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**MSWG**

**MINORITY SHAREHOLDER WATCHDOG GROUP**

**Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

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## MESSAGE FROM THE CEO



My message comes as the debacle at News Corp winds down, culminating in the closure of the storied News of the World tabloid newspaper. Rupert Murdoch's conduct and governance levels have really been thrown into the spotlight, not least of which is the lack of proper controls in his organisation which, incidentally, has him as both Chairman and Managing Director. Having said that, he took accountability for his actions and inactions in the fiasco.

Perhaps as instructive as Murdoch's experience was MSWG's 28 July 2011 seminar "**Driving the Corporate Governance Agenda**" held at Bursa Malaysia. Attendees learnt some valuable tips from the MCG Index 2010 on how to integrate corporate governance best practices into their corporate endeavours, while some of our very own world-class leaders discussed their own corporate governance efforts in their respective organisations. The recently-launched **Corporate Governance Blueprint 2011**, was also a topic for discussion during the seminar. The Blueprint was regarded as an ambitious document, with a total of 35 robust recommendations aimed at strengthening self- and market- discipline and regulatory mechanisms to encourage a shift from compliance with a rules-based approach to a self-governing one. The seminar concluded that implementation needs to be monitored and that one area where improvement needs to be made is in the area of enforcement action, which must be stepped up. See the section "**Rita In the News**", below, for a link to my 03 August 2011 article in Business Times, where I talked more about the Blueprint and its implications for Malaysia's CG ecosystem.

*Cheers!*

*Rita Benoy Bushon*

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## Rita In The News

[Shared responsibilities in corporate governance](#)

[http://www.btimes.com.my/Current\\_News/BTIMES/articles/ritabb/Article/index\\_html](http://www.btimes.com.my/Current_News/BTIMES/articles/ritabb/Article/index_html)

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## MSWG's Quick Take on Ongoing Corporate

## Transactions

**CI Holdings:** Japan's Asahi Group Holdings Ltd has signed a definitive agreement with CI Holdings Bhd to acquire a 100 percent stake, representing 70 million shares, in its unit Permanis Sdn Bhd for RM820 million. The price translates into RM5.77 per share and a price-earnings (PE) ratio of 20.5 times. The proposed disposal is subject to regulatory, PepsiCo and other third-party approvals, as well as the approval of CI Holdings' shareholders. The price equates to 11 times the initial purchase consideration of Permanis on April 2004 and is also RM 220 million higher than the RM600 million initially anticipated by analysts.

**MSWG's COMMENT:** *The all-cash deal certainly tastes "sweet" especially since the company's value has multiplied by almost twelve times over the past six years. It was also reported that the management will distribute a large portion of the sale proceeds to shareholders. Thus, shareholders have to monitor the proposed disposal closely as it is subject to several approvals/consents and completion risks.*

**Star Publications:** Announced its first foray into television broadcasting by investing RM35 million in a 51 percent stake in LI TV Holdings Ltd which operates a pan-regional lifestyle TV channel. It is also Star's third acquisition in three months, after announcing its purchase of an 80 percent stake in radio station operator Capital FM Sdn Bhd for RM15 million cash, and its purchase of a 4.99 percent stake in Catcha Media Bhd for RM4.97 million, also in cash.

**MSWG's COMMENT:** *The Company is diversifying into other media segments from its strong printing business, which we believe could mean another integrated media player on our shores. However, the 3 year-old company is relatively new and its future profitability is not very apparent given its niche position in the HD-enabled television network and lifestyle-related programming in Asia.*

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## Local News and Developments

### [CIMB first Asean corporate to be rated by Dagong](http://biz.thestar.com.my/news/story.asp?file=/2011/7/23/business/9158113&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/7/23/business/9158113&sec=business>

### [Group governance – directors with many hats](http://biz.thestar.com.my/news/story.asp?file=/2011/7/23/business/9130754&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/7/23/business/9130754&sec=business>

### [S&P Cuts Malaysia's Local Currency Debt Rating On New Methodology](http://online.wsj.com/article/BT-CO-20110727-706234.html)

<http://online.wsj.com/article/BT-CO-20110727-706234.html>

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## Global News and Developments

### [Corporate governance 101: the buck stops with Rupert Murdoch](http://theconversation.edu.au/corporate-governance-101-the-buck-stops-with-rupert-murdoch-2418)

<http://theconversation.edu.au/corporate-governance-101-the-buck-stops-with-rupert-murdoch-2418>

### [Does a five-star board guarantee good corporate governance?](http://moneylife.in/article/does-a-five-star-board-guarantee-good-corporate-governance/18239.html)

<http://moneylife.in/article/does-a-five-star-board-guarantee-good-corporate-governance/18239.html>

### [Remaining independent on a board](http://www.business-standard.com/india/news/remaining-independent-onboard/443801/)

<http://www.business-standard.com/india/news/remaining-independent-onboard/443801/>

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## MSWG Seminar Sees Lively Corporate Governance Discussions

Participants attending MSWG's recent seminar "Driving the Corporate Governance Agenda" were treated to some lively discussions on corporate governance during the event held 28 July 2011 at Bursa Malaysia. During the first session, led by Moderator Philip Koh, Professor Salleh Hassan took audience through the methodology and findings of the Malaysian Corporate Governance Index 2010. Salleh highlighted the CG successes of Malaysia's PLCs but also outlined areas for improvement to keep driving CG best practices forward. The mic was then turned over to Idrus Ismail of Telekom Malaysia who went on to describe how TM applies corporate governance best practices within the company and the benefits it derives from doing so.



(Session 1, l-r: Prof. Salleh Hassan, En. Idrus Ismail, Moderator Philip Koh)

The second session of the day, moderated by Bursa Malaysia's Selvarany Rasiah, heard John Zinkin of ICLIF and David Smith of ISS compare Malaysia's CG best practices to regional and global ones. Malaysia's previous codes of best CG practice were described as "leading edge", as was the recently-launched Corporate Governance Blueprint.



(Session 2, l-r: Moderator Selvarany Rasiah, Mr. John Zinkin, Mr. David Smith)

During the seminar's final session, moderator Rita Benoy Bushon posed a series of individual and group questions on corporate governance to panelists Dato' Sri Nazir Razak (CIMB Group), Shahril Ridza Ridzuan (EPF), and Dato' Yusof Annuar Yaacob (Goldman Sachs). Panelists briefly described how their organisations practiced CG in areas such as: (i) good CSR, (ii) embedding CG culture throughout the organisation, (iii) how trustee funds are managed taking CG matters into account, and (iv) the issue of conflict of interest with respect to independent advisors. Panelists also offered their opinions on several of the recommendations contained in the Corporate Governance Blueprint, including tenure and directorship limits for directors, the sourcing of independent directors, and increasing board diversity. The government's recent policy announcement regarding board gender diversity (30% of board seats to be occupied by women within the next five years), was a source of some of the most lively discussion of the day as well as provoking comment and questions from the audience. The conclusion of the session was that we must have a robust set of rules and codes, however one area where there needs to be improvement is that of enforcement.



(Session 3, I-r: Dato' Sri Nazir Razak, En. Shahril Ridza Ridzuan, Dato' Yusof Annuar Yaacob)

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## Feedback

We welcome your feedback on our newsletter and our work. Email us at [watchdog@mswg.org.my](mailto:watchdog@mswg.org.my) with your comments and suggestions.

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