

MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia • Company No : 524989-M)



Annual Report 2011

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(FINANCIAL YEAR ENDED 31 DECEMBER 2011)	



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh 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, 7 March 2012 at 10:00 a.m.

AGENDA

1. To receive and adopt the Company's Audited Financial Statements for the year ended 31 December 2011, together with the Directors' and Auditors' Reports thereon.
2. To approve payment of Directors' Fees of RM36,000 for the Financial Year Ended 31 December 2011.
3. To re-elect YBhg Dato' Larry Gan who retires in accordance with Article 61 of the Articles of Association of the Company, as a Director of the Company.
4. To re-elect Puan Rita Benoy Bushon, who retires in accordance with Article 61 of the Articles of Association of the Company, as a Director of the Company.
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

By Order of the Board

Chew Phye Keat
Secretary

Dated: 14 February 2012

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.



PROXY FORM

We,.....
.....of.....
..... being a member of the above named Company, hereby appoint
..... of
or failing him/her
..... of

as our proxy to attend and vote for us and on our behalf at the Eleventh Annual General Meeting of the said Company to be held on **Wednesday, 7 March 2012** at **10.00 a.m.** and at any adjournment thereof.

Dated:

Director

Director/Secretary

CAPITAL MARKET SERVICES LICENCE

 <p>Suruhanjaya Sekuriti Securities Commission Malaysia</p>	
<p>AKTA PASARAN MODAL DAN PERKHIDMATAN 2007 (Seksyen 58)</p>	
<p>LESEN PERKHIDMATAN PASARAN MODAL</p>	
No Lesen:	CMSL/A0112/2007
Nama	Badan Pengawas Pemegang Saham Minoriti Berhad
Alamat Berdaftar:	Tingkat 11, Bangunan KWSP No. 3, Changkat Raja Chulan Off Jalan Raja Chulan 50200 Kuala Lumpur
<p>Penama yang disebut di atas adalah berlesen di bawah Akta Pasaran Modal Dan Perkhidmatan 2007 untuk menjalankan aktiviti-aktiviti terkawal berikut:</p>	
<p><input type="checkbox"/> Nasihat pelaburan</p>	
<p>Lesen ini diberi tertakluk kepada syarat-syarat dan sekatan-sekatan yang terkandung di dalam Bab 7 Buku Panduan Pelesenan ("Licensing Handbook") dan yang berikut:</p>	
<p>TIADA</p>	
<p>Melainkan jika dibatalkan atau digantung terlebih dahulu, lesen ini hendaklah berkuatkuasa sehingga 3 Mac 2009 dan tertakluk kepada Suruhanjaya Sekuriti memperbaharui lesen ini, akan terus berkuatkuasa sehingga tarikh yang sama pada tahun-tahun berikutnya. Untuk tujuan ini, semua pemberitahuan oleh Suruhanjaya Sekuriti berkaitan dengan pembaharuan lesen ini hendaklah disifatkan sebagai sebahagian daripada lesen ini.</p>	
<p>Diberi di bawah tandatangan dan meterai Suruhanjaya Sekuriti di Kuala Lumpur pada 25 Februari 2008</p>	
<p> b.p. Pengerusi Suruhanjaya Sekuriti</p>	
 	

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 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 2007. It is a self-governing and non-profit body, funded predominantly by the Capital Market Development Fund (CMDF). It is an important channel of market discipline, encouraging good governance amongst public listed companies (PLCs) with the objective of raising shareholder value over time.

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)**

Over the last decade of its operations, MSWG has evolved into an independent corporate governance research and monitoring organisation, highlighting issues of concern, thereby providing retail and institutional minority shareholders with an independent view on the voting of resolutions at company meetings.

Vision

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

Mission

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

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 interests 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 transform MSWG into an effective deterrent of such events or activities that can work against the interest of minority shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abdul Halim Ali

Chairman/Independent Non-Executive Director (halim@mdec.com.my)

Puan Rita Benoy Bushon

Chief Executive Officer/Executive Director

Tan Sri Dato' Lodin Wok Kamaruddin

Non-Executive Director representing 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 (retired with effect from 9 May 2011)

Alternate Director to Tan Sri Dato' Lodin Wok Kamaruddin

Datuk Zakaria Sharif (appointed with effect from 16 January 2012)

Alternate Director to Tan Sri Dato' Lodin Wok Kamaruddin

MANAGEMENT TEAM (As at 14 February 2012)

- | | |
|---|---|
| 1. Chief Executive Officer | Pn. Rita Benoy Bushon (rita@mswg.org.my) |
| 2. General Manager, Corporate Services | Pn. Lya Rahman (lyarahman@mswg.org.my) |
| 3. General Manager, Corporate Monitoring | Mr. Chong Chee Fern (chongcf@mswg.org.my) |
| 4. Head, Corporate Monitoring | Ms. Rebecca Yap (rebecca.yap@mswg.org.my) |
| 5. Head, Corporate Monitoring | Mr. Quah Ban Aik (banaik.quah@mswg.org.my) |
| 6. Senior Manager, Corporate Monitoring | Mr. Adrian Tay Boon Rong (adriantay@mswg.org.my) |
| 7. Senior Manager, Corporate Monitoring | Mr. Ng Hoon Ho (nghh@mswg.org.my) |
| 8. Senior Manager, Corporate Services | Mr. George Bohlender (bohlender@mswg.org.my) |
| 9. Manager, Corporate Monitoring | En. Norhisam Sidek (norhisam@mswg.org.my) |
| 10. Manager, Research | Mr Ooi Beng Hooi (ooibh@mswg.org.my) |
| 11. Manager, Finance | Ms Emily Lim (emily@mswg.org.my) |
| 12. Senior Executive, Corporate Services (IT) | Ms. Padma Devi Subramaniam (padmadevi@mswg.org.my) |
| 13. Analyst | Pn. Suryani Sudirman (suryani.sudirman@mswg.org.my) |
| 14. Junior Analyst | Pn. Nor Khalidah Khalil (khalidah@mswg.org.my) |
| 1. Associate | Ms. Kiran Jeyabalan (kiranjb58@hotmail.com) |
| 2. Associate | Datin Rusila Abd Razak (datinrusila@yahoo.com) |
| 3. Associate | En. Salleh Hassan (salleh.hassan@gmail.com) |

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/watchdog@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 69, 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, IJM Corporation Berhad, University Technology Malaysia and Multimedia Development Corporation Sdn Bhd. He also sits on the Board of ESSO Malaysia Bhd.

RITA BENOY BUSHON

(Appointed as Chief Executive Officer on 1 January 2009)

(Appointed as Executive Director on 18 May 2009)

(Founder Director from 2001 to 2007)



Puan Rita Benoy Bushon, age 52, was appointed as the Chief Executive Officer on 1 January 2009 and as Director on 18 May 2009. She holds an MBA from Henley Business School (1993) and has an Honours Degree in Economics (Statistics) from Universiti Kebangsaan Malaysia (1984). She is currently a member of the Ethics Standards Board of the Malaysian Institute of Accountants (MIA) and Co-Chair of the International Corporate Governance Network Shareholder Responsibilities Committee (2011-2012).

She had served the Employees Provident Fund (EPF) for 23 years since 1984 in various senior executive positions, including Head of Equity Research, Head of External Portfolio Managers, Head of Corporate Surveillance, Head of Private Equity as well as Head of Corporate Planning and Benefit Administration.

She was a non-Independent non-Executive Director on the boards of KFC Holdings Malaysia Berhad (2003-2008) and Land & General Berhad (2002-2006), and was subsequently re-designated as the Executive Director of Land & General Berhad (2007-2008).

She was also a non-Executive Director of a public-listed company in the United States (2007-2008). Puan Rita was one of the founding directors of MSWG (2001-2007) and had played an instrumental role in the establishment of the organisation.

TAN SRI DATO' LODIN WOK KAMARUDDIN

PSM, SPSK, DSAP, DPMP, KMN, SMP, PMP, ASK, AMP, PPT, Chevalier De La Légion D'Honneur,
Hon. LL.D (University of Nottingham-UK)
(Appointed on 5 November 2001)



Tan Sri Dato' Lodin Wok Kamaruddin, age 63, was appointed as Director of MSWG on 5 November 2001. He is the Chief Executive of Lembaga Tabung Angkatan Tentera since August 1982 and the Group Managing Director and Deputy Chairman of Boustead Holdings Berhad, one of Malaysia's most diversified and established conglomerates, since 1 July 1991 and 3 March 2010 respectively. He is also the Deputy Chairman of Affin Holdings Berhad, a financial supermarket with interests in a retail bank, an Islamic bank, an investment bank and a life and general insurance business.

He has extensive experience in not only managing a provident fund but also in the establishment, restructuring and management of business interests ranging from plantation, trading, banking, property development, oil and gas, pharmaceuticals and shipbuilding. Besides being Chairman or board member of various companies under Lembaga Tabung Angkatan Tentera and Boustead Holdings, he is also Chairman of the Board of 1Malaysia Development Berhad. Among the many awards Tan Sri Lodin has received to-date are the Chevalier De La Légion D'Honneur from the French Government, the Degree of Laws honoris causa from the University of Nottingham, United Kingdom, and the UiTM Alumnus of The Year 2010 Award.

DATO' LARRY GAN

(Appointed on 20 July 2005)



Dato' Larry Gan, age 58, was appointed as Director of MSWG on 20 July 2005. He is a Certified Management Consultant and a Chartered Accountant. Dato' Gan was with Accenture, a global management and technology consulting firm for 26 years until his retirement in December 2004. He was a worldwide partner for 16 years and held many global leadership positions including Managing Partner ASIA and Managing Partner Corporate Development ASIA PACIFIC. He was Chairman of the CEO Advisory Council and member of the Global Management Council from 1997 to 2004.

He served as Chairman of the Association of Computer Industry Malaysia (PIKOM), Vice President of the Association of Asian Oceania Computer Industry Organisation, member of the Ministry of Science and Technology Think Tank, Copyright Tribunal and the Labuan International Financial Exchange Committee, and President of the Malaysian Fencing Federation.

Dato' Gan presently serves on the boards of several public companies in Malaysia and internationally. He is Chairman of Cuscapi Berhad and Catcha Media Berhad and a director of AmBank (M) Berhad, Tanjong Plc, and Hong Leong Assurance Berhad.

He also serves as Chairman of the British Malaysian Chamber of Commerce, Advisor to the Centre of South East Asia Architectural Heritage and Trustee of Yayasan Tuanku Nur Zahirah.

PHILIP KOH TONG NGEE

(Appointed on 2 June 2005)



Mr Philip Koh Tong Ngee, age 57, 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 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 has co-authored OECD reports on corporate governance and insolvency laws and leading text commentaries and works on corporate and public law. He is a 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 that looked into the IFAC Code of Ethics for the Malaysian Institute of Accountants, and is also as a member of the 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 63, was appointed as Director of MSWG on 2 December 2009. He graduated from the University of Western Australia with a Bachelor of Commerce Degree and the University of Malaya with a Bachelor of Jurisprudence Degree (external) with honours. 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 board member of several TM subsidiaries.

He is currently an advisor with the Public Private Partnership Unit in the Prime Minister's Department.

DATUK ZAKARIA SHARIF

(Appointed on 16 January 2012)



Datuk Zakaria Sharif, age 55, was appointed as the Alternate Director to Tan Sri Dato' Lodin Wok Kamaruddin on 16 January 2012. Datuk Zakaria is the Deputy Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT). He graduated from Monash University, Australia in Economics majoring in Accounting and is a Fellow of the Australian Society of Certified Public Accountants (FCPA), an Associate of the Malaysian Institute of Certified Public Accountants (MICPA) and a Member of the Malaysian Institute of Accountants (MIA).

Datuk Zakaria started his career with Messrs. Price Waterhouse & Co. in 1980 in the Audit Division. This was followed by a stint in Arab Malaysian Finance Berhad and subsequently as an Investment Manager with LTAT from 1988 to 1991. He joined the Boustead Group in 1992 as General Manager of Emastulin Automobile Sdn Bhd, a company involved in the distribution of passenger cars, and light and heavy vehicles. Datuk Zakaria was also General Manager of Boustead Trading and subsequently joined PERHEBAT, a wholly owned subsidiary of LTAT as General Manager. He also served as General Manager of Perbadanan Perwira Harta Malaysia from 2003 to 2011.

DIRECTORS' MEETINGS

During the year, **four (4)** Board Meetings were held. The Chairman and Chief Executive Officer attended all Board Meetings. Attendance of Directors was as follows:

Directors	No. of Meetings			
	10/2/2011	9/3/2011	30/6/11	17/10/11
Tan Sri Abdul Halim Ali	√	√	√	√
Rita Benoy Bushon	√	√	√	√
Tan Sri Dato' Lodin Wok Kamaruddin	-	√	√	-
Dato' Larry Gan	√	√	-	-
Datuk Haji Abdul Aziz Ismail (Retired w.e.f. 9 May 2012)	√	-	-	-
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



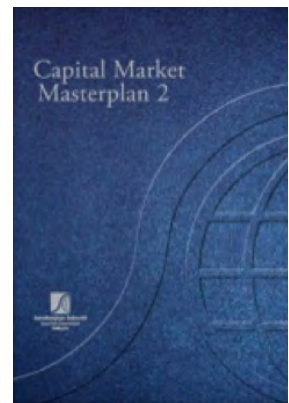
CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am honoured to present to you the Annual Report of the Minority Shareholder Watchdog Group (MSWG) for its financial year ended 31 December 2011.

OVERVIEW

The Malaysian corporate governance landscape has evolved over time to take on new depths and dimensions to keep the capital market healthy, competitive, robust and relevant. MSWG, in its role as an advocate of minority shareholder rights over the last decade, has been instrumental in working with the relevant regulators and market players in shaping and charting this new corporate governance landscape you see today.

Many initiatives have been undertaken by the relevant bodies especially Bursa Malaysia (Bursa) and Securities Commission (SC) particularly over the last two years, to enable this transformation. We have seen the broadening of the SC's enforcement powers with changes to the Capital Markets & Services Act 2007 in year 2009, the formation of the Audit Oversight Board in 2010 to oversee auditors of Public Listed Companies (PLCs) and the establishment of the Securities Industry Dispute Resolution Centre (SIDREC) in 2010, to provide an alternative channel for investors to settle disputes with capital market intermediaries. More recently, in April 2011, the SC released the Capital Market Masterplan 2 (CMM2), with the theme of "Governance for Growth". The CMM2 establishes a framework for further improvements to the capital market over the next 10 years to 2020.



We have also seen increased regulatory enforcement on the part of Bursa Malaysia, in the form of public reprimands and/or fines issued to errant companies and directors. In addition, Bursa has stepped up its monitoring of unusual trading activity that might adversely impact the marketplace, and has issued queries to PLCs in response to such activity.

These improvements are imperative to support and protect a market that has doubled in size from RM1 trillion to RM2 trillion over the past decade, and which is expected to almost triple to RM5.8 trillion by 2020. Key improvements to support this growth include enhancing product regulation to manage risks, expanding accountabilities as intermediation scope widens, ensuring a robust regulatory framework for a changing market landscape, effective oversight of risks, strengthening corporate governance and broadening participation in governance.



The first deliverable from the CMM2 was the Corporate Governance Blueprint 2011 (CG Blueprint) released by the SC in July 2011. The CG Blueprint contains 35 specific recommendations to achieve the corporate governance goals set out in the CMM2. I am proud to state that MSWG had been involved in developing these recommendations, which are to be implemented over a 5-year period from 2012-2016, and which revolve around the following key areas:

- ***Empowering shareholders and their rights through a fair, efficient and transparent voting process.***
- ***Encouraging institutional investors to take a leadership role in governance by exercising responsible ownership.***
- ***Increasing the Board's role in governance by amplifying the role of Boards as active and responsible fiduciaries.***
- ***Enhancing disclosure standards and practices to promote informed decision-making by shareholders.***
- ***Recognising the critical role Gatekeepers and Influencers play in fortifying self and market discipline.***
- ***Reinforcing the critical and complementary roles of public and private enforcement to maintain market confidence.***

The combined efforts of all stakeholders – boards, institutional investors, shareholders, gatekeepers, influencers and enforcers – will undoubtedly produce a winning formula for good corporate governance practices and transparency, thereby ensuring investors and market confidence in the Malaysian capital market.

Effective from 28 January 2011, the approval threshold for corporate take-overs via the assets and liabilities route was increased from 50% to 75%, in line with the provisions of the Mergers & Acquisitions Code. This much-welcomed change initiated by Bursa and SC, one that MSWG had long advocated, was a boon for minority shareholder protection. MSWG had actively participated in the consultation paper on this matter published on 19 March 2010, and had proposed for a change in the approval threshold for corporate takeovers via the assets and liabilities route, to enhance protection of minority shareholders.

Another welcome change was the Government's announcement on 27 June 2011 that 30% of Board seats at PLCs are to be filled by women by 2016. MSWG has been championing the cause for improved gender diversity on PLC boards since 2009. Women directors on Malaysian PLC boards comprise about 8% at present, which is not reflective of the percentage of women in the working population at large. This move, which is premised on merit and quality, would enable the Boards to take advantage of this greater diversity agenda for the benefit of the shareholders. This policy is expected to jumpstart a change in culture and mindset with regard to consciously establishing gender diversity on boards.

The recent jailing and fining of two former Independent Directors (INEDs) of a PLC for providing misleading information about company revenue to regulators was a landmark ruling, being the first time that INEDs had been charged and imprisoned for failing to discharge their fiduciary responsibilities. In the judgement, INEDs were generally advised that they should be mindful of their legal duties and not merely become "decorative pieces".

In playing its role in promoting, ensuring and enhancing corporate governance in Malaysia, MSWG monitored 270 PLCs representing 90% of Bursa's total market capitalisation in 2011 and about 25% of total number of PLCs. MSWG identifies and raises corporate governance and performance issues with companies concerned at their AGMs and EGMs for the benefit of minority shareholders. These issues are publicised in the media and dialogues are held with stakeholders whenever necessary.

The Investor Education Programmes organised by MSWG continue to attract much interest and are well attended. Through these programmes, the distribution of MSWG's bi-weekly e-newsletters and AGM/EGM Weekly Watch columns published every Monday in the New Straits Times, minority shareholders (especially retail shareholders) are equipped with the necessary information to actively participate at company general meetings. MSWG's efforts have succeeded in raising awareness of the rights and protection of shareholders, and the Board's responsibilities towards them.

The Malaysian Corporate Governance (MCG) Index 2011, unveiled by MSWG on 7 December 2011, showed close to a 1-point improvement over 2010, moving from 66 points to 66.9 points, despite a more stringent assessment process. This clearly demonstrates PLCs' progress in advancing the corporate governance yardstick and their recognition of the importance of implementing high corporate governance standards and best practices within their respective companies. An important finding of the MCG Index this year was the drop in the number of companies that have INEDs serving for more than 12 years; the percentage fell to 12.5% in 2011, from 25.5% in 2010, with long-serving INEDs resigning voluntarily.

The Independent Directors Pool (IDP) set up by MSWG in 2009 continued to attract professionals from various fields. By the end of 2011, a total of 104 potential INEDs had been registered on the IDP. Bursa, in supporting this initiative, had written to all PLCs in May 2011 to inform them of the existence of the IDP. As a result, a number of PLCs had contacted MSWG during the course of the year looking for suitable candidates to fill INED positions on their boards, and three emplacements were successfully carried out during the year.

Other notable successes of the MSWG in 2011 include the protection of shareholders from unfair offers in corporate privatisation deals, and suspicious related party transactions.

FINANCIAL POSITION

For the year 2011, MSWG raised **RM1,393,188** from its own revenue-generating activities, compared to the previous year's RM905,211. This, together with a grant of RM4 million provided by the CMDF, sustained and funded MSWG's operations and its many activities during the year. Total expenditure during the year amounted to **RM4,380,025**. For 2011, MSWG's cash and cash equivalents stood at **RM3,618,545** due to its efforts in making headway in areas of generating revenue from forums and events as well as cost-control efforts by Management.

MSWG seeks to continue the present funding arrangement with CMDF in absolute amounts based on the current ratio of 75% funding from CMDF, and 25% from its own revenue generating activities/services. It is expected that its core activities, in particular the coverage of companies, will be broadened and developed in line with the increased funding requirement. Additional funding will allow MSWG to increase its human resource and other infrastructure to effectively deliver programmes and services to raise the corporate governance bar, as well as enhance MSWG's role as a key capital market player.

LOOKING AHEAD

Corporate governance is a journey, not a destination. It requires continuous monitoring and periodic adjustments and enhancements to ensure that international corporate governance standards and best practices are adhered to. This will ensure that our country remains an attractive and preferred destination for investment capital needed to sustain economic growth, and to launch Malaysia into the ranks of its international counterparts.

In 2011, the SC spearheaded the development of a standardised scorecard to rank PLCs on corporate governance for adoption by ASEAN countries. This initiative, under the ASEAN Capital Market Forum funded by the Asian Development Fund was aimed at raising corporate governance standards and practices in ASEAN, and enhancing the visibility and investment profile of quality ASEAN PLCs internationally. The ranking was leveraged on the established methodologies in these countries. The pilot project is expected to commence in Q1/2012 and will include the top 30 PLCs from each participating country, namely, Malaysia, Singapore, Indonesia, Thailand, Philippines and Vietnam. MSWG will be driving this initiative with funding support from CMDF.

MSWG is looking into amending its articles of association to allow more institutions to become its members where currently it is limited to 10 to ensure a more reflective membership in line with MSWG's role.

MSWG further hopes to promote the stewardship role of institutional investors in driving CG in their investee companies.

ACKNOWLEDGEMENTS

On behalf of MSWG's Board, I would like to take this opportunity to thank the CMDF for supporting, encouraging and funding MSWG's operations throughout the year. We have a challenging agenda ahead of us this year, and we look forward to CMDF's continued support. I also wish to thank all of our institutional, retail and corporate subscribers, our Founding Members and the professional bodies that supported MSWG's corporate governance work. I also extend my heartfelt gratitude to the media and our capital market partners.

I would also like to extend the Board's sincere appreciation to the SC and Bursa for their invaluable support, and for working together with us to raise corporate governance awareness and standards in Malaysia.

My deepest appreciation also goes to MSWG's CEO, Management and staff team for their untiring efforts, passion and commitment that have contributed to another good year for the organisation, and a more transparent, aware and informed capital market.

In closing, I am confident that MSWG will continue to play a pivotal role in shareholder activism in the country in the coming years, and will continue to work with the other capital market players to increase the country's profile as a safe and attractive investment destination for both domestic and foreign investors.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Halim', with a stylized flourish at the end.

Chairman

Date : **14 February 2012**



CEO'S REVIEW OF 2011 OPERATIONS

FINANCIAL HIGHLIGHTS

Revenue

Total revenue generated from MSWG's products and services in 2011 was **RM1,393,188**. This was an increase of 54% over 2010's revenue of RM905,211. The bulk of the increase over the previous year revenue was contributed from publications, events and forums held in 2011 as well as an increase in the number of institutional and corporate subscribers for the financial year during the year.

The breakdown of revenue in 2011, and comparative figures in 2010 and 2009, is illustrated in the following table and chart.

Source of Revenue	2011 (RM)	2010 (RM)	2009 (RM)
Publications/Forums	1,022,252	651,203	490,317
Subscriber Services/Proxy Advisory	301,393	208,655	99,758
Others	69,543	45,353	24,801
TOTAL REVENUE GENERATED FROM PRODUCTS & SERVICES	1,393,188	905,211	614,876
CMDF FUNDING	4,000,000	3,000,000	3,000,000
GRAND-TOTAL	5,393,188	3,905,211	3,614,876

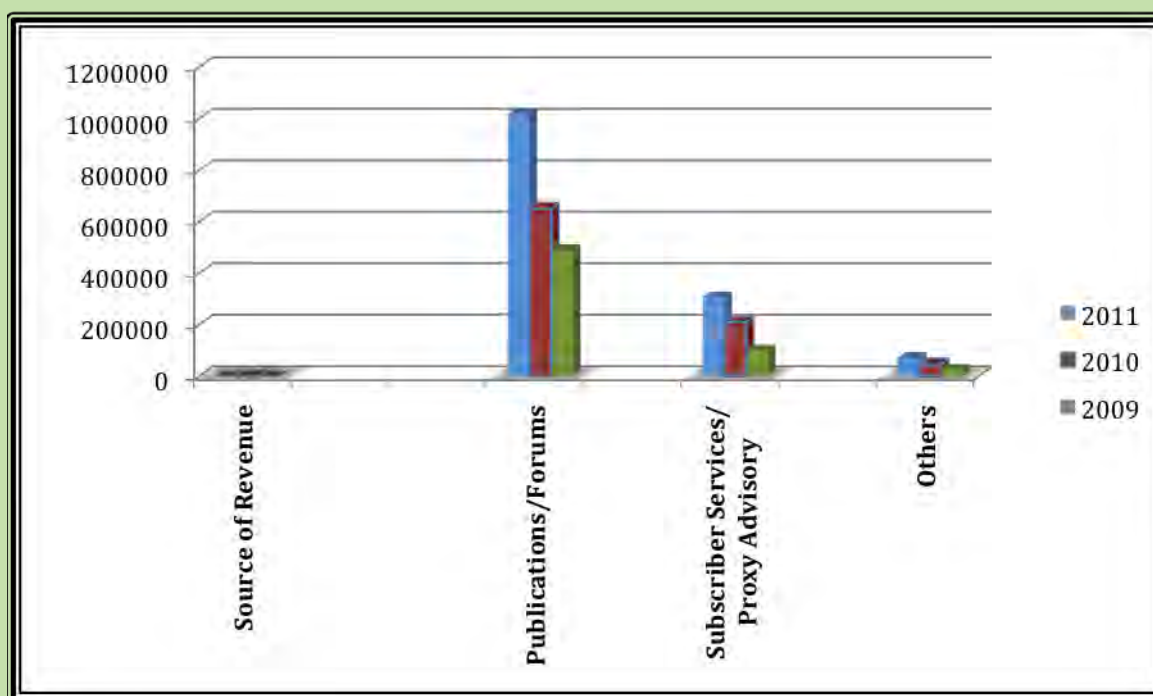


CHART SHOWING THE TREND IN THE REVENUE GENERATED OVER THE 3 YEARS

For 2011, the Capital Market Development Fund provided a grant of RM4 million for MSWG's operational and project funding requirements.

Expenditure

For the year ended 31 December 2011, MSWG's total financial expenditure was **RM4,380,025** compared to RM3,588,594 in 2010, an increase of 22.1%. The main contributors to the increase were costs associated with staff increases and IT upgrades.

Additional personnel were required during the year in order to:

- *Increase coverage on more companies under MSWG's portfolio from 214 (2010) to 270 companies (2011).*
- *Meet requests by minority shareholders to provide independent views and commentaries on PLCs as well as attending to more EGMs involving complex deals.*
- *Attend to increasing complaints received from minority shareholders that needed attention.*
- *Undertake more research on corporate governance matters within the capital market.*

Details of MSWG's revenue and expenditure for the financial year ended 31 December 2011 can be found in the Statutory Financial Statements appended to this Annual Report.

HUMAN RESOURCES

In 2011, MSWG had a total of **12** full-time Monitoring, Research and Corporate Services personnel, **3** part-time Associates and **10** support staff. In 2010, MSWG had a total of 9 full-time Monitoring, Research and Corporate Services personnel, 4 part-time Associates and 8 support staff. This number is expected to increase to **19** full-time Monitoring, Research and Corporate Services personnel, with support staff to be maintained at **10** for 2012. This increase will allow MSWG to discharge its duties and responsibilities effectively and efficiently and in a timely manner to support the development of an orderly and dynamic capital market in a changing corporate governance arena.

MSWG needs to further increase the number of qualified analysts who have market knowledge to Undertake activities such as wider coverage of listed companies, attend more general meetings and analyse resolutions as well as attend to minority shareholder complaints and queries. More research is also expected to be undertaken in the areas of corporate governance and minority shareholder interest issues.



Management Staff of MSWG

ACTIVITY HIGHLIGHTS

MSWG continued with its twin-pronged activities in 2011:

- **Public Mandate**
Providing services with the prime objective to assist investors and market players to become more knowledgeable on their rights and responsibilities.
- **Private Mandate**
Involvement in revenue-generating activities to supplement the grant from the CMDP for MSWG's long-term sustainability.

Corporate Monitoring Activities

In 2011, coverage of companies under MSWG's monitoring portfolio increased by 26.2% to **270** companies, up from 214 in 2010. Monitored companies comprised about 25% of the total number of companies listed on Bursa, and included both large cap and medium as well as small cap stocks representing about 90% of Bursa's total market capitalisation.

The selection of companies for monitoring by MSWG was based on 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, as well as those that impacted minority shareholder interests.**

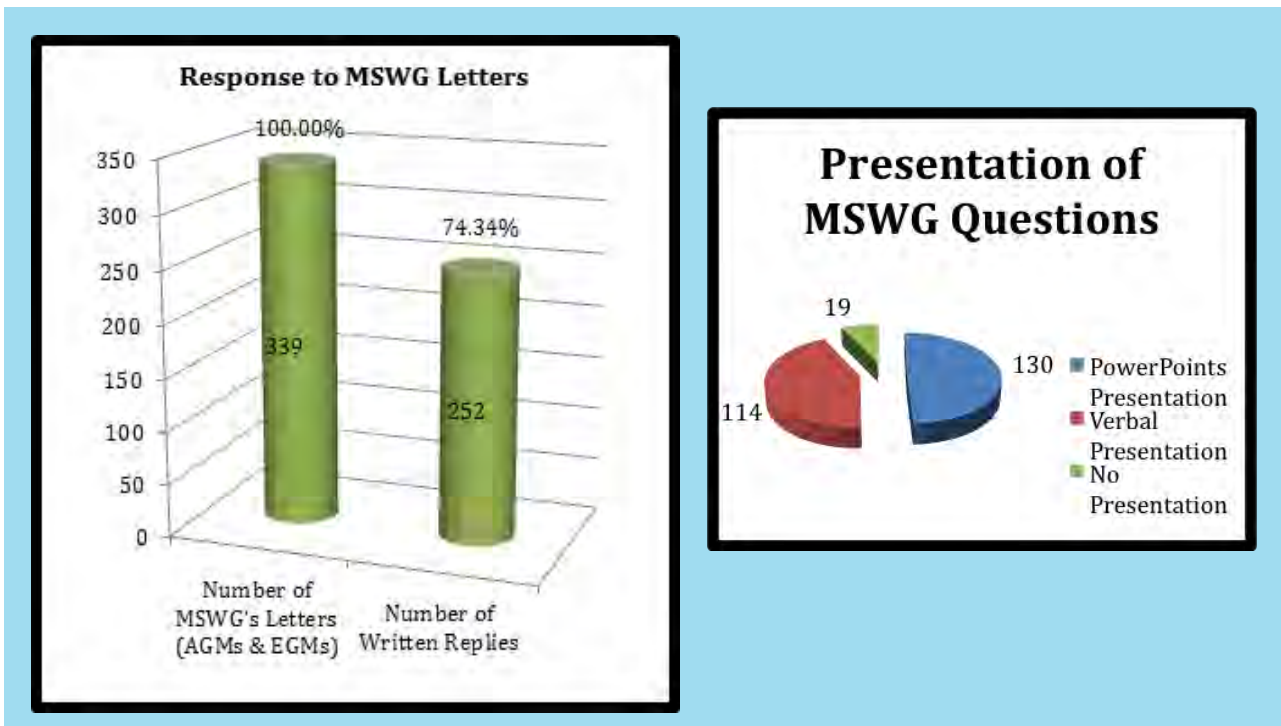


MSWG Management during a discussion session

During the year, MSWG analysts attended a total of 363 company meetings as there were many corporate exercises that required EGMs for passing of resolutions. The corporate exercises were complex and necessitated in-depth analyses.

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 2011, MSWG wrote to all the companies in its monitoring portfolio regarding issues of concern or 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. It was indeed encouraging to note that 100% of these companies responded either in writing or by raising the issues at their general meetings. Almost 75% of the companies monitored provided written replies to enable MSWG to post them on its website. About 65% of the companies presented MSWG questions together with their responses in a PowerPoint presentation during the company meetings while others provided verbal responses for the benefit of the shareholders who attended their meetings. This was indeed a marked increase from the previous year and clearly showed that companies were willing to go beyond the rules to adhere to best practice principles on a voluntary basis. 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.



In addition, MSWG prepared pre-AGM and post-AGM/EGM reports on meetings attended which were posted on its website for viewing by its institutional and corporate subscribers.

Issues highlighted in the pre-AGM reports include the following matters:

- **Recommendation on the voting of the resolutions tabled.**
- **Analyses of main CG issues of the company such as :**
 - **Separation of the roles of CEO and Chairman.**
 - **Appointment of an independent director as Chairman of the Board**
 - **Long serving independent directors**
 - **Directors' attendance at meetings**
 - **Directors' Remuneration**
 - **Audit vs Non-Audit Fees**
 - **5-year financials**
 - **Disclosure on the Internal Audit function**
 - **Disclosure of a dividend policy, and individual remuneration for directors and top management**

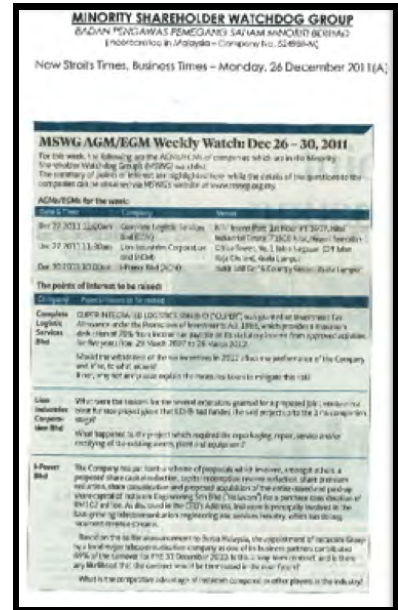
The post-AGM/EGM reports provide an overview on the proceedings of the AGMs/EGMs.

MSWG continued with its AGM/EGM Weekly Watch column published in the New Straits Times newspaper every Monday. This is primarily done to cater to the retail shareholders who may not be computer literate or may not have access to computers. The AGM/EGM Weekly Watch provides shareholders with a list of pertinent issues and concerns identified by MSWG prior to each company's AGM/EGM to encourage active shareholders engagement and participation at the meetings, as well as to inform shareholders of upcoming meetings during the week. MSWG also provides details of its queries to companies, at its website.

During the year, MSWG persevered with its role in highlighting many issues where warranted. Information on the issues was provided either in the media through MSWG articles & commentaries, at our website, or at company meetings in order to bring about awareness among all shareholders, particularly minority shareholders.

Some of the issues in 2011, where MSWG was actively involved in garnering support of minority shareholders thus bringing about positive outcome at AGMs/EGMs, were:

- *Shareholders' tussles at several companies where EGMs were called for the removal of directors that did not meet shareholders expectations.*
- *Concerns with regard to debt restructuring plans and large accumulated losses; capital reduction and repayment exercises where the plans were subsequently rejected by minority shareholders at the EGMs.*
- *Discussion on the first dividend reinvestment plan, where its rationale, merits and demerits were discussed extensively.*
- *Issues pertaining to companies being taken private via the assets and liabilities route.*
- *Delays in the tabling of accounts.*
- *Dissatisfaction of shareholders due to very large losses resulting in forensic investigation and the subsequent resignation of board members prior to the company's AGM.*
- *Issues regarding very long-serving independent directors where, in several cases, these directors did not seek re-election.*
- *Issues pertaining to corporate responsibility to be made transparent, thus accountable.*



Engagement with Relevant Parties

Series of engagement were carried out in the year with the following parties :-

- *Senior management and directors (both independent and non-independent directors) of 40 PLCs as part of the MCG Index process. The engagement sessions were carried out at the PLCs' premises.*
- *Senior Management of PLCs, independent advisers and corporate advisers to seek further understanding on issues relating to corporate exercises. Briefing sessions were carried out at the MSWG premises.*



- *Meeting with retail shareholders/complainants on the complaints they filed with MSWG held at MSWG premises.*
- *Meeting with Senior Management of PLCs to seek clarification on the issues of complaints brought to the attention of MSWG held at MSWG premises.*



Subscriber Services

MSWG introduced its subscriber services in 2009.

There are currently three subscriber categories:

- ***Retail Subscribers***
- ***Institutional Subscribers***
- ***Corporate Subscribers***

There were **78** retail subscribers as at end of 2011, **52** corporate and **11** institutional subscribers.

Retail Subscribers are provided with detailed MSWG Questions on companies' issues to be raised at general meetings. Questions raised by 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.

Pre and Post AGM Reports for a number of companies are made available for institutional and corporate subscribers.

MSWG intends to revamp its subscriber services in 2012, to ensure that its value proposition meets the specific needs of the different types of subscribers. We also intend to offer student subscriptions for a modest fee with the objective of both increasing awareness of corporate governance issues and encouraging youth involvement in the Malaysian capital market.

MSWG will step up its marketing efforts to grow its retail and institutional subscriber base in 2012. MSWG hopes to see institutional investors, in particular, supporting and using MSWG's reports as they provide an independent view on company resolutions thereby promoting healthy participation at general meetings.

Investor Education Programmes, Forums and Dialogues

Altogether, MSWG organised **9** forums in 2011: **5** were Investor Education Programmes, **2** retail investor dialogues, **1** Independent Directors Pool dialogue and **1** an international seminar.



The Investor Education Programmes were attended by 242 participants comprising directors, investors and professionals. Participant evaluations conducted after each Programme rated every programme and speaker as being “above average”.

Investor education programmes held in 2011 covered the following topics:

- *Lessons from investment gurus.*
- *Stock market outlook.*
- *Related party transactions and what directors and investors need to know.*
- *Driving the corporate governance agenda.*
- *Picking investment grade stocks with value investing strategies.*



Most of the programmes were conducted at MSWG’s own Training Centre, which is also available for rental to groups when not being used by MSWG. As a training provider certified by the Securities Industry Development Corporation (SIDC), MSWG has the ability to offer Continuing Professional Education (CPE) points to participants attending approved programmes. In 2011, MSWG was also approved as a Category A training provider by the Human Resource Development Fund (HRDF). This enables MSWG to offer programmes to companies seeking programmes that are HRDF-claimable.



Two special shareholder forums were also held in September 2011 on current issues related to specific companies so that retail, institutional and minority shareholders were equipped with the relevant background information to raise concerns and make informed decisions.

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 held in Ipoh, Perak in April 2011.

MSWG Session on “Stand Up & Take Charge: Shareholders Rights to Shareholders Responsibilities” at the SC-Bursa CG Week 2011



ICGN KL CONFERENCE ON ASIAN CG – THE FUTURE STEPS



During the year, MSWG had co-hosted and co-organised the International Corporate Governance Network (ICGN) KL Conference themed “Asian Corporate Governance – The Future Steps” with the EPF and the ICGN. The CEO chaired the Organising Committee for this conference.

The conference, which was held from 28 February to 2 March 2011 attracted 252 local and overseas participants and had received much positive feedback. More than 35 leading speakers and moderators tackled a range of corporate governance subjects, which included the following topics :

- ***Asian IPOs and how they are benchmarked against international standards of corporate governance.***
- ***Moving from Shareholder Rights to Shareholder Responsibilities – the UK Stewardship Code and Beyond.***
- ***The State of Corporate Governance in China, India, ASEAN countries, Islamic Capital Markets and developed markets and what changes need to be made to raise the bar***

In 2012, MSWG intends to develop a curriculum for programmes that will comprise a suite of courses covering investor education needs and the needs of other capital market players.

A full-year schedule of programmes and courses will be drawn up to meet this objective.



Articles, Commentaries and Speaking Engagements



In its pursuit of greater transparency and raising corporate governance levels within the capital market, along with bringing about greater awareness of CG issues to shareholders, MSWG continued with its core activities of providing articles and commentaries to various media, as well as undertaking speaking engagements in 2011.

During the year, there were **98** articles and commentaries on topical issues written by MSWG. MSWG also spoke at **15** forums relating to corporate governance and current issues affecting shareholders. These activities continued to generate a good following and positive feedback from readers, and MSWG will intensify its efforts to raise awareness using these methods in 2012.

Some of the issues that were highlighted during the year were centred on the following topics:

- **Role of independent directors.**
- **Privatisations via the assets & liabilities route.**
 - Increase in the approval threshold from 50% to 75% for corporate takeovers via the assets and liabilities route.
- **Women on Boards and the case for gender diversity**
 - In line with the Prime Minister's announcement to have at least 30% women on boards as part of the corporate governance practices in the boardroom by year 2016.
- **Effective enforcement**
 - Jail sentences and penalties imposed on two former Independent Directors (INEDS) of a PLC for the release of misleading financial statements.
 - Increase in Unusual Market Activity queries by Bursa during the year, which sent a very strong signal to the market about excessive speculation in certain stocks, steep increases in stock prices and sudden surges in stock volume.
- **Shareholder tussles.**
- **Minority shareholders rights.**
- **Importance of shareholder engagement.**
- **Related party transactions.**
- **Recommendations in the CG Blueprint launched by SC**
 - Launch of the CG Blueprint 2011 applicable for the next five years, which is intended to take Malaysia to the next level of shareholder protection. The CG Blueprint comprises 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 MSWG's articles in the media during the year were :

- *Regulatory Enforcement – A Regional Comparison (The Star, 14 January 2011)*
- *Business Sustainability Key to Progress in Corporate Responsibility (The Star, 29 January 2011)*
- *Women on Companies' Boards (The Star, 15 March 2011)*
- *Post Malaysia Divestment (The Star, 20 April 2011)*
- *Integrax at Major Crossroads (The Star, 5 May 2011)*
- *Privatisation of AP Land, OSK Property (The Star, 7 June 2011)*
- *Shared Responsibility in Corporate Governance (NSTP, 3 August 2011)*
- *Issues to Ponder in Proposed ESSO Deal (NSTP, 27 August 2011)*
- *Your 10 Questions (Star, 3 September 2011)*
- *MAS-Air Asia Collaboration (Star, 7 September 2011)*
- *Sime – E & O Deal – What About Minority Shareholders (Star, 8 September 2011)*
- *BDRB Asset Sale Queried (Star, 23 September 2011)*

Some of the speaking engagements in 2011 where the CEO was a panelist, speaker or chairperson were :

- *Panelist for the Women in Leadership Forum Asia 2011 on “Creating Gender Balanced Business - Improving Communities” organised by NASEBA Communication Pte Ltd in Kuala Lumpur (23 February 2011).*
- *Speech on “CEO Survey : The Climate of Our Business – A Perspective from Malaysian Executives 2010” organised by Monash University in Kuala Lumpur (24 February 2011).*
- *Moderator for Luncheon Talk organised by ICGN in Kuala Lumpur (1 March 2011).*
- *Panelist for HR Talk Show 2011 on “Measuring up with Real Measurement: Ensuring Organisational Effectiveness through Close Management and Measurement whilst Maintaining a Culture of Healthy, Competitive Innovation and Creative Freedom” by Arc Media Global in Kuala Lumpur (25 May 2011).*
- *Panelist for 2011 IIA International Conference titled “Is Corporate Governance All Show and No Substance?” organised by Institute of International Auditors in Kuala Lumpur (11 July 2011)*
- *Panelist for Women's Summit 2011 on “Milestone to Success : Empowerment, Innovation, Passion” organised by the Ministry of Women, Family & Community Development in Kuala Lumpur (25 July 2011)*



- Moderator/Panelist for the International Corporate Governance Network on “The New Corporate Governance Agenda – Minority Shareholders Rights : Opportunities & Threats” in Paris (14 September 2011).
- Panelist for the Luncheon Talk on Board Diversity in the context of “Malaysia’s Perspective – Opportunities and Growth” organised by Malaysian Directors Academy in Kuala Lumpur (16 November 2011).
- Speaker for the 16th Malaysian Capital Market Summit on “The Capital Market Masterplan II and the Corporate Governance Blueprint 2011 – What’s New? How Effective will These Be?” organised by Asian Strategy & Leadership Institute in Kuala Lumpur (24 September 2011)
- Chief Guest Speaker at the 3rd Corporate Governance Conference in Asia held in Hyderabad, India (28 November 2011)



Moderation session at the ICGN Conference in Paris

MALAYSIAN CORPORATE GOVERNANCE INDEX 2011



WINNERS OF THE MCG INDEX AWARDS



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

- *Gauging the level of corporate governance amongst PLCs in Malaysia.*
- *Providing information on corporate governance practices with the intention of addressing gaps and highlighting strengths.*
- *Incentivising better corporate governance standards through public recognition.*

In 2011, MSWG continued with its MCG Index project, which ranked Malaysia's top 100 PLCs in terms of conformance with corporate governance best practices, along with financial performance. The MCG Index methodology remained largely the same as in the previous year, with focus areas including:

- *Substance and practices.*
- *Transparency.*
- *Internal controls and risk management.*
- *Board structure.*

Other ranking criteria used in the Index included compliance with corporate governance best practices, quality of disclosures, financial sustainability and corporate responsibility efforts. Additional key parameters in the MCG Index 2011 measured PLCs compliance with CG Blueprint initiatives such as limits on directorships, tenure limits for Independent Directors and gender diversity.

MSWG was encouraged by the findings of the MCG Index 2011, which showed positive results in the efforts taken by the PLCs to enhance their conformance with national and international CG best practices. This was evidenced by the marginally improved corporate governance scores of PLCs.

The Index score for the Top 100 companies in 2011 was **66.9**, an increase of close to 1% over the score of 66.0 achieved in 2010. This increase, albeit marginal, was achieved despite the more stringent assessment. The highest score achieved by a company was 91.9 an increase of 1.8% over the previous year's highest score of 90.3.

For 2011, improvements were seen in the following areas:

- *Board composition, where there was a marginal increase (1.9%) in companies with an independent director (INED) as their Chair.*
- *Independent boards where 42.5% of companies had at least 50% or more IINEDs on their boards as compared to 40% of companies in 2010 and 37% in 2009.*
- *Significant drop in the percentage of companies with long-serving INEDs that had served beyond 12 years, 12.5% in 2011 as compared to 25% in 2010.*
- *Proportion of companies disclosing whistle-blowing policies more than doubled.*
- *Percentage of companies disclosing dividend policies improved from 5.7% in 2010 to 8.4% in 2011.*
- *Marked improvement in Corporate Responsibility disclosures, from 51% of companies making such disclosures in 2010, to 79% of companies in 2011.*
- *Percentage of women on boards increased marginally from 8.2% in 2010 to 8.4% in 2011. The Government's policy of requiring 30% of board seats to be occupied by women by 2016 is therefore crucial to jumpstart the participation of women on corporate boards.*

Gaps needing improvement, on the other hand, were identified in the following areas:

- *Board assessment.*
- *Nomination of INEDs from independent sources.*
- *Women on boards.*
- *Disclosure of remuneration by individual directors.*
- *Poll and proxy voting.*

Awards were presented to PLCs that had received an "A+" ranking in the MCG Index 2011 by the Deputy Minister of International Trade & Industry, Malaysia, YB Dato' Jacob Dungan Sagan at a ceremony held on 7 December 2011 at the Sime Darby Convention Centre. Additional awards were presented to companies for achievements in specific aspects of corporate governance. Special mention was also made of companies that had received an "A" ranking in the Index.

Publications

The following publications were published in the year 2011 :



CEO Survey 2010 : The Climate of Our Business – A Perspective from Malaysian Executives

MSWG collaborated with Monash University on the CEO Survey.



Malaysian Corporate Governance Index Report 2010 – Index and Findings

Awards and Recognition

BrandLaureate Brand ICON Leadership Award for Transformational Corporate Leadership by the Asia Pacific Brands Foundation, awarded to the CEO. The Brand ICON Leadership Award recognises the achievements of iconic transformational leaders that drive their organisations through the possession of five key qualities – Inspiration, Intelligence, Ideas, Innovation and Imagination.



Strategic Alliances and Other Activities

In its quest to bring about best corporate governance 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.

Malaysia

- *MSWG as the Premier Partner for the ICGN Mid-Year Conference in Kuala Lumpur, co-hosted and co-organised the event with EPF and ICGN from 28 February to 2 March 2011. Over 252 ICGN members and speakers from some of the largest investment houses and corporations in Asia and across the globe converged to bring a global perspective on “Asian Corporate Governance – The Future Steps”. This conference received positive feedback from participants.*
- *The CEO was reappointed 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 International Federation of Accountants (IFAC) code of ethics for the profession, and holding forums to create awareness of the by-laws on ethics for professional accountants.*
- *MSWG was involved in the Roundtable on Corporate Integrity System organised by the Institute of Integrity of Malaysia, and participated in the Monitoring and Review Session of the Corporate Integrity System.*
- *MSWG was appointed as member of the Task Force on Review of the Statement of Internal Control for the Institute of Internal Auditors Malaysia.*
- *The CEO was a member of the Corporate Governance Working Group (CGWG) that developed the 35 recommendations in the CG Blueprint, which would be implemented over a five-year period.*

Global

- *The CEO was appointed the Co-Chair of the International Corporate Governance Network Shareholder Responsibilities Committee, which is a body representing over US\$12 trillion in assets under management. The Committee’s core role is to develop guidance and establish best practices in the area of shareholders responsibility.*
- *The CEO of MSWG spoke on CG from the Asian perspective with a focus on Malaysia at the ICGN Annual Conference in Paris in September 2011. The forum saw the new global corporate governance landscape discussed and debated by several hundred international institutional investors and corporate governance advocates.*
- *The CEO was advisor to the Institute of Public Enterprise India for the Asian CG Agenda Conference.*

Consultation Papers (Local and Global)

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

- *Statement on Internal Control : Guidance for Directors of Public Listed Companies (Institute of Internal Auditors).*
- *Standards of Disclosures by Listed Issuers 2011 (Bursa).*
- *Capital Market Working Group for e-Payment Implementation Meeting (Bank Negara).*
- *Corporate Governance Blueprint 2011 – Discussion and Feedback Meeting (SC).*
- *Comments on International Standards Board (IASB) and SME Implementation Group (SMEIG) Draft Questions & Answers (MASB).*
- *Proposed Amendments to Guidelines on Offer Documentation of the Malaysian Code on Take-Overs and Mergers 1998 (SC).*
- *Proposed Amendments to the Listing Requirements relating to Privatisation of Listed Companies via Disposal of Assets (Bursa).*
- *Proposed Amendments to Bursa Malaysia Securities Berhad Listing Requirements relating to company's enhanced Disclosure Obligations (Bursa).*
- *Proposed approach on the adoption of the International Federation of Accountants (IFAC) Revised Code of Ethics into the MIA By-Laws (MIA Ethics Board).*
- *UK Financial Reporting Council's Stewardship Code for institutional investors (ICGN).*
- *Development of Corporate Risk Oversight Principles, and promotion of their implementation (ICGN).*
- *Model Mandate : Contract terms between asset owners and their fund managers. Development of guidance incorporating investment mandates, provisions relating to the adoption of longer-term investment horizons and integration of Environmental Social and Governance (ESG) issues into investment and risk management activities (ICGN).*

Minority Shareholder Complaints

MSWG received a total of **61** shareholder complaints in 2011. Complaints were centred on the following issues:

- *Unfair offers when companies are privatised.*
- *Minority shareholders' rights were being sidestepped.*
- *Rights Issue not offered to the minority shareholders.*
- *Share buy-backs.*
- *Issues in Prospectuses whereby valuations were not carried out on the company's properties.*
- *Irregularities in financial reporting.*
- *Abuses in treasury shares.*
- *Sale of shares at premium by major shareholders but not accorded to the minority shareholders.*
- *Insider Trading.*

Independent Directors Pool

The Independent Directors Pool (IDP) was initially conceptualised by MSWG in 2009 in response to the market's request for a pool of professional independent directors that PLCs could tap into to appoint to their boards. 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 new and professional candidates from various industries, with skills and expertise to fit their respective requirements. MSWG also intends to complement the Government's drive to get more women appointed to the Boards of PLCs by encouraging them to join MSWG's IDP repository.

During the year, MSWG established an Advisory Panel, comprising prominent market leaders, experts and professionals to oversee and guide the selection, vetting and placement criteria of potential INEDs.

In May 2011, MSWG together with Bursa wrote to all PLCs to inform them of the IDP, and to encourage them to source candidates from the Pool. Following this, 14 PLCs contacted MSWG to request suitable candidates to fill ID positions on their respective boards.

As at 31 December 2011, a total of **104** potential independent directors were registered in the IDP. **Three** had been successfully emplaced on Boards of PLCs. Details on IDP candidate criteria and registration can be found on MSWG's website.

Website

MSWG's website was revamped in May 2011 to make it more user-friendly and informative. The website continues to play a vital role in publicising current corporate governance matters and developments in Malaysia's capital market. Our revamped website was launched at the end of May 2011, and provides a fresh, new look and up-to-date information on MSWG's activities, commentaries, events, services, and products.

During the period from June 1 to December 31, MSWG's website received 10,786 visits from a total of 5,496 visitors to the site. These visitors viewed an average of 3.55 pages per visit. Close to 60% of visitors to our website viewed more than one page and visitors as a whole spent an average of 4.5 minutes each time they visited our site. Most of our visitors were from Malaysia, followed by Singapore and the United States.

MSWG intends to further enhance the website in 2012 with additional features and content. The goal is to establish MSWG's website as the premier site for research and information on corporate governance in Malaysia.

MSWG's website is located at <http://www.mswg.org.my>.

E-Newsletters



During 2011, MSWG published 26 issues of its electronic newsletter "The Observer". The Observer started out in November 2010 as a monthly print newsletter sent to MSWG contacts. In early 2011 it was converted to electronic format and distributed on a bi-weekly basis.

Each newsletter typically includes a message from MSWG's CEO, links to websites containing MSWG's articles and commentaries, MSWG's takes on corporate transactions, PLCs and issues under watch, links to articles on CG issues in national and international media, and information on Investor Education Programmes and other upcoming MSWG events. Copies of the newsletters are also available for download in PDF format from MSWG's website.

The newsletter's subscriber base has grown from 310 in January 2011, to 575 in December 2011. The newsletter is helping to raise MSWG's profile and stance on CG issues. Information from the newsletter has been republished both in the mainstream news media and on third-party websites/blogs dealing with corporate governance and shareholder rights issues.

The next step in the evolution of the newsletter is to move to weekly distribution beginning in February 2012. Additional content, such as news on upcoming AGMs/EGMs, and reports on meetings attended by MSWG's analysts will be added. The intent is to transition the newsletter into a form of research report for the benefit of retail and institutional investors, and for use as a corporate governance resource by PLCs. In this regard, MSWG will be giving the newsletter a new look in the coming months and increasing its distribution to include institutional investors, brokerage firms, and PLC CEOs, Chairs, and Company Secretaries.

Defamation Suit Against MSWG

MSWG had, on 14 April 2011, succeeded in striking out a defamation suit brought against the Company on the basis of "qualified privilege". However, the Court of Appeal, on 1 November 2011, has allowed the Plaintiff's appeal against the decision of the High Court in allowing MSWG's application for striking out with costs in the cause. A full trial will be held, and the next case management has been fixed on 9 May 2012.

THE WAY FORWARD

Moving forward, MSWG will continue to:

- *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 obtain more information in a cost-efficient and timely manner.*
- *Actively use various types of media to provide and distribute commentaries on issues relating to shareholders to create and promote awareness, and disseminate information to shareholders.*
- *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 at company general meetings.*
- *Continuously build its internal capacity to ensure that it has the requisite staff strength and skills to meet the challenges of the marketplace.*

For the year 2012, 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 320 companies from 270 presently.*
- *Expand its Subscriber Services to a larger universe of domestic and international capital market participants, including post-secondary students.*
- *Assessment of corporate governance levels and practices among Malaysian PLCs through the Malaysian Corporate Governance Index 2012.*
- *Publication of the Weekly Watchlist columns in The New Straits Times, and extend the same to other media including MSWG's e-newsletters.*

- *Focus on providing subsidised forums for retail subscribers to create awareness and hold more investor education programmes to generate additional revenue.*
- *Maintain a more informative and interactive website.*
- *Publish and disseminate weekly electronic newsletters with the intention of becoming a reference centre for corporate governance and minority shareholder matters.*
- *Work towards the establishment of a CG fund.*

In 2012, MSWG will continue with its agenda of raising the level of corporate governance among PLCs, championing minority shareholder interests as well as becoming a valuable, and much sought-after source for its articles, publications, services, commentaries and opinions on corporate governance and minority shareholder matters in Corporate Malaysia and Asia.

We are hopeful that as a public interest and non-profit organisation, we are given protection to ensure that we can continue to effectively and expeditiously discharge our responsibilities without fear or favor.

We look forward to another year of corporate governance excellence in 2012.



RITA BENOY BUSHON

Chief Executive Officer

Date : **14 February 2012**

Company No.

524989	M
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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Company No.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITY

The principal activity is to promote corporate governance in companies through shareholder activism acting in the interest of the minority shareholders as an integral part to the development of the capital market.

There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM
(Deficit) for the financial year	(178,573)
	<u><u> </u></u>

DIVIDENDS

In accordance with the Company's Memorandum of Association, no dividends are payable to the members of the Company.

MOVEMENTS ON RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Abdul Halim bin Ali
 Tan Sri Dato' Lodin bin Wok Kamaruddin
 Datuk Haji Abdul Aziz bin Ismail – Resigned w.e.f. 09 May 2011
 (Alternate Director to Tan Sri Dato' Lodin bin Wok Kamaruddin)
 YBhg Datuk Zakaria bin Sharif – Appointed w.e.f. 16 January 2012
 (Alternate Director to Tan Sri Dato' Lodin bin Wok Kamaruddin)
 Dato' Larry Gan
 Phillip Koh Tong Ngee
 Rita A/P Benoy Bushon
 Nor Hizam bin Hashim

In accordance with Article 61 of the Company's Article of Association, Dato' Larry Gan retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Article 61 of the Company's Article of Association, Puan Rita Benoy Bushon retires at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS**

The Company is a company limited by guarantee and thus no shares in which the Directors could have an interest. The Company has not issued any debentures.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 4 and Note 5) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and balance sheet were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

DIRECTORS' REPORT (CONTINUED)**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

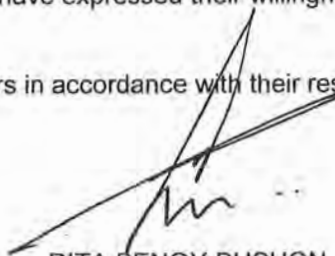
AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.



TAN SRI ABDUL HALIM BIN ALI
DIRECTOR



RITA BENOY BUSHON
DIRECTOR

Kuala Lumpur
14 February 2012

Company No.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia as a company limited by guarantee)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
Revenue	2	1,323,645	859,858
Grant	3	3,056,380	2,728,736
Other operating income		69,543	45,353
Staff costs	4	(2,856,619)	(2,239,740)
Depreciation of property and equipment		(47,427)	(29,612)
Other operating expenses	5	(1,473,829)	(1,316,440)
Total expenditure		<u>(4,377,875)</u>	<u>(3,585,792)</u>
Surplus from operations	6	71,693	48,155
Finance cost	7	(2,150)	(2,802)
Surplus before taxation		69,543	45,353
Taxation	8	(248,116)	463,593
(Deficit) / Surplus for the financial year		<u>(178,573)</u>	<u>508,946</u>
Other comprehensive income:			
Financial assets available-for-sale		7,320	10,936
Income tax relating to component of other comprehensive income		(1,830)	(2,734)
Total comprehensive (loss) /income for the financial year		<u><u>(173,083)</u></u>	<u><u>517,148</u></u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
NON-CURRENT ASSETS			
Property and equipment	9	173,950	134,274
Financial assets available-for-sale	10	121,608	108,028
Deferred tax asset		405,105	652,773
		<u>700,663</u>	<u>895,075</u>
CURRENT ASSETS			
Other receivables, deposits and prepayments	12	381,286	298,036
Cash and cash equivalents	13	3,618,545	2,527,528
		<u>3,999,831</u>	<u>2,825,564</u>
LESS: CURRENT LIABILITIES			
Deferred grant	3	3,029,449	2,085,829
Other payables and accruals		597,035	388,643
Provision for taxation		1,622	696
		<u>3,628,106</u>	<u>2,475,168</u>
NET CURRENT ASSETS			
		<u>371,725</u>	<u>350,396</u>
		<u>1,072,388</u>	<u>1,245,471</u>
REPRESENTED BY:			
General fund		5,801,000	5,801,000
Accumulated losses		(4,761,265)	(4,582,692)
Available-for-sale reserve		32,653	27,163
		<u>1,072,388</u>	<u>1,245,471</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia as a company limited by guarantee)

**STATEMENT OF CHANGES IN GENERAL FUND AND RESERVE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	General fund RM	Accumulated losses RM	Available- for-sale reserve RM	Total equity RM
At 1 January 2011	5,801,000	(4,582,692)	27,163	1,245,471
Comprehensive income:				
- Net loss for the financial year	-	(178,573)	-	(178,573)
Other comprehensive income:				
- Financial assets available-for-sale, net of tax	-	-	5,490	5,490
At 31 December 2011	<u>5,801,000</u>	<u>(4,761,265)</u>	<u>32,653</u>	<u>1,072,388</u>
At 1 January 2010				
- As previously reported	5,801,000	(5,091,638)	-	709,362
- Effect of adoption of FRS 139	-	-	18,961	18,961
At 1 January 2010, as restated	<u>5,801,000</u>	<u>(5,091,638)</u>	<u>18,961</u>	<u>728,323</u>
Comprehensive income:				
- Net profit for the financial year	-	508,946	-	508,946
Other comprehensive income:				
- Financial assets available-for-sale, net of tax	-	-	8,202	8,202
At 31 December 2010	<u>5,801,000</u>	<u>(4,582,692)</u>	<u>27,163</u>	<u>1,245,471</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		69,543	45,353
Adjustments for:			
Grant		(3,056,380)	(2,728,737)
Subscriber services fee		(297,393)	196,654
Gain on redemption of financial assets available-for-sale (Write-back)/allowance for impairment of financial assets available-for-sale		3,159 (208)	(1,274) (1,842)
Depreciation of property and equipment		47,427	29,612
Gain on disposal of property and equipment		(8,000)	-
Property and equipment written-off		1,309	-
Dividend income		(6,708)	(3,499)
Interest income		(50,272)	(27,859)
		<u>(3,297,523)</u>	<u>(2,491,592)</u>
Changes in working capital:			
Receivables		(83,250)	(82,324)
Payables		224,797	(297,482)
Cash used in operating activities		<u>(3,155,976)</u>	<u>(2,871,398)</u>
Subscriber services fee received		280,988	211,194
Dividend income received		6,192	3,499
Interest income received		50,272	29,162
Tax paid		(836)	-
Net cash used in operating activities		<u>(2,819,360)</u>	<u>(2,627,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(88,412)	(92,278)
Purchase of financial assets available-for-sale		(9,211)	(7,261)
Proceeds from redemption of financial assets available-for-sale		-	1,683
Net cash used in investing activities		<u>(97,623)</u>	<u>(97,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received		4,000,000	3,750,000
Proceeds from disposal of property and equipment		8,000	-
Net cash generated from financing activities		<u>4,008,000</u>	<u>3,750,000</u>
Increase in cash and cash equivalents during the financial year		1,091,017	1,024,601
Cash and cash equivalents at beginning of the financial year		2,527,528	1,502,927
Cash and cash equivalents at end of the financial year	13	<u>3,618,545</u>	<u>2,527,528</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

A BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention, as modified by the financial assets available-for-sale.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial year beginning on or after 1 January 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 7 "Financial Instruments : Disclosures – Improving Disclosures About Financial Instruments"
- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards"
- Improvements to FRSs (2010)

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**
A BASIS OF PREPARATION (CONTINUED)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

In the next financial year, the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS".

The Company will apply the new standards, amendments to standards and interpretations in the following period:

- (i) Financial year beginning on/after 1 January 2012
- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.
 - Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.
 - Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****A BASIS OF PREPARATION (CONTINUED)**

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(ii) Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

The adoption of the new standards, amendments to published standards and interpretations to existing standards are not expected to have a material impact on the financial results of the Company.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****B PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in gain or loss on disposal of property and equipment in profit or loss.

All property and equipment are depreciated on the straight line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Computer and electronic equipment	20%
Furniture and fittings	20%
Office equipment	20%
Motor vehicles	20%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note L on impairment of non-financial assets.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****C INCOME TAXES**

Current tax expense is determined according to the tax laws of local jurisdiction in which the Company operates and includes all taxes upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D CASH AND CASH EQUIVALENTS

For the purpose of cash flow statements, cash and cash equivalent comprise cash on hand and deposits held at call with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

E REVENUE RECOGNITION

Revenue is recognised on the following basis:

- (i) Income from proxy services are recognised upon performance of services.
- (ii) Contribution for publications and reports are recognised upon delivery of publications and reports.
- (iii) Income from domestic seminars is recognised on an accrual basis.
- (iv) Income from subscriber services is recognised on an accrual basis.
- (v) Interest income is recognised on an accrual basis.
- (vi) Dividend income from investments in quoted shares is recognised on the ex-dividend date.

F GRANT

Grant relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****G EMPLOYEE BENEFITS**Short term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Company.

Post employment benefit

The Company contributes to the national defined contribution plan for the employees of the Company. Contribution to this plan is charged to the income statement in the financial year to which they relate. Once the contribution has been paid, the Company has no further payment obligations.

H FINANCIAL ASSETS AVAILABLE-FOR-SALE

Financial assets available-for-sale are non-derivatives that are either designated in this category or not classified as held-for-trading or held-to-maturity investments. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. All investments in equity instruments are classified as financial assets available-for-sale.

Financial assets available-for-sale are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Changes in the fair value of financial assets available-for-sale are recognised directly in other comprehensive income except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial assets available-for-sale are recognised separately in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for financial assets available-for-sale, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

When financial assets available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**
I OPERATING LEASES

Leases of assets where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

J PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a realisable estimate of the amount can be made.

K CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

L IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011****1 GENERAL INFORMATION**

The principal activity is to promote corporate governance in companies through shareholder activism acting in the interest of the minority shareholders as an integral part to the development of the capital market.

The Company is limited by guarantee, incorporated and domiciled in Malaysia.

The number of employees as at the end of the financial year is 22 (2010: 15).

The address of the registered office and principal place of business of the Company is:

11th Floor Bangunan KWSP,
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

2 REVENUE

	<u>2011</u> RM	<u>2010</u> RM
Contribution received from publications/reports published	167,282	232,105
Proxy services fee	4,000	12,000
Forum and events	854,970	419,099
Subscriber services fee	297,393	196,654
	<u>1,323,645</u>	<u>859,858</u>

3 GRANT

Grant received is recognised as a reimbursement from the Capital Market Development Fund ('CMDf') to finance the Company's operational and capital expenditure.

	<u>2011</u> RM	<u>2010</u> RM
Balance as at 1 January	2,085,829	1,814,566
Grant received during the year	4,000,000	3,000,000
Grant utilised during the year	(3,056,380)	(2,728,737)
	<u>3,029,449</u>	<u>2,085,829</u>

Company No.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

4	STAFF COSTS	<u>2011</u> RM	<u>2010</u> RM
	Salaries and bonus	2,228,455	1,817,004
	Defined contribution plan ("EPF")	306,098	263,818
	Staff gratuity	111,461	28,960
	Other employee benefits	210,605	129,958
		<u>2,856,619</u>	<u>2,239,740</u>

The amount of salaries and bonus and contribution to EPF received by the CEO/Director of the Company during the financial year were RM538,700 (2010: RM513,930) and RM109,431 (2010: RM118,906) respectively.

5	OTHER OPERATING EXPENSES	<u>2011</u> RM	<u>2010</u> RM
	Printing expenses	40,000	20,000
	Outsourcing expenses	453,960	445,821
	Rental expenses	170,815	134,746
	Travelling, accommodation and entertainment expenses	121,699	175,549
	Forum and event expenses	367,575	247,396
	Telecommunication expenses	63,290	112,489
	Repair and maintenance expenses	47,304	28,459
	Insurance	98,152	59,931
	Office supplies	53,506	55,295
	Professional fees	48,088	28,556
	Taxes and licenses fees	5,263	7,638
	(Write-back)/allowance for impairment of financial assets available-for-sale	-	(1,842)
	Property and equipment written-off	1,309	-
	Others	2,868	2,402
		<u>1,473,829</u>	<u>1,316,440</u>

6	(DEFICIT) / SURPLUS FROM OPERATIONS	<u>2011</u> RM	<u>2010</u> RM
	Surplus from operations is arrived at after charging:		
	Auditors' remuneration	12,000	10,000
	Director's meetings attendance allowance	18,000	27,500
	Interest income	50,272	27,859
	Dividend income	6,708	3,499
		<u>127,000</u>	<u>128,858</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

7	FINANCE COST	<u>2011</u> RM	<u>2010</u> RM
	Other finance charges	2,150	2,802
		<u>2,150</u>	<u>2,802</u>
8	TAXATION	<u>2011</u> RM	<u>2010</u> RM
	Current year tax	2,594	1,270
	Over-provision of prior years' tax	(316)	(404)
	Deferred tax (Note 11)	245,838	(464,459)
		<u>248,116</u>	<u>(463,593)</u>

The numerical reconciliation between surplus before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Company is as follows:

	<u>2011</u> RM	<u>2010</u> RM
Surplus before taxation	69,543	45,353
Tax calculated at the Malaysian tax rate of 25% (2010: 25%)	17,386	11,338
Tax effects of:		
- expenses not deductible for tax purposes	6,106	263,325
- income not taxable	(790)	(319)
- previously unrecognised tax losses and capital allowance	-	(730,964)
- utilisation of previously unrecognised tax losses	235,704	-
- over provision of prior years' tax	(316)	(404)
- effect of lower tax rate	(9,974)	(6,569)
Taxation	<u>248,116</u>	<u>(463,593)</u>

During the current financial year, the Company has utilised unabsorbed tax losses carried forward from prior year against its current year tax amounting to RM946,072 (2010: RM1,812,745). Accordingly, there was a transfer of deferred tax asset amounting to RM235,704 (2010: RM453,186) to the taxation line. The remaining unabsorbed tax losses carried forward amounted to RM1,792,852 (2010: RM2,738,924).

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(Incorporated in Malaysia as a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****9 PROPERTY AND EQUIPMENT**

	<u>Computer and electronic equipment</u> RM	<u>Furniture and fittings</u> RM	<u>Office equipment</u> RM	<u>Motor vehicle</u> RM	<u>Total</u> RM
<u>2011</u>					
<u>Cost</u>					
At 1 January 2011	233,632	213,255	75,905	172,261	695,053
Additions	47,469	18,855	22,088	-	88,412
Disposal	-	-	(4,165)	(172,261)	(176,426)
Written-off	(117,105)	(161,199)	(25,666)	-	(303,970)
At 31 December 2011	<u>163,996</u>	<u>70,911</u>	<u>68,162</u>	<u>-</u>	<u>303,069</u>
<u>Accumulated depreciation</u>					
At 1 January 2011	172,216	172,385	43,917	172,261	560,779
Charge of the year	25,769	12,675	8,983	-	47,427
Disposal	-	-	(2,856)	(172,261)	(175,117)
Written-off	(117,105)	(161,199)	(25,666)	-	(303,970)
At 31 December 2011	<u>78,680</u>	<u>23,861</u>	<u>26,578</u>	<u>-</u>	<u>129,119</u>
<u>Net book value</u>					
At 31 December 2011	<u><u>85,316</u></u>	<u><u>47,050</u></u>	<u><u>41,584</u></u>	<u><u>-</u></u>	<u><u>173,950</u></u>
<u>2010</u>					
Cost	233,632	213,255	75,905	172,261	695,053
Accumulated depreciation	172,216	172,385	43,917	172,261	560,779
Net book value	<u><u>61,416</u></u>	<u><u>40,870</u></u>	<u><u>31,988</u></u>	<u><u>-</u></u>	<u><u>134,274</u></u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	<u>2011</u> RM	<u>2010</u> RM
At fair value:		
Quoted shares in Malaysia	131,223	117,435
Allowance for impairment	(9,615)	(9,407)
	<u>121,608</u>	<u>108,028</u>
At fair value:		
Quoted shares in Malaysia	<u>121,608</u>	<u>108,028</u>

These shares are held for long-term with the purpose of giving locus standi to participate in the affairs in the investee corporations.

These shares are measured at fair value based on quoted prices in active market and is classified as Level 1 fair value measurement hierarchy in accordance with FRS 7 "Financial Instruments – Disclosures".

11 DEFERRED TAX ASSET

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	<u>2011</u> RM	<u>2010</u> RM
Subject to income tax:		
Deferred tax asset (after offsetting)	<u>405,105</u>	<u>652,773</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****11 DEFERRED TAX ASSET (CONTINUED)**

The movement in net deferred tax asset during the financial year are as follows:

	<u>2011</u> RM	<u>2010</u> RM
At 1 January		
- As previously reported	652,773	197,369
- Effect of adoption of FRS 139	-	(6,320)
	<hr/>	<hr/>
At 1 January, as restated	652,773	191,049
(Charged)/credited to income statement (Note 8)	(245,838)	464,458
	<hr/>	<hr/>
- Property and equipment	(10,134)	(11,112)
- Unutilised tax losses	(235,704)	475,570
	<hr/>	<hr/>
(Charged)/credited to comprehensive income	(1,830)	(2,734)
	<hr/>	<hr/>
At 31 December	<u>405,105</u>	<u>652,773</u>

The components of deferred tax asset/(liability) before/after appropriate offsetting are as follows:

	<u>2011</u> RM	<u>2010</u> RM
Deferred tax asset (before offsetting)		
- Unutilised tax losses	448,211	683,915
Offsetting	(43,106)	(31,142)
	<hr/>	<hr/>
Deferred tax asset (after offsetting)	405,105	652,773
	<hr/>	<hr/>
Deferred tax liability (before offsetting)		
- Property and equipment	(32,222)	(22,088)
- Available-for-sale reserve	(10,884)	(9,054)
Offsetting	43,106	31,142
	<hr/>	<hr/>
Deferred tax liability (after offsetting)	<hr/>	<hr/>

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2011</u> RM	<u>2010</u> RM
Other receivables	281,483	202,204
Deposits and prepayments	99,803	95,832
	<hr/>	<hr/>
	<u>381,286</u>	<u>298,036</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****13 CASH AND CASH EQUIVALENTS**

	2011 RM	2010 RM
Cash and bank balances	2,118,545	1,227,528
Deposits with a financial institution	1,500,000	1,300,000
	<u>3,618,545</u>	<u>2,527,528</u>

The weighted average interest rates of that were effective as at financial year end were as follows:

	<u>2011</u> %	<u>2010</u> %
Deposits with a financial institution	<u>3.0</u>	<u>2.5</u>

Deposits with a financial institution have an average maturity of 120 days (2010: 120 days).

14 OPERATING LEASE COMMITMENT

At the balance sheet date, the commitment in respect of an operating lease pertaining to rental payable for office occupied by the Company under a lease agreement expiring in 31 May 2012, are payable as follows:

	<u>2011</u> RM	<u>2010</u> RM
Within 1 year	151,764	151,764
Within 2 to 5 years	63,235	63,235
	<u>214,999</u>	<u>214,999</u>

15 FINANCIAL RISK MANAGEMENT**(a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks mainly arise from open positions in interest-bearing assets, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted, which are monitored on a monthly basis.

As the Company's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Company's income.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

16 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has no significant concentrations of credit risk. Credit risk arises from grant receivable, other receivables, deposits and prepayments and cash and bank balances. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or any financial institution.

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	<u>2011</u> RM	<u>2010</u> RM
Other receivables, deposits and prepayments	381,286	298,036
Cash and cash equivalents	<u>3,618,545</u>	<u>2,527,528</u>

The credit risk concentrations of the Company by industry as at the balance sheet date are set out in the following tables:

	<u>Financial institutions</u> RM	<u>Others</u> RM
<u>As at 31 December 2011</u>		
Other receivables, deposits and prepayments	-	381,286
Cash and cash equivalents	<u>3,618,545</u>	<u>-</u>
<u>As at 31 December 2010</u>		
Other receivables, deposits and prepayments	-	298,036
Cash and cash equivalents	<u>2,527,528</u>	<u>-</u>

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

16 (c) Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or the reputation arising from the Company's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The financial liabilities of the Company have no specific maturity.

(d) Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of FRS 7 "Financial Instruments: Disclosure". This includes property and equipment, tax recoverable and deferred taxation.

The carrying amounts of the Company's financial assets and financial liabilities as at 31 December 2011 and 31 December 2010 approximates its fair value due to the limited term to maturity of these instruments or limited sensitivity to interest rates.

(e) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

The Company is not subject to any externally imposed capital requirements.

17 **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 14th February 2012.

Company No.

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BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia as a company limited by guarantee)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Tan Sri Abdul Halim bin Ali and Rita Benoy Bushon, two of the Directors of Badan Pengawas Pemegang Saham Minoriti Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 4 to 23 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution.



TAN SRI ABDUL HALIM BIN ALI
DIRECTOR

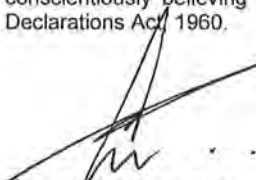


RITA BENOY BUSHON
DIRECTOR

Kuala Lumpur
14 February 2012

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Rita Benoy Bushon, the Officer primarily responsible for the financial management of Badan Pengawas Pemegang Saham Minoriti Berhad, do solemnly and sincerely declare that the financial statements set out on pages 4 to 23 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



RITA BENOY BUSHON

Subscribed and solemnly declared by the above named Rita Benoy Bushon at Kuala Lumpur on 14 February 2012.

Before me:



COMMISSIONER FOR OATH

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BADAN PENGAWAS PEMEGANG
SAHAM MINORITI BERHAD
(Incorporated in Malaysia as a company limited by guarantee)
(Company No. 524989 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Badan Pengawas Pemegang Saham Minoriti Berhad, on pages 4 to 23 which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 17.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BADAN PENGAWAS PEMEGANG
SAHAM MINORITI BERHAD (CONTINUED)
(Incorporated in Malaysia as a company limited by guarantee)
(Company No: 524989 M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

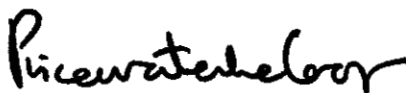
In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the financial year then ended.


REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants


SOO HOO KHOON YEAP
(No. 2682/10/13 (J))
Chartered Accountant

Kuala Lumpur
14 February 2012

