

**MSWG**

**MINORITY SHAREHOLDER WATCHDOG GROUP**

**Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

**Issue #19-12**

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## MESSAGE FROM THE CEO



Malaysia's plan to participate in an ASEAN Trading Link that will establish a USD\$2 trillion marketplace through the linking of 7 stock exchanges is something we are looking forward to. The creation of the marketplace will start with the linking of Malaysia's exchange with that of Singapore at the end of June, then adding Thailand in August 2012. The marketplace will eventually encompass the exchanges of Indonesia, Hanoi, Ho Chi Minh City, and the Philippines as well. The result will be a single marketplace with an investor base of 529 million people. This bodes well for Malaysian companies seeking to raise capital and for Malaysian investors hoping to diversify their portfolios and increase their investment returns.

In forming this union, however, scrutiny needs to be given to the companies that will be included in the market's Index. Due diligence will be needed to select companies that will provide sufficient market credibility to attract global investors. The due diligence will need to look at companies that are focused on the long term business sustainability and results. There is also a need to ensure that the companies in the Index have a good business model and governance structure. Finally, companies in the Index will need to have a solid track record – at least to start with: newer players can be added to the mix further down the road once this new marketplace has formally established itself among its peers.

Within MSWG, our analysts continue to be occupied attending the AGMs of companies in our monitoring portfolio. During these meetings, we have observed more companies giving good corporate governance practices their due. As an example, we see increasing numbers of companies making changes to their long serving directors after the completion of board assessments. Although this change is positive and commendable, it has not been accompanied by other moves to improve board diversity. In addition, we have observed in some instances that directors – including the limited number of female directors at Malaysian PLCs – are taking on increasing numbers of directorships. Corporate Malaysia needs to get a better handle on finding additional sources of qualified candidates in order to make the corporate board landscape less homogeneous.

We have also observed a trend among some public listed companies to seek shareholder approval to provide gratuity payments and other compensation schemes to non-executive directors. We would discourage such payments, given that these directors are paid directors' fees for their services as Independent Directors. They serve an oversight role on the Board and their independence should not be influenced in any way, including through the provision additional payments beyond directors' fees.

We also note a practice among some companies to remove auditors based solely on the total amount of fees they are paid. We would suggest that companies focus on the independence, skillsets, quality of work, and added value that their auditors provide to the company - and not just fees - when considering a decision to replace an auditor. We would not want the quality of audits to be compromised as a result of lower fees being paid.

Regards...

*Rita*

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## Global News and Developments

### ['Good corporate governance necessary for ICT sector'](http://www.vanguardngr.com/2012/06/good-corporate-governance-necessary-for-ict-sector/)

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### [Research Trends & Conclusions: Corporate Governance 2012](http://www.whoswholegal.com/news/analysis/article/29614/research-trends-38-conclusions-corporate-governance-2012/)

<http://www.whoswholegal.com/news/analysis/article/29614/research-trends-38-conclusions-corporate-governance-2012/>

### [Most Highly Regarded Firms: Corporate Governance 2012](http://www.whoswholegal.com/news/analysis/article/29615/most-highly-regarded-firms-corporate-governance-2012/)

<http://www.whoswholegal.com/news/analysis/article/29615/most-highly-regarded-firms-corporate-governance-2012/>

### [Are corporate pay advisers worth it? For and against](http://www.telegraph.co.uk/finance/jobs/9308625/Are-corporate-pay-advisers-worth-it-For-and-against.html)

<http://www.telegraph.co.uk/finance/jobs/9308625/Are-corporate-pay-advisers-worth-it-For-and-against.html>

### [Investors did not challenge banks in 2011](http://www.independent.co.uk/news/business/news/investors-did-not-challenge-banks-in-2011-7813596.html)

<http://www.independent.co.uk/news/business/news/investors-did-not-challenge-banks-in-2011-7813596.html>

### [Regulation On Indonesia Banks May Tie Stakes To Corporate Governance](http://www.foxbusiness.com/news/2012/05/31/regulation-on-indonesia-banks-may-tie-stakes-to-corporate-governance/)

<http://www.foxbusiness.com/news/2012/05/31/regulation-on-indonesia-banks-may-tie-stakes-to-corporate-governance/>

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## Upcoming Training: Finance for Non-Financial Managers

**(13 June 2012 | MSWG Training Centre, KL)**

**Mark your calendars for MSWG's 13 June 2012 seminar, "Finance for Non-Financial Managers".**

Delivered by Richard Jacob, founder and Principal Consultant of RCJ Consulting Sdn Bhd, this seminar is designed for investors who want to enhance their "business acumen" and their roles as effective minority shareholders. Additionally, it enables participants to improve their knowledge of finance and financial analysis to be able to see the financial impact and outcome of strategies and operations. They will thus be able to better monitor and control the performance of companies they have invested in. The seminar is highly interactive, with a balance of lectures, exercises, and case studies. All concepts will be linked to company annual reports.

### Expected Learning Outcomes:

- Become a wiser, better, and more effective investor through an increased understanding of key financial statements, and business and finance terminology.
- Protect your investment by understanding how numbers are generated and how they can be manipulated.
- Improve compliance with IFRS and MASB directives.

### Who Should Attend?

- Investors
- Directors, CEOs, CFOs, COOs and Senior Management
- Accountants, Company Secretaries and Auditors
- Licensed Dealers, Remisiers and Capital Market Representative License Holders
- Investment and Financial Advisers and Financial Planners
- MSWG subscribers and members of MSWG's Independent Directors Pool

### Seminar Details:

**Date:** 13 June 2012  
**Fee:** RM590  
**Venue:** MSWG Training Centre

To register for the seminar, please [download the seminar Registration Form \(PDF\)](#), and complete and return to us. The Registration Form can also be found on MSWG's website at <http://www.mswg.org.my/web/iep.php>.

**\*\*\*NOTE: Seating is limited to 50 participants, so REGISTER NOW!\*\*\***

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## Notice to Readers...

Earlier this year, we announced to readers that we would be making **The Observer** available only to MSWG's service subscribers. Please take note that we will be implementing this change effective **1 July 2012**. If you wish to receive our newsletter beyond that date, then you must become one of our service subscribers. You can become a Retail Subscriber for only RM50 per year. A student attending an educational institution can become a Student Subscriber for only RM20 per year. This is an **INCREDIBLE** value, while includes not only our weekly newsletter, but discounts on attendance at our Investor Education Programme seminars and on our publications.

Please see our [Retail Subscriber Application Form](#) and our [Student Subscriber Application Form](#) for our Value Propositions and complete details on becoming a subscriber to ensure uninterrupted delivery of The Observer.

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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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Minority Shareholder Watchdog Group  
Tingkat 11, Bangunan KWSP,  
No. 3, Changkat Raja Chulan, Off Jalan Raja Chulan  
Kuala Lumpur, Wilayah Persekutuan 50200  
Malaysia

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