do you have with them?**

**Low:** As directors and management of the company, we look upon ourselves as trustees and custodians of the company to ensure long-term sustainability... we know that shareholders, especially the minorities, do not partake in the business. Therefore, we need to be as transparent as we can so that they are well informed, and know when to put their money and when to pull out. At Guinness Anchor, we started IR intensively about seven years ago. And at the time, although the company was heading for a turnaround, the share price was still far below the profits. It took us two years of consistent messaging before the share price started to react. So, IR is for the long haul. You have to be consistent with your story, and you have to have integrity.

Over the last two years, we have been informing shareholders that commodity prices have been rising and that in the next three to four years, you will see raw material costs probably increasing to RM10 million to RM30 million a year. But with what we are doing, we are able to receive the shock of this commodity rise and sustain the profit level.

Having said that, if a company does good IR, it doesn't mean that the shares will move. There are other factors... like the (role of the) government and regulations. Now, what has been happening in the past few weeks... the windfall tax has actually depressed the whole market, and nobody can do anything because of the uncertainties.

If you look at the brewery sector, there are a lot of uncertainties. The industry has been doing quite well. For 10 years, the volume has

not grown but we have sustained profits. On the other hand, the government has grown its taxes to RM1.2 billion. So, they (the government) are the real beneficiary. But every time the budget comes around, the stock is depressed and today, if you look at the profit pool of the whole industry, it has not declined but the capitalisation has been depressed, partly due to sentiment, and a lot (of it) due to the uncertainty about tax regulations. The government should enhance and advance its PR and IR, so that companies can manage their business well. As a country, we have to compete among international investors, so if you don't play that segment well, Malaysian companies will not perform as well.

**Looks like the government is going to get an earful this morning. But coming back to your IR, how often do you engage it? Is it after your results or is it throughout the year?**

**Low:** We have two sessions — within a week after the announcements and throughout the year, we have engagements with small groups. We have roadshows, we have individual investors that request it and we have briefings for analysts.



**Low:** The government should enhance and advance its PR and IR, so that companies can manage their business well

**Yusli, Justin mentioned that IR is also about the level of disclosures that companies make. From your experience at Bursa, what do you think of the level of disclosures? If you notice, companies, when they release their results, and do a projection on how the remaining years are going to be, is it standard. You can't glean anything from those statements; the same sentences are probably used year in and year out.**

**Yusli:** There is a lot of room for improvement. In the past, companies have been hesitant to talk a lot about the future. Their concern is that if they say anything, Bursa will query them. We have been trying to improve the situation by telling the companies that so long as they don't make these future estimates to be official company forecasts, but treat them as internal estimates of what management has targeted, then we will have no issue. Even then, we still find companies reluctant to do so. I am not sure if they are concerned about Bursa making the query or because they are afraid to stick their neck out. This comes back to the issue of why do IR. At Bursa, we are concerned about the quality of our listed companies. How do we make sure that these companies uphold the best standards? The quality of any company goes down to its management team, apart from the products and business models. We try to promote more IR activity in the marketplace. What we are trying to do is to put management out front, so that they are face to face with the major stakeholders — the fund manager, analysts, minority shareholders, whatever.

That is why we came out with CMDF-Bursa Research Scheme (CBRS). We produced an

IR manual and we helped form MIRA. Basically, (we did this) to encourage and get these people out of their comfort zone and to start engaging with the stakeholders. You heard examples of those companies that do well, but they are in the minority. We are talking about 5% or maybe even less of the thousands or so companies that we have. We want management to be more open, be more accountable for what they are doing and going to do. And IR provides an excellent platform for this.

So, when companies engage with stakeholders on a regular basis, it is easy for them to be measured against the competition, and really we are in a very competitive marketplace now because listed companies in Malaysia have to compete for a share of the wallet of investors in other markets, not only in Southeast Asia but also globally. If they don't engage in IR, then they risk falling off the radar screen, assuming that they are on it in the first place.

For the market to be vibrant, we need to be active in the market and one of the best ways (to do it) is trading shares. So, if the companies in our market are not on anybody's radar screen, then nobody is going to be trading their shares. So, we have a vested interest in this; we



**Leong:** It is a discussion of ideas, more brainstorming than anything else, but you have to know the investors that you are engaging with reasonably well so that they don't misinterpret

want to make sure that our companies profile themselves well, remain on the radar screen, not just temporary but long term.

**Our experience in the media is that the IR person tends to be also the public affairs person, who has little idea about what is going on. From what I understand, out of 1,000 listed companies on Bursa, there are only about 200 which are members of MIRA. Is this a reflection of the disinterest of companies?**

**Leong:** We have seen an improvement in the levels of engagement within our 200 members. We hope this will improve over time; nothing happens overnight. The key is consistency. Hagger highlights some companies such as Bumi-putra-Commerce... it is not like Datuk Seri Nazir Razak (CIMB Group chief executive) has a lot of time on his hands to deal with IR but he prioritises this. He says, 'There are two or three times a year when I will be available to my shareholders', and that is consistency.

## How much to disclose?

**One issue that companies have is, what they can and can't disclose when they meet analysts, fund managers.**

**Leong:** If I put my Genting hat on, I think that when you have a one-on-one discussion, it is exactly that — a discussion. I spend a lot of time putting questions back to the fund managers, for example, what would you think if we do XYZ or ABC? And you get a lot of scenarios playing. None may come true, but one of these may come true.

Obviously, the better you know the fund

managers and the more you engage, the more fruitful the discussions will be. Yusli can correct me if I am wrong, but this will get you away from the issues that Bursa has about disclosing selective information to selective people. It is discussion of ideas, more brainstorming than anything else, but you have to know the investors that you are engaging with reasonably well so that they don't misinterpret and come away from that meeting thinking, 'Oh, actually this is what the company is saying'; there is a lot that they are going to do.

**Low:** We tend to stop before the profit forecast because we are very concerned about where the line should be drawn. In our briefings, we talk a lot about strategy — where the company is heading and what are the problems and issues we are facing, the opportunities (available)... Investors can form their own opinions on whether we can ride out the bad times. I would say that most stakeholders and investors know our strategy quite well. What they need to follow up on is whether we can execute them effectively to gain market share, and this is where the earnings will tell them.

**Azahari:** Being the manager of Amanah Raya REIT, I face a lot of problems especially with IR, and also with regulators. We are constantly on the lookout for value properties, because the growth story and the success of the REIT is dependent on how fast you are able to bring in new properties for asset injection. In the REIT market, the liquidity is not there. We will have maybe 10 institutions, both local and foreign insurance companies, that buy REITs for the long term. It is a dividend yield type of stock; it is a long-term investment.

So, any time we have all these properties in the pipeline, we would like to meet with our major investors, which is very crucial because when I want to raise the units in the market, definitely I need to place them to the existing institutional shareholders. We need to give them a brief on the assets we want to put in, the value these will add to the yield. This is where I am caught, because this is going to be a select group of investors that I am giving priority to. I will not be talking to the retail investors... they constitute a small percentage of shareholders. I've been advised that indirectly I am breaking the rules, but I have no choice because I need... to get these people to commit to the placement; I can't go to the market and tell the whole world that I am going to inject these assets. So, where do we stand as fund managers on this type of investments? It is a dilemma, and that's why we seek the guidance of Bursa and the SC (Securities Commission).

**We will let Yusli address that but before that, Steve, what are your views?**

**Hagger:** I think the conundrum is because of the time taken, particularly by senior management, to talk to the press, analysts and of course shareholders. It is also how you go about disclosing information to these different parties, when and how much details to give out. If you are worried about 'even' disclosure of information, then use your website. A good IR website addresses all these information. It is open 24 hours, has all the irritating questions that analysts or investors might want to ask. It is disclosure to the whole world. There are one or two companies that have quite a good IR website, like IJM and interestingly, Evergreen.

**Yusli, two issues here. One is the dilemma that Azahari just mentioned and Low saying that he will stop at giving some sort of earnings guidance when he meets analysts. Would you like to help them resolve their dilemma?**

**Yusli:** Our concern is (to have) a level playing field for all investors, but at the same time, we appreciate that corporates will have situations where they are doing an M&A, or a corporate deal where they can't disclose all

# MIRA can play a vital role

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these information because it may jeopardise the transaction itself. The point is not to make our regulating framework a burden that will make our companies less competitive. We have rules to ensure that our corporates abide by the highest standards. Our biggest fear is obviously things like insider trading, unfair treatment of investors where some investors get information early. So, that's our biggest concern — to make sure that the integrity of the market is safe.

In terms of decisions like what Azahari mentioned, we can look at these on a case-by-case basis, where confidentiality is important to ensure that transactions are done properly. Listed companies can talk to us. Not enough companies do that. In terms of profit guidance, we encourage companies to give guidance to the market. If you feel that you are going to be below market consensus, we have no problem (if) you give an indication. It is consistent with being transparent. We want the management of companies to be accountable. We don't want the market to have wrong impressions of how the company is doing. So the earlier the profit guidance is given, the better. Then you go back to what IR is, which is trying to get more transparency, accountability and protecting the integrity of the market.

Talking about profit warnings; it happened to involve *The Edge Financial Daily* recently. We had a Page 1 story on an interview with the ED of Top Glove, where he said they will not be able to meet their profit expectations this year, and he explained why. And the heading for that story was 'Top Glove issues profit warning'. They were queried by Bursa and the explanation was very interesting. Top Glove did not dispute what was said in the story but they said the headline was the interpretation of the newspaper, not what the ED said. But if you read the story, he actually said that they will not be able to meet the earnings expectations in the coming quarter. So that is the dilemma — companies dislike being queried by Bursa. Whenever they say anything and are queried, the natural instinct is not to say anything the next time. I am sure Top Glove must be asking if it was wrong of them to give those indications to *The Edge Financial Daily*, and they will be more cautious and then, they become more withdrawn.

Yusli: There is nothing wrong in being queried by the exchange. They should be worried if they are reprimanded. So, companies should not be too concerned with a query because sometimes it is really to seek clarification or more information, that's all. A query by itself shouldn't be a reason for companies not to disclose (information). But if they are not able to explain properly or they have done something wrong, then obviously we will take further action, and that's when they should be worried.

Justin, as an association, does MIRA have a position on this?

Leong: The Top Glove situation would actually make a very interesting case study once the storm dies down. It is important for us to learn from that experience because on both sides, the Top Glove executive who gave the interview may think, 'Oh, I will never do that again'. The journalist will also think, 'Oh gosh! Did I really make a mistake?' There was, perhaps, not a misunderstanding but two different sides of the same point. We understand that the financial media has a role to play.

I think *The Edge* has come a long way in

terms of the way you cover stories and how analytical you are about them, rather than just doing the normal, simple, basic reporting. Maybe the ED wasn't expecting a headline to be, you know, 'Top Glove issues a profit warning'. That is pretty severe and so in that situation, did the reporter ask him, 'Sir, are you saying this is a profit warning?' What MIRA can do is use this as a case study so that our members can learn from it so that you don't get a situation where PLCs (private limited companies) clam up and don't want to give interviews.

Azahari: It would be good for MIRA to come up with a press statement to support Top Glove and compliment them for being honest. And this will be good for the market because it will show the public that irrespective of whether Bursa gives you a compliment or a query, we take the initiative as members of MIRA to compliment Top Glove for being honest and having a good integrity plan. I



Auyeung: On this disclosure issue, we don't want to get to a situation where there is an overwhelming reliance on guidance, and we see this happening quarter to quarter in developed markets

think this will be appreciated by most of the public-listed companies, and I am sure that you will get a lot more members when you are supportive. This is where the association must play its role. To add credibility to the association, it will be good that even the IR person must be registered with Bursa so that he is more responsible in making announcements, and not merely members of the board or the chief executive.

Being an interested party, I will support that.

Low: My view is that this sort of profit warning announcement is good because when people are aware of it, they can make their own decision. But this is provided that it is disseminated to the world at large at the same time. A point to stress is that a query should be made if the earnings forecast is not in line with the actual results. This is where you should come in and hit very hard so that there is no misunderstanding; it is not about the announcement per se.

Azahari: Yusli, you see, you have to be very careful when you issue queries, because some members of the board are very conservative; they think that the CEO is talking too much. So that would put a dampener on their spirit to run the organisation.

Yusli: This whole PR, IR, stakeholder engage-

ment thing in our market is still relatively in the early stages. Some PLCs complain to us about the way some newspapers report; they say the press writes certain things because they want Bursa to query these companies and then these companies will be forced to respond, when under normal circumstances, they are not ready to disclose the information. So that is an issue for us to deal with. And then there is the other side of the coin — companies obviously are not disclosing enough. But it is all about getting information out in a timely fashion and creating a level playing field.

I don't know the full facts of the Top Glove situation but if it had been done, for example, after hours in an analysts' briefing, then I don't think there will be an issue. But it was done one-on-one with the reporter during trading hours, then maybe it can become an issue... because it is price-sensitive information. So, we would be concerned with things like that.



Yusli: In terms of profit guidance, we encourage companies to give guidance to the market. If you feel that you are going to be below market consensus, we have no problem (if) you give an indication

Hagger: I would argue that it is a very level playing field. The reach of *The Edge* is very wide.

Yusli: If the reporter, for example, had obtained the information at 10 o'clock in the morning and the article did not come out until the next day, then we think it is a problem.

Auyeung: On this disclosure issue, we don't want to get to a situation where there is an overwhelming reliance on guidance, and we see this happening quarter to quarter in developed markets. You are one penny off your guidance, and your shares get punished by 20%. In our company, the primary determinant of whether stocks are entered into the portfolio for a long-term holding is management, period. What we need to understand and get comfortable with is management's ability to deal with changing scenarios and if you are giving us guidance, give us guidance on risk parameters for longer periods... It is extremely difficult to come up with a hard number, and what we end up getting is management which is focused on hitting quarterly numbers, and the risk of that is to take or borrow from the future or do whatever else is necessary. We want to ensure that management is focused on the long-term viability of the company, not on the quarterly earnings numbers, and therefore the share price. I think this detracts a lot from management focus.

## Consistency is key

**When investors are not interested in Malaysia, Malaysian companies may decide that it is not worth talking to them because no matter what they tell them, investors are not interested.**

Leong: This is the time when we will encourage people to speak more to their investors. I take a point mentioned by Auyeung, that the message has to be more carefully constructed, given the uncertainties. Don't forget that globally, there is a credit crisis that has even caught the US regulators on the back foot. So, it is a very uncertain environment, and it is very important to engage even more with shareholders to give them an idea of what and how the company performs in the down cycle as well as in an up cycle.

So, I think that continuing with the engagement is crucial even at a time when people might say, 'There is less interest in Malaysia'. You know, everyone is focused on politics, so I personally spend a lot of time with fund managers to try to steer them away from politics because I tell them (political developments) will unfold the way they will unfold.

We, as a company, have no influence on politics and what goes on there. Let's focus on the things that we do have control over — our cash pile, our business operations, our own strategies, what we plan to do over the next few years. That helps investors to refocus on specific issues in the company.

Auyeung: At times like these, the IR function has a bigger role to play at corporate level. A lot of foreign fund managers will discount a lot of the news coming out from the government. The pulse of the economy and the timing of whether or not to come back into the Malaysian market is very much dependent on what the people on the ground hear. From their perspective, they may not be interested in investing now, but as they go through all the companies here, the message will give them an indication of the timing and everything else.

Azahari: Maybe MIRA should focus more on Mesdaq Market and Second Board companies because these are the companies that are in need of IR rather than Main Board companies that are doing very well like Guinness and Genting. This is where you need to educate the Mesdaq companies because they have a very small capital base. They don't even have an allocation to appoint an IR (person). So, this is what Bursa and SC should look into. If you are very serious about promoting IR in the true sense of the word, you could provide some tax incentives for allocation (to be made) to appoint an IR officer.

Yusli: Well, we haven't thought about this one. But the view I have is that IR is an investment, and management has to decide if it is a worthwhile investment. Normally, the only IR some companies do is during pre-listing. They become listed and that's it, you know. They forget that they have to continue with IR, because they already got the money that they wanted from the market.

It is a long-term (thing) for companies which want to grow their business, and there is always this need to raise capital along the way. So, if you have a sustained IR programme, every time you come to the market for funds, chances are that you will be able to get a relatively good price. Our concern is that in this economic situation, companies will cut back

(on their expenditure). But IR is not only nice to have, but a must-have.

**So, it is a chicken-and-egg situation for companies — why do I bother with investor relations when investors are not interested in meeting me?**

**Leong:** We have an IR incentive programme, where something like 70 to 100 companies have signed up. We go in there and help them develop and follow an IR plan. For some of the Mesdaq and Second Board companies, they are not ready to immediately see analysts, like Hagger, and get grilled by him over, say, receivables. So, we need to educate them and bring up the quality of what they are doing. But then again, it happens slowly and only if the companies want to do it...

**Azahari:** You can give incentives; they don't have a budget for that. Maintainable earnings are very low and they are barely surviving now.

**Low:** In bad times, a company should continue with IR so that it is not punished by the market. Even like ourselves, we do not go into the market to raise money but then we have accountability and responsibility to our existing shareholders whose interest is to ensure that their price and earnings are maintained. And as a result of this, we see that some foreign funds have not exited, and they have been holding for a long time. So, continuous talking is not just about raising capital, it's also about accountability.

**Ayeung:** We should not forget that while there is a lot of focus on foreign investments — the core fundamental holdings of local funds — when the markets are good or bad, we are either investing or selling. You should not turn off the IR tap, because there are many of us who, at this point in the market, are looking for opportunities to buy shares and if your deal is that, 'Oh, everything is negative' because you are coloured that way, then you are going to miss the opportunity.

**Yusli:** Malaysia is still a good story. A point that Steve mentioned earlier that Malaysia, as a country, needs to work on its IR, but that is a separate discussion. Now with technology, there are many ways companies can reach out to stakeholders. You have your website, you can do webcast. So, even in terms of cost, time and effort, management can find many ways to do it fairly economically, efficiently.

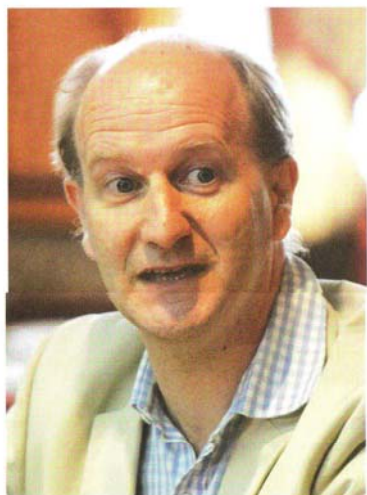
**Unfortunately, even some of our best companies sometimes mess up big time when it comes to how they handle particular news that would not be well taken by the market. For example, Gamuda; some months back when its leading figure sold down his personal stake, it was treated as a normal announcement of shareholder changes. Surely, a company like Gamuda would know there would be questions asked, but yet, no effort was made to prepare the market or prepare investors. The explanation came a day or two later, and this is a company that is well loved by investors. Maybe from that perspective, Hagger and Ayeung, how would you have liked Gamuda to handle that particular matter?**

**Ayeung:** The significance of the move should not be lost on management. You know there is going to be a storm, and what really should have happened is, you have a press conference, make the announcement and have all the answers included at that time. The second thing about this was that the follow-up action to redress the situation didn't come out until some time down the road. That said, you have to give the market kudos for efficiency. Certainly, the event and the company have been punished. It is a company that is well loved — you could say that in the past tense. Decades of credibility that they have built up disappeared over-

night and it's going to take a long time to get back in the investors' good books.

**Hagger:** I don't want to talk about the Gamuda case. But in general, if there is a big event, it is absolutely crucial that you have a press conference, from analysts' calls and that is probably two separate events prior to stock re-trading. We saw an example recently how to do it and how not to do it in the banking sector... Bumiputra-Commerce when they bought the Thai bank. It had the market really worried, but they were able to speak and get their message across as to why they have done it... they made that move prior to the stock re-quotting, and it was pretty much zero damage.

**Azahari:** I am a contrarian on this. Investors have made a wrong decision. If you buy shares in a company, you must look at the succession plan. You cannot be dependent on one individual; if he dies tomorrow, the share price will still come down, irrespective of whether he sells or not. As far as the fund managers



**Hagger:** The communication, including from the government, has improved. Your average corporate communication meetings, analysts' briefings, are significantly better

are concerned, we look at management, management and management. We should not depend on one person to determine the fate of the company. So, when the price came down, the investors deserved to get a beating. So, don't blame the economy, the owner.

## The role of government

**Steve, you raised the windfall tax and the toll concessions issues. Clearly, what the government does has an impact on the market. Your beef with this was the way the message was conveyed?**

**Hagger:** This obviously is a leading question here but certainly, it was the way the message was conveyed. On that day, there was a sort of announcement that came in the form of press headlines. But there were piecemeal announcements coming from the government, pretty much after the event. It only became clear several days after as to the impact (of the windfall tax). Taking plantations as an example, when the news broke, everyone, based on the sketchy information available, thought it was going to be a huge negative for the plantation sector. As it turned out a few days later, it was neutral to marginally positive. For the IPPs, there was no disclosure as to exactly how this tax will be calculated. There was an analysts' briefing organised by the EPU (Economic Planning Unit). Unfortunately, the main speaker at this briefing was unable to attend; he had been called to see the prime minister. So, the analysts were given some facts but not the full story. Then what we did learn was that

the government hoped to recoup about RM600 million from the IPPs, yet the IPPs, prior to this, said it was not going to impact them. Obviously, there was a disconnect.

Later, we moved on to the real intention of the windfall tax — was it a threatening measure to get the IPPs to the table? If so, it was a fairly crude tool to use. When you look at the impact, it is huge on the bond market which is a major funding source, on the equity market and, of course, on the sanctity of contracts in Malaysia. It is sad that a measure to raise a relatively small sum of money has caused billions of ringgit in terms of impact, and it is one of those things you cannot reverse now.

I would say that in the past, you know, it would not be the first time that the government has made announcements and not realised the implications of the announcements and fairly quickly made a U-turn to rectify the situation. Unfortunately, because of the political situation, politicians would appear to be far more concerned with their own political survival than with the economy of the country.



**Azahari:** We as fund managers and also investors, must realign our thinking. We cannot be blaming the government all the time, (we) have to blame ourselves

**Azahari:** I am a contrarian. I believe the government has done the right thing. The only concern came from the Association of Merchant Banks, the investment banks; they were very concerned because they have a lot of proprietary positions — buying bonds and keeping them in their books. And because they are affected, they feel that this is not what the government should do. They should be exercising risk management. When they were in the money, they didn't complain but when times are bad, the government has to adjust the monetary and fiscal policies to suit the situation. So, we as fund managers and also investors, must realign our thinking. We cannot be blaming the government all the time, (we) have to blame ourselves.

**Yusli, sometimes the government makes announcements that have an impact on share prices during trading hours. Is there a role that Bursa can play to educate the government that certain news or decisions ought to be conveyed at a certain time, just like companies do, after market hours?**

**Yusli:** It is a practice that we want everyone to subscribe to. Unfortunately, Bursa's reach is only so far. But we all have to realise that given the size of the country, given the size of our market, the fortune of the market is very much tied to the fortune of the country. So, any major policies and decisions that affect the country or the market are going to be very far-reaching. We have seen how easily a market of our size can fall off the radar screen, we have seen that happen in the past and we have also seen how difficult it is to get back on the

radar screen. We have to realise the competitiveness of the situation that we are in, as a country and as a market. Investors have choice — not only global investors but Malaysian investors as well. If we don't practise the good things that the people want to see from our listed companies, and from the government, then investors don't like these uncertainties. If things keep changing, then there will be uncertainty and that's what we are facing today as a country because there's more uncertainty on the ground than ever before. So, it is not just our companies that need to be managing perceptions, expectations but I think the country, generally, has to do that.

The country should be out there, you know, managing the same stakeholders that our listed companies themselves are trying to do. It's important. Hagger mentioned earlier that sometimes the regulators go out and do this but I think it should be done on a more sustained basis. I think the country also has to do some kind of sustained IR programme and that will hopefully elevate the status of the capital markets.

Sometimes, we wonder where the capital markets are in the overall agenda.

**Any concluding remarks?**

**Ayeung:** IR is still quite nascent in the Malaysian context. We are encouraged by its progress. Maybe, one of the things that they can do at MIRA or jointly with investors and brokers is to have a rating system for IR services.

**Azahari:** There have to be concerted efforts and they must come from within. What is important is that the association, too, must play a critical role by providing value-added services, showing members that by being members of the association, they will be able to enjoy tangible benefits. You must also realise that in IR, you need to build the expertise. Currently, there is lack of professional expertise in IR in the market. So, this is where the association must take the initiative to help with accreditation with some selected universities within Malaysia or in Singapore, for that matter, if you are looking at growing the market internationally.

**Hagger:** Having been quite rude about lots of people today, I must say that the improvement has been huge in the 15 years that I have been in Malaysia. The communication, including from the government, has improved. Your average corporate communication meetings, analysts' briefings, are significantly better.

**Leong:** When we started this association a year ago, we felt that there was a need to increase the level of awareness of IR in Malaysia among the PLCs. From this morning, I have a number of follow-up points from the various panellists here, on how we can strive to continue to improve things as we go into our second year. But from the presence here this morning, there is clear indication there is commitment and growing awareness.

**Yusli:** I just want to say that it is very important that the different stakeholder groups keep this dialogue going because there is a lot of improvement to make in this area.

The good thing is, we know what best practices are, so we just need to be able to roll them out to as many of our PLCs as possible and it is an ongoing thing. We are still developing, as a market, in many ways. We are engaging with the PLCs, and we will take all your comments into consideration.

**One thing is for sure: Although we may not always be on the same side, we are definitely in the same boat, so let's work together to steer this boat out of troubled waters that we will be in for some time. Thank you.**