



BUSINESS NEWS

"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful."

~ Warren Buffett

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LEARNING TO UNDERSTAND INVESTORS IN MALAYSIA...



By: S. Khugan

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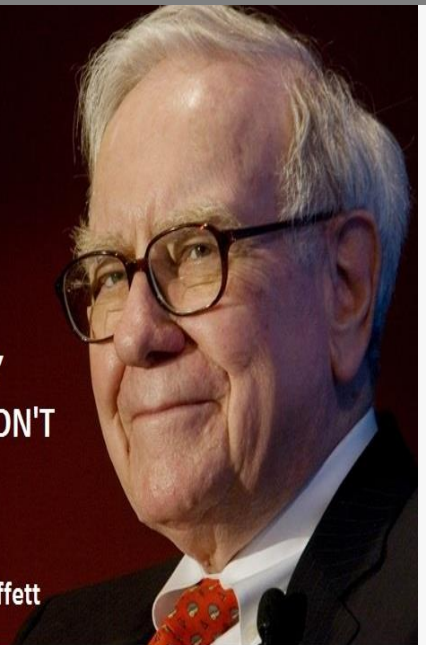
THE PREDICAMENT...

With the current economic conditions and stringent regulations by most Banks, most SME's are looking onto the lucrative Investment option for their Businesses...

We have several case studies that warrant the "Business Man" to Beware....please read the article below...

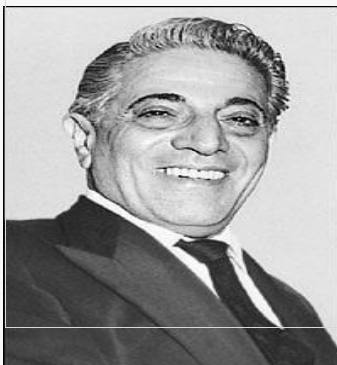
HONESTY IS A VERY EXPENSIVE GIFT, DON'T EXPECT IT FROM CHEAP PEOPLE.

-Warren Buffett



'I WOULD RATHER EARN 1% OF A 100 PEOPLE'S EFFORTS THAN 100% OF MY OWN EFFORTS.'

-J. Paul Getty



"To succeed in business it is necessary to make others see things as you see them."

Aristotle Onassis



"I'm only rich because I know when I'm wrong...I basically have survived by recognizing my mistakes."

- George Soros

LEARNING TO UNDERSTAND INVESTORS IN MALAYSIA....

In my 20 over years experience in the field of business, I can safely assert that I have come across several people who claim to be Investors and are eager to assist businesses in securing Investments at various rates and at various conditions. **How authentic and sympathetic are these 'Angels'? That's what this article is about.**

Here is where I take you on a flashback trip—to my late teens and early twenties when I was a young man overflowing with enthusiasm, energy and lots of money making Ideas. Unfortunately, as is the case with most young entrepreneurs, I lacked the financial support up to bring these great ideas to reality.

The quest for finding the finances made me come across a variety of individuals with titles beset by Royalties. A common observation is that as when you are young and someone high ranking in the social system wants to see youyou are elevated to cloud nine.

But soon the journey from cloud nine back to ground zero transforms all that elevation into strings of disappointments. Soon comes a time when they become un-contactable, and if you are really trusting and naive as I was, one day you see your ideas being taken and promoted out there by Major Corporations without a single acknowledgement to you.

Waking up to the harsh reality that people out there would rather take advantage of you than help you, I decided to find a job like everyone else. While working as a lecturer, I finished my studies and went on to Corporate Consultancy to understand why I was conned in the first place that many years ago. You see business people like us are a breed, we need answers and after 20 years at consultancy, I have finally understood what and who are the true and genuine investors. And how to identify them



However what prompted me to write this article now is that after over 20 years..**Nothing Has Changed....**in fact it is getting much Worse!!!

Today Business people are getting conned left right and centre by this so called Investors and it is becoming a worrying issue for most Malaysians. Nowadays, there are huge upfront payments involved depending on the project size. Sometimes the promoters are cheated out of their own projects.

After being almost twenty years in The Corporate Consultancy Business I have come to understand the actual business transactions of REAL Investors as now I have the privilege of working with them. First in foremost an actual Investor only sees prospective proposals based on 2 criteria's:

- 1) **RECOMMENDED BY A KNOWN ASSOCIATE** – The proposal has to come from a known source that the Investor trusts. If not they are not interested as no matter how great your proposal is it does not matter as **THEY DON'T KNOW YOU.**
- 2) **RECOMMENDED BY AN APPOINTED PROFESSIONAL** – Investors usually appoint Consulting Firms, Legal Firms and Accounting Firms to do a Due Diligence on The proposals of Investment. Only upon their approval or confidence in the project would the Investor look at it.

This is something that I feel Malaysians should be aware of as there are **NO FREE RIDES.** Always remember that when seeking an Investment opportunity, don't forget that everything is based on the fundamentals of the project and you as the promoter.

When you come up with a certain project, golden rule is that you need to be in a position to have at least **20 to 30%** of the said Investment in hand before you approach any Investor to believe in your project. If you don't have any form of capital then you would end up like me in my younger days being screwed over with false promises.



Another thing to take into account is that there are Angel Investors who would come in to finance new start up projects if you don't have the initial money, but in that case you must be willing to surrender a majority of your company or project. As the Investors are taking all the risks initially to kick start the project, at this juncture and there is no way to hedge it unless the project takes off.

However there are promoters wanting Investors to come in and invest while they still want to hold majority share. Just ask yourself this question, if you were the Investor would you be willing to do that??? If you are unwilling to risk everything, how can you expect someone else to.....

This comes back to the question...Why are some people willing to invest in you and your project??? That is because they want to make quick money at your expense and are willing to sell you The Promise of a Dream!!! Be careful whenever someone tells you what you want to hear. It's the most dangerous proposition, as I have seen that happen in the industry more often than I care to count.

KNOW WHEN TO LEAVE THE NEGOTIATION

Here are a few tips to understand when you are dealing with the wrong people:

- 1) **TOO SMALL AN INVESTMENT** – This seems to be the highlight of these fantastic guys. They will tell you that they are looking for Investments only above RM 50 - 100Million. Yours is too small an investment for them. This is basically to belittle you as when they say okay I will try for you ...then you will feel so obliged that you would be willing to pay their charges.

NOTE: Remember, any Investors who are serious, are willing to look at all projects. As long as the project has the potential to make money, is what matters to any serious Investor.

- 2) **MEETINGS AT COFFEE SHOPS AND HOTELS** – Depending on the size of your requested Investment it would be determined either in a Café or a Hotel. All negotiations would be held with a representative of the so called Investor and you would be waiting for an hour or so before he shows up. Then he would be start by stating how busy he is and he was late due to a meeting with a minister previously.

NOTE: Please always ensure that all meetings are held in the offices of the Investors or their appointed Consultants, Lawyers or Accountants. Cafés and Hotels are not advisable unless you know someone they trust and are close to.

- 3) **CASH PAYMENTS** – Now that they have made you feel small and useless by belittling the investment amount you are looking at, they will convince you that just by looking at your proposal they are doing you a favor. How do you repay their generosity? By 1) paying the bill which would have raked up to several hundred Ringgits and their upfront payment to be paid to the representative who brought you for the meeting in Cash Only.

NOTE: Please ensure whatever monies are paid is to be paid via a Cheque or Cash deposits into an authorized company account. You have to understand that there would be charges involved in doing up the Investment Papers therefore it is fine to pay but ensure it is paid directly to the Consultancy, Legal and Accounting firms directly. This is to confirm that you have proof of payment and you can take legal action against them if there has been any misappropriation of your money by them.

- 4) **NO AGREEMENTS** – Upon payment receipt they will tell you we will come back to you in one or two weeks. In the meantime there are neither communications nor agreements to confirm what has been spoken at your meetings nor have there been any receipts for the monies paid.

In case the representative is kind enough to pick up your calls, he will tell you that the Investor is very busy and is overseas currently. I have observed that mostly they seem to be in Dubai (As apparently that's where people with money are from). After another month the representative is never reachable.

NOTE: Please ensure whatever monies are paid is to be backed up with an agreement and a time line of events and ratios. Please understand that sometimes there would be certain Investors who may have had a bad experience with your industry and maybe the project needs to be presented to another Investor but all these eventualities would be stated clearly in the Agreements.

- 5) **OVERSEAS FUNDS NEEDS CLEARANCE** – Another way is that they will tell you that their funds from overseas has just been transferred and need you to pay the Bank clearing charges. They will show you all types of fraudulent documents and transfer funds from banks in Brazil, Africa and China stating that unless you pay them the said Banking charges, your funds won't be released. What amuses me is that they never ask you to pay the banking charges directly to the bank where there money is held. They will also subtly threaten you that in case you don't pay the bank charges and clear the money, they will sue you for charges incurred. In fear you would make these payments.

NOTE: In any form of Investment if the issuing company is local or foreign all charges and transaction systems are well noted in the Investment Agreement that is done by Advocates and Solicitors on behalf of the Investor and the Business Promoter. Such things only arise when the said transactions are not genuine.

- 6) **DIGESTION OF INFORMATION** – Another advice is that- Know what to disseminate and what to hold back in terms of the Information and Business Plan. Please get your profile done by professionals as in our excitement and haste most of the time we let the entire cat out of the bag and only to find it in another's hand. When you give away an entire lucrative brilliant business prospect to people with money, why would they need you?

NOTE: There are ways to entice the Investors but know how to handle it as when you are dealing with unscrupulous people most of the time they would be selling your proposals out in the market and your ideas would eventually benefit others instead of you.



I know for a fact that some of you out there have experienced some or worst case scenario all of the above!

My advice is don't give up but be smarter this time around and seek professional assistance for your projects, don't be naive like me who had to learn these mistakes through trial and error.

I always believe learn from other peoples mistakes as they are far less costly. Please look out for my other posts where I would be giving actual case studies of how the above had affected some of our clients as well.

Till then please have a Profitable Week Ahead and all the Best Always!!!

**S. KHUGAN
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SKB ASSOCIATES SDN BHD.**