

irasia.com

Investor Relations Asia Pacific

Investor Relations



Minute Primer

Foreword



Dear Friends,

In today's world of keen competition for investors' attention and money, Investor Relations has become a top priority for listed companies everywhere.

Through this publication, we hope to share with you some of our views and observations on the topic of IR and how it relates to Asia Pacific listed companies.

At irasia.com, we are dedicated to helping Asia Pacific companies communicate more effectively with the global investment community. Working closely with our listed company clients and their IR firms, we will continue to leverage the power of the Internet to deliver timely, effective, and integrated IR solutions for listed companies.

A handwritten signature in blue ink that reads "Alison". The signature is fluid and cursive.

Alison Chow
CEO
irasia.com Limited

Table of Contents

Part 1	Investor Relations – An Overview	3 - 4
Part 2	IR – from Listed Companies’ Standpoint	5 - 6
Part 3	IR – from Investors’ Standpoint	7 - 8
Part 4	Do’s & Don’ts of an Effective IR Program	9 -10

About irasia.com

irasia.com (pronounced I-R-Asia), stands for Investor Relations Asia Pacific. Our mission is to enable Asia Pacific companies to communicate more effectively with the global investment and business community. We achieve this by working closely with listed companies, to provide integrated solutions for timely broadcast and maximum reach of their IR messages worldwide.

Rated by TIME Magazine as one of the Best Sites for Research to Make Investment Decisions and a Forbes Magazine Best of the Web pick, irasia.com is the leading online source of primary IR information on Asia Pacific companies. These include annual and interim reports, results announcements, company webcasts and presentations, press releases, prospectuses and circulars, corporate profiles, and contact information. irasia.com profiles over 2,500 listed companies in the region and is entrusted to disseminate securities-related news for government and regulatory bodies throughout the region.

Since irasia.com’s launch in September 1996, we have helped Asia Pacific companies augment visibility and connect with investors worldwide. At the same time, both institutional and independent investors have come to rely on irasia.com as a tool to help them make more informed investment decisions.

Headquartered in Hong Kong, irasia also has offices in Singapore and Sydney, Australia.

About the Author

Chun-yin Chow, Director, irasia.com Limited

Ms. Chow has 20 years of experience in the financial industry in Hong Kong and the USA. She specialized in the Asia Pacific and US equity markets, and worked in both buy side and sell side capacities at major institutions. These included Mees Pierson Securities, part of the Fortis Group, where she was Institutional Salesperson, then Head of Research in Hong Kong. Ms. Chow was also Fund Manager at HSBC Investment Management, and UK’s County Natwest Investment Management, where she co-managed a top performing Asian unit trust. Ms. Chow received a Bachelor of Science in Economics from University of Pennsylvania’s Wharton School, majoring in Finance & Entrepreneurial Management. She is also a Chartered Financial Analyst (CFA).

Online viewing and download of this brochure is available at <http://www.irasia.com/brochure/news.htm>

This brochure is produced by irasia.com Limited for client distribution only.

Reproduction and transmission in any form without irasia.com’s prior permission is prohibited.

1 Investor Relations

An Overview

The following article explains what is IR and why it is taking off in the Asia Pacific region. It also explores IR with respect to investing in the Internet Age, major trends taking place, and the implications for listed companies in Asia Pacific.

Five years ago, the term IR was virtually unknown in Asia Pacific. In the US and Europe, however, Investor Relations (or IR as it is commonly called) has been widely accepted and practiced for many years.

Why is IR taking off in the region?

We believe that a combination of reasons explain why the concept and practice of IR is gathering momentum in Asia Pacific. Let's take a look at the main ones:

- Competition for investors' attention and money
- Increased investor sophistication
- Regulatory push for greater corporate transparency
- Corporate realization of the importance of IR

Competition for investors' attention and money

The game of investing has gone global. For investors, geographic borders are becoming irrelevant. With online trading, a person living in Sydney can now invest in a Hong Kong, Singapore, or US company just as easily as he/she can in a local Australian company. Hence, as a listed company, one now competes for investors' attention and money on a global scale. **Investment dollars will flow only to the best companies, i.e. those with the best stories to tell, tell it well, and get the message across to the most people.**

Increased investor sophistication

Institutional investors have always been the most demanding in terms of the quantity and quality of disclosure they require of companies on their radar screen. Increasingly, however, independent investors are becoming just as sophisticated. Today's serious individual investors are typically young, college-educated, Internet literate, and financially savvy. They have great confidence in their own analytical abilities, and prefer doing their own homework before investing. These investors gravitate towards companies that they can readily access IR-related information on, and preferably via the Internet.

Regulatory push for greater corporate transparency

As Asia Pacific moves on following its financial crisis of the late '90s, regulators are mindful of the painful lessons learned. The push towards greater disclosure for listed companies has been set to motion, a move also demanded by overseas investors.

Corporate realization of the importance of IR

Likewise for listed companies, the regional crisis was a wake up call on the importance of IR. Coupled with the realization that one must compete for investors' dollars on a global scale, companies now accept that it is vital to have good relations and communication with investors. IR is seen as a form of marketing, i.e. the marketing of the company to investors.

IR in the Internet Age

The phrase "The Internet changes everything", is especially true when it comes to investing and IR. In a recent study conducted by US' PRNewswire and the National Association of Investors Corporation (NAIC), **68% of investors said they visit a company's website before making an investment decision on that firm. Another 64% of those polled choose aggregate financial and investment websites for their investment research.**¹

Information, the lifeblood of investing, can now be made available to and accessible by anyone, anytime, empowering all investors, professionals and individuals alike. Meanwhile, online trading has enabled investors to act on the information instantly. The two phenomena are powerful and mutually reinforcing, and are set to grow even stronger in the coming years. This means that listed companies should, and indeed must, make their IR messages available online and communicate to a larger, more informed investor audience.

Ultimately, the Internet should be the primary platform for a company's IR communication, supplemented by printed material that will still be statutorily required. At present, it is still the other way around. The transition, however, has already begun, led by some of the world's leading technology and blue chip companies. The key is to leverage the power of the Internet for speed of delivery, time to market, and greater reach of your company's IR messages.

In the Investor Relations section of US company Macromedia's website, for example, the company wrote: "Beginning this year [2000], we're replacing our traditional annual report with a year-round venue for relating to our investors. We invite you to visit the MACR Investor area [of our website] throughout the year to keep current on your Macromedia investment."²

Trends and where we're headed

Two trends are worth special mention:

- The move towards multi-dimensional IR communication
- Adoption of "Fair Disclosure"

Multi-dimensional IR communication

The Internet, broadband communications, and other technological advances have opened up an array of new possibilities in effective communication. The traditional two dimensional, or text-only, platform is still crucial. However, more and more companies are making use of the Web's multimedia capabilities to achieve high

impact IR presentations and to deliver interactive and cost effective IR solutions. Examples of these include online version of annual reports, conference calls with live participation and replay, video demonstration of new product launches, and proxy voting and attendance of Annual Shareholders' Meeting via the Internet.

All of the above enable companies to communicate more effectively with their investors and shareholders. It also gives investors a "fuller" appreciation for the company, including qualitative aspects such as a company's management and products.

Adoption of "Fair Disclosure"

The US Securities Exchange Commission recently enacted Regulation FD ("Fair Disclosure") , which came into effect on October 23, 2000.³ In a nutshell, Regulation FD says that whenever US listed companies have something "material" to inform investors, they must communicate it to ALL their investors (i.e. not just institutional investors as opposed to retail investors).

While of course, this ruling doesn't apply to non US-listed companies, it really sets the pace for Asia Pacific companies to follow as well. As such, the need for companies to have an open and publicly accessible platform for its IR communications will become increasingly important.

Implications for Asia Pacific listed companies?

For listed companies in the region, the message is clear:

- IR is a form of marketing, i.e. the marketing of your Company to investors
- To compete effectively for investors' attention and money, start by having a good IR
- Make use of the Internet in your IR program

¹ Source: emarketer.com, Article "US Investors Want More Online", dated Dec-14-2000

² Source: www.macromedia.com

³ Full text of Regulation FD is found on: <http://www.sec.gov/rules/final/33-7881.htm>

2 Investor Relations

from Listed Companies' Standpoint

This article weighs the cost/benefit of having an IR program from a listed company's standpoint. It looks at the options available in instituting a program, and highlights the considerations involved when choosing what is best for your Company.

To have or not to have an IR program?

As with all business decisions, management of a listed company must weigh the costs vs. benefits of having an IR program before implementing one. Key questions are:

- What amount of resources, monetary and otherwise, must be allocated to it?
- What benefits, tangible or intangible, will it achieve?
- What is the downside of not having a program?

Let's take a look.

Resources required

Requires ongoing allocation of corporate resources including:

- Senior management's active involvement and support
- IR staff
- Production of IR material and presentations
- Dissemination of same via multiple channels
- Communication and relationship building with investors, brokers, fund managers, and shareholders

What is important to remember is that **IR is a long term and ongoing commitment. It is something that once started, should be done continuously and consistently.**

Benefits

- Enhanced visibility among the investment community

- A more transparent and investor-friendly corporate image
- Better understanding of company by investors
- Better understanding of investors by company
- Greater following of company by investors

Attesting to the benefits of IR, Michael C. Ruetters, CEO of EMC Corporation, the world's leading provider of data storage, said, **"The greater investment community is one of the most influential audiences – if not the most influential audience – for a public company today.** This audience includes customers, suppliers, industry analysts, financial analysts, media, employees, competitors, current investors and prospects for all of the above. I spend quite a bit of time communicating within the IR forum, whether it is at investment conferences, on conference calls or CNBC. It is clear to me that my time is well spent when the messages I deliver in these forums are repeated by customers, analysts or the press."¹

Downside of not having an IR program

- Low investor awareness of company
- Low company awareness of investors
- Investor frustration when researching company
- Low transparency leading to investors' reluctance to invest in company

Based on the above, it is apparent that the benefits of having an IR program far outweigh the costs. After all, one of the primary reasons for being a listed company is to maximize shareholder value. That involves the marketing of your company to investors. In today's equity markets, companies must compete for investors' attention. **Simply being a "great" company is not enough, if no one knows about it!**

Options available to start a program

Now that you have decided to establish an IR program for your Company, what options do you have to get started?

Broadly speaking, the choices are:

- Establish an in-house IR department
- Appoint an IR firm to represent your Company
- Combination of both

In-house IR Department

Establishing an IR department within your Company means that you will have staff dedicated to the formulation and implementation of your IR program. A nucleus team to start will suffice. You will need someone experienced in IR, a good communicator and one with whom senior management can work closely. Your IR department will prepare and/or make available all necessary IR materials including results announcements, annual reports, news releases, and presentations. It should also ensure that these are distributed to investors via multiple channels for maximum visibility. Channels should at least include the company's own website, other financial websites, analyst meetings, press conferences, and media interviews. Your IR staff will be the contact point for all investor enquiries. In the process, they will also be the "eyes and ears" with respect to investor perception of your Company.

Appoint an IR firm

Alternatively, you could "outsource" by appointing an IR firm to represent your Company. Many firms specialize in this area, and you should interview a number of them before deciding on one. The IR firm you select should have a thorough understanding of your Company and business, if they are to effectively represent and advise you. Qualities to seek out in an IR firm include professionalism, experience, value-added advice, and distribution network. Many IR firms will help formulate your Company's IR strategy, i.e. the "marketing" of your Company to investors. They will also organize IR events for you, and act as your Company's contact point for investors.

Choosing what is best for your Company

In choosing what best suits your Company, evaluate the above options against the

annual goals for your IR program, and the resources/budget allocated. The annual goals you set should be specific. Here are some examples:

- Develop a complete set of IR materials for investors
- Start an IR Section within your corporate website
- Proactively disseminate your IR information via multiple distribution channels
- Leverage the Internet as a communication medium for your IR
- Generate greater institutional interest in your Company

Typically, developing a program in-house will require a longer lead time. Given the growing importance of IR to a listed company, however, most companies will eventually build up some form of IR expertise internally. Having your own IR staff will generally provide more control, flexibility, and customization of your IR program.

By contrast, if you appoint an IR firm to represent your Company, you may be able to jumpstart your program by leveraging upon their expertise. Their broader perspective and experience in dealing with different companies and industries could also add value from an advisory standpoint.

Over time, as your Company evolves, so will the goals and needs of your IR program. Most companies, as they grow, will develop an in-house IR team while continuing to work with IR consultants on an advisory basis and on projects such as market surveys and database capabilities.

In summary, review the annual goals for your IR program, identify and evaluate the solutions available, and choose the option that will best deliver the results while fulfilling your cost/effectiveness objectives.

¹Source: National Investor Relations Institute Boston Chapter Newsletter, May/June 2000

3 Investor Relations

from Investors' Standpoint

This article covers the basics that listed companies should know about investors. Specifically, who are these investors and what do they want? The article looks into the different types of investors, highlight their needs and expectations, and conclude with implications for listed companies.

Know thy investors

Just as it is important to know your customers when selling your products, you must know your investors when marketing your Company to them. As Sun Microsystem's IR Manager Andrew Casey puts it, "IR is a form of marketing"¹ :

- The product you are selling is your Company.
- You need packaging (annual reports, earnings announcements, news releases, presentations)
- You need distribution (analyst meetings, product launches, conferences, speeches, interviews, website)
- Your aim is to attract customers (investors, analysts, fund managers, merchant bankers)

How does a company go about getting to know its investors? A good way to start is by asking questions, such as:

- What is my Company's current shareholder profile?
- What kind of investors do I wish to attract?
- What corporate characteristics are needed to attract these investors?

Let's take a look.

Who are your Company's investors and what do they want?

Broadly speaking, investors are categorized into:

- Institutional investors
- Private/retail investors
- Long term investors
- Short term investors/traders

Institutional investors control large sums of money, and apply rigorous investment research. Private investors historically tend to be less fundamental and more rumor-driven. With growing access to online IR information, investment research and educational resources, however, private investors now think and act more like their institutional counterparts. As such, [the investing public at large is now more knowledgeable and demanding in terms of corporate transparency.](#)

Categorized by time horizon, long term investors stay with a stock for beyond a year. Short term investors buy and sell within months. Day traders are exactly what their name implies. While institutional investors typically have a longer term investment horizon than private investors, recent trends towards increased volatility in stock prices suggest that investors' overall holding period have shortened. A combination of factors may explain this, including shorter business cycles in the high tech age, and the rapidly declining "friction" costs of securities trading. As a listed company, long term investors should be the ones you really want to attract. The benefits include lower shareholder turnover and reduced volatility in your share price.

What do investors want? The ultimate answer, of course, is that they all want to make money. But while the goal is simple enough, the process of getting there is not. The process is what drives investors' demands on the listed companies they invest in.

Professional and private investors alike want to invest in "winners" of the future. While the

analytical method and attributes sought may vary, all investors go through the process of information gathering, processing, and decision-making.

As a listed company, you will be unable to control investors' ultimate decision as to whether they buy, hold, or sell your shares. What you can do, however, is everything else that would improve your Company's standing in front of investors.

Start by becoming "investor friendly", i.e. making it easier for investors to find and gather IR information on your Company. Use the Internet in addition to traditional media.

Also, implement good corporate governance that form the prerequisites investors expect in companies they buy. These include qualities such as:

- Management integrity and candidness
- Corporate transparency
- Responsiveness to investors
- Accountability to shareholders
- Timeliness and consistency in IR communication

At this juncture, it must be noted that no amount of IR can fundamentally alter a company's "true story". That is, having good IR will not turn an unattractive company into an attractive one. Beyond the prerequisites, most investors look for superior businesses with favorable earnings and growth prospects. Valuation, financial soundness, management quality and other factors come into play.

In today's highly competitive global equity markets, however, simply being an "attractive" company is not good enough. Investors must know about it! **An attractive company with poor IR means failure to communicate a good story. That almost certainly implies that shareholder value is under achieving its upside potential.** Effective IR communication is of utmost importance. Remember: Investment dollars flow to the best companies - those with the best stories to tell, tell it well, and get the message across to the most people.

Implications for the listed company

So, what does it all mean? Armed with better knowledge of who your Company's investors are, who you want them to be, and what they want from you, your IR effort may become more focused and effective. Equally important, by adhering to the prerequisites of good governance as mentioned above, you will avoid pitfalls of what investors loathe the most. These are:

- Negative surprises
- Mistake cover-ups / failure to admit mistakes
- Over promises
- Inconsistencies between the "story line" and reality
- Black out in IR communication during tough times

Comments from the famed investor Mario Gabelli serve as useful reminders² :

- "The ideal world for us is to have a good business where we can see earnings per share growth and cash flow growth...but the centerpiece is good management."

- "If a [company]... doesn't reach out to the investment community, I can just walk. I don't need to buy every stock."

¹ Source: Sun Microsystems' Presentation dd 3/28/00
"Investor Relations In the .Com Age"

² Source: Mario Gabelli, Chief Investment Officer of Gabelli Asset Management Co., Comments made during a conversation with GA Kraut Company

4 Do's & Don'ts of an Effective IR Program

This article highlights key elements that should be incorporated into an effective IR program as well as pitfalls to avoid. It concludes with a selection of noteworthy quotes on the topic.

Having been an institutional fund manager, stockbroker, head of research, and private investor at various stages over the last 20 years, I have researched on hundreds of listed companies in Asia and the US, and met frequently with companies' senior management on company visits. While all companies try very hard to impress investors, some succeed and many don't. Below is a summary of what I consider to be the key Do's & Don'ts of an effective IR program. Once aware of some simple guidelines and when properly implemented, listed companies can become more effective in wooing investors, professionals and private individuals alike.

Do's list

Take an active, rather than passive approach to IR

As mentioned in previous articles, simply being an "attractive" company is not good enough. Investors must know about it! Start by making IR one of senior management's priorities, allocating the proper resources and time commitment to it. If you haven't already done so, make use of the Internet in addition to traditional media to reach out to the most number of investors. Leverage upon the Web's multimedia capabilities to achieve high impact IR presentations. Establish an IR Section on your Company's website. Also, have your IR information available on leading financial websites and aggregators so as to make it easier for investors to find you in the course of their investment research process.

Maintain unwavering integrity and openness

Just as one would not do business with someone he/she cannot trust, investors will not buy into companies where management integrity is questionable. In communicating with your investors, be as open and transparent as possible. In instances where your Company made a mistake, strategic or operational, never try to cover up. Admit it as soon as possible, present the remedial actions to be taken, and get on with it. These qualities are prerequisites that investors look for.

"Walk the talk"

Be it in one-on-one meetings with institutional investors, or in the CEO's Statement in your annual report, your Company's IR messages (especially forward looking statements) must be consistent with your actions and the reality. No matter how well you succeed in impressing investors by virtue of good communication skills, any goodwill generated will only be fleeting if the implementation and reality check fails.

Manage expectations

By now we are all familiar with the many cases where a company's share price plummets when the announced earnings fall short of investor expectations and/or the level indicated by management guidance. Managing investors' expectations is probably one of the most difficult and sensitive IR tasks. [One way to minimize the risk of investor disappointment is to maintain regular communication.](#) If earnings guidance needs to be downward adjusted, let your investors know as early as possible!

Don'ts list

Don't exaggerate or over promise

While it is good to think positive and only natural to always view highly of your own company and its prospects, don't over sell or over promise your investors. Painting too rosy a picture will lead to undesirable consequences, including public doubt over

management's ability to forecast its own business, gaping difference between perception vs. reality, and ultimately, investor disappointment.

Never under deliver

This corollary to the previous point, while obvious, is in fact not easy to do. To minimize the risk of under delivering, have a solid grasp of and keep a close tab on your Company's changing business dynamics. Most of all, provide investors with realistic management guidance.

Don't "black out" IR communication in tough times

To be effective, a company's IR program must be carried out continuously and consistently, i.e. through good times and bad. Over long periods, even the best of companies will have their share of good years and bad years. Reporting to investors in good years is obviously easier than in bad years where operational performance is down. The key, however, is not to shy away into oblivion or go into incommunicado during difficult times. Investors will consider management as having failed in its responsibility to be accountable to its shareholders and investors.

Don't "selectively" disclose material information

While the US Securities Exchange Commission recent enactment of Regulation FD ("Fair Disclosure") applies only to US listed companies, it also sets the pace for current best practice in IR for companies listed in Asia Pacific. The ruling effectively bars companies from disclosing material information selectively to some investors and not others. In applying this best practice, one of the most effective means is to **make use of the Internet as the communication platform of choice, given its timeliness and universal reach.**

Noteworthy Quotes

To conclude, here are what some of the world's leading CEOs are saying about IR:

"IR has important potential to enhance the value of a company...Putting time into investor relations and clearly defining our IR plan has made a significant difference."¹

James L. Peterson, President & CEO
Haemonetics Corporation

"The IR focus has really changed from being passive to being active. Early on, we would just respond to inquiries, but now we are aggressive and target specific analysts and investors."²

Marshall Carter, Chairman & CEO
State Street Bank & Trust Company

"The introduction of Internet broadcasting and investment media has only accelerated the time it takes to get our 'message to market'."²

Michael C. Ruetters, CEO
EMC Corporation

¹ Source: National Investor Relations Institute
Boston Chapter Newsletter,
September/October 2000

² Source: National Investor Relations Institute
Boston Chapter Newsletter,
May/June 2000

Press Reviews of irasia.com

Forbes Feb 26, 2001

Forbes Best of The Web Pick

“Your personal investor relations department for company information...There are annual reports, earnings statements, press releases, analyst reports, prospectuses and stock quotes. BEST: E-mail alerts for earnings reports and press releases”

Reuters Equities Quarterly First Quarter 2000

“IR Asia...The only site on the Net that is dedicated to presenting the latest news, in realtime, put out by Asian listed companies.”

TheASSET Magazine July/August 1999

“It is becoming hard to keep up with the growing number of sites for Asian investors. But when it comes to pan-Asian ones, it is easy to pick the good ones from the bad.....What separates it [irasia.com] from the slew of other Asian market sites is that it is easy to read and follow....We think it is perhaps the most complete financial road map of the region currently free of charge on the web.”

TIME Magazine July 12, 1999

Best Sites - Research to Make Investment Decisions

“There’s more to stock picking than piling into the latest .com...Here’s where the real homework starts. Investor Relations Asia - Free research on hundreds of listed companies on many Asian exchanges...”

Global Fund News September 7, 1998

“IRAsia is one of the region’s leading Internet-based information provider on Asian financial markets.”

Asia Magazine August 21-23, 1998

“The US has an official on-line database called Edgar, containing reference information about publicly listed companies. In Asia, the private sector has had to fill that role....www.irasia.com”

Contact Information

email: info@irasia.com <http://www.irasia.com>

Hong Kong Headquarters

Address irasia.com Limited
18/F, Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong
Phone+852 2831-9792 Fax+852 2838-0996

Australian Office

Address irasia.com (Australia) Pty. Limited
Level 12, AIG Building,
220 George Street,
Sydney, NSW 2000
Phone+61 (02) 9252-8226 Fax+61 (02) 9252-8227

Singapore Office

Address irasia.com (Singapore) Pte. Limited
7 Temasek Blvd., #22-04 Suntec Tower One Suntec City,
Singapore 038987
Phone+65 334-9635 Fax+65 837-2733