



## The Maika Dilemma

Ailing Maika Holdings seems to be in the news for all the wrong reasons all the time, as evidenced by its recent AGM. When is it going to turn around for the benefit of the Indians, which was the essence of its formation in the first place?

THE WOES OF DEBT-RIDDEN MAIKA HOLDINGS BHD NEVER SEEM TO END.

Questionable corporate decisions, scant regard for minority interests and corporate governance issues continue to haunt the Malaysian Indian Congress (MIC)'s investment arm.

Take the company's latest annual general meeting (AGM) on Monday, Oct 31, 2006 in Kuala Lumpur. Not only were the proceedings noisy and chaotic, shareholders claimed they were kept in the dark on several issues. According to one shareholder who attended the meeting, attempts to get answers to pertinent issues were shouted down each time they were raised.

But nobody expected the AGM to be a breeze anyway. Days before, there was already speculation in the Press that a proposed resolution relating to the sale of a major stake in Oriental Capital Assurance Bhd (OCA) was going to be met with strong resistance.

However, when the meeting started that morning, it was announced to shareholders that a resolution for the sale of a 33% stake in OCA was being withdrawn. That, of course, did not pacify several shareholders who wanted to pursue the matter further.

They wanted to know why the stake was being sold, to whom and for how much. Moreover, being the jewel in Maika currently, they had looked forward to OCA's listing. No answers were forthcoming from the board, except that negotiations were ongoing with interested parties.

So, why is the board selling down its OCA stake? By paring down the stake to less than 50%, in this case 41%, Maika would not be able to consolidate its accounts with that of OCA.

Selling down would also mean that should OCA be eventually listed, there would be less OCA shares available for distribution to Maika shareholders. But more importantly, it is seen as the management's attempt to continue disposing valuable assets just to settle its debts.

It also contradicts Chairman Tan Sri Rashid Manaff's latest statement in the 2005 annual report to shareholders that 'the board shall do all things necessary to strengthen the net worth of the company for a consistent reasonable return on their investment in the long-term'. It is anybody's guess how this 'return' can be

achieved if there are no assets left.

Just last year, Maika sold a substantial portion of its Tumbuk Estate land in Sepang to an unidentified party. Again, shareholders questioned the valuation, which they felt was below market price. Many felt it would have been better to have added value to the land by developing it as a business entity.

But in whatever business decision, transparency seems to be the key issue. For example, besides the Tumbuk Estate land, shareholders are also unhappy over the sale of a building in Klang and the fact that open tenders are seldom called for when assets are disposed.

The annual report states that election of board members is subject to the approval of Bank Negara Malaysia pursuant to the Insurance Act 1966. Given the central bank's stringent requirements and high standards, the current board would do well to improve on its corporate governance standards.

Shareholders are also unhappy over the way the latest AGM was conducted, including the voting process. They alleged that chairman Rashid had initially allowed voting

to be carried out via a show of hands but inexplicably decided to revert to a poll.

Such allegations do not augur well for Maika, which was mooted by the MIC nearly 25 years ago with great fanfare and promise to increase the Indian community's corporate wealth. With that dream now a nightmare, the board must ensure the rot is stopped and Maika nursed back to health.

Its Chief Executive S Vell Paari, who is the son of MIC President Datuk Seri S Samy Velu, has come under increasing criticism for not turning around the company since he took over several years ago.

As at the end of 2005, Maika had net current liabilities of RM238.333 million. For the record, the four-member board also received a total of RM759,600 in fees and emoluments for 2005.

Vell Paari must come up with a concrete plan to revive the ailing group. Shareholders have suffered for far too long.

His reputation is at stake, especially if he decides to follow his father's footsteps and venture into politics one day. **mb**

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