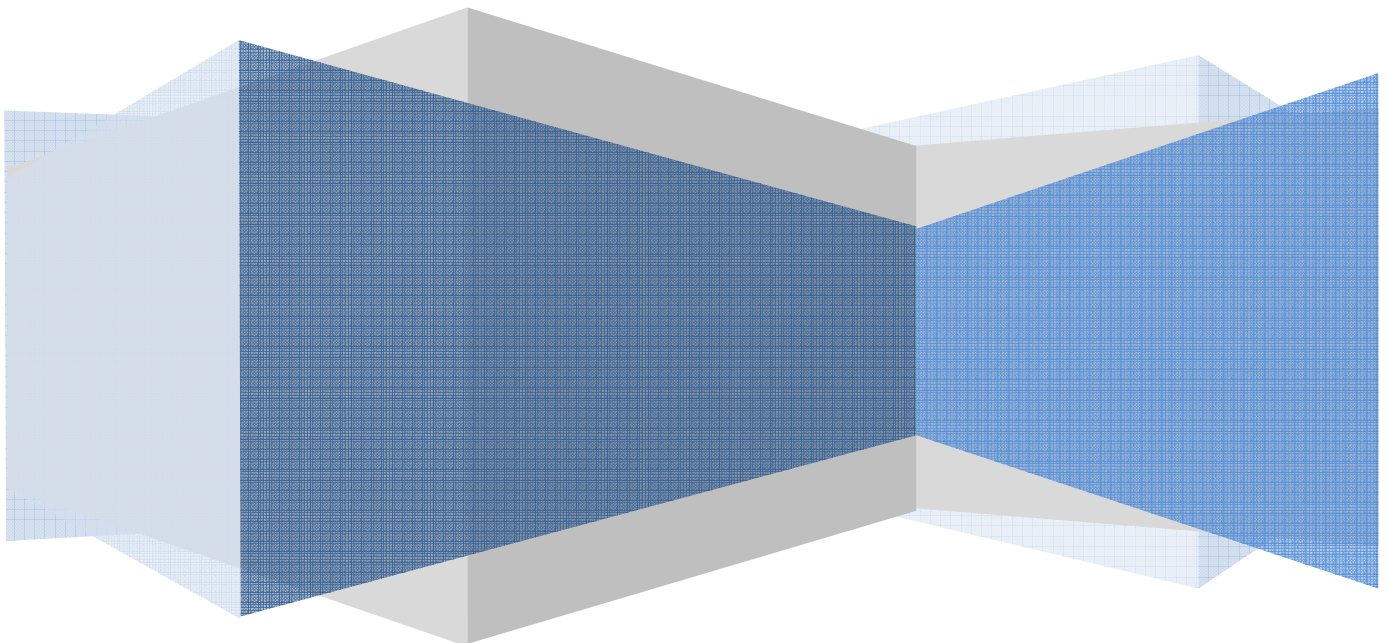


Annual Report 2010

A Decade of Shareholder Activism



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MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia • Company No : 524989-M)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at 11th Floor, Bangunan KWSP, No. 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 9 March 2011 at 10:00 a.m.

AGENDA

1. To receive and adopt the Company's Audited Financial Statements for the year ended 31 December 2010, together with the Directors' and Auditors' Reports thereon.
2. To re-elect Y Bhg Tan Sri Dato' Lodin Wok Kamaruddin, who retires in accordance with Article 61 of the Articles of Association of the Company, as a Director of the Company.
3. To re-elect Mr Philip Koh Tong Ngee, who retires in accordance with Article 61 of the Articles of Association of the Company, as a Director of the Company.
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
5. To approve the payment of Directors' Fees of RM36,000 for the Financial Year Ended 31 December 2010.

By Order of the Board,



Chew Phye Keat
Secretary

Dated: 14 February 2011

NOTE: A member of the Company entitled to attend and vote at this meeting may appoint a proxy to vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office not less than 48 hours before the time appointed for holding the Meeting.

MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia • Company No : 524989-M)

PROXY FORM

We, of
..... being a member of the
above named Company, hereby appoint of
..... or failing him
..... of
.....
as our proxy to attend and vote for us and on our behalf at the Tenth Annual General Meeting
of the said Company to be held on **Wednesday, 9 March 2011 at 10.00 a.m.** and at any
adjournment thereof.

Dated:

Director

Director/Secretary

CORPORATE PROFILE

Minority Shareholder Watchdog Group (MSWG), or Badan Pengawas Pemegang Saham Minoriti Berhad, was set up in the year 2000 as a Government initiative to be a part of a broader Capital Market framework to bring about awareness and help protect the interests of minority shareholders through shareholder activism. MSWG is a professional body licensed under the Capital Markets and Services Act. It is a self-governing and non-profit body funded essentially by the Capital Market Development Fund. It is one avenue of market discipline to encourage good governance amongst public listed companies (PLCs) with the objective of raising shareholder value over time.

It has evolved into an independent corporate governance research and monitoring organisation which also advises both retail and institutional minority shareholders on voting at company meetings.

The founding members of the company are:

1. Lembaga Tabung Angkatan Tentera (LTAT)
2. Lembaga Tabung Haji (LTH)
3. Permodalan Nasional Berhad (PNB)
4. Social Security Organisation (SOCSO)

VISION

To be a recognised and respected organisation in promoting corporate governance through shareholder activism.

MISSION

To encourage sustainable shareholder value in companies through engagement with relevant stakeholders, with a focus on minority shareholder interests.

COMPANY OBJECTIVES

MSWG has a charter under its Memorandum and Articles of Association which spells out its objectives as follows:

- To become the forum on minority shareholder experiences.
- To become the Think-Tank and Resource Centre for minority interest and corporate governance matters in Malaysia.
- To develop and disseminate the educational aspects of corporate governance.
- To become the platform to initiate collective shareholder activism.
- To influence the decision making process in PLCs as the leader for minority shareholder interests.
- To monitor for breaches and non-compliance in corporate governance practices by PLCs.
- To initiate, where appropriate, reports to regulatory authorities and transforming MSWG into an effective deterrent of such events or activities that can be against the interest of the minority shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abdul Halim Ali

Chairman/Independent Non-Executive Director

Puan Rita Benoy Bushon

Chief Executive Officer/Executive Director

Tan Sri Dato' Lodin Wok Kamaruddin

Non-Executive Director representing the founding member LTAT

Dato' Larry Gan

Independent Non-Executive Director

Mr Philip Koh Tong Ngee

Independent Non-Executive Director

En Nor Hizam Hashim

Independent Non-Executive Director

Datuk Haji Abdul Aziz Ismail

Alternate Director to Tan Sri Dato' Lodin Wok Kamaruddin

MANAGEMENT TEAM (As at 14 February 2011)

Chief Executive Officer
 General Manager, Corporate Services
 General Manager, Research & Monitoring
 Head, Research & Monitoring
 Head, Research & Monitoring
 Head, Research & Monitoring
 Manager, Research & Monitoring
 Manager, Research & Monitoring
 Manager, Corporate Services
 Senior Executive, Corporate Services
 Associate
 Associate
 Associate
 Associate

Puan Rita Benoy Bushon
 Puan Lya Rahman
 Mr. Lee Leok Soon
 Puan Noraida Maria Mohd Hatta
 Ms. Rebecca Yap
 Mr. Chong Chee Fern
 Mr. Adrian Tay Boon Rong
 Mr. Ng Hoon Ho
 Ms. Sharina Mohd Sallehuddin
 Ms. Padma Devi Subramaniam
 Mr. George Bohlender
 Ms. Kiran Jeyabalan
 Datin Rusila Abd Razak
 Mr. Khoo Hsu Chuang

COMPANY SECRETARY

Chew Phye Keat (BC/C/282)
Messrs. Raja Darryl & Loh
18th Floor Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur
Tel: (603) 2694 9999
Fax: (603) 2698 4759

REGISTERED OFFICE

11th Floor Bangunan KWSP
No: 3 Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2070 9090
Fax: (603) 2070 9107
Website: www.mswg.org.my

Contact Person:
Puan Lya Rahman
General Manager, Corporate Services
E-mail: lyarahman@mswg.org.my

BANKER

Malayan Banking Berhad
Jalan Raja Laut Branch
Wisma PKNS
Jalan Raja Laut
50350 Kuala Lumpur
Tel: (603) 2698 8867
Fax: (603) 2691 7181

AUDITORS

PricewaterhouseCoopers Malaysia
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur
Tel: (603) 2173 1188
Fax: (603) 2173 1288

REPORT OF THE DIRECTORS

PROFILE OF DIRECTORS

TAN SRI ABDUL HALIM ALI

(Appointed on 10 April 2001)



Tan Sri Abdul Halim Ali, age 68, was appointed as Chairman of MSWG on 10 April 2001. Upon his graduation from the University of Malaya in 1966, he joined the Ministry of Foreign Affairs and served in several diplomatic missions overseas including ambassadorial appointments to Vietnam and Austria. He was appointed the Chief Secretary to the Government of Malaysia in 1996. Tan Sri Abdul Halim served as Chairman of the Employees Provident Fund from 2001 until 2007.

Currently, Tan Sri Abdul Halim is the Chairman of Malaysia Building Society Bhd, Malakoff Corporation Berhad, University Technology Malaysia and Multimedia Development Corporation Sdn Bhd. He also sits on the Board of ESSO Malaysia Bhd and IJM Bhd.

TAN SRI DATO' LODIN WOK KAMARUDDIN

(Appointed on 5 November 2001)



Tan Sri Dato' Lodin Wok Kamaruddin, age 62, was appointed as Director of MSWG on 5 November 2001. Tan Sri Lodin graduated from the College of Business Administration, University of Toledo, Ohio, USA with a Bachelor of Business Administration and a Master of Business Administration. He is currently the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT). Prior to joining LTAT in 1982, he was with Perbadanan Kemajuan Bukit Fraser as its General Manager from 1973 to 1982. He has extensive experience in general management and fund management.

Tan Sri Lodin is the Chairman of Boustead Heavy Industries Corporation Berhad, Boustead Naval Shipyard Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd, Boustead REIT Managers Sdn Bhd, Johan Ceramics Berhad and 1Malaysia Development Berhad. He is also Deputy Chairman of Affin Holdings Berhad and Deputy Chairman/Group Managing Director of Boustead Holdings Berhad and also sits on the Boards of UAC Berhad, the University of Nottingham in Malaysia Sdn Bhd, Atlas Hall Sdn Bhd, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Investment Bank Berhad and AXA-AFFIN Life Insurance Berhad.

RITA BENOY BUSHON
(Appointed on 18 May 2009)

Puan Rita Benoy Bushon, age 51, was appointed as the Chief Executive Officer on 1 January 2009 and as Director on 18 May 2009. She holds an MBA from Henley Management College (1993) and has an Honours Degree in Economics (Statistics) from UKM (1984).

She served with the Employees Provident Fund (EPF) for 23 years since 1984 in various senior executive positions, and was the Head of Private Equity and Equity Research until her optional retirement on 1 October 2007. Puan Rita was a founding director of MSWG from 2002 until 2007. She was a non-executive director at KFC Berhad from 2003 to the end of 2007. She was also a non-executive director at Land & General Berhad from 2003 to end 2006 and re-designated as the Executive Director from December 2006 to August 2008. She is currently on the Ethics Standard Board of the Malaysian Institute of Accountants (MIA) and is also a member of the International Corporate Governance Network (ICGN) Shareholder Responsibilities Committee (SHREC). Puan Rita is also a member of the Corporate Governance Working Group under the auspices of the Securities Commission Malaysia and the ASEAN Capital Market Forum Working Group.

DATO' LARRY GAN
(Appointed on 20 July 2005)

Dato' Larry Gan, Dato' Larry Gan, is a chartered accountant and a certified management consultant. He spent 26 years with Accenture, the world's leading consulting firm, during which time he held many global leadership roles, consulted on strategic projects for government organisations and multinational corporations, and worked with innovative technologies around the world.

He was Managing Partner – Malaysia from 1989 to 2004, Managing Partner – ASEAN from 1993 to 1996, and Managing Partner – ASIA from 1997 to 1999. As Managing Partner, Corporate Development, ASIA PACIFIC from 1999 to 2003, he managed the firm's multibillion dollar Venture Fund in Asia Pacific and concluded investments in China, Japan, Australia and Singapore. Between 1997 and 2004, he was a member of the Global Management Council, and sat on the many global management committees governing partner admissions, rewards and compensation.

He served as Chairman of the Association of Computer Industry Malaysia (PIKOM) and the Vice-President of the Association of Asian Oceania Computer Industry Organization, and as a Member of the Minister of Science & Technology Think Tank, Copyright Tribunal, Labuan International Financial Exchange Committee, MIMOS Berhad (Government Technology Research) and the Malaysia US Business Council. He was Chairman of Redtone International Berhad, and a Board Member of IPGA Limited (Aust), AmInvestment Bank Berhad, and Lotus International Group Ltd (UK).

Presently, he is Chairman of Cuscapi Berhad, and a Board Member of Tanjong Plc, AmBank (M) Berhad, AmIslamic Bank Berhad, Saujana Berhad, Amcorp Properties Berhad and Deputy Chairman of the British Malaysian Chamber of Commerce.

Dato' Larry Gan is active in Malaysian heritage conservation. He is in the final stages of setting up a heritage gallery and a personal museum and recently launched a program to

document and conduct oral history of unique communities in Malaysia. He is a Trustee and Deputy Chairman of the Yayasan Tuanku Nur Zahirah (the Queen's Foundation dedicated to improving lives through heritage) and a Trustee of the Center for South East Asia Architectural Heritage.

PHILIP KOH TONG NGENE
(Appointed on 2 June 2005)



Mr Philip Koh Tong Ngee, age 56, was appointed as Director of MSWG on 2 June 2005. He graduated with a Bachelor of Laws Degree (LL.B) (Hons) from University of Malaya and holds a Master of Laws Degree (LL.M) from the University of London and a Master of Arts (Theology) Degree from the Australian Catholic University. Mr Philip Koh is also a member of the Private Sector Advisory Group, International Finance Corporation/World Bank. He was also a visiting Fulbright Scholar attached to Professor Oliver Hart of Harvard University, Economics Department, in 1999. He served as member of the legal consultative team for United Nations John Ruggie Committee for Corporations and Human Rights. He co-authored OECD reports on corporate governance and insolvency laws and leading text commentaries and works on corporate and public law. He is member of the Financial Stability Executive Committee established pursuant to Section 37 of the Central Bank Malaysia Act 2009.

Mr Philip Koh commenced his legal career in 1980 and is currently Senior Partner of Messrs Mah-Kamariyah & Philip Koh. He served on the Executive Committee of the Federation of Public Listed Companies, is currently Adviser to the Malaysian Institute for Corporate Governance and a member of the Corporate Law Reform Committee. He served as member of the Ethics Committee which looked into the IFAC Code of Ethics for the Malaysian Institute of Accountants, and as a member of Ethical Advisory Panel of Ethical Fund Mayban. Mr Philip Koh was also a member of the Kuala Lumpur Stock Exchange Audit Sub Committee from 2002 to 2004. He was member of the CLRC (Corporation Law Reform Committee) appointed by the Ministry of Domestic Trade and Consumer Affairs to reform Malaysian companies. He is currently Chairman of the Malaysian chapter of the humanitarian relief organization World Vision.

NOR HIZAM HASHIM
(Appointed on 2 December 2009)



En Nor Hizam Hashim, age 62, was appointed as Director of MSWG on 2 December 2009. He graduated from the University of Western Australia with a Bachelor of Commerce Degree. He is a Chartered Accountant by profession.

Between 1975 and 1981, he was employed as an accountant and financial analyst at ESSO Malaysia Berhad. From 1982 to 1985, he served as the Financial Controller in a subsidiary of the Unilever Group, before joining Raleigh Berhad as General Manager (Finance) in 1986. From 1988 to 2003, he held various senior management positions at the Telekom Malaysia Berhad (TM) group of companies. Senior positions held included Chief Financial Officer of Telkom South Africa, Chief Executive Officer of TM International Corporation and appointment as a board member of several TM subsidiaries. He is currently an advisor with the Public Private Partnership Unit in the Prime Minister's Department.

DATUK HAJI ABDUL AZIZ ISMAIL
(Appointed on 5 November 2001)



Datuk Haji Abdul Aziz Ismail, age 58, was appointed as the Alternate Director to Tan Sri Lodin Wok Kamaruddin on 5 November 2001. He is currently the Deputy Chief Executive of LTAT, a post he assumed on 8 January 2001. He graduated from Eastern Illinois University, USA with a Master of Business Administration. He also holds an Advanced Diploma in Information Systems from Canberra University Australia on a Colombo Plan Scholarship. In 1993, he attended the Advanced Management Program at Wharton University of Pennsylvania, USA and participated in the INSEAD Advanced Management Program at Fontainebleau, France in July 2005. During his initial years with LTAT, he was the Assistant Chief Executive of LTAT heading the Administration and Finance Division.

Datuk Haji Abdul Aziz was appointed as the General Manager of the Ex-Serviceman Affairs Corporation (PERHEBAT), a subsidiary corporation of LTAT from January 1995 till December 2000. Prior to joining LTAT, he was a Senior Auditor attached to the Auditor General's Office of Malaysia from 1977 to May 1985. He sits on the Boards of Affin Fund Management Berhad, Affin MoneyBrokers Sdn Bhd, DKSH Holdings (Malaysia) Berhad, Ketengah Jaya Sdn Bhd and Boustead REIT Managers Sdn Bhd.

DIRECTORS' MEETINGS

During the year, **four** Board Meetings were held. The Chief Executive Officer attended all Board Meetings. Attendance of Directors was as follows:

Directors	No. of Meetings			
	11/2/10	10/5/10	17/8/10	30/11/10
Tan Sri Abdul Halim Ali	√	√	√	√
Rita Benoy Bushon	√	√	√	√
Tan Sri Lodin Wok Kamaruddin	√	-	√	-
Dato' Larry Gan	√	√	√	√
Datuk Haji Abdul Aziz Ismail	-	√	-	√
Philip Koh Tong Ngee	√	√	√	√
Nor Hizam Hashim	√	√	√	√

DIVIDEND

No dividend was declared or paid to the founding members for the year, as MSWG is a company limited by guarantee and has no share capital.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I take great pride in presenting to you the Annual Report of the Minority Shareholder Watchdog Group (MSWG) for its financial year ended 31 December 2010.

OVERVIEW

Corporate governance in Malaysia has come a long way over the last decade since the launch of the Report on Corporate Governance by the Ministry of Finance. The establishment of the Malaysian Code on Corporate Governance and the MSWG in Year 2000 marked important milestones in Malaysian corporate governance reform. Since then, Malaysia has taken significant strides to improve corporate governance standards by way of enhancements to laws and regulations, and revisions of the Code to strengthen the regulatory framework of the capital market. More recently in 2009 and 2010, and particularly in the aftermath of the global financial crisis, efforts to enhance investor protection have been further stepped up. These efforts include strengthening regulations, facilitating dispute resolution mechanisms, empowering investors through education, promoting shareholder activism and encouraging swift and appropriate enforcement action by regulators.

MSWG is now an integral component of the country's corporate governance framework, encouraging shareholder activism amongst minority shareholders. The company is substantially funded by the Capital Market Development Fund (CMDf) under the auspices of the Securities Commission Malaysia (SC). Today, it is recognised as an independent, professional organisation and possesses a Capital Markets Services License issued by the SC. It has become the leading catalyst for shareholder activism on

corporate governance issues that concern all shareholders.

In 2010, MSWG continued with its agenda to promote good governance amongst PLCs by actively encouraging shareholders to play their rightful role in ensuring that Boards and Management run their businesses in the best interests of their companies. In this regard, MSWG's approach is to pro-actively engage with the Boards of Directors and Management of PLCs on issues relating to financial performance, corporate governance and corporate responsibility.

MSWG successfully undertook the following key activities in 2010:

- Expansion of its Monitoring Services and Subscriber Services.
- Creation of an Independent Directors Pool.
- Introduction of regular Investor Education Programmes to complement existing Shareholder Forums.
- Continuation of its "Weekly Watch" columns in the StarBiz section of The Star newspaper.
- Announcement of the Malaysian Corporate Governance Index 2010.
- Introduction of MSWG's newsletter, 'The Observer'.

It is important to note that the Malaysian Corporate Governance (MCG) Index 2010, unveiled in December 2010, showed a 3.8% year over year increase: from 64 points in 2009 to 66 points in 2010. This is a good indication that Malaysian companies have taken cognisance of their respective roles in order to benchmark themselves against international counterparts, thereby raising investor interest in their companies.

One important initiative during the year was the establishment of the Independent Directors Pool (IDP). The IDP complements other existing pools of available professional independent directors for PLCs to choose from. This initiative by MSWG was conceptualised in 2009 and implemented in 2010. We hope that the PLCs will source independent directors from such pools.

Another key initiative was the launching of the Investor Education Programmes at MSWG's Training Centre. The purpose of the programmes is to share knowledge on corporate governance and other topics of interest to investors at an affordable level. MSWG's Investor Education Programmes are submitted to the Securities Industry Development Corporation (SIDC) for certification. SIDC's certification of courses allows MSWG to offer Continuing Professional Education points to Capital Markets Services License (CMSL) holders, thereby improving the knowledge of investment advisors and representatives for the benefit of the capital market.

The MSWG also introduced its official newsletter 'The Observer' in November 2010, with the intention of increasing awareness of corporate governance matters and sharing information on its activities with its subscribers.

FINANCIAL POSITION

The MSWG recorded revenue of RM905,211 in 2010 from its revenue-generating activities, with an additional grant of RM3 million for the year provided by the CMDF. MSWG's total expenditure for the year was RM3,585,792. At the end of 2010, MSWG had cash and cash equivalents of RM2,527,528.

To cater to the needs of the capital market in line with feedback received, additional funding for human resources will be required from the CMDF to undertake increased activities and services planned for the next few years. To ensure the success of its efforts, MSWG will need to ensure that it employs the right calibre of

people for the job, at competitive rates of remuneration.

LOOKING AHEAD

In 2011, MSWG will seek to strengthen its strategic alliances with relevant parties, both locally and globally, in its activities and programmes to benchmark Malaysian corporate governance standards and best practices to international levels. Changes in the corporate landscape locally and abroad have demanded that regulators and market players look into continuous improvement of the corporate governance framework and practices to ensure they remain robust, relevant, current and able to encourage high standards of corporate behaviour. This will help to achieve the highest levels of integrity in the capital market, making Malaysia a safe haven in which to invest.

Additionally, MSWG will be partnering with the International Corporate Governance Network (ICGN) to host its mid-year Conference scheduled for 28 February to 2 March 2011 at the Shangri-La Hotel, Kuala Lumpur. The focus of the Conference is on economic growth in Asia and the implications on corporate governance. Debates will cover topics such as Asian IPOs, Related Party Transactions and stewardship codes. Conference participants and speakers will include leading institutional investors from the US, Europe and Asia alongside regulators, policy makers and leading commentators.

Among other new initiatives on corporate governance, a new 5-year blueprint is expected to be unveiled in 2011 by the Securities Commission. In this regard, the initiative by the SC in July 2010 to establish an International Corporate Governance Consultative Committee and the Corporate Governance Working Group where MSWG is a member is to be lauded as it will play a pivotal role in the development of this blueprint. These Committees will provide views on corporate governance developments and

trends, advise on key focus areas and challenges, as well as establish a new set of policy recommendations for the 5-year blueprint.

ACKNOWLEDGEMENTS

On behalf of the Board of MSWG, I wish to express my sincere appreciation to the Capital Market Development Fund which has provided funding for our operations. To all our institutional, corporate and retail subscribers, as well as our Founding Members, we hope for your continued support. Special thanks also go to the media and our fellow partners in the capital market. I would also like to extend the Board's appreciation to the Securities Commission and Bursa Malaysia Berhad for their invaluable support and cooperation in working together with the MSWG to raise the corporate governance bar in the country.

Last, but not least, I would like to convey my deepest appreciation to the CEO, Management and staff of MSWG for their unwavering commitment and dedication in contributing to the success of the organisation, and for creating greater awareness on corporate governance best practices amongst PLCs through shareholder activism, and the effective delivery of its services and products. Under the able stewardship of the CEO and with the guidance and support from the Board, I am confident that MSWG will be able to rise to even greater heights in the year ahead.

On Behalf of the Board



TAN SRI ABDUL HALIM ALI
Chairman

Dated 14 February 2011

CEO'S REVIEW OF 2010 OPERATIONS

FINANCIAL HIGHLIGHTS

Revenue

In 2010, total revenue generated from MSWG's products and services was **RM905,211**. This was an increase of 47.2% over 2009 revenue of RM614,876. The bulk of the increase over 2009 revenue was a direct result of an increase in corporate subscribers, from **4 to 51**, and institutional subscribers, from **3 to 8**, as well as from publications and forums in 2010.

The breakdown of revenue in 2010, compared to 2009, is illustrated in the following table.

Source of Revenue	2010 (RM)	2009 (RM)	Variance	
			(RM)	(%)
Publications/Events/Forums	651,203	490,317	160,886	32.8
Subscriber Services/Proxy Advisory & Voting Services	208,655	99,758	108,897	109.2
Others	45,353	24,801	20,552	82.9
TOTAL	905,211	614,876	290,335	47.2

For 2010, the Capital Market Development Fund provided a grant of RM3 million for MSWG's operational and project funding requirements, the same amount as in 2009.

Expenditure

MSWG's total financial expenditure for the year ended 31 December 2010 was **RM3,585,792**, compared to RM2,883,111 in 2009, an increase of 24.4%. The main contributors to the increase were costs associated with the staffing of additional positions during the year. Additional staff was required in order to:

- Provide coverage of more companies under MSWG's portfolio due to the increase in the number of subscribers.
- Deal with the complexities in the capital market where more and more complex corporate exercises were undertaken.
- Meet requests by minority shareholders to provide independent views on issues, which required more research on corporate governance matters.

Details of MSWG's revenue and expenditure for the financial year ended 31 December 2010 can be found in the Statutory Financial Statements appended to this Annual Report.

HUMAN RESOURCES

In 2010, MSWG had a total of **nine** full-time monitoring and corporate services Analysts, **four** part-time Associate Analysts and **eight** support staff. In 2009, MSWG had a total of eight full-time monitoring and corporate services Analysts, two part-time Associate Analysts and eight support staff. This number is expected to increase to **15** full-time monitoring & corporate services Analysts and **four** part-time Associate Analysts, with support staff to be maintained at **eight** for 2011/2012. This will allow MSWG to support an increase in activities and will ensure that MSWG is able to discharge its duties and

responsibilities effectively and in a timely manner for the development of the capital market.

Increased activities are expected to include: the undertaking of wider coverage of listed companies, attending more general meetings, analysing resolutions, attending to complaints and queries, and handling events. In addition, more research needs to be done in the areas of corporate governance and minority shareholder interests as well as conducting education programmes in these areas in line with the requirements of market players.



ACTIVITY HIGHLIGHTS

The MSWG continued with its twin-pronged activities in 2010:

Public Mandate

Providing services where the objective is for the development of the capital market in general and not revenue generation so that all investors - especially minority shareholders - can become more knowledgeable and more pro-active in their decisions for the interest of the company.

Private Mandate

Involvement in revenue-generating activities for MSWG's long-term sustainability.

Corporate Monitoring Activities

Coverage of companies under the MSWG's portfolio increased by 16% to 214 companies, up from 185 in 2009. Monitored companies comprised about 20% of the total number of companies listed on Bursa Malaysia, and included small, medium and large cap stocks representing about 85% of the market capitalisation of Malaysian-listed companies at end of 2010. MSWG's representatives attended 243 AGMs/EGMs in 2010.

The basis of selection of companies for monitoring was in accordance with the following criteria:

- All FBM100 companies.
- MCG Index Top 100 companies.
- Companies that subscribers wanted monitored under the Subscribers' List.
- Companies that warranted monitoring based on complaints received from shareholders.

Monitoring services focused on the identification of corporate governance issues, analysis of PLC financial performance, and key topical issues such as related party transactions, acquisitions & disposals, privatisations and directors' remuneration.

In 2010, MSWG wrote to all the companies in its monitoring portfolio regarding issues of importance to shareholders. Companies were encouraged to present the issues raised by MSWG, along with their responses, at their respective AGMs/EGMs for the benefit of all shareholders. Approximately 90% of these companies responded both in writing and by raising the issues at their annual or extraordinary meetings. Copies of letters sent by MSWG, along with replies received from the PLCs were also posted on MSWG's website for the information of all subscribers, both retail and institutional.

In addition to its queries on financial matters in its letters to companies, MSWG also placed special emphasis on corporate governance issues relating to the following matters:

- Separation of the roles of CEO and Chairman of the Board of Directors.
- Appointment of an independent director as Chairman of the Board.
- Disclosure of the companies' whistle-blowing policies and how they were applied.
- Increasing gender diversity at the board level.
- Long-serving independent directors.
- Adoption and disclosure of a stated dividend policy.
- Disclosure of the reasons for the issuance of shares under Section 132D.

MSWG was encouraged by the response to its letters: gauging from the feedback received from these companies, many companies were willing to go beyond the rules to adhere to best practice principles on a voluntary basis.



MSWG continued with its AGM/EGM Weekly Watch published in The Star newspaper every Monday. The AGM/EGM Weekly Watch provides a list of pertinent issues and concerns identified by MSWG prior to each company AGM/EGM, to encourage retail shareholder engagement and participation by raising and discussing these matters at the meetings.

Following is an example of a typical AGM/EGM Weekly Watch list:

MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAMAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 526889-A)

The Star, Starbiz – Monday, 22 November 2010

MSWG AGM/EGM weekly watch Nov 22-26

For this week, the following are the AGM/EGMs of companies which are in the Minority Shareholder Watchdog Group's (MSWG) list. The summary of points of interest are highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswwg.org.my.

Date & Time	Company	Issue
Nov 22, 10.00am	ADN Technology Bhd, AGM	Hotel Equatorial Penang
Nov 23, 2.00pm	Parkson Holdings Bhd, AGM	Level 16, Office Tower, No. 1, 1st Nagasari, KL
Nov 23, 3.30pm	Iron Industries Corp Bhd, AGM	Level 16, Office Tower, No. 1, 1st Nagasari, KL
Nov 24, 10.00am	Diabing Group Bhd, AGM	Eastin Hotel, 75, Selatanger
Nov 24, 11.00am	Lion Corporation Bhd, AGM	Level 16, Office Tower, No. 1, 1st Nagasari, KL
Nov 24, 2.00pm	Lion Diversified Holdings Bhd, AGM	Level 16, Office Tower, No. 1, 1st Nagasari, KL

Iron Industries Corporation Bhd

■ LCI Group reported an 82.3% rise in investments to RM1.45 billion (2009: RM793.4 million), included in the Group's investments the carrying value of RM1.33 billion (2009: RM411.3 million) have been pledged as collateral to certain financial institutions for the BAFS and borrowings granted to the Group. Can the Board elaborate on the nature of this structure pertaining to the Group's borrowings?

■ LCI Group reported a net loss after taxation of RM152.13 million despite recording revenue of RM2,392 billion, higher by 23.5% than the previous year. The Group only made a profit in 2009 over the past five-year period. How does the Board see the outlook for the Group and how confident is the Board to turn around a net profit for the current year ending 30 June 2011?

■ LCI Group's steel operations have benefited from a gradual recovery in global steel demand and prices. It has also benefited from the Government's announcement of the new Iron and Steel Policy to encourage domestic consumption and reduce the import of steel products. The revenue for the Steel Division rose up 34.3% from RM2,041 million to RM2,403 billion as reported in segment information. How does the Board see the outlook for steel demand and prices for 181 current year ending June 2011 especially against the backdrop of higher infrastructure spending envisaged under the Economic Transformation Programme?

The points of interest to be raised

Company	Points/Issues
ADN Technology Bhd	<p>■ What is the status of the proposed trade to Bursa Malaysia Securities Bhd (Bursa Securities) on 28 October 2010 against its decision to reject the Company's proposed registration plan? How would the Board address the concerns raised by Bursa Securities on the proposed registration plan?</p> <p>■ What are the prospects of the existing businesses of the Company given that the revenue has been declining (upside for the past 3 years)? Moving forward, what are the plans to stabilize the earnings of the Group, bearing in mind the accumulated losses of the Group stood at RM95.9 million as at 30 June 2010?</p>
Parkson Holdings Bhd	<p>■ Based on segmental profits reported on page 128 of the Annual Report, both Parkson's operations in the People's Republic of China (PRC) and Vietnam had high profit margins of approximately 17% and 24% respectively for the financial year ending 30 June 2010. These were much higher than Parkson's margin of around 10%.</p> <p>(i) How competitive would Parkson's operations be in terms of these high margins and its sustainability in the medium term considering that there are many big competitors such as Walmart and other international players?</p> <p>(ii) With relatively lower profit margins in Malaysia, would it mean that Parkson would not expand in Malaysia aggressively as in PRC or Vietnam?</p> <p>(iii) How would Parkson be able to effectively improve its profit margin particularly for its Malaysian operations whether via sourcing of supplies, cost optimisation or any other strategies?</p>

During the year, MSWG continued to play its role in highlighting many issues where warranted. Information on the issues was provided either in the media or at company meetings, in order to bring about awareness for the interest of all shareholders (particularly minority shareholders), and for the benefit of the company. Several of these issues had surfaced through complaints made by shareholders to MSWG.

Some of the issues in 2010, where MSWG was actively involved in garnering support of minority shareholders thus bringing about positive outcomes at AGMs/EGMs, were:

- Shareholders' tussles at three companies where EGMs were called for the removal of directors.
- Concerns of shareholders over debt restructuring plans and large accumulated losses.

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- Dissatisfaction of minority shareholders with capital reduction and repayment exercises where the plans were rejected by minority shareholders at the EGM.
- Discussion on the first dividend reinvestment plan, where its rationale, merits and demerits were discussed extensively at the general meeting of the company.
- Issues on the appointment of alternate directors for independent directors where MSWG raised concerns.
- Issues on companies being taken private via the assets and liabilities route.
- Delays in the tabling of accounts were brought to the attention of regulators by MSWG.
- Dissatisfaction of shareholders due to huge losses arising from the impairment of its investment in subsidiaries, resulting in the forensic investigation of the company and the resignation of board members before the company's AGM.
- Issues regarding very long-serving independent directors where, after MSWG's prodding, independent directors did not seek reelection.
- MSWG advocated that contributions for corporate social responsibility purposes be made transparent and justifiable.
- Concerns regarding the sudden disappearance of a Managing Director and the collapse of the company's share price.

Subscriber Services

MSWG introduced its subscriber services in 2009. There are currently three subscriber categories:

- Retail Subscribers
- Institutional Subscribers
- Corporate Subscribers

Subscribers enjoy monitoring services for all listed companies in Malaysia through the MSWG Tracker Services. The Tracker Services include: 10-year financials, information on corporate exercise, and relevant directors' information. In addition, questions raised by the MSWG to the companies it monitors, as well as the replies received from these companies, are posted on the MSWG website for password-protected access by all its subscribers.

Institutional subscribers are given access to MSWG's pre- & post- AGM reports of companies they subscribed to. These reports analyse voting resolutions and recommend voting stances.

At the end of 2010, MSWG had **99** retail subscribers, a 70.6% increase over the figure of 58 retail subscribers at the end of 2009.

MSWG also had **51** corporate subscribers at the end of 2010, compared to 4 at the end of the previous year, and **8** institutional subscribers, compared to 4 at the end of 2009.

The institutional subscribers in 2010 were:

- Khazanah Nasional Berhad
- Lembaga Tabung Haji
- Lembaga Tabung Angkatan Tentera
- Permodalan Nasional Berhad
- Securities Commission
- Social Security Organisation (SOCISO)
- University of Nottingham in Malaysia Sdn Bhd
- University of Southern Queensland, Australia

Four new institutions signed on as institutional subscribers in January 2011:

- Bursa Malaysia Berhad
- Kumpulan Wang Simpanan Pekerja (EPF)
- Value Cap Sdn Bhd
- Broadridge Hong Kong

MSWG will continue to grow its retail and institutional subscriber base in the coming year. We hope to see institutional investors in particular, actively using MSWG's reports which provide an independent view on company resolutions thereby promoting healthy participation at general meetings.

Investor Education Programmes and Forums

Throughout 2010, MSWG successfully organized **17** investor education programmes, compared to 18 in 2009. The programmes attracted large participation from directors, investors and professionals. Special shareholder forums were also held on topical issues so that minority shareholders were equipped with the relevant background information to raise issues and make informed decisions at company meetings.



The MSWG also set up its own Training Centre in October 2010 as part of its investor education efforts. It has since conducted **one** revenue-generating programme at this venue.

During the year, MSWG was certified by the Securities Industry Development

Corporation (SIDC) as a training provider, with the ability to offer Continuing Professional Education (CPE) points to Capital Markets and Services Representative License holders attending approved programmes offered by MSWG. This certification is expected to generate further participation in MSWG training programmes.



As part of its on-going awareness and education programme for retail shareholders, MSWG also participated in the annual Minggu Saham Amanah Malaysia organised by Permodalan Nasional Berhad and held in Kuching, Sarawak in April 2010.

Focus areas for MSWG's investor education programmes and forums in 2010 included:

- Oppression of minority rights and remedies.
- Forensic & audit investigation.
- How to be a smart investor.
- Company valuation.
- Shareholder responsibilities.

In 2011, MSWG intends to continue to focus on these areas, delivering core training programmes on a regular basis for both revenue generation and investor education purposes.

Articles, Commentaries and Speaking Engagements

MSWG continued with its core activities of writing articles and commentaries, and undertaking speaking engagements in 2010 as part of its overall objective of bringing about awareness to stakeholders.

In this regard, MSWG wrote **127** articles and commentaries on topical issues, and spoke at **15** forums relating to good corporate governance and shareholder interests. These commentaries attracted positive feedback from readers, and MSWG will continue with its efforts to raise awareness using these methods in 2011.



Some of the MSWG articles and speaking engagements that generated interest were related to the following issues:

- The role of independent directors.
- Privatisation via asset & liabilities route.
- Effective enforcement.
- Shareholders tussles (e.g. Ho Hup Berhad, Petra Perdana Berhad, EON Capital Berhad, etc.).
- The importance of shareholder engagement.
- Related Party Transactions.

Malaysian Corporate Governance Index 2010

The Malaysian Corporate Governance (MCG) Index was introduced in 2009 with the aim of:

- Gauging the level of corporate governance amongst companies.
- Providing information on corporate governance practices with the intention of addressing gaps and highlighting strengths.
- Promoting better corporate governance standards through public recognition.

In 2010, MSWG continued with its MCG Index project which ranked the top 100 public listed companies (PLCs) in Malaysia in terms of corporate governance practices. The ranking criteria used for the Index included compliance with corporate governance best practices, quality of disclosures, financial sustainability and corporate social responsibility efforts. It is hoped that PLCs will strive to raise the corporate governance bar for their own interest by adhering to market & corporate rules and regulations, and incorporating practices that positively impact the environment and society at large, while enhancing long-term shareholder value at the same time.

MSWG was encouraged by the findings of the MCG Index 2010, which showed positive results in the efforts taken by the PLCs to enhance best practices. This was evidenced by the improved corporate governance scores of Malaysian PLCs. The Index score for the Top 100 companies in 2010 was 66.0, an increase of 3.8% over the score of 64.4 achieved in 2009. The highest score achieved by a company was 90.3, an increase of 5.2% over the previous year's highest score of 85.8.

For 2010, the results showed a significant increase over the 2009 findings. Areas that showed marked improvement included Board composition, where there was an 11.7% increase in companies with an independent director as their Chair, and a 37.5% increase in the area of separation of roles of the Board Chair and CEO. In addition, the proportion of companies disclosing whistle-blowing policies increased by more than 100%.

Development (OECD) and held in India, Bangkok and Paris in 2010.

- In addition, MSWG hosted the 5th Meeting of the Asian Network on Corporate Governance of State-Owned Enterprises organised by the OECD and held on 24-25 May 2010 in Kuala Lumpur. The event was officiated by YB Tan Sri Amirsham Aziz, Chairman of the National Economic Advisory Council (NEAC). The



Awards were presented to the MCG Index 2010 Top 100 PLCs in December 2010 by the Deputy Finance Minister, YB Datuk Dr. Awang Adek Hussin in recognition of their exemplary standards of corporate governance practices for the year.

Strategic Alliances and Other Activities

In its quest to bring about best practices within the Malaysian market, MSWG continued to play an active role in providing input and feedback to the industry and regulators on matters relating to corporate governance at both the local and global levels.

Global

- MSWG was involved in discussions at the State-Owned Enterprises and Asian Roundtable organised by Organisation for Economic Cooperation and

discussions centered on governance reforms in Malaysia and Asia, and the experiences therefrom.

- The MSWG has been a member of the International Corporate Governance Network (ICGN) since 2009. In 2010, the CEO of MSWG was appointed as a member of the ICGN Shareholder Responsibilities Committee, whose objective is to influence the development of national and international corporate governance policies and proposals relating to shareholder responsibilities. The Committee is comprised of various industry experts, including fund managers and pension fund participants from across the globe. The meetings held during the year discussed various corporate governance matters, including corporate risks, oversight issues,

stewardship codes and conflicts of interest.

Malaysia

- MSWG was involved in the Majlis Konsultative Budget 2011 chaired by the Prime Minister on 6 July 2010. During the event, MSWG tabled recommendations pertaining to the preservation of integrity in the capital market to enhance regional competitiveness and make Malaysia the destination of choice for long-term investments. Other recommendations included the establishment of a high-level Committee on Corporate Governance. This initiative was subsequently implemented and MSWG was appointed as a member of its Working Committee in August 2010.
- The CEO of MSWG was appointed as a member of the committee for the establishment of the Securities Industry Dispute Resolution Centre (SIDREC), which was subsequently implemented in 2010.
- The CEO was appointed to the Ethics Standards Board (ESB) of the Malaysian Institute of Accountants (MIA). Some of the activities undertaken by the ESB included recommending the adoption of the IFAC code of ethics for the profession, and holding forums to create awareness of the by-laws on ethics for professional accountants.
- The CEO participated as a member of the adjudicating committee for the annual Business Times Malaysia CEO of the Year award.
- MSWG was involved in the Roundtable on Corporate Integrity System organised by the Institute of Integrity of Malaysia.
- The General Manager (Corporate Services) and Head (Research & Monitoring) were appointed as members of the Task Force on Review of the Statement of Internal Control.

- MSWG also formed strategic alliances with the Association of Chartered Certified Accountants (ACCA) and the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) to promote activities of common interest.

Consultation Papers

During the year, MSWG was invited by various bodies to comment on the following draft consultation papers from regulators:

- Proposed Amendments to Guidelines on Offer Documentation of the Malaysian Code on Take-Overs and Mergers 1998.
- Proposed Amendments to the Listing Requirements relating to Privatisation of Listed Companies via Disposal of Assets.
- Proposed Amendments to Bursa Malaysia Securities Berhad Listing Requirements relating to company's enhanced Disclosure Obligations.
- Proposed approach on the adoption of the IFAC Revised Code of Ethics into the MIA By-Laws (MIA Ethics Board).
- Consultation Paper response to the UK Financial Reporting Council's Stewardship Code for institutional investors (ICGN).
- Development of Corporate Risk Oversight Principles, and promotion of their implementation (ICGN).
- Development of guidance on incorporating into investment mandates, provisions relating to the adoption of longer-term investment horizons and integration of ESG issues into investment and risk management activities (ICGN).

Independent Directors' Pool

Initially conceptualised in 2009 in response to the request for a pool of professional independent directors that PLCs could use to appoint board members, the Independent Directors' Pool (IDP) was continued in 2010 with more potential independent directors registering in the pool during the year.

As at 31 December 2010, a total of **85** potential independent directors were registered in the IDP.

The IDP is in line with MSWG's role to increase and complement the present pool of available Independent Directors so that PLCs can have access to a wider choice of candidates from various industries, with skills and expertise to fit their respective requirements. Details on IDP candidate criteria and registration can be found on MSWG's website.

Website

The MSWG website at:

<http://www.mswg.org.my>

continues to play a vital role in publicising current developments relating to corporate governance matters in the capital market. The website provides up-to-date information on MSWG services, activities and products, and hosts public discussion forums to discuss issues of interest to minority shareholders in order to encourage shareholder activism and participation at company meetings.

The public is encouraged to use the website as a communication portal to voice their views and concerns pertaining to their rights as minority shareholders.

MSWG is enhancing its website to become more user-friendly and encourage greater public utilisation.

Specialised Corporate Governance Resource Centre

MSWG set up a specialised resource centre during the year to complement its operations. The resource centre is expected to be operational by end of 2011, and will be accessible to all MSWG subscribers. Once fully-operational, the resource centre will be equipped with reference materials from various research houses, and on best corporate governance practices. The intent is to become one of the reference points in Malaysia on all corporate governance matters.

Publications

The following publications were published in 2010:

- Malaysian Corporate Governance Report 2009 – Index & Findings.
- Dividend Survey.

MSWG Wins Defamation Suit

MSWG had, in a landmark case, succeeded in striking out a defamation suit brought against the Company. The suit was dismissed with costs by the High Court in MSWG's favour on 14 April 2010, on qualified privilege.

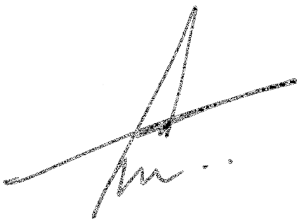
THE WAY FORWARD

Moving forward, MSWG will continue to:

- Promote greater awareness amongst all shareholders, particularly minority shareholders, of their rights in companies they have invested in.
 - Be part of the policy-making framework by providing input on improvements to corporate governance best practices and legislation.
 - Influence major shareholders of PLCs to protect the interests of the minority shareholders so as to encourage greater investor interest.
 - Continuously upgrade its website to enable retail and institutional shareholders to effectively use it as a platform to discuss issues and obtain more information in a cost-efficient and timely manner.
 - Actively use the media to provide commentaries on issues relating to shareholders to create and promote awareness, and disseminate information to stakeholders.
 - Encourage institutional and retail shareholders to use MSWG's Policy Statement on Corporate Governance and Shareholder Voting Guidelines as a guide, and to vote accordingly.
 - Continuously build its internal capacity to ensure that it has the requisite skills to meet the challenges of the marketplace.
- For the year 2011, MSWG will continue to upgrade its products and services to serve both its public and private mandates, with a special focus on the following activities and services:
- Extend the coverage of its Monitoring Services as well as provide more in-depth analysis on corporate governance issues relating to PLCs, to 250 companies.
 - Expand its Subscriber Services to a larger universe of domestic and international capital market participants.
 - Assessment of corporate governance levels and practices among Malaysian PLCs through the Malaysian Corporate Governance Index 2011.
 - Publication of articles and commentaries on a regular basis.
 - Publication of the Weekly Watchlist columns in The Star and extend the same to other media.
 - Undertake the placement of Directors, sourced from the Independent Directors Pool, within PLCs with the cooperation of other market players.
 - Focus on providing subsidised forums for retail subscribers to create awareness and hold more investor education programmes to generate additional revenue.
 - Establish a more informative and interactive website.
 - Publish monthly newsletters with the intention of becoming a reference centre for corporate governance and minority shareholder matters.

MSWG will continue its concerted efforts to raise the level of corporate governance among PLCs, champion minority shareholders' interests and engagement, as well as become a valuable, authoritative, and sought after source for its articles, publications, services, commentaries and opinions on corporate governance and minority shareholder matters in Malaysia.

We look forward to charting the next decade of excellence with the support of all our stakeholders.



Rita Benoy Bushon
Chief Executive Officer

Dated 14 February 2011

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