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MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

Issue #9-11

01 July 2011

MESSAGE FROM THE CEO



Let me start off by lauding the government's move to formally announce its support for gender diversity in Corporate Malaysia. The Prime Minister's endorsement for at least 30 percent of board members to be comprised of women as a matter of corporate governance best practices in the boardroom is the right and appropriate impetus for adding depth and expertise to our listed companies. Accompanied by a five-year timeline that will provide opportunities for training and development to produce a pool of female directors with the required skillsets, the move to increase the participation of women in the boardroom will help bring Corporate Malaysia that much nearer to the progressive markets of the UK and some of the Scandinavian countries.

On a separate note, the last fortnight has been quite tumultuous. First, as regard to what happened with XOX and MCLearn, and then subsequently with MAA, Muhibbah Engineering, and TimedotCom. MSM Global, however, had a very good debut on the stock market, hitting limit up. Eversendai is another new listing that we are looking forward to. That being said, the large weightings of these recent listings can only be beneficial to our capital markets, as they bring their considerable weight to the radar of international investors.

Cheers!

Rita Benoy Bushon

MSWG's Quick Take on Ongoing Corporate Transactions

RHB CAPITAL: Both CIMB and Maybank have pulled out of bidding for RHB Capital, citing the lack of persuasive conditions for a value-accretive merger.

MSWG's Comment: While EPF has said there is no active search for an alternative merger partner, there is little need for concern for minority shareholders of all three banks at this point in time. Operationally, RHB Capital's outlook remains unchanged and resilient on a standalone basis, with loans growth remaining strong. Maybank can now channel its resources into integrating Kim Eng while continuing to ramp up operations coverage and scale in Indonesia. As for CIMB, its strong non-fee businesses such as investment banking and treasury services makes

it an expected key beneficiary to the Economic Transformation Programme, which seems to be gathering real steam.

MAA HOLDINGS: Announced the sale of four insurance subsidiaries for RM344 million to Zurich Insurance Company Ltd.

MSWG'S COMMENT: *The disposal is aimed primarily at meeting its capital adequacy requirements under the Risk-Based Capital Framework as required by Bank Negara Malaysia, and the settlement of its borrowings of RM140 million in MTNs which are due in January 2012. MAA has said the disposal leaves it without a major business and it will be an "affected listed issuer," meaning it will need to regularise its financial condition or risk being delisted. MSWG notes that there will be no dividends due to shareholders from the sale to Zurich, and that MAA intends to focus on its takaful business as its main contributor in future.*

MUHIBBAH ENGINEERING (M) BHD: Shares have plunged following reports that its major client, Asia Petroleum Hub Sdn Bhd (APH), is in receivership. APH owes Muhibbah about RM370 million.

MSWG's COMMENT: *While Muhibbah's shares have recovered slightly after saying there are "reasonable grounds" that its receivables can be recovered and that APH is now in talks with an unidentified investor to fully finance the project (including making due payments to contractors), minorities need to be wary of companies whose receivables have ballooned to such an extent. Moreover, the regulator may want to impose new rules requiring companies to disclose the aging of their receivables. In another matter, having changed its auditors from KPMG to Crow Horwath, Muhibbah also needed to have announced the change otherwise it amounts to a contravention of Chapter 12 Rule 1201.1(3) of Bursa Malaysia's Listing Rules.*

TIME DOTCOM: Major shareholder Time Engineering had fixed the renounceable offer for sale of up to 626.18 million shares of its Time dotCom shares at 53 sen, 33.75 percent below the five-day volume weighted average market price up to 17 June 2011. The offer for sale is on the basis of eight offer shares for every 10 shares held in Time Engineering as at 5pm on 5 July 2011.

MSWG'S COMMENT: *Although Time dotCom's net asset per share stood at 55 sen as at March 31, 2011, the discount is still significantly greater than the typical 10 percent normally seen for similar transactions. However, at TIME Engineering's AGM/EGM held on 6 June 2011, the shareholders approved the proposed renounceable offer for sale at an Offer Price reflecting a discount of NOT LESS THAN 20 percent to the 5-day VWAM price. Despite this, MSWG notes that TDC's management has shown its commitment and resolve to its transformation plans, with a viable growth path having been put in place. Also, as at the time of writing, there is no update/announcement on the undertaking from UEM Group Bhd, a substantial shareholder of Time Engineering, on a decision to subscribe for its entitlement of the offer shares.*

Local News and Developments

[Cabinet Approves 30 Per Cent Women As Decision-Makers In Corporate Sector - Najib](http://www.bernama.com.my/bernama/v5/newsindex.php?id=597035)

<http://www.bernama.com.my/bernama/v5/newsindex.php?id=597035>

[SEGi signs Malaysian corporate integrity pledge](http://www.bernama.com.my/bernama/v5/newsindex.php?id=596431)

<http://www.bernama.com.my/bernama/v5/newsindex.php?id=596431>

[Good Public Governance Will Ensure Strong Corporate Governance](#)

<http://www.bernama.com.my/bernama/v5/newsbusiness.php?id=596256>

[When CEOs become independent directors](http://biz.thestar.com.my/news/story.asp?file=/2011/6/18/business/8923357&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/6/18/business/8923357&sec=business>

Global News and Developments

[New Corporate Governance Codes To Shake Up Singapore's Boardrooms](http://www.businessinsider.com/new-corporate-governance-codes-to-shake-up-singapores-boardrooms-2011-6)

<http://www.businessinsider.com/new-corporate-governance-codes-to-shake-up-singapores-boardrooms-2011-6>

[Mizuho's New CEO Speeds Up Plan To Change Corporate Culture](http://online.wsj.com/article/BT-CO-20110622-706031.html)

<http://online.wsj.com/article/BT-CO-20110622-706031.html>

[Corporate Governance: A More Effective Approach](http://www.businessinsider.com/corporate-governance-a-more-effective-approach-2011-6)

<http://www.businessinsider.com/corporate-governance-a-more-effective-approach-2011-6>

[Socially Responsible Investing: Stocks With Good Corporate Governance Outperform](http://www.investingdaily.com/id/18787/socially-responsible-investing-stocks-with-good-corporate-governance-outperform.html)

<http://www.investingdaily.com/id/18787/socially-responsible-investing-stocks-with-good-corporate-governance-outperform.html>

[In North Carolina, CEO pay on the rise](http://www.charlotteobserver.com/2011/06/19/2389494/ceo-pay-on-the-rise.html)

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Save the Date!

28 July, 2011 (Kuala Lumpur, Malaysia)

Mark your calendars for MSWG's one-day seminar "**Promoting the Corporate Governance Agenda: Sharing of Experience**". During this forum for the sharing of local, regional, and international best practices in corporate governance, participants will be provided with a detailed report on the overall results and findings of the Malaysian Corporate Governance Index 2010. Leaders from some of Malaysia's top PLCs will also be on hand to talk about how they are integrating corporate governance best practices into various corporate endeavours, including CSR activities, the conduct of annual general meetings, and improving board diversity. Finally, a panel of corporate governance experts will share knowledge and experience of regional and international corporate governance best practices. A copy of the seminar programme is available on [MSWG's website](http://www.mswg.org.my/web/iep.php) at www.mswg.org.my/web/iep.php.

30-31 July, 2011 (Kuala Lumpur, Malaysia)

MSWG's Investor Education Programme will be offering the two-day seminar "**Picking Investment Grade Stocks with Value Investing Strategies**". The seminar is designed to provide investors with the knowledge and skills necessary to create long term wealth using value investing strategies. Participants will be taught how to look for and understand corporate and financial information and how to use this information to make sound investment decisions. The seminar is SIDC-CPE Approved and provides 10 CPE points to CMSR License holders that complete the course. A copy of the seminar programme is available on [MSWG's website](http://www.mswg.org.my/web/iep.php) at www.mswg.org.my/web/iep.php.

Did You Know...

...That MSWG is a registered training provider under HRDF?

Our Investor Education Program seminars are HRDF claimable under the SBL scheme. As a "Category A" training provider, we can also work with employers to develop and deliver customized training programs under other HRDF training schemes.

...That MSWG is an approved training provider under SIDC?

We can offer Continuing Professional Education (CPE) points to Capital Markets Services Representatives (CMSR) license holders attending MSWG's Investor Education Programs that are approved by the Securities Industry Development Corporation (SIDC).

For more information or to discuss how MSWG can assist in meeting your corporate governance training needs, please contact Mr. George Bohlender, Senior Manager, Corporate Services at 03-2070-9090.

Feedback

We welcome your feedback on our newsletter and our work. Email us at watchdog@mswg.org.my with your comments and suggestions.

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