



SURUHANJAYA SYARIKAT MALAYSIA  
COMPANIES COMMISSION OF MALAYSIA

A large, three-dimensional, metallic-looking 'SSM' logo is positioned diagonally across the center of the page. The letters are highly reflective and have a blue glow. To the right of the letters is a blue square icon with a white grid pattern, matching the official logo.

SSM

annual report 2005



# about the cover

## **The Key to a Thriving Nation**

The Companies Commission of Malaysia acts as a one-stop centre for all corporate and business-related matters. As the nation's sole custodian of corporate information, it is the fundamental and vital key in the crucial national task of forging an honest, thriving and encouraging business environment for our countrymen and foreigners alike. The Companies Commission works closely with members of the public to unlock their needs and expectations through the provision of quality and value-added services at all times.



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Datuk Hj. Mohd. Shafie bin Hj. Apdal

Minister of Domestic Trade and Consumer Affairs



# Minister's Foreword

*Assalamualaikum wbkt dan salam sejahtera.*

As the agency in charge of crucial corporate compliance and governance issues across the nation, the Companies Commission has led the way by placing great emphasis on its internal competence in the past year while upholding the fundamental merits of integrity and enhanced service delivery. Notably, the Companies Commission has been committed to adding vital value to its operations through strategic plans such as capacity optimisation in order to fulfil its heavy obligations and responsibilities as well as meet the ever-changing and challenging needs of the modern corporate world.

Companies Act 1965 (Act 125) governs companies and their officers through provisions which enforce duties and obligations on directors, and impose necessary punishments for breach of these provisions. There are a total of 374 Sections under this Act. Compliance with applicable laws is one important aspect of good corporate governance and the Companies Commission's achievements in 2005 indicate a substantial amount of effort to enforce a higher level of integrity for Malaysia's corporate entities. Fitting action was taken to ensure accountability over statutory responsibilities when doing business. Steadfast enforcement is necessary and a positive development for our developing nation.

In addition to its role as a regulator, my Ministry acknowledges that the Companies Commission is also significantly tasked with encouraging entrepreneurship by way of addressing the complexity involved in establishing a business in Malaysia as well as its legal and proper administration and management. It is important to note that only with the presence of good governance and an effective enforcement environment such as that implemented by

the Companies Commission could our nation promote and cultivate conducive and dynamic businesses. In discharging its roles competently, the Companies Commission takes Malaysia's corporate environment a step closer to the standards of developed nations.

Malaysia strongly encourages foreign direct investments into our country for a varied, flourishing and competitive business environment that is of similar stature as that of other successful nations. To this end, there is a compelling need to provide easy access to these foreign investors and to adopt fuss-free yet effective processes in order to ensure strong participation. In accordance with international demand for as well as our government's stand on integrity and good corporate governance, the Companies Commission has put all its efforts behind these principles in aid of the nation's ambitions to build a robust and competitive business environment for all.

I am happy to note that the Companies Commission has continued to be sensitive and responsive to discerning customers and

entrepreneurs through its daily activities and duties by focusing on good customer service to all. It has also engaged in more interactive events such as organising dialogue sessions with internal and external customers in the past year, thereby effectively enhancing communication and transfer of pertinent information between parties. In addition, the Companies Commission's strategies for change and development have taken into consideration the actual and existing situation for current and upcoming companies and businesses. This was done through actions and activities such as public surveys and dialogues held nationwide.

31 August 2005 saw Abdul Alim Abdullah concluding his term as the Chief Executive Officer of the Companies Commission. Under his competent leadership, a new set of strategic objectives was drafted, and smooth implementation of these strategic initiatives has culminated in noticeable improvements in the Companies Commission's service delivery standards, good statistics for surveillance and enforcement, and a marked increment in terms of compliance rate. With this strong legacy, I am confident of Abdul Alim's continued success and contribution to the nation in his new role as a Judicial Commissioner of the High Court of Malaya. Subsequently, on 1 November 2005, I appointed Abdul Karim Abdul Jalil, Director of the Enforcement and Legal Division at the Anti-Corruption Agency, as the new Chief



**Datuk Hj. Mohd. Shafie bin Hj. Apdal**

Minister of Domestic Trade and Consumer Affairs



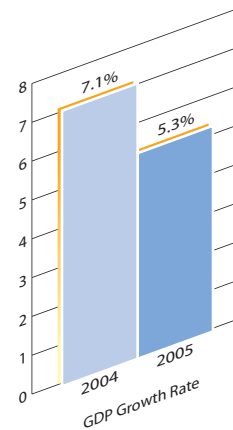
Executive Officer of the Companies Commission. Without doubt, I believe that Abdul Karim's experience and leadership ability would greatly assist in developing the Companies Commission's next stage of strategic initiatives.

Foresight – the ability to perceive the need to remain relevant and competitive in an ever-changing environment – coupled with the humility to accept positive and negative feedback and to forge on tirelessly for continuous improvement provide the ultimate edge to any successful and thriving organisation. With its strategic and proactive improvements taken well before difficulties or hurdles are met, the Companies Commission undeniably belongs in this accomplished category. By relentlessly demonstrating steadfast integrity in all its duties and service delivery, I believe we will continue to see great achievements from the Companies Commission.

I look forward to another rewarding year ahead for the Companies Commission.

# Corporate Overview of 2005

The Department of Statistics Malaysia reported a Gross Domestic Product (GDP) growth rate of 5.3% in 2005. This is in line with the government's forecast of between 5% and 6%, yet a substantial reduction from the overall growth of 7.1% in 2004. To a certain degree, GDP growth rates have a direct correlation to the performance of trade and industry during the year.



**GDP Growth Rate**

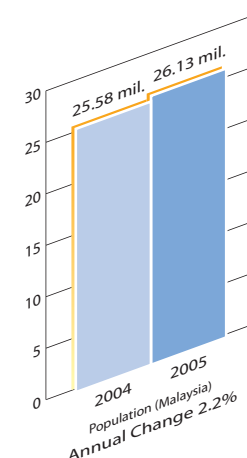
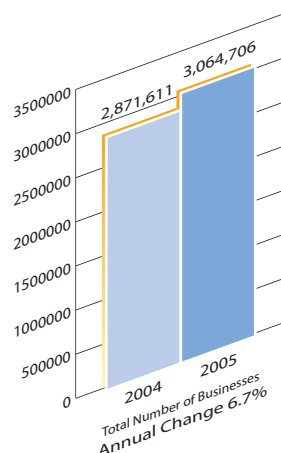
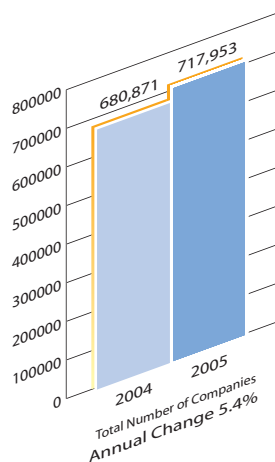
Malaysia	2004	2005
GDP Growth Rate	7.1%	5.3%

**Source:** Department of Statistics Malaysia

The Companies Commission's database indicated a total of 717,953 companies and 3,064,706 businesses at the end of 2005 compared to 680,871 companies and 2,871,611 businesses at the end of 2004, figures that are indicative and striking, especially in view of Malaysia's average population of approximately 26 million. With investment returns in stocks and shares unpredictable, and the national economy relatively healthy and thriving as indicated by the GDP, it is not unusual to find business-minded individuals turning to the option of engaging in formal business vehicles (sole proprietorship, partnership or companies) to conduct their businesses. Sponsored vocational training and active encouragement of entrepreneurship by organisations such as the Ministry of Entrepreneur and Co-operative Development, the Ministry of Human Resources and Majlis Amanah Rakyat (MARA) have, in turn, encouraged this entrepreneurial trend as well.

**Total Number of Companies and Businesses and Population**

	Companies Commission Register as at 31 December		Population (Malaysia)
	Total Number of Companies	Total Number of Businesses	
<b>2004</b>	680,871	2,871,611	25.58 million
<b>2005</b>	717,953	3,064,706	26.13 million
<b>Annual Change</b>	5.4%	6.7%	2.2%



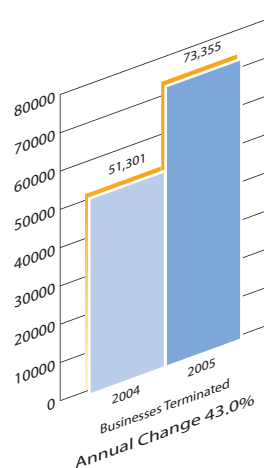
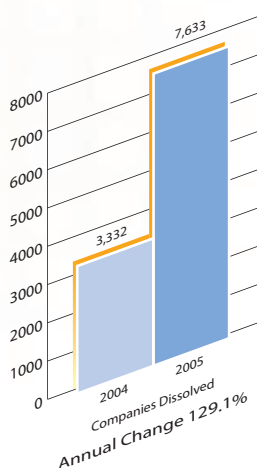
**Source:** Companies Commission and Department of Statistics Malaysia



On the other hand, statistics of the Companies Commission also indicate an increase of 129.1% for dissolution of companies and 43.0% for termination of businesses in 2005.

**Dissolution of Companies and Termination of Businesses**

	2004	2005	Annual Change
Companies Dissolved	3,332	7,633	129.1%
Businesses Terminated	51,301	73,355	43.0%

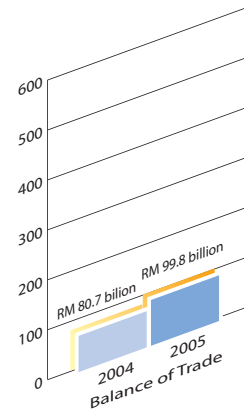
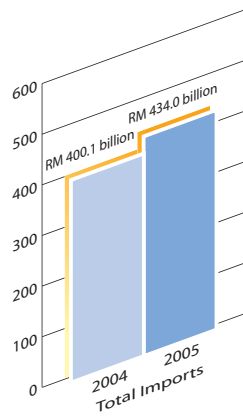
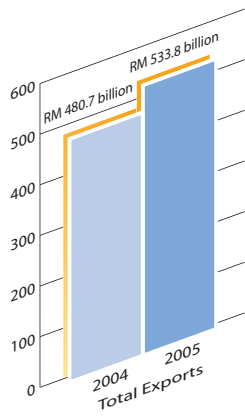


**Source:** Companies Commission

National external trade figures indicate that total exports (RM 533.8 billion) exceeded total imports (RM 434.0 billion) by almost 23% in 2005. The top three categories of electrical and electronic products (RM 264.7 billion), other manufactured goods and articles (RM 59.6 billion) and crude petroleum (RM 29.4 billion) indicate that the majority of export earnings are generated by a small group of manufacturing companies (2,955 manufacturing companies were registered at the end of 2005). However, according to a World Trade Organisation (WTO) report on trade policies and practices of Malaysia, Malaysia's main short-term concern may be a lower than anticipated growth in demand for exports due to high global oil prices.

**External Trade**

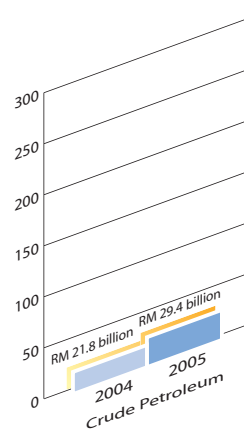
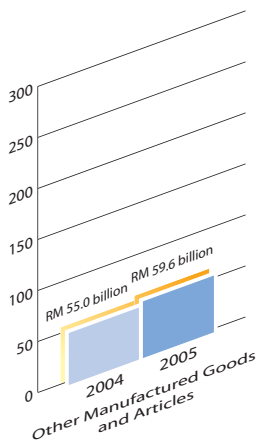
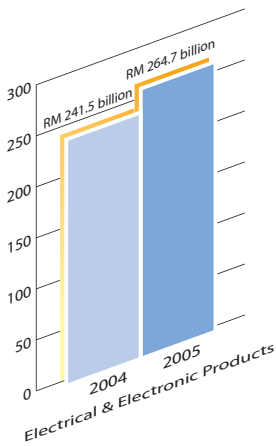
Malaysia	2004	2005
Total Exports	RM 480.7 billion	RM 533.8 billion
Total Imports	RM 400.1 billion	RM 434.0 billion
Balance of Trade	RM 80.7 billion	RM 99.8 billion



Source: Department of Statistics Malaysia

#### Value of Top Major Exports

Malaysia	2004	2005
Electrical & Electronic Products	RM 241.5 billion	RM 264.7 billion
Other Manufactured Goods and Articles	RM 55.0 billion	RM 59.6 billion
Crude Petroleum	RM 21.8 billion	RM 29.4 billion



Source: Department of Statistics Malaysia

Around the world, rising oil prices have affected many businesses involved in the supply of raw materials, semi-finished products and fast-moving consumer goods. Statistics from the Companies Commission's database for the past few years indicate that the largest group of registered companies fall under the 'Wholesale, Retail, Restaurants and Hotels' category. The increase in logistics cost would have definite but varying effects on many in this category. According to the Malaysian Institute of Economic Research (MIER), Malaysia's consumer price index increased by 3% in 2005, pushed up by rising costs of food, rent, fuel and transport which accounted for 79.1% of the overall increase for the year.

On the local front, 2005 saw the ringgit-dollar peg removed, the first interest rate hike in seven years announced, and foreign exchange administration rules liberalised, all of which are moves which firmly closed the last chapter of the Asian financial crisis. In terms of the financial sector, of particular note are the issuance of three Islamic banking licences to foreign banking institutions and the formation of investment banking groups, which are expected to lead to greater dynamism in Islamic and investment banking industries. All in, these were developments which have opened up new opportunities for the largest group of registered companies in Malaysia, namely, the 'Financial, Insurance, Property, Investment and Business Services' category (28,662 companies were registered at the end of 2005).

**Number of Companies Registered according to Category of Business**

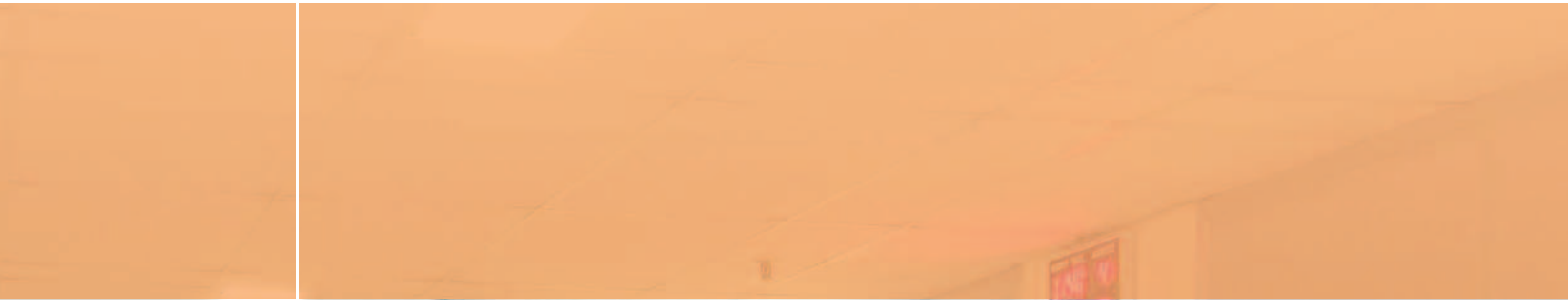
	2004	2005	Annual Change
Agriculture, Hunting, Forestry & Fisheries	993	1,222	23.1%
Mining, Quarry & Natural Resources	163	211	29.4%
Manufacturing	3,411	2,955	(13.4%)
General Utilities	99	119	20.2%
Construction	6,808	6,081	(10.7%)
Wholesale, Retail, Restaurants & Hotels	31,634	30,630	(3.2%)
Transport & Communication	3,394	3,302	(2.7%)
Financial, Insurance, Property, Investment & Business Services	24,554	28,662	16.7%
Community, Social and Personal Services	3,066	3,624	18.2%
Others	2	0	(100.0%)
<b>Total</b>	<b>74,124</b>	<b>76,806</b>	<b>3.6%</b>





**Source:** Companies Commission

The Malaysian government continues to call out for foreign direct investments. From the Companies Commission's perspective, we need to benchmark against international corporate administrators and play a key role in helping to ease the complexity of setting up and running a company on our shores, while, at the same time, striking a balance between ease of procedure and regulatory control to protect public interest and maintain good corporate governance. In this aspect, we need to ensure that our service delivery rating is excellent at all times, ensuring that market survey and opinion poll results reflect us well in both local and foreign eyes.



# Our Role In Perspective

The Companies Commission of Malaysia (hereafter referred to as the Companies Commission) was established under the Companies Commission of Malaysia Act 2001 (Act 614) on 27 September 2001 and came into operation on 16 April 2002 when the former Registrar of Companies (ROC) and the Registrar of Businesses (ROB) in Malaysia were merged to become a single entity. This merger resulted in the forging of a new cohesive front that now plays a more integrated and effective role as a national administrator, enforcer and regulator of specific company and business legislation.

Our three core functions are to serve as a **registration authority and a source of company and business information**, an **enforcement authority** to ensure compliance with the related Acts and legislation, and an **authority to initiate policy and regulatory reforms** to change the laws and regulations within our jurisdiction (and to enforce them) in response to changing trade and industry practices.

## Public interest at the heart of our operations

We focused on two key areas in 2005, namely the regulation of stakeholders and the improvement of our service delivery. The intensification of enforcement activities has helped promote better accountability and prevent corporate abuse. At the same time, we have been upgrading our service delivery enabled by technology to create an effective method of storing as well as retrieving data in order to provide a shorter turnaround period to meet public demand for efficient service delivery. Our database has been migrated from the old mainframe system to a web-based server system and we have, in 2005, embarked on a data-cleansing project to verify and update all entries. Leveraging on open system standards, architecture and internet infrastructure, steps are being taken by the Companies Commission towards the introduction of online access for the general public, to a range of electronic services via a secured environment on the internet.

## Essential enforcement of disclosure and corporate integrity

A company or business is a vehicle that is used to conduct commercial transactions. Those who incorporate companies under Companies Act 1965 (Act 125) or set up businesses via registration of either sole proprietorship or partnership under the Registration of Businesses Act 1956 (Act 197) are required to lodge specific information with the Companies Commission to ensure that stakeholders and members of the public would have access to such information for well-informed decision-making. Effective disclosure also promotes accountability.

Specifically for companies, disclosure is a critical issue for the achievement of transparency which in turn deters members of the company from using its limited liability status to perpetuate fraud on others. This is why companies are required to comply with various requirements under Act 125 and have their pertinent information kept up-to-date – for the benefit and protection of the general public. At the end of 2005, the Companies Commission is the custodian of an information database encompassing a total of 717,953 companies and 3,064,706 businesses in Malaysia.



On the other hand, sole-proprietorship or partnership businesses have unlimited liability on any debts or contravention of laws and regulations which they incur. Therefore, there are less compliance requirements under Act 197. Businesses remain popular as they are, to a certain extent, less complicated to set up and maintain while Act 125, which governs limited liability companies and their officers, contains provisions which impose duties and obligations on directors and penalties for breach of these provisions – which amongst others, include the requirement for annual general meetings to be held, proper accounting records to be kept, profit and loss accounts to be presented at annual general meetings and annual returns to be lodged with the Companies Commission.

Visible and credible surveillance and enforcement activities are vital to the promotion of corporate integrity. This is why complete and diligent enforcement of corporate compliance is necessary – to prevent corporate abuse, conflicts of interests, prohibited or unsanctioned transactions, the formulating and imparting of untruthful or misleading information, and more.

## Strategic Direction Plan

Powers of autonomy derived from Act 614 allow the Companies Commission to plan and manage all aspects of its administration, management, human resources and finance. We have the flexibility to plan and execute any necessary agenda to promote modern and productive value-added services.

A Strategic Direction Plan was implemented, commencing from the second half of 2003. It provided a clear and carefully established path of action, formulated via a high-level review of our operations and organisation structure by an external consultant, to chart a 5-year strategic plan. Within this timeframe, we aim to achieve outstanding customer service through the enhancement of our operating model, develop an improved business and regulatory environment, and promote an efficient and effective system to facilitate compliance.

We have been busy in the past year building upon the key strengths of our statutory powers, addressing prioritised internal barriers and challenges, developing key enabling strategies, and advancing actions to address key challenges – all towards the ultimate aim of achieving our eight strategic objectives by 2008:

- To achieve operational excellence in providing services through innovation, use of technology and efficient delivery channels.
- To attract, develop and retain competent and multi-skilled human resources.
- To initiate, develop and implement a comprehensive regulatory framework in tandem with the changing business environment.
- To instil good corporate governance through continuous education.
- To ensure compliance through effective surveillance and enforcement.
- To enhance revenue and operational efficiency to ensure sustainable growth in financial performance.
- To collaborate with professional bodies, other regulatory agencies and international corporate administrators.
- To develop and sustain an excellent corporate image.

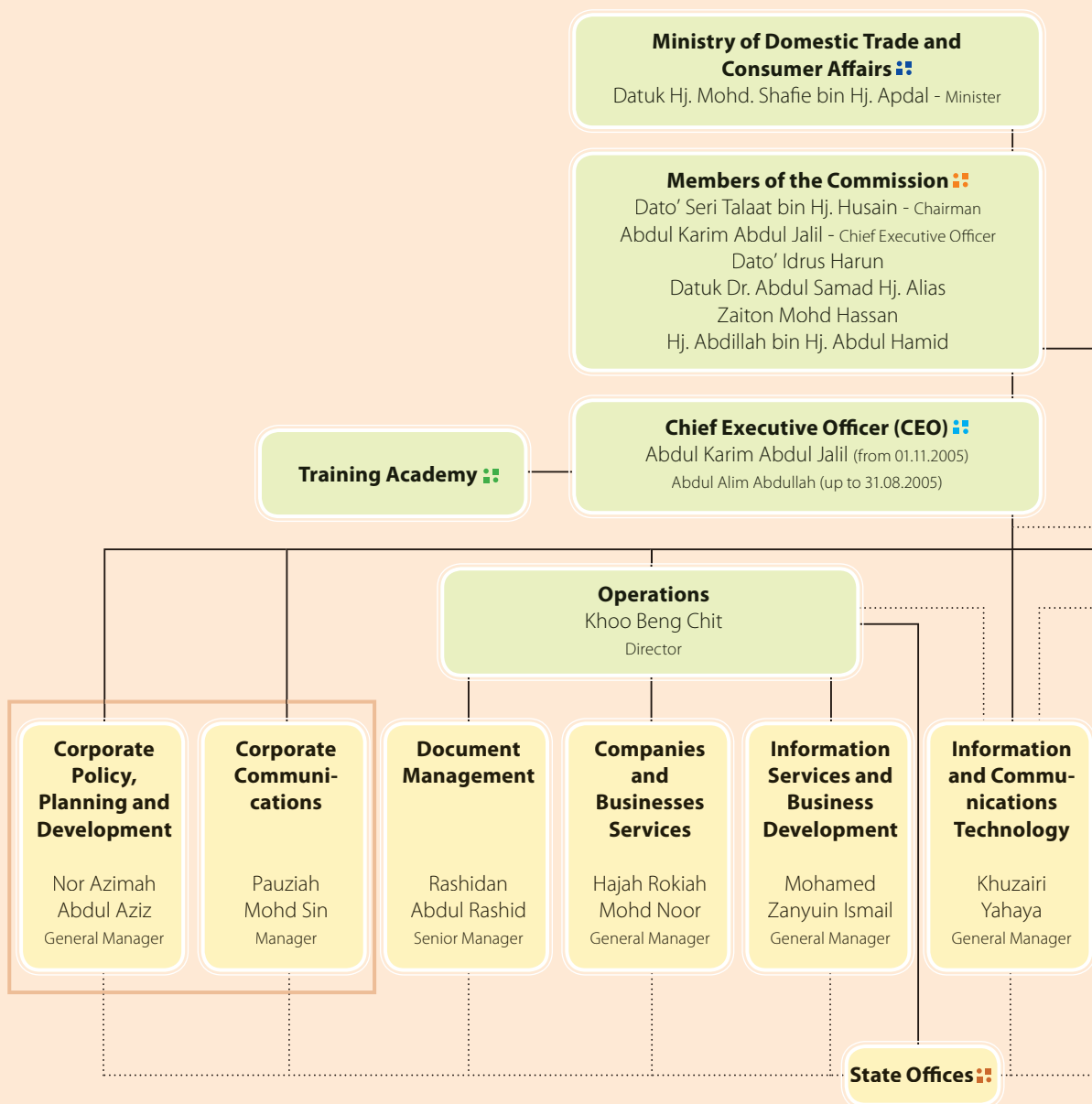
*The Strategic Direction Plan established in 2003 has given us a clear and determined direction in all that we do. With distinct targets of achievement, we have implemented a meticulous series of strategic initiatives to ensure dynamic progress, sustainable growth and an outstanding corporate image.*

## The Companies Commission at a Glance

<b>Functions</b> (Section 17 of Act 614)	<p><b>Ensure that the provisions of this Act and the relevant Acts and related legislation are administered, enforced, given effect to, carried out and complied with.</b></p> <p><b>Act as agent of the government</b> and provide services in administering, collecting and enforcing payment of prescribed fees or any other charges under the relevant Acts and related legislation.</p> <p><b>Regulate matters relating to corporations, companies and businesses</b> in relation to the relevant Acts and related legislation.</p> <p><b>Encourage and promote proper conduct</b> amongst directors, secretaries, managers and other officers of a corporation, and self-regulation by corporations, companies, businesses, industry groups and professional bodies in the corporate sector in order to ensure that all corporate and business activities are conducted in accordance with established norms of good corporate governance.</p> <p><b>Enhance and promote the supply of corporate information</b> under the relevant Acts and related legislation, and create and develop a facility whereby any corporate information received by, or filed or lodged with, the Companies Commission (custodian of corporate statutory records) may be analysed and supplied to the public.</p> <p><b>Carry out research and commission studies</b> on any matter relating to corporate and business activities.</p> <p><b>Advise the Minister</b> generally on matters relating to corporations, companies and businesses in relation to the relevant Acts and related legislation.</p> <p><b>Carry out all such activities and do all such things as are necessary or advantageous and proper</b> for the administration of the Companies Commission, or for such other purpose as may be directed by the Minister.</p>
<b>Authority</b>	<p>Empowered with the statutory power and autonomy to undertake all necessary duties and actions in connection with the performance of our functions under Section 17 of Act 614.</p>
<b>Vision</b>	<p>To be a centre of excellence for corporate information, regulation, development and research, responsive to a dynamic business environment towards enhancing national economic competitiveness.</p>
<b>Mission</b>	<p>Promote and cultivate a conducive and dynamic business and regulatory environment. Provide timely, accurate and value-added information and services enabled by technology. Instil good corporate governance through continuous education and effective surveillance and enforcement.</p>
<b>Staff</b>	<p>Employing an average of 904 people in Peninsular Malaysia and 68 people in East Malaysia.</p>
<b>Finance</b>	<p>Total income of RM 251,920,450 in 2005 – up 3.7% from the year before. See page 60.</p>
<b>Leadership</b>	<p>The Chief Executive Officer, appointed by the Minister, is responsible to the Members of the Commission for the day-to-day running of the Companies Commission. He leads the execution of the strategic vision and is supported by two deputies (Directors) in charge of operational management for front and back-end office operations. The departments are headed by General Managers accountable for the realisation of department business plans. See pages 14-15 and 26-27.</p>

# Key reporting lines and the management team

A new organisation structure was implemented on 1 March 2005. Key functions which support the way the Companies Commission is run were streamlined or adjusted for better synergy within a more well-defined structure.



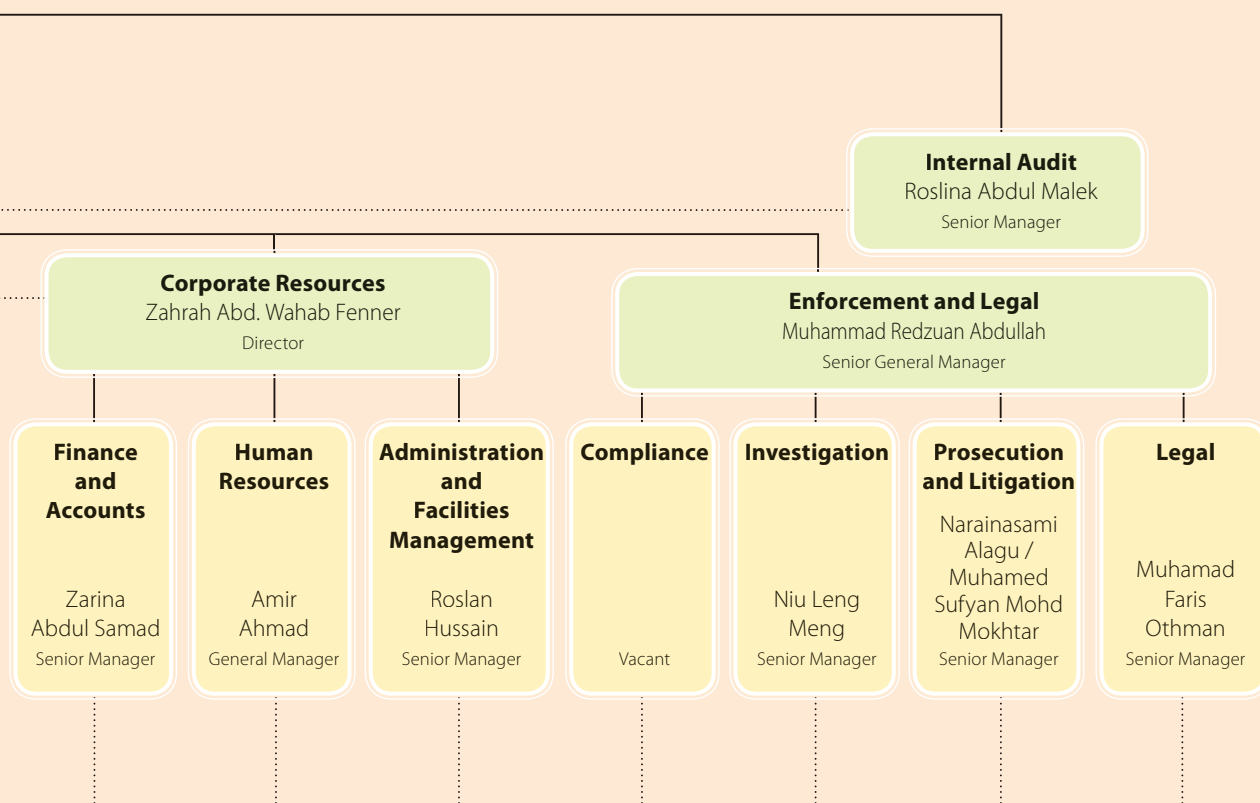


## Our reporting structure promotes clarity of function, responsibility and accountability.

- Minister's foreword, see page 2.
- Members of the Commission's biographies, see page 16.
- CEO's details, see pages 19 and 20.
- The incubator training centre is being temporarily administered by the Corporate Policy, Planning and Development Department, see 'Corporate governance' on page 44.
- Contact details, see page 102.

### Legend:

- Direct reports
- ..... Functional reports
- Office of the CEO





Dato' Idrus Harun  
**Member of the Commission**

Zaiton Mohd Hassan  
**Member of the Commission**

Hj. Abdillah bin Hj. Abdul Hamid  
**Member of the Commission**





Dato' Seri Talaat bin  
Hj. Husain  
**Chairman**

Datuk Dr. Abdul Samad  
Hj. Alias  
**Member of the Commission**

Abdul Karim Abdul Jalil  
**Chief Executive Officer**

# Members of the Commission



**Dato' Seri Talaat bin Hj. Husain  
(Chairman)**

## **Qualifications**

Master's in Professional Studies (International Planning) –  
Cornell University, United States  
Advanced Management Program –  
Harvard Business School, United States  
Senior Executive Program –  
London Business School, United Kingdom  
Bachelor of Social Science (Hons) –  
Universiti Sains Malaysia  
Secondary education –  
Malay College Kuala Kangsar

## **Term of Office**

26.07.2004 – present

## **Experience**

Dato' Seri Talaat began his civil service career as an Assistant State Secretary in Penang, and has since held various vital positions in the Malaysian Centre for Development Studies (MCDS), Socio-Economic Research Unit (SERU), National Institute for Public Administration (INTAN), National Palace and the Ministry of Education. During his distinguished career, he has also served as Mayor of Ipoh, Perak for five years. He was later the Secretary General of the Ministry of Youth and Sports until his recent appointment to the same position at the Ministry of Domestic Trade and Consumer Affairs on 25 July 2004.

Dato' Seri Talaat has been active in the social and sports scenes, and amongst his notable positions were as committee member of Asian Rugby Football Union, President of Malaysian Rugby Union (1998-2002) and Perak Rugby Union (1998-2002), President of Royal Perak Golf Club (2000-2002), Vice President of Perak Datukship Council and Commander of Central Perak St. John Ambulance and Red Crescent (1998-2002).

He has also received awards by His Majesty Yang di-Pertuan Agong, HRH Sultan of Perak, HE Yang di-Pertua Negeri of Penang and His Majesty Emperor of Japan. Currently, he is a board member of Malaysian Communications and Multimedia Commission, Malaysian Intellectual Property Corporation and Outward Bound School Trust of Malaysia.

## **Abdul Karim Abdul Jalil (Chief Executive Officer)**



### **Qualifications**

LLB (Hons) – University of Malaya

### **Term of Office**

01.11.2005 – present

### **Experience**

Encik Abdul Karim began his public service career as a Deputy Public Prosecutor, Attorney General's Chambers, in 1983. He has been assigned to numerous senior positions which include Senior Federal Counsel at the Department of Inland Revenue Malaysia (now known as the Inland Revenue Board of Malaysia), Deputy Public Prosecutor of the Attorney General's Chambers in Penang and Perlis as well as Sessions Court Judge in Kota Kinabalu, Kuala Lumpur and Melaka.

Encik Abdul Karim was Head of the Appeals Unit at the Prosecution Division of the Attorney General's Chambers at the end of 2000. A year later, he was appointed Director of the Enforcement Division at the Securities Commission, and subsequently as Director of the Enforcement and Legal Division at the Anti-Corruption Agency between 1 May 2004 and 31 October 2005. He was appointed Chief Executive Officer of the Companies Commission of Malaysia on 1 November 2005. Encik Abdul Karim is also a board member of the Labuan Offshore Financial Services Authority (LOFSA), and a member of the Foreign Investment Committee (FIC) and the Financial Reporting Foundation.





**Abdul Alim Abdullah  
(Chief Executive Officer)**

**Qualifications**

Barrister-At-Law – Lincoln’s Inn, London, United Kingdom

**Term of Office**

16.04.2002 – 31.08.2005

**Experience**

Encik Abdul Alim began his public service career as a Legal Officer, Attorney General’s Chambers, in 1978 before being appointed Assistant Director with the Legal Aid Bureau in Melaka in the same year. He was appointed Senior Assistant Registrar with the Penang High Court in 1981 and, subsequently, the Kuala Lumpur High Court in 1983. Between 1984 and 2000, he held various important positions, of which include Sessions Court Judge, Deputy Public Prosecutor of the Attorney General’s Chambers in Kuala Lumpur, Legal Advisor to the Royal Customs and Excise Department, Head of the Prosecution Unit at the Selangor Legal Advisor’s Office, Johor State Legal Advisor as well as Legal Advisor to the Ministry of Home Affairs. He was then appointed Chairman of the Kuala Lumpur Industrial Court in 2000. During his service in Johor between 1992 and 1996, he was appointed board member of Johor Corporation, YPJ Holdings Sdn Bhd, Johor Education Foundation (Yayasan Pelajaran Johor), Johor Coastal Development Sdn Bhd and Tabung Warisan Negeri Johor.

Encik Abdul Alim was appointed the 11th Registrar of Companies Malaysia on 1 April 2002, the last before the merger of the ROC and ROB to become the Companies Commission of Malaysia, and thereon appointed as its first Chief Executive Office, a position which he served until 31 August 2005. During his tenure as Chief Executive Officer, he was also a board member of the Labuan Offshore Financial Services Authority (LOFSA) as well as a member of the Foreign Investment Committee (FIC), Malaysia’s High Level Finance Committee on Corporate Governance and the Financial Reporting Foundation. Encik Abdul Alim is currently a Judicial Commissioner of the High Court of Malaya (appointed 1 September 2005).

## Dato' Idrus Harun

### Qualifications

LLB (Hons) – University of Malaya

### Term of Office

16.04.2002 – present



### Experience

Dato' Idrus began his career as a Legal Officer in 1980. Between 1980 and 1997, he served in various significant positions amongst which include Assistant Parliamentary Draftsman, Senior Assistant Registrar of the Kuala Lumpur High Court, Sessions Court President/Judge in Kota Kinabalu, Deputy Public Prosecutor of the Royal Customs and Excise Department, Deputy Public Prosecutor of the Attorney General's Chambers, Terengganu State Legal Advisor, Senior Federal Counsel of the Election Commission as well as Senior Federal Counsel with the Anti-Corruption Agency.

Dato' Idrus was later appointed as Deputy Head of the Advisory and International Division at the Attorney General's Chambers in 1997. Between 1998 and 2002, he was the Registrar of Companies. Thereafter, he resumed his service at the Attorney General's Chambers, as Head of the Advisory and International Division and subsequently the Head of Advisory Division, before his current appointment as Parliamentary Draftsman on 1 September 2004. He also serves as a member of the National Institute of Occupational Safety and Health (NIOSH), Labuan Offshore Financial Services Authority (LOFSA), the High Level Finance Committee on Corporate Governance, Securities Commission, the Foreign Investment Committee (FIC), Financial Reporting Foundation, Consumer Claims Tribunal and Malaysia Thailand Joint Authority (MTJA).

## Dato' Hj. Khairuddin Hj. Mohd Sari

### Qualifications

Bachelor (Hons) in Economics and Administration  
– University of Malaya

### Term of Office

16.04.2002 – 15.04.2005

### Experience

Dato' Hj. Khairuddin has served in the Ministry of Information, Commercial Vehicles Licensing Board, the Ministry of Public Enterprise, the Home Ministry as well as Tourism Development Corporation (TDC) before his subsequent posting at the Ministry of Domestic Trade and Consumer Affairs in 1998 where he is, at present, Deputy Secretary General (Policies). Dato' Hj. Khairuddin ended his term as a Member of the Commission on 15 April 2005.



## Datuk Aziyah Bahaudin

### Qualifications

Bachelor of Arts (Hons) in Economics – University of Malaya

### Term of Office

16.04.2002 – 28.02.2005  
(representative of the Ministry of Finance)

### Experience

Datuk Aziyah began her career in the civil service in 1974 and has served in the Ministry of Finance since then. Except for five years in the Government Procurement Management Division, the rest of her career has been with the Tax Analysis Department. She is currently the Secretary of the Tax Analysis Division at the Ministry of Finance. She is also a board member of Malaysia Thailand Joint Authority, Putrajaya Corporation, Edaran Otomobil Nasional (EON) Berhad, Malacca State Development Corporation and University College of Engineering and Technology Malaysia. Datuk Aziyah ended her term as a Member of the Commission on 28 February 2005.



## Datuk Dr. Abdul Samad Hj. Alias

### Qualifications

Bachelor in Commerce – University of Western Australia  
Fellow of the Institute of Chartered Accountants, Australia  
Member of the Malaysian Institute of Accountants (MIA)  
Member of the Malaysian Institute of Certified Public Accountants (MICPA)

### Term of Office

16.04.2002 – present

### Experience

Datuk Dr. Abdul Samad is a Council Member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).

At present, Datuk Dr. Abdul Samad is Non-executive Chairman of Ernst & Young Malaysia. He is also a board member of Lembaga Tabung Haji and TH Plantations Berhad, and Chairman of Malaysian Venture Capital Management Berhad and Malaysia Debt Ventures Berhad.

## Cheong Kee Fong

### Qualifications

LLM – Harvard Law School  
LLB (Hons) – National University of Singapore

### Term of Office

16.04.2002 – 15.04.2005

### Experience

Mr. Cheong is a legal practitioner and partner of a legal firm, and an advocate and solicitor with the High Court of Malaya and the Supreme Court of the Republic of Singapore. In addition to being a member of the Conveyancing Practice, Corporate and Banking Law Committee of the Malaysia Bar Council as well as the Corporate Law Reform Committee, he is also a representative of the Malaysian Bar in the 'Task Force to Implement the National Integrity Plan on Corporate Governance and Business Ethics'.

Mr. Cheong has served as a member of the Financial Reporting Foundation and the working group on law reform issues on corporate governance established by the High Level Finance Committee on Corporate Governance. During his tenure as a Member of the Commission, he was a member of the Audit Committee of the Companies Commission of Malaysia. Mr. Cheong ended his term as a Member of the Commission on 15 April 2005.





## **Zaiton Mohd Hassan**

### **Qualifications**

Fellow of the Chartered Association of Certified Accountants (FCCA), UK  
Member of the Malaysian Institute of Certified Public Accountants (MICPA)

### **Term of Office**

23.12.2003 – present

### **Experience**

Puan Zaiton is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Certified Public Accountants (MICPA). She had served as an auditor with Pricewaterhouse and thereafter joined Bank Pembangunan (M) Berhad. She then served Maybank for 12 years, her last position as General Manager, Corporate Planning, before becoming President of Malaysian Rating Corporation Berhad (MARC) in 1996. She left MARC in September 2004 and is currently the Managing Director of Capital Intelligence Advisors Sdn. Bhd. She is a Member of the Companies Commission of Malaysia, a board member of Credit Guarantee Corporation Malaysia Berhad and Bank Islam Malaysia Berhad as well as a member of the Investment Committee of Amanah Saham Nasional (ASN), ASN 2, ASN 3 Imbang and Amanah Saham Gemilang. She is also a director of public listed Malaysian Industrial Development Finance Berhad (MIDF), Mesiniaga Berhad, Amanah Millenia Fund Berhad and BIMB Holdings Berhad.

## Hj. Abdillah bin Hj. Abdul Hamid

### Qualifications

LLB and LL (Licence of Law) – University of Buckingham, UK

### Term of Office

15.06.2004 – present

### Experience

Tuan Hj. Abdillah was an officer of the Royal Malaysian Police force prior to his studies in the United Kingdom. He held the position of Police Inspector from 1975 to 1979 after graduating from the Kuala Kubu Bahru Police College. He has also worked as a Legal Executive with legal firms in Kota Kinabalu and Tawau in Sabah.

Tuan Hj. Abdillah entered the political arena in 1983, contested in the parliamentary election and won a seat at the Dewan Rakyat (Lower House of Parliament) in the same year. In 1984, he was appointed by the then DYMM Yang di-Pertuan Agong as the Deputy Minister of Rural and Regional Development, serving under Tan Sri Dato' Seri Sanusi Junid and, subsequently, Tun Ghaffar Baba, who was also the Deputy Prime Minister of Malaysia at that time. He has extensive experience in the field of international relations and has undertaken research and analysis, on the sponsorship of the Asia Foundation, in comparing legislative councils in the United States and ASEAN countries.



## Mary Artylan Fernandez

### Term of Office

01.03.2005 – 16.11.2005 (representative of the Ministry of Finance)

### Experience

Puan Mary served as a Member of the Commission from 1 March 2005 until her retirement on 16 November 2005.



# Executive Management



**Zahrah Abd. Wahab Fenner**  
Director  
*(Corporate Resources)*

**Khoo Beng Chit**  
Director  
*(Operations)*

**Abdul Karim Abdul Jalil**  
Chief Executive Officer



**Muhammad  
Redzuan  
Abdullah**

Senior  
General Manager  
*Enforcement and  
Legal Division*



**Mohamed  
Zanyuin Ismail**

General Manager  
*Information Services  
and Business  
Development  
Department*



**Khuzairi  
Yahaya**

General Manager  
*Information and  
Communications  
Technology  
Department*



**Nor Azimah  
Abdul Aziz**

General Manager  
*Corporate Policy,  
Planning and  
Development  
Department*



**Amir  
Ahmad**

General Manager  
*Human Resources  
Department*



**Hajah Rokiah  
Mohd Noor**

General Manager  
*Companies and  
Businesses Services  
Department*



**Roslina  
Abdul Malek**

Senior Manager  
*Internal Audit  
Department*

# Committees of the Companies Commission

## Audit Committee

- ◆ Datuk Dr. Abdul Samad Hj. Alias (Chairperson)
- ◆ Dato' Idrus Harun
- ◆ Cheong Kee Fong – up to 15.04.2005
- ◆ Representative of the Ministry of Finance (to be appointed)

## Disciplinary Committee

The members of this committee shall be in accordance with the Statutory Bodies (Disciplinary and Surcharge) Act 2000 (Act 605).

## Investment Committee

- ◆ Zaiton Mohd Hassan (Chairperson)
- ◆ Dato' Seri Talaat bin Hj. Husain
- ◆ Datuk Aziyah Bahauddin – up to 28.02.2005
- ◆ Abdul Alim Abdullah – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil – from 01.11.2005
- ◆ Zahrah Abd. Wahab Fenner

## Procurement Committee – Procurement Committee A

- ◆ Dato' Seri Talaat bin Hj. Husain (Chairperson)
- ◆ Abdul Alim Abdullah – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil – from 01.11.2005
- ◆ 2 Members of the Commission
- ◆ 1 representative of the Secretary General of the Treasury
- ◆ 2 employees of the Companies Commission appointed by the Chief Executive Officer

### **Procurement Committee – Procurement Committee B**

- ◆ Abdul Alim Abdullah (Chairperson) – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil (Chairperson) – from 01.11.2005
- ◆ Zahrah Abd. Wahab Fenner
- ◆ Khoo Beng Chit
- ◆ Mohamed Zanyuin Ismail
- ◆ Amir Ahmad
- ◆ Toh Kay Hong

### **Project Steering Committee for Strategic Direction**

- ◆ Dato' Seri Talaat bin Hj. Husain (Chairperson)
- ◆ Datuk Dr. Abdul Samad Hj. Alias
- ◆ Zaiton Mohd Hassan
- ◆ Abdul Alim Abdullah – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil – from 01.11.2005
- ◆ Zahrah Abd. Wahab Fenner
- ◆ Khoo Beng Chit
- ◆ Nor Azimah Abdul Aziz

### **Promotion Appeal Committee**

To be filled.

### **Recruitment Committee I**

- ◆ Abdul Alim Abdullah (Chairperson) – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil (Chairperson) – from 01.11.2005
- ◆ Dato' Hj. Khairuddin Hj. Mohd Sari – up to 15.04.2005
- ◆ Hj. Abdillah bin Hj. Abdul Hamid – from 15.04.2005
- ◆ Representative of the Ministry of Finance (to be appointed)

## Recruitment Committee II

- ◆ Abdul Alim Abdullah (Chairperson) – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil (Chairperson) – from 01.11.2005
- ◆ Zahrah Abd. Wahab Fenner
- ◆ Khoo Beng Chit

## Corporate Law Reform Committee

- ◆ Dato' K. C. Vohrah (Chairperson)
- ◆ Datuk Dr. Abdul Samad Hj. Alias (Member of the Commission)
- ◆ Cheong Kee Fong (Advocate & Solicitor) (Member of the Commission – up to 15.04.2005)
- ◆ Abdul Alim Abdullah (Chief Executive Officer) – up to 31.08.2005
- ◆ Abdul Karim Abdul Jalil (Chief Executive Officer) – from 01.11.2005
- ◆ Hue Siew Kheng (Attorney General's Chambers) – up to 16.10.2005
- ◆ See Mee Chun (Attorney General's Chambers) – from 16.10.2005
- ◆ Dr. Nik Ramlah Nik Mahmood (Securities Commission)
- ◆ Selvarany Rasiah (Bursa Malaysia)
- ◆ Philip Koh Tong Ngee (Advocate & Solicitor)
- ◆ Charon Wardini Mokhzani (Advocate & Solicitor)
- ◆ Peter Lee Siew Choong (Advocate & Solicitor)
- ◆ Eric Kang Shew Meng (Company Secretary)
- ◆ Mat Ghani Abdullah (Prime Minister's Department)
- ◆ Aslam Zainuddin (Prime Minister's Department)
- ◆ Dato' Loh Siew Cheang (Advocate & Solicitor)
- ◆ Lim Tian Huat (Chartered Accountant)
- ◆ Prof. Khaw Lake Tee (University of Malaya)
- ◆ Assoc. Prof. Aishah Bidin (Universiti Kebangsaan Malaysia)
- ◆ Datuk Simon Shim Kong Yip (Advocate & Solicitor) – from 25.10.2005

## Internal Audit

*Note: Internal Audit reports directly to Members of the Commission through the Audit Committee, and to the CEO on administration matters.*

### Key achievements

10 staff reviewed processes, evaluated and identified their weaknesses, made recommendations for improvements, monitored implementation and reported to the Audit Committee in a systematic and disciplined manner to assess and improve the effectiveness of risk management, control and governance processes.

### Key functions

- Evaluate the credibility and authenticity of financial and operational data, and ascertain whether the implementation of programmes and activities are in line with the Companies Commission's objectives.
- Ascertain and evaluate that accountability for assets and financial management comply with policies and procedures.
- Evaluate standardisation of the data network system, accounting system and internal control system.
- Evaluate and research the productivity and cost effectiveness of resources appropriate for the policies of the Companies Commission.
- Evaluate the effectiveness of IT management in the effort of becoming a centre of excellence.
- Prepare positive, independent, objective, clear, professional and on-time reports.
- Review the organisation to determine if planning, supervision, delegation and control of management policies, directives and regulations had been implemented efficiently and effectively in line with the Companies Commission's objectives as well as good corporate governance.
- Assist the management team in analysis and proposals, and provide views and information on the extent of effectiveness for programmes conducted by departments and state offices towards accomplishment of the mission and vision of the Companies Commission.
- Provide recommendations or suggest measures which can improve financial management, store management and management of other resources of the Companies Commission to improve efficiency, effectiveness and the economy.

### Outlook

The focus of activities will remain on monitoring and preparing independent and objective-oriented reports on the effectiveness of the Companies Commission's internal control system to assist Members of the Commission, the Audit Committee and the management team in the effective discharge of their responsibilities.





## Chairman's Statement



Dato' Seri Talaat bin Hj. Husain

Chairman



*Assalamualaikum wbkt dan salam sejahtera.*

In 2005, everyone at the Companies Commission has continued to mobilise full efforts in the achieving of its vision to become a centre of excellence for corporate information, regulation, development and research. From the active development of a favourable business platform for a competitive nation through research programmes and the provision of efficient services to the public to the instilling of good corporate governance both internally and externally, the Companies Commission has met and exceeded its objectives well.

There were several key events significant to the Companies Commission in the past year. In addition to renovation activities at the head office and state offices to emphasise a positive corporate image, there were also several changes to the senior management team and a few Members of the Commission have completed their term of appointment or retired. I would like to take this opportunity to express our gratitude and appreciation to former Chief Executive Officer Abdul Alim Abdullah who, during his tenure, displayed tremendous dedication and commitment in helming a portfolio of numerous key initiatives to improve the Companies Commission's overall internal and external competencies. In the fourth quarter, the Companies Commission welcomed new Chief Executive Officer Abdul Karim Abdul Jalil. Formerly the Director of the Enforcement and Legal Division at the Anti-Corruption Agency Malaysia, Abdul Karim is set to continue his predecessor's legacy to provide firm and stimulating leadership for the entire Companies Commission.

Apart from obvious physical transformation and personnel changes, the Companies Commission has also quietly continued to evolve beneath the surface, chief of which involves the refinement of its business processes to ensure greater ease and efficiency for both staff and members of the public. One example is the strategic use of technology to ensure integrity of data, for example where actual images are captured and kept in the database in a sophisticated and systematic filing and retrieval system. Much background work and deliberation have also been performed in the effort to reform corporate law for the betterment of the business community in the nation. Amidst all other regular duties to be discharged at the highest of work and service standards, the Companies Commission has indeed had a busy, productive and successful year altogether.

The leaders of our country, in particular our Prime Minister, have long been reiterating the crucial requirement for all to place strong focus on the issue of integrity. Compliance to laws and regulations is vital to the cultivation and survival of an honest, transparent and accountable society. On its part, the Companies Commission continues to encourage the public to comply with all provisions of Companies Act 1965 (Act 125) and other related legislation which it administers while at the same time being relentless in its enforcement and surveillance duties through all kinds of ongoing as well as ad-hoc operations. In 2005, a total of 11,245 inspections under Act 125 and 145,992 inspections under Registration of Businesses Act 1956 (Act 197) were conducted. 136,841 compound notices were issued and 5,034 cases were prosecuted in the year.



Finally, as a tangible move to improve our image and consolidate our strengths, results of the Internal and External Perception Audit were summarised in the third quarter and the baseline index established. From here, we will move steadfastly ahead to address our weaknesses as perceived by our external stakeholders. We will act on both the negative and positive

feedback. Even where results were reported to be above average, we have no wish to rest upon our laurels or stagnate. We look forward to the support of the public in all our efforts of improvement.

Thank you.

**Dato' Seri Talaat bin Hj. Husain**

Chairman

Companies Commission of Malaysia





## CEO's Report

Abdul Karim Abdul Jalil

Chief Executive Officer



## *Our approach is not to punish, but to educate...*

*Assalamualaikum wbkt dan salam sejahtera.*

The nation witnessed active entrepreneurship activities in 2005, with increments in the total number of companies and businesses in the Companies Commission's registers, as at 31 December, of 5.4% (from 680,871 to 717,953 companies) and 6.7% (from 2,871,611 to 3,064,706 businesses) respectively. In view of the thriving business environment, the Companies Commission has had to place greater emphasis in the past year on compliance for the corporate laws, policies and regulations which it governs. Every strategic initiative undertaken has been carefully developed as key to target objectives and concerns that are pertinent to our mission. This is also our theme for this year's annual report – "The Key to a Thriving Nation". The Companies Commission works hard to unlock the needs and expectations of the public by offering quality and value-added services at all times. Our efforts have resulted in an impressive and wide-ranging number of milestones achieved in the year. A selection of significant themes is reviewed below:

### **Change as key to continued progress**

I was formally appointed Chief Executive Officer on 1 November 2005 by the Minister of Domestic Trade and Consumer Affairs after former Chief Executive Officer Abdul Alim Abdullah accepted his new appointment as a Judicial Commissioner at the end of August. Several Members of the Commission retired in 2005 and the Senior Management team is working on a lean structure at present, but in a smart and efficient manner, building on the progress achieved in 2004.

### **Education as key to enforcement and compliance**

There exists a clear and present need for regulations to be enforced in ensuring a conducive or healthy business environment. When stakeholders are educated on the need to abide by the laws and are aware of the Companies Commission's serious commitment in enforcing what we govern, they will be conscious or alert in complying with the various requirements of the laws that we administer. I have a strong belief in education as the key to good corporate governance. There has been and will be continued emphasis on education in our duties and actions. At the same time, there is also a need for a careful balance between regulatory efforts and criminal sanction. The Companies Commission's earlier information dissemination efforts have paid off as there appears to be better awareness for compliance with requirements in order to be protected by the relevant laws and to avoid any breach of the provisions which apply. As at 31 December 2005, we are proud to report the achievement of a compliance rate of 71%, compared to 64% in December 2004 and 44% in December 2003. We will continue to strive to further improve this compliance rate. Our target is to develop good governance, of corporate structures and management processes, by those in a position of responsibility, for ongoing preservation of the interest of stakeholders.

The achievement of 71% in compliance rate can be attributed to an increase in enforcement activities by the Companies Commission and this is something which I was happy to observe when I



commenced my role as CEO in November. The Companies Commission's regulatory function was given a boost of concentrated efforts with increased staff numbers at the Enforcement and Legal Department. Given this support, systematic and routine enforcement action and legal proceedings were further enhanced to promote greater transparency and cultivate compliance with corporate laws, conditions crucial for our nation. There is a vital requirement for Malaysia to be ranked well in terms of international ratings for good corporate governance. This is why our government has repeatedly stated the importance for transparency, accountability and ethics for economic growth. In addition to reminding those with fiduciary duties of their responsibilities, it was also important for us to educate them on the benefits of protection provided by the laws.

### **Training as key to competent resources**

Training is another important aspect on which much emphasis has been and will continue to be focused. To further and continually elevate the competency level of our staff, regular technical and tactical or soft skills training sessions are conducted by the Human Resources Department. These enable us to carry out our duties competently and to better serve our customers. I would like the Companies Commission to thrive under a robust management which continuously initiates, shares and implements new and effective ideas. The implementation of Key Performance Indicators (KPIs) in 2005 was customised to allow us to measure our effectiveness in meeting statutory and service delivery aims in terms of specific and measurable achievements. These KPIs are reflected in, and will be measured by, the Performance Competency Management System (PCMS). There is a need to continuously inculcate a new work culture which is based on performance and merit, thus the Change Management Programme to help our people embrace change and to facilitate the change process will continue.



## Cooperation as key to consumer protection

Along with other regulatory bodies, the Companies Commission is aptly linked under the Ministry of Domestic Trade and Consumer Affairs which protects consumers by regulating fair competition and law-abiding practices for, pursuant to our data, two major business sectors in Malaysia today, namely Wholesale, Retail, Restaurants & Hotels and Financial, Insurance, Property, Investment & Business Services (for key statistics, see page 87). There are many different types of private and public companies in Malaysia with a limited liability status. Recent years have seen a growing desire to list public companies on Bursa Malaysia to raise capital and fund further expansion. Some of these were family-owned businesses prior to listing, which may result in the owners remaining as board members and who may not be aware that old management practices would need to be changed, and profits to be shared and distributed in the best interest of the shareholders. This has to be checked. On the other hand, although there are 3,064,706 businesses registered with the Companies Commission as at 31 December 2005, there remains a great number of small traders who have not registered their businesses (an estimate of approximately 40,000 in Kuala Lumpur only). We have been working and will continue to work with the relevant state authorities as well as consumer and trade associations to perpetuate the mobile registration counters which we started to overwhelming applause in this year. The aim is to educate the public on the importance of registering their businesses and the benefits and protection they can get, for example, from increased certainty and trust amongst those who transact with

them as there is transparency on ownership through registration data which are public documents.

## Dialogue as key to knowledge-sharing

In addition, proactive efforts were made during the year to stay up-to-date with current realities by consulting consumers, business and regional representatives. Recognising change and a need to stay abreast with commercial/business-related developments, we have organised forums at our head office and dialogues in Peninsular Malaysia as well as East Malaysia to encourage the entrepreneurial public to come forward in person to voice their concerns and interact with the Companies Commission. This has allowed direct and candid comments and feedback which invaluablely aid us in the planning of strategies for improvement. The aim is to work directly with the people who use our services in order to ensure that we deliver to the best of our ability. We will continue to take the initiative to engage in dialogue, to share and to educate.

## Corporate governance as key to competitiveness

Three aspects were further developed to accomplish good corporate governance. Firstly, the Corporate Law Reform Programme, established by the Companies Commission to provide a modern corporate law framework which is conducive for current and future needs of the corporate and business environment, recorded steady progress for a review of multiple aspects of corporate law – all within deadlines and in line with our mission to promote and cultivate a conducive and dynamic business

and regulatory environment. Benchmarking against the current regional and international practices would certainly help enhance our national economic competitiveness.

Secondly, in addition to institutions with approved training rights from us, the Companies Commission has also started conducting the Corporate Directors Training Programme (CDTP) in 2005 at our own training centre which now serves as the incubator for the upcoming Training Academy. This is aimed at reinforcing our image of taking the lead to educate company directors and officers on good corporate practices. Continued emphasis on training stakeholders is part of our efforts to instil awareness of conflict of interest amongst directors, when there is focus on personal gain or when substantial shareholders fail to declare their interests, in the course of setting up and managing a company. Through the CDTP, we are promoting good ethics in order to inculcate good corporate governance. The laws may not cover



some of these non-legislated codes or provisions but we intend to do all that we can to educate officers of companies on the types and need for due diligence practice.

Additionally, in our role as part of the Implementation Project Team of the High Level Finance Committee on Corporate Governance, which was set up by the government to look into establishing a framework for corporate governance and setting best practices for the corporate industry, we have drafted a Bill that incorporates relevant recommendations of the Committee to amend Act 125. This draft Bill proposes substantial amendments to enhance corporate governance provisions and has been exposed for consultation to professional bodies, the banking industry, co-regulatory bodies and other interested parties for comments. This approach is in line with the Committee's recommendation to ensure that all views are considered as a wider consultation would lead to greater acceptance by all the relevant stakeholders. The Bill has also been approved by the Attorney General's Chambers, and is pending tabling at Parliament.

### **Technology as key to service delivery**

To fulfil our responsibilities as an efficient service provider, we need to continue to effect technology-driven changes which will help us deliver better and faster services. With the Company and Business System (CBS) for both the ROB and ROC in place, we embarked on a 'data-cleansing' project to enhance the integrity and accuracy of data. A back-end scanning project involving 17.75 million images of ROB and ROC documents was completed in this year. By verifying and updating existing entries



of business information, our customers benefit from our ability to promptly retrieve and supply complete and accurate information. This is in line with our mission to provide timely and accurate information enabled by technology. In general, it has also improved the corporate image of the Companies Commission.

The full implementation of the CBS across Malaysia in June 2005 is a major milestone as it marks the completion of the migration process from the mainframe system to the new web-based system which allows the Companies Commission to start working on efforts to produce e-services (e-information, e-filing, e-payment and e-prelodgement through an online gateway). This is in line with our mission to provide value-added services enabled by technology. We believe in using technology and clear-cut methodologies to allow us to perform to the best of our ability. The Performance Competency Management System

(PCMS) which compels a performance-driven work culture and rewards employees based on their actual performance was installed this year. The new Financial Management System (FMS) which provides a comprehensive financial management system and reporting tools, as well as the Human Resource Management System (HRMS) which increases efficiency and security in the Companies Commission's personnel-related workflow, would be fully implemented in 2006.

### Looking towards the future

I wish to record my appreciation for the outstanding efforts of the entire team in 2005. We are determined to further strengthen our operational capability by recruiting, retaining and developing skilled and committed people. Only with competent internal resources can we effectively deal with an increased workload and responsibilities whilst raising standards to meet new challenges in the year ahead.

**Abdul Karim Abdul Jalil**  
 Chief Executive Officer  
 Companies Commission of Malaysia

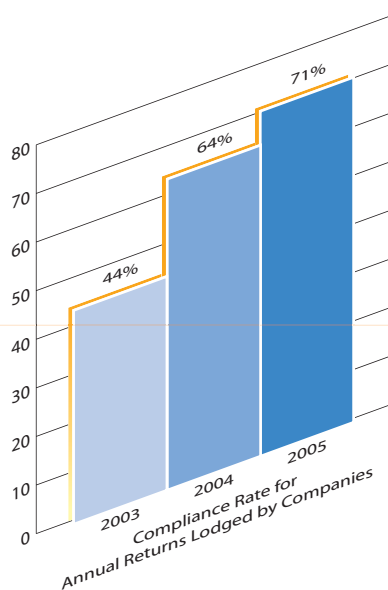
# Highlights of 2005

## *Undertaking strategic action to achieve tangible objectives and beyond.*

The execution of enabling strategies and action plans in a prioritised order marked the systematic and concentrated efforts of the Companies Commission's Strategic Direction Plan in 2005. A deeper and more intense level of strategic action was implemented to achieve the vision which we had established in the third quarter of 2003. The key initiatives of the past year are underscored here:

### Compliance and enforcement

#### *Conducted extensive surveillance and ensured effective enforcement...*



Compliance issues continued to be taken seriously by the Companies Commission with regular and dedicated enforcement operations conducted throughout the year to expose any breach of Companies Act 1965 (Act 125) or Registration of Businesses Act 1956 (Act 197). **Compound notices** issued for ROC and ROB-related offences **increased by 5.2%** as a result of concentrated enforcement efforts on companies. In all, we **prosecuted 3,938 cases** for breach of Act 125 and **1,096 cases** for breach of Act 197, signifying an overall **28.2% increase from 2004**. The total **compound value collected** (a total of RM 22,695,723) indicated a **32.2% annual increase**. Concurrently, it is heartening to note that the overall compliance rate for annual returns lodged by companies has continued to rise from year to year, from 44% in December 2003 to 64% in December 2004 to 71% in December 2005, thus indicating good results in terms of improvements each year.

Compliance Rate for Annual Returns Lodged by Companies			
Year	2003	2004	2005
Compliance rate	44%	64%	71%



*In 2005, we achieved a 71% compliance rate, a marked improvement from 64% in 2004 and 44% in 2003.*



## Operations

*Improved service delivery through technology implementation and enhanced delivery channels...*

The Companies Commission offered more efficient services to our customers throughout the year. Notably, the bulk submission counter service for CBS-ROB, which was introduced towards the year end, has improved our delivery system as well as **reduced waiting time** to three days from the previous seven. With the successful roll-out of the new ROB mobile counters widely applauded by the public, many requests have been received for more of these at various places.

The efficient use of technology also contributed directly to the overall improved operation processes and service deliveries. The new CBS-ROC was successfully launched nationwide in July 2005, and is being closely monitored with further post-implementation activities that will continue into the new year until its stabilisation.



The successful completion of the **back-end scanning project for 17.75 million images** of ROC and ROB documents ensures delivery of data to our customers. At the same time, a **9% increase** (with a turnover of RM 5.75 million) was recorded for the supply of information through the IDAMAN system.

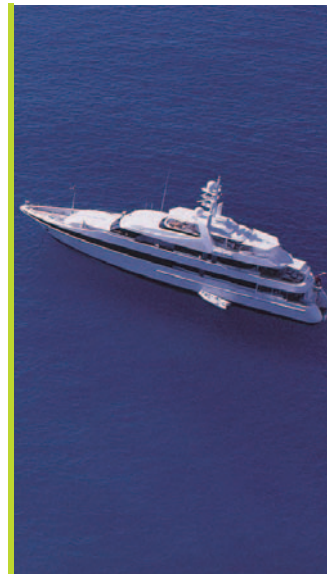
The attempt to reach out and bring our services right to our customers has seen the ROB renewal of registration **service extended to post offices** for the convenience of the general public. Additionally, the registration and lodgement processes were re-engineered for increased efficiency. At the same time, the Companies Commission supplied **1,580,102 sets** of company and business information to the public using CBS-ROC and CBS-ROB. Finally, the baseline index survey was conducted and cascaded to all management staff for effective remedial action to be developed.

## Corporate law development

*Timely law reform together  
with on-going regulatory framework  
development and implementation...*

A brand new law was gazetted in 2005 – the **Langkawi International Yachting Companies Bill 2005** was tabled and approved by both the Dewan Rakyat and Dewan Negara to provide an avenue for the incorporation of companies in Langkawi engaged in yacht-related businesses as well as to facilitate upscale chartering in local waters and attract inward investment to develop a network of yacht-related businesses in Langkawi.

On the other hand, the **Corporate Law Reform Programme** has continued to progress, with the Steering Committee, Working Groups and Technical Sub-committee of the Corporate Law Reform Committee having completed its **review** of numerous specific core areas **of company law in 2005**. Concurrently, **consultative papers** by the Corporate Law Reform Committee have been exposed to practitioners, stakeholders and the general public for feedback and comments from their part.



## Corporate governance

*Inculcation of good corporate governance practices through education in ethics and integrity...*

The Companies Commission established a **training centre** to temporarily serve as the incubator for our future Training Academy. In 2005, apart from the selected institutions which regularly hold the **Corporate Directors Training Programme (CDTP)**, the Companies Commission itself organised the CDTP and those who attended the programme with us were also provided with an on-site tour of the Companies Commission's operations, hence enabling us to further the objective of **public education** by instructing them on how to conduct searches and share with the participants our operations.

We continued to serve as **Secretariat to the Ministry's National Integrity Plan Steering Committee for Economic Institutions**, undertaking research for five working groups comprising over 50 members including representatives from the public sector (Ministries, co-regulatory bodies etc), private bodies (non-governmental organisations, trade associations, professional bodies, practitioners, consumers etc) and industries (officers of companies, trade unions etc) to come up with recommendations to implement the **National Integrity Plan (NIP)** for economic institutions. Our aim is to promote and raise the standards of accountability and transparency amongst corporate players and industries across the nation. The monitoring and coordination of implementation for the NIP would be managed by the Malaysian Integrity Institute.

## Networking and collaboration

*Engaged in local and international initiatives of benefit and impact...*

The inaugural **Annual Dialogue, East Malaysia Regional Dialogue** and **Corporate Practice Consultative Forum** were held to favourable ratings, with participants from numerous corporate and business fields, professional bodies as well as other regulatory agencies well-represented. The Companies Commission also kept abreast with **global developments** by sharing expert know-how with **international corporate administrators** through **inter-collaborations** as well as other **networking efforts** such as mutual contact and visits.

To commemorate the Companies Commission's third anniversary on 16 April, a special interview and pull-out feature on our role and functions was published in Berita Harian on 18 April 2005.

## Financial performance

*Enhanced revenue and ensured sustainable growth in financial performance ...*

The Companies Commission collected a **total revenue of RM 251,920,450** in 2005. It also recovered a total of **RM 3.8 million** in funds for **unpaid compound notices** due to concentrated collection efforts, while a further **RM 11.1 million** of income was achieved from active investment activities in **diversified investment portfolios**.

A clear indication of the Companies Commission's **sustained improved operational efficiency** was conveyed by the good report issued by the Auditor General for the Management Audit in 2004, as well as the significant progress charted for the Human Resource Management System (HRMS) and Financial Management System (FMS). This confident management of our people and money directly **ensures a continuous growth in financial performance** for the Companies Commission.

## Our people

*Attracted, developed and retained a multi-skilled, competent pool of talent...*

A reporting structure that promotes clarity of function and accountability was effected with the Companies Commission's **new organisation structure** implemented in March, for which we **recruited 203 new staff**.



In addition, we developed the **Change Management Plan** to facilitate our staff in embracing change and to enable the addressing of human transition issues at the workplace. In 2005, **867 staff** attended **130 different types of courses** in Malaysia and abroad. To promote **solidarity and camaraderie** amongst staff, the inaugural Companies Commission Sports Day was conducted to great success with plenty of positive feedback.

Another significant milestone is the installation of the **Performance Competency Management System (PCMS)** whereby the **KPIs** included in the system allow measurement of individual performance to ensure proper **recognition and reward**. **RM 56 million** was allocated for **staff loans**, which make up part of the employment privileges with the Companies Commission.

## Corporate image

*Developed branding and sustained a good image...*

A **singular identity** was carefully materialised for the entire Companies Commission when renovations at the head office and state offices established a fresh, consistent and **easily identifiable corporate image** throughout. To further enhance and refine our corporate image, we also embarked on an education and publicity drive through the printed and electronic media.

We made sincere efforts to acknowledge and address possible critique by conducting the **baseline index survey** to ensure that we fully understood the variances that may occur between the self and public perceptions of the Companies Commission. This is supplemented by crucial technical and tactical training programmes to improve staff knowledge and competency on company laws, enforcement issues and other pertinent subjects in order to ensure that all contact with the public will be dealt with knowledgeably and confidently, **thereby upholding the good image** of the Companies Commission.





Corporate Policy & Planning,  
Communication and ICT

Operations

Resources

Enforcement





# Corporate Policy & Planning, Communication and ICT

*Who : 82 staff consisting of the Corporate Policy, Planning and Development Department, Corporate Communications Department, and Information and Communications Technology (ICT) Department.*

## Corporate planning

To inculcate a performance-driven work culture within the organisation, specific Key Performance Indicators (KPIs) have been set to measure the performance of the heads of all levels as well as ensure the percentage of strategic projects meeting timelines. KPIs were established for the CEO, both Directors as well as at the Department, Branch and Section levels. These KPIs allow the non-biased determination of individual and departmental performances through accepted measurement of many aspects of our organisation's operations, and provide a basis for the implementation of the Performance Competency Management System (PCMS).

An Internal and External Perception Audit (baseline index survey) was conducted in 2005 and the baseline indices on internal satisfaction and external perception were presented at the 24th meeting of the Members of the Commission.

## Developing regulation

We tabled the Bill for the Langkawi International Yachting Companies Act (LIYCA) 2005 which was approved by Dewan Rakyat (29 June 2005) and Dewan Negara (5 July 2005) – Malaysia now has a yacht companies registration regime of international standard, the first in the East Asia region.

This Act enables foreign and local yacht owners to incorporate companies in Langkawi to carry out activities in yacht-related businesses. Selected liberalisation of provisions on company formation and compliance requirements was designed to attract foreign players in yacht-related businesses to consider incorporating new companies or shifting registration of their existing companies from foreign jurisdictions to Langkawi. The Act aims to promote Langkawi as an exclusive international yacht registry on par with other yachting havens abroad (Caribbean Islands in the United States, Gibraltar etc) and develop other related industries that contribute towards Malaysia's national yachting industry.

Apart from LIYCA, there is another legislation known as the Langkawi International Yacht Registry Act (LIYRA) 2003 which seeks to register yachts. This Act is enforced by the Ministry of Transport. Both LIYRA and LIYCA are part of our government's

Corporate policy research is conducted by the Companies Commission:

- by staying aware of regional and international regulatory policies, practices and reforms which adds value to its initiatives and benefits local/foreign corporations, companies and businesses in Malaysia
- by initiating change to the laws and regulations within its jurisdiction



effort to promulgate and develop Langkawi as a reputable international resort and a major yachting centre. Additionally, it is aimed to position Malaysia as the first and a major player in yacht-related industries in the East Asia region by making Langkawi a haven for yachts and yacht-related businesses from all around the world.

We have also completed drafting the Bill to amend Act 125 which seeks to implement the High Level Finance Committee on Corporate Governance's recommendations to statutorily provide certain corporate governance principles in Act 125. This Bill is expected to be tabled during the Parliamentary session in March 2006.

## **Corporate Law Reform Programme**

The Corporate Law Reform Programme (CLRP) continues to progress in forming recommendations to propose and develop a modern, competitive and conducive corporate legal framework for Malaysia. 60% of consultative papers have already been prepared (7 of 15 were completed and four were exposed for feedback and comments) and a KPI has been set to measure the CLRP's percentage of completion against plan.

The Corporate Law Reform Committee (CLRC) held 8 Steering Committee meetings, 12 Technical Sub-Committee meetings and 38 Working Group meetings to review numerous core areas of company law in 2005. The Steering Committee also participated in three forums by professional bodies (Revamp of Companies Act 1965, Corporate Law Reform in Malaysia, Reforming Corporations To Enhance Competitiveness). Five articles on various company law issues were published and featured in Journals of seven professional bodies (for a list of CLRC publications and consultative papers, see page 82).

## **Policy and statistical research**

Data and statistics from the Companies Commission's database were analysed to provide quality reporting on our nation's corporate and business environment. To measure efficiency levels, KPIs have been set to assess the turnaround time for the production of monthly statistical reports and drafting of bills. The Companies Commission's annual report will also be produced on time and be tabled to the Members of the Commission by the first quarter of each year.

## **Network and community relations**

The inaugural Annual Dialogue for the Central region and East Malaysia region (for terms of reference and details, see pages 76 and 80-81) were launched to allow senior management of the Companies Commission to communicate our roles, activities and achievements and to conduct open discussion on

problems faced by a variety of organisations when dealing with the Companies Commission. In all, 11 memorandums from 11 organisations were deliberated and clarified, and responses were circulated to 116 participants from 32 organisations. 25% of participants gave a 7–8 rating (where 1 is 'poor' and 10 is 'excellent' on a scale of 1 to 10) on the evaluation form for this event. KPIs have been set to measure the percentage of networking events conducted as planned, and the networking events feedback index.

The inaugural quarterly Corporate Practice Consultative Forum was also organised to promote active joint consultation, co-operation and deliberation of corporate practice issues with professional bodies and this was participated by 22 representatives from seven professional bodies (Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Federation of Public Listed Companies, Bar Council, Institute of Approved Company Secretaries, Malaysian Association of Company Secretaries and the Malaysian Association of the Institute of Chartered Secretaries and Administrators).

In our role as Secretariat to the Ministry's National Integrity Plan Steering Committee, we helped articulate recommendations for implementation of corporate governance and business ethics for economic institutions.

We also regularly conducted the Hari Bersama Pelanggan programme at all our offices nationwide. 2005 saw our participation in 12 Ministry-organised Hari Bersama Pelanggan events where recognition was achieved when we won third prize for the Best Counter Award at the Ministry's Quality Day 2005.

In addition, we participated in numerous expositions across Malaysia to promote a positive image for the Companies Commission and coordinated honorary visits from foreign (Dubai, Kenya, Vietnam and Hong Kong) and local dignitaries and organisations. Other events were also conducted to ensure regular contact and establish good rapport between the Companies Commission and external parties and the public (for key events, see page 76).

## **Corporate communications**

The corporate communications department commenced operations in March to manage public relations and events to ensure that the Companies Commission maintained a positive corporate identity. It acts as the key liaison for the Companies Commission in providing responses to queries from the media and public, and promotes the Companies Commission as an effective regulatory enforcement agency through the dissemination of general information and that related to current developments and other issues to customers and the public.

In 2005, public awareness and education campaigns were implemented through various channels to increase understanding of the role and brand name of the Companies Commission. A special press supplement on our role and functions was published in Berita Harian on 18 April to mark the third year of our establishment on 16 April. Press releases (regarding enforcement efforts, legal proceedings, launch of the new CBS-ROC system, interview with our Chairman on current developments, appointment of our new CEO, mobile business registration counters in the Klang Valley etc) were also published in various forms of media (newspapers, radio and television).

Realising the need to leverage on technology to reach a wider audience, a special committee (comprising representatives from different departments) was formed to plan quality content for the official website in order for it to serve as an effective tool for nurturing public relations.

### **Information and Communications Technology (ICT)**

ICT services, awareness programmes as well as in-house IT and technical support to address and resolve problems were developed and delivered to all our staff across Malaysia. Five core aspects of ICT (operations, networking, system development, ICT planning and e-services, and helpdesk) and technologies which improve overall efficiency were used to formulate a strategic organisation direction for the Companies Commission. Throughout the year, the ICT team ensured constant availability of the CBS-ROC and CBS-ROB systems for company and business registration, the IDAMAN system for the provision of document scanning and imaging, and office automation such as network access, shared network services and email. They implemented systems which met organisational requirements and ensured that service downtime was kept to a minimum.

Specifically, the Company and Business System (CBS) roll-out and data migration from the old mainframe system was completed (the mainframe has been decommissioned and the CBS application and infrastructure fine-tuned) in 2005. The development of the Human Resource Management System (HRMS) and Financial Management System (FMS) as an integrated system, is to be fully implemented in early 2006. In addition, critical IDAMAN servers at the head office and state offices were upgraded to handle additional loads and the scanning software was also upgraded with the latest features to support centralised volume management. Back-up was done for all images and indexes at state offices, and images uploaded to local servers (apart from the head office) to facilitate the tracing of documents and retrieval of images for the respective state offices.

For risk assessment purposes, ICT services have been profiled and categorised into three levels of criticality, and the Disaster Recovery facility has been reassessed according to current business requirements (proper back-up of data is done every night and stored off-site).

For networking, the network infrastructure was enhanced or upgraded (upgrade of network core switches to gigabit infrastructure, use of wireless network connectivity etc) and networked IP-addressing reconfigurations (redeployment of computer network due to renovations at the head office) were completed. Subsequently, network management processes were developed to ensure reliability and effectiveness of the crucial link connecting the head office and state offices. Security administration for the Companies Commission's wide area network (WAN) and local area network (LAN) was also reviewed to ensure adequate security levels. The Virtual Public Network infrastructure for external/remote access to the internal system was completed, and the Mobile Remote Access Services (MoRSe) infrastructure was put in place. Connections, for the data enquiry process, were also established with external government enforcement agencies. The aim for high-speed and secure transmission of data via remote access systems has been achieved but will be further improved for even better performance.

In terms of system development, computerised applications have been developed to maximise the use of web technology which is changing the manner in which we conduct our business. The ICT department business plan which defines the Companies Commission's future electronic services (e-services) is ready, and guidelines for technology plans and proper documentation of processes have been established and reviewed.

## Education and training

A training centre, currently located at our head office, was established to serve as the incubator for the Training Academy, which will only be formally established upon moving to our permanent corporate premises. In our bid to further instil good corporate governance through continuous education and training, course participants were given the privilege of an on-site tour of our operations at the end of their sessions.

### Outlook

All over the world, corporate administrators are reviewing and revamping their business and reporting methodologies to better address the requirements of today's internal and external customers. There is a need to be precise, simple and spot on. In 2006, we will conduct research and benchmarking not only on Act 125 but also other legislation that we administer such as Act 197 and Trust Companies Act 1949 (Act 100) to further clarify and modernise the provisions to meet the requirements of today.

The general public still refers to the Companies Commission as the ROC and ROB despite the merger some years ago. There is a need to change public perception and promote the Companies Commission as an independent brand name in its own right. In 2006, we will complete the web site revamping project and launch a refurbished corporate webpage, as well as produce a corporate video on the role and functions of the Companies Commission.

All our 15 offices throughout Malaysia rely on numerous occupational systems and the critical link connecting HQ-to-Branch and HQ/Branch-to-Internet systems. There is a need to further develop the reliability and effectiveness of these essential aspects which support the main and daily functions of the Companies Commission. In 2006, we will complete the IDAMAN I system upgrade migration (replacing obsolete systems and upgrading the storage and retrieval infrastructure for document images), complete the Financial Management System (FMS) and Human Resource Management System (HRMS) projects and establish data communications with external agencies (such as Malaysian Administrative Modernisation and Management Planning Unit, Economic Planning Unit, Ministry of Domestic Trade and Consumer Affairs, Bank Negara Malaysia, Department of Statistics, e-Perolehan etc).

# Operations

*Who : 366 staff (including staff at state offices across Malaysia) consisting of the Document Management Department, Companies and Businesses Services Department, and Information Services and Business Development Department.*

## Incoming documents

All documents for companies and businesses which we received were scanned and archived to an acceptable quality (correctly indexed and legible). The physical documents and non-digital back-ups were also managed via a proper storage system. Particular emphasis was placed on ensuring that nine critical processes were properly executed:

- the receipt of documents
- preparation of documents
- bar coding and indexing
- scanning of documents
- quality control
- uploading of images
- backing up
- document storage and retrieval
- film storage and retrieval

## Incorporation of companies

All corporate applications were checked against policies and guidelines which currently apply. This was to ensure accurate, complete and systematic registration and update of company and business information for the Companies Commission's database.

Statistics indicate only a 1.3% increase in name-search applications and a 75.2% decrease in the number of names under query, a scenario likely resulted from the enabling of the online search function via the Companies Commission's website (and public terminals at all our offices) which allowed self-investigation before the submission of applications. 65,095 name-search applications were approved, and 88 were referred to the Minister (as required under Sections 22(1) and 341(1) of Act 125 through Government Gazette No. 716). A total of 37,740 new companies were incorporated in 2005, which is a 2.2% decrease from the year before. At the end of 2005, the total number of companies registered was 717,953 (for key statistics, see page 88).



The new CBS-ROC implemented on 20 May at the head office and 16 June at all state offices to complete the Companies Commission's automation project has provided clearer and more systematic procedures to help facilitate verification of information for company registration.

### **Corporate administration**

Applications of companies limited by guarantee which require the approval of the Minister under Sections 19(2) and 24 of Act 125, corporate applications pursuant to various provisions of Act 125 for the approval of the Registrar, registration of trust companies under the Trust Companies Act 1949 (Act 100) as well as lodgement of statutory records were all received and processed in a timely manner. 100% of all applications received in 2005 were processed.

14.5% more applications (compared to last year) to incorporate public companies limited by guarantee were processed during the year. There was also greater enforcement of public companies limited by guarantee in 2005 as this category usually involves non-profit organisations. Several reports from other enforcement agencies on failure to comply with company objectives or public interest were investigated and action was taken against these companies such as Falun Dafa Research Berhad, PKPM Services Berhad, Pasukan Tindakan Cemas Malaysia Berhad, and more.

### **Registration of statutory records and charges**

1,321,507 corporate statutory records were checked, verified and registered, or updated, as required by Section 11(8) of Act 125 (registered address, capital, name of company officers, shareholders and accounts). The same procedure was applied to charges amounting to RM 639.3 billion registered by financial institutions, as required by Section 108(1) of Act 125. This is a significant amount when compared with RM 255.9 billion in the year before as it indicates more money (in terms of loans etc) in the market, which in turn means more business activities. Additionally, 136,841 compound notices for failure to comply with Act 125 and Act 197 were issued. Officers from the General Document Registration Unit were also responsible for providing corporate records as evidence in court for criminal and civil proceedings.

### **Insolvent companies**

All documents related to the winding up and dissolution of companies (by court order or voluntarily) were pre-lodged at state offices and forwarded to the head office for verification of compliance with Act 125 (the CBS has several built-in functions to search for and check insolvency documents already lodged) before being approved for input into the CBS.

## Striking off defunct companies

Defunct companies (those which fulfilled criteria based on the corporate information in the CBS-ROC) were de-registered. A total of 7,633 company names were struck off the Companies Commission's register after six years of failure to lodge corporate statutory records.

## Registration of businesses (sole proprietorship and partnership)

193,095 new applications (Form A), 186,218 changes of business details (Form B), 73,355 terminations (Form C) and 509,343 renewals (Form D) were processed in 2005. There was an annual increase of 2.1% (from 189,206 to 193,095) in new business registrations in 2005, and an increase of 30.0% (from 143,287 to 186,218) in registered businesses which amended their type of business, their owner's details or their main business addresses.

The use of CBS-ROB at one-stop multi-functional counters has allowed more efficient registration, retrieval and supply of accurate data as well as the convenient issuance of business registration certificates and receipts, effectively eliminating double-queuing at multiple counters. At the end of 2005, the total number of businesses in the Companies Commission's database was 3,064,706.

Services to renew business registrations at 404 post offices across Malaysia (temporary halted since 21 June 2004 due to the CBS-ROB implementation project) resumed in early 2005, providing greater accessibility of our services to customers once again. Consequently, an overall 18.2% decrease (from 622,902 to 509,343) in renewals of business registration was recorded for 2005.

## Information services

In 2005, the Companies Commission introduced the sale of bulk information which comprised several packages with different information content based on customer needs and requirements. Major clients in the past year include large corporations, institutions, government agencies and information service providers.

Great effort was taken to ensure the timely supply of company and business information by computer printout. A total of 652,011 computer printouts were supplied for companies and businesses, an increase of 27.5% when compared to the year before. The total revenue collected from sale of computer printouts, bulk information and other information amounted to RM 7,542,717, which is an increase of 9.8% from the year before.

## Counter and customer service

The Companies Commission introduced one-stop counters in line with the implementation of the Company and Business System (CBS). A total number of 278,759 customers were served via 25 service counters for companies. These include:

- counters exclusively for application of company name search and incorporation
- counters for submission of documents with payment
- counters for submission of documents without payment
- counters for application of company and business information
- special counters for the disabled
- counters exclusively for applications excluding information printout and express filing
- companies and businesses index-search terminals
- IDAMAN system document-search terminals

The successful implementation of the new CBS-ROC (roll-out on 20 May 2005) that included both pre-lodgement and franking processes together with more streamlined processes have allowed the prompt notification of late lodgements and payments due. A total number of 1,321,507 corporate statutory records were lodged.

Along with the implementation of the CBS, briefing sessions were conducted for company secretaries and external stakeholders to inform them of the new procedure and policy for document lodgement with the Companies Commission.

## Business development

Mobile business registration counters were set up at ten locations beginning 8 September 2005 to focus on the target group of traders licensed by DBKL but not registered under Act 197 administered by the Companies Commission. These mobile counters successfully registered 1,963 new businesses with a collection amounting to RM 104,270 – extra revenue is expected when these businesses renew their registration in subsequent years. At the head office alone, statistics indicate a 17.4% increase in the number of businesses registered as a result of the successful mobile business registration counters.

## CLIENT SERVICE CHARTER\*

(\*to be reviewed in 2006)

The Companies Commission undertakes to process, approve and register a complete application in a speedy and efficient manner within the time period stated as follows:

Activity	Time
Registration of business	3 days
Renewal of business registration	1 hour
Termination of business	1 day
Issue letter for approval of company name	5 days
Issue certificate for incorporation of a new company	5 days
Issue certificate for conversion of status	5 days
Issue certificate for change of company name	5 days
Issue certificate for commencement of business	5 days
Issue certificate for registration of charges	5 days
Issue certificate for approval of trust deeds / prospectuses	14 days

We promise to provide company and/or business information for each complete application in a speedy, accurate and efficient manner within the time period stated as follows:

Activity	Time
Supply company/business information via computer printout	1 hour
Uncertified copy of company documents	1 hour
Certified copy of company documents	3 hours

We provide computer amenities to facilitate the search of company and business names registered with the Companies Commission.

We ensure that all inspection, investigation and prosecution will be carried out with justice and without prejudice in accordance with provisions of the laws to protect investors and creditors, and to ensure healthy development of the corporate and business sectors.

## Education and training

Training for company secretaries and external stakeholders was organised to increase awareness and understanding of the Companies Commission's products and services. Briefing sessions were also conducted to help clarify the new lodgement procedure (pre-lodgement, new cover letter, location of counters and other matters related to lodgement of corporate statutory records via the CBS).

### Outlook

The Companies Commission's database will continue to expand and the process of evaluating new company names will get more complicated with developments and new terminology in ICT and global commerce. There is a permanent need to provide prompt, accurate and friendly registration and corporate application services. In 2006, we will research and develop e-services to reduce the processing period for company name searches and to establish an online registration function in the future, as well as review 300,000 business records to update corporate and business information to create a complete, accurate and up-to-date database.

We will also need to set up guidelines to strike off company names in the winding up process under Section 308(3) of Act 125 (non-appointment of liquidator, failure of liquidator to lodge required documentation six months after all corporate affairs have been settled, lack of assets for a court order to dissolve the company) and deal with (dispose, reassign etc) assets of defunct companies assigned to the ROC under provisions of Sections 309 and 310 of Act 125.

We will also establish stricter regulations and procedures for the incorporation of public companies limited by guarantee under Act 125 – new initiatives include a more thorough inspection of the Memorandum and Articles of Association as well as a proposal to refer directors suspected to be in breach of fiduciary duty to the Royal Malaysian Police for further investigations.

The demand for efficient information and counter services will increase as the corporate and ICT sectors develop. There is a need to realise this expectation of customers and external stakeholders. In 2006, we will leverage on the use of technology to ensure quick access to images of company and business documents, as well as reduce the average waiting time of 31 minutes at company registration counters and (depending on the type of transaction) between 4 to 29 minutes at business registration counters.

We will also introduce new information products to meet customer requirements and increase revenue, introduce the 'online pre-lodgement' service and expand the reach of mobile business registration counters throughout Malaysia.



# Resources

*Who : 143 staff consisting of the Finance and Accounts Department, Human Resources Department, and Administration and Facilities Management Department.*

## **New management systems**

The new Revenue Management System was successfully implemented while the new Financial Management System (FMS) will be fully implemented in 2006. Together, these provide a comprehensive financial management system and reporting tools to allow better decision-making.

Further, the Performance Competency Management System (PCMS) was also fully implemented along with specific KPIs for the CEO, both Directors as well as Department, Branch and Section levels. A Performance Competency Management Report was completed for Executive Groups I and II.

## **Financial reports**

All finance-related matters were planned, prepared, checked and monitored to ensure that financial data was updated and recorded accurately. Financial reports were produced and analysed on a periodic basis.

Financial statements were issued for the financial year ended 31 December 2004, and financial statements for the financial year ended 31 December 2005 were prepared. We have now received unqualified Auditor General's reports for several consecutive financial years.

## **Incoming and outgoing cash flow**

Revenue cycles were diligently checked to ensure that all prescribed fees were collected through a payment process controlled according to the prescribed guidelines. A 3.7% increase in total revenue was achieved in 2005.

Total expenditure was prudently kept in check to ensure that it was in accordance with the annual budget which had been allocated.

#### Revenue Collected in 2005

Source of revenue	2004 (RM)	2005 (RM)	Annual Change
Service fees	213,118,646	217,773,018	2.2%
Compound	17,168,243	22,695,723	32.2%
Corporate Programmes	507,916	227,560	-55.2%
Interest & Dividends	11,992,107	11,115,374	-7.3%
Others	99,183	108,775	9.7%
<b>Total</b>	<b>242,886,095</b>	<b>251,920,450</b>	<b>3.7%</b>

## Revenue

Total revenue increased significantly by almost RM 9 million (3.7%) to reach RM 251.9 million as a result of the increase in revenue arising from Act 125 and Act 197, at 5.6% and 1.3% respectively. Revenue from these two Acts is attributed to the increase in the supply of corporate and business information, filing of documents for companies, and the rise in payment for compounds.

#### Revenue Collected in 2005

Source of revenue	2004 (RM)	2005 (RM)	Annual Change
Act 125	166,141,544	175,495,732	5.6%
Act 197	64,179,685	65,037,908	1.3%
<b>Total</b>	<b>230,321,229</b>	<b>240,533,640</b>	<b>4.4%</b>

## Investments

New investment portfolios were also identified to maximise returns on investment. Investment portfolios were diversified to include General Investment Al-Mudharabah, Special Investment Al-Mudharabah, Islamic Commercial Papers and Institutional Trust Accounts.

### Total Investments and Investment Income

	2004 (RM)	2005 (RM)	Annual Change
Total investments	328,206,914	365,334,830	11.3%
Total investment income	11,992,107	11,115,374	-7.3%

## Our people

In March 2005, the Members of the Commission approved 184 new positions in the Companies Commission. As a result, the total number of positions available (both filled and unfilled) now stands at 1,063. At the end of December 2005, 373 (out of 410) executive positions and 599 (out of 653) non-executive positions were filled.

A performance-driven work culture was initiated in 2005. Key Performance Indicators (KPIs) were included in the Performance Competency Management System (PCMS), starting with the CEO and cascading all the way down to the numerous Sections. The PCMS was fully implemented across the whole organisation structure – workshops, briefing sessions and training (identifying and setting work targets, PCMS buy-in and familiarisation, PCMS reports) were conducted to ensure awareness and understanding amongst staff of Grades SSM 3 to SSM 7.

Clearer and more specific functions within the new organisation structure contributed to increased efficiency and effectiveness in service delivery. Programmes and policies related to quality improvement for the Companies Commission were also drafted.

## Staff welfare

The welfare of all staff is overseen by our Human Resources Department. This includes preserving accurate employees' data and its confidentiality, ensuring that employee satisfaction was enhanced through effective communication initiatives as well as maintaining employee discipline, amongst others.

Furthermore, various welfare and social activities/programmes were organised for all staff. Altogether 20 activities/programmes involving a total of 4,454 participants were held throughout the past year. Of special note is the encouragement of community service as a means of personal fulfilment while concurrently helping to nurture inter-departmental relationships and teamwork amongst staff.

We also completed the transfer of all staff housing financing from the government to the Companies Commission's Staff Financing, and are now henceforth fully responsible for the approval of all staff loans.

## Education and training

The importance of training for career/self-development, skill enhancement and continuous improvement was reinforced through efforts made to ensure that the Companies Commission's training plan meets its training needs. A total of 867 staff attended 130 types of internal and external courses at a total cost of RM 1.1 million. An allocation of RM 4 million has also been allocated for technical and tactical or soft skills training in 2006.

## Administration

Policies were drafted to ensure that office administration activities and work procedures were complied with. A system and guidelines to manage circulars issued by the Companies Commission, insurance policies and vehicle registration records were implemented in 2005.

Additionally, a programme to ensure an effective and efficient system for office, assets, inventory and store management was outlined, where the administrative functions of assets management, store management and inventory management would be automated via the Financial Management System (FMS). Guidelines and procedures for store management were established for systematic control of cost and inventory with proper maintenance of registers and records.

Guidelines and procedures for procurement were also standardised to ensure that procurement initiatives met the Companies Commission's needs on time, at minimal cost and at the required quality.

## Facilities management

Renovation works at the head office were completed and initiatives were implemented to ensure the security of the Companies Commission's physical assets. Besides, a schedule to monitor cleanliness/hygiene at the workplace was produced and implemented to provide a conducive and comfortable working environment for all staff.

## Quality issues

The Work Procedure Manual and Table File (*Fail Meja*) were prepared and updated, and the requirement to maintain proper filing systems was enforced.

### Outlook

Punctual financial reporting and analysis are required for forecasting and budgeting. There is a need to ensure that the Companies Commission sets itself as an exemplary role model by meeting deadlines for statutory reporting requirements. In 2006, we will strive to issue financial statements with an unqualified Auditor General's Report for the financial year ended 31 December 2005, complete the implementation of the new Financial Management System (FMS), and monitor and evaluate investment portfolios to maintain a reasonable return on investment.

### Outlook

In 2006, total revenue for the Companies Commission is expected to continue to increase in view of the strong projected GDP growth of 5.5%, which will directly lead to the registration of more new companies and businesses. Greater efforts will also be taken to enhance revenue through activities such as improving the level of compliance for lodgement of annual returns, launching outreach programmes across Malaysia as well as improving overall services.

### Outlook

Acquisition of the Companies Commission's own corporate premises will enhance and consolidate our corporate image while providing complete and organised facilities to benefit staff and customers. In the interim, there is a need to implement the Quality Improvement Programme to ensure that the Companies Commission achieves its aim of becoming a centre of excellence. Change in work systems and procedures since the establishment of the Companies Commission has resulted in the MS ISO 9002 certification in 1993 (ROB) and 1994 (ROC) to become obsolete. In 2006, we will implement MS ISO 9000 (2000) to improve the Companies Commission's corporate image, execute the Quality Improvement Programme where the Work Procedure Manual, Table File (*Fail Meja*) and Client Service Charter will be reassessed as well as review other opportunities for business process engineering, training and e-library initiatives.



# Enforcement

**Who : 212 staff (including staff at state offices across Malaysia) consisting of the Compliance Department, Investigation Department, Prosecution and Litigation Department, and Legal Department.**

## The Companies Commission as a regulatory body

### Who does it regulate? How is it done?

The Companies Commission enforcement function can be gleaned from the provisions under sub-sections 17(a), 17(c) and 17(d) of Act 614 which provide that it shall not only ensure that the provisions of Act 125, Act 197 and other legislation under its jurisdiction are administered and enforced, but also be responsible in regulating matters in relation to corporations, companies and businesses as well as in encouraging and promoting proper conduct amongst directors, company secretaries, managers and other officers of a corporation in order to ensure that all corporate and business activities are conducted in accordance with established norms of good corporate governance.

Offences related to the conduct of the affairs of a company remain the core provisions under Act 125. These are stipulated amongst others, under Sections 67, 125, 130, 131, 132 and 132A to 132G of Act 125. It is envisaged that strict enforcement of Section 132 in particular, can make those who are responsible for corporate misconduct accountable for their action.

### Action for Enforcement and Penalties for Non-compliance

Officers of corporations (Section 4* of Act 125) and other regulatees	ACTION for enforcement	PENALTIES for non-compliance
Directors* Company secretaries* Employees* Receivers and managers of any part of an undertaking of the corporation appointed under a power contained in any instrument* <i>(excluding any receiver who is not also a manager, and any receiver and manager appointed by the court)</i>	<b>Surveillance</b>  <b>Inspection</b>	<b>Companies Act 1965 (Act 125):</b> Ranging from RM 1,000 to RM 1 million and imprisonment of between six months and ten years.

## Action for Enforcement and Penalties for Non-compliance *(continued)*

<p>Liquidators appointed in a voluntary winding up* <i>(excluding any liquidator appointed by the court or by the creditors)</i></p> <hr/> <p>Interest schemes <i>(including golf and recreational clubs, recreational clubs, timesharing schemes, marina clubs and memorial parks)</i></p> <hr/> <p>Auditors and audit firms</p>	<p><b>Issue of compound notices</b></p> <p><b>Prosecution</b></p>	<p><b>Registration of Businesses Act 1956 (Act 197):</b></p> <p>Ranging from RM 10,000 to RM 50,000 and imprisonment of not more than two years.</p>
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### What does it regulate?

The Companies Commission is **responsible** for the administration and enforcement of the following legislation:

- Companies Act 1965 (Act 125)
- Registration of Businesses Act 1956 (Act 197)
- Trust Companies Act 1949 (Act 100)
- Kootu Funds (Prohibition) Act 1971 (Act 28)
- any subsidiary legislation made under the Acts specified above

A registered company is a vehicle that is used to conduct businesses. Apart from registering companies with the Companies Commission, Act 125 also requires those who register companies to lodge specific information with the Companies Commission which members of the public will have access to.

In general, the Companies Commission is **accountable** as a registration authority and custodian of corporate statutory records where it:

- registers businesses or incorporates companies
- strikes off businesses or companies
- registers corporate statutory records that need to be filed (whether on a one-off or regular basis)
- provides up-to-date company and business information to the public
- enforces and collects prescribed fees (as a government agent)

*Through routine and operational inspection activities, a total of 11,245 and 145,992 inspections were conducted on companies and businesses for various violations under Act 125 and Act 197.*

### Surveillance on companies and businesses

In 2005, the enforcement team embarked on vigorous surveillance activities to ensure effective compliance by the corporate sector on requirements for good corporate governance. The following operations were launched and completed during the year:

#### Number of Inspections Conducted and Compound Notices Issued in 2005

Operations	Duration (2005)	Offence(s)	Inspections Conducted	Number of Compound Notices Issued
<i>Ops 121</i>	January – March	Failure to display company or business name and registration number.	31,770 (Companies: 3,603, Businesses: 28,167)	2,261 (Companies: 643, Businesses: 1,618)
<i>Ops Patuh</i>	April – December	Section 143, Act 125: Failure to hold annual general meetings.		774
		Section 165, Act 125: Failure to lodge annual returns.		1,720
		Section 169, Act 125: Failure to table financial statements in annual general meetings.	45,701 (Companies: 6,721, Businesses: 38,980)	3,603
		Section 12(1)(a), Act 197: Conducting business without registration with the Companies Commission.		637
		Section 12(1)(b), Act 197: Conducting business after the expiry of the business registration period.		5,399
Routine operations	January – December	Failure to lodge annual returns between three to six years by companies and other violations under Act 125, and various offences by business owners under Act 197.	79,766 (Companies: 921, Businesses: 78,845)	40,000 (Companies: 4,000, Businesses: 36,000)

Arising from the operational inspections conducted, a total of 96 compound notices were issued on 7 companies for serious breach of provision under Section 69F which involves issues concerning corporate governance. For the reporting period, a total of 334 complaints (224 under Act 125 and 110 under Act 197) were received by the Complaints Unit, of which 173 have been issued with compounds notices.

## Corporate monitoring

The compliance levels for the lodgement of corporate reports (financial statements which meet the requirements of Act 125 and the Accounting Standards of the Malaysian Accounting Standards Board) and for company directors in performing their fiduciary duties were monitored. An awareness campaign was also ongoing to help educate and remind company directors of their legal responsibilities.

Public companies limited by guarantee were inspected to ensure that they fulfilled the registration requirements of the Companies Commission. The aim is to ensure protection of consumer interest as this category of companies usually involves non-profit organisations. In addition, 2,900 sets of statutory records and/or financial statements (annual returns lodged etc) were checked to ensure full disclosure and the absence of any misconduct.

The Companies Commission serves as a Registrar for audit firms and auditors. Licensing and regulation of their professional obligations are governed by the Treasury/Ministry of Finance and the Malaysian Institute of Accountants. On our part, the Companies Commission supervises the registration of audit firms and auditors, checks on their compliance with Act 125 and the Companies Rules and Regulations 1966, and ensures that they update their records on a regular basis.

57 new audit firms were registered in 2005 while 409 audit firms applied to have their registration information updated. The year also witnessed action taken against an auditor who had breached Section 9(1) of Act 125. In addition, the Companies Commission interviewed 42 auditors during the year and processed 546 registrations, while maintaining an open channel of communication with other agencies and professional bodies. In all, 52 new auditors were recorded in the Companies Commission's register as at 31 December 2005.

A total of RM 3.8 million was collected from the payment of overdue compounds under *Ops Kompaun*.

Under *Ops Yayasan*, a total of 169 foundations and 15 interest schemes were inspected, of which 138 were issued with compound notices. A breakdown of the total number of compound notices issued is as follows:

### Number of Compound Notices Issued for *Ops Yayasan*

Offence	Section	Number of Compound Notices Issued
Failure to table financial statements in annual general meetings	169(1)	240
Failure to lodge annual returns	165(5)	63
Failure to hold annual general meetings	143	50
Failure to comply with covenant of Trust Deed	94(1)(b)	20
Sale of membership without prospectus	90(1)	6
Failure to lodge Form 32	93(1)	2
Acting as an auditor after expiry of audit license	9(1)	1
Transfer of membership without prospectus	363	1
Failure to lodge Form 34	108(1)	1
<b>Total</b>		<b>384</b>

A total of 5 interest scheme companies were also served with letters of compound for failure of strict compliance of conditions imposed in the trust deed (Section 94(1)(b) of Act 125).



## Licensing of company secretaries

The Corporate Intermediary Section monitored and regulated 'fit and proper' company secretaries who were either a member of an accredited professional body or licensed by the Companies Commission to perform the official function of companies to maintain statutory records, conduct proper meetings and lodge statutory documents correctly and punctually to the Companies Commission.

Company secretaries need to be a member of an accredited professional body or licensed by the Companies Commission in order to perform the official function of preparing statutory records for lodgement with the ROC. Licensing is necessary for legitimate practice, and has been compulsory since a September 1992 amendment to Act 125 (Act A836). Compound notices can be issued and legal proceedings taken against those who practise without a current license or are in breach of the guidelines that govern the profession.

To ensure that company secretaries are registered as a member of an accredited professional body, communication with seven prescribed bodies with accreditation to provide company secretarial courses was maintained. Inspection visits and dialogue sessions with representatives of these institutions also helped determine the effectiveness of these courses and the quality of the course graduates.

As a result of *Ops Setiausaha* which was conducted between January and December 2005, a total of 4,009 compound notices worth RM 2,220,800 were issued for failure to comply with Sections 139A (accreditation from prescribed bodies), 139B ('fit and proper'), 139C (continuing to practise despite an expired license) and 364(2) (declaring false or misleading information). At the end of 2005, there were 8,986 licensed company secretaries and 42,158 members of prescribed bodies (7,546 were appointed as company secretaries) in Malaysia. Details on the number of compound notices issued for failure to comply with the relevant Sections are tabulated below:

### Number of Compound Notices Issued for Offences by Licensed Company Secretaries

Offences Committed by Licensed Company Secretaries	Number of Compound Notices Issued
Section 139A	2
Section 139B	171
Section 139C(3) – secretary	199
Section 139C(3) – director	3,573
Section 364(2)	15
<b>Total</b>	<b>3,960</b>

### Number of Compound Notices Issued for Offences by Members of Prescribed Bodies

Offences Committed by Members of Prescribed Bodies	Number of Compound Notices Issued
Section 139C(3) – secretary	3
Section 139C(3) – director	45
Section 364(2)	1
<b>Total</b>	<b>49</b>

### Investigation

All investigation officers are empowered by Act 125 to conduct investigations (Section 7C), record statements (Section 7D), carry out inspections (Section 7B) and obtain information in writing (Section 7(11)(a)). Field investigation was conducted by five teams of officers from our head office to establish any cases of non-compliance. This was achieved through an investigation programme that is relevant to the corporate misconduct of today.

Investigation papers were prepared within a reasonable timeframe and evidence gathered from investigation were kept. Information was procured expeditiously to facilitate thorough investigation. Out of the 217 cases referred for investigation in 2005, 98 cases were completed (specifically, 19 cases were referred for prosecution, 33 cases compounded and 46 cases closed because no offence had been established).

In 2005, the Companies Commission also conducted enforcement action based on media reports (newspaper-vetting) whereby major newspapers were regularly scanned for issues on complaints of failure to comply with Act 125. The focus was on breach of provisions under Sections 121, 125 and 130 of Act 125 as well as reports that jeopardise national interest.

From the cases investigated under Act 125, these are the top six common offences committed in 2005:

<b>Companies Act 1965 (Act 125)</b>	<b>Offence</b>	<b>Number of Cases</b>
Section 125	Having a non-discharged bankrupt act as director.	7
Section 132C	Acquisition or disposal of company's undertaking or property of a substantial value without approval of the general meeting.	5
Section 143	Failure to hold annual general meetings.	30
Section 165	Failure to lodge annual returns.	36
Section 169	Failure to table financial statements in annual general meetings.	33

### Major Cases Compounded After Investigation

<b>Section (Act 125)</b>	<b>Offence</b>	<b>Number of Cases</b>
69E	Failure of substantial shareholder to notify the company of his interests.	1
69F	Failure of substantial shareholder to notify the company of change in his interests.	2
125	A non-discharged bankrupt acting as director.	1
130	A convicted person acting as director.	2
132C	Failure to obtain the company's approval for disposal or acquisition of property.	1
135	Failure to comply with the general duty to make disclosure.	1
167	Failure to keep accounting records.	1
172	Appointment of auditors.	1
364(2)	False and misleading statements.	1
367	Improper use of the words 'Limited' and 'Berhad'.	1

### Corporate Governance-related Cases Referred for Prosecution

Section (Act 125)	Offence	Number of Cases
37	Issuing application forms for shares without a prospectus.	1
125	A non-discharged bankrupt acting as director.	2
363	Offering shares for subscription to the public.	1
364(2)	False and misleading statements.	2
367	Improper use of the words 'Limited' and ' <i>Berhad</i> '.	2

### Prosecution

Investigation papers referred by the Investigation Department were studied, and where relevant, appropriate documentation, witnesses and exhibits for court registration were prepared. All criminal cases were prosecuted in a just and fair manner on behalf of the Companies Commission. In total, 3,938 cases were prosecuted for breach of Act 125 and 1,096 cases for breach of Act 197 in 2005 (for key statistics, see page 98). The Companies Commission achieved a conviction rate of 80% for the year.

The major cases involving a breach of corporate governance issues prosecuted in court are as follows:

### Corporate Governance-related Cases Prosecuted After Investigation

Section (Act 125)	Offence	Number of Cases	Court
37	Issuing application forms for shares without a prospectus.	1	Ampang Sessions Court
125	A non-discharged bankrupt acting as director.	3	Kuala Lumpur Sessions Court
363	Offering shares for subscription to the public.	1	Kota Bahru Sessions Court
364(2)	False and misleading statements.	2	Kuala Lumpur Sessions Court
367	Improper use of the words 'Limited' and 'Berhad'.	1 prosecuted and 1 pleaded guilty and sentenced to RM 5,000 fine in default of 8 months imprisonment. The fine was paid.	Kuala Lumpur Sessions Court

### Litigation

All civil action by or against the Companies Commission according to Section 37 of Act 614 was dealt with within specific time periods. Each case of civil proceeding was related to non-compliance with legislation enforced by the Companies Commission, especially Act 125 and Act 197. Research on legislation-related matters for cases (especially to obtain authority and provisions of applicable laws) was carefully conducted to ensure that the legal interest of the Companies Commission was protected at all times.



35 civil cases related to procedures for filing statutory documents (especially appeals for court orders to extend the deadline) and other contested cases (use of company names, appointment of company directors, internal disputes and appeals against decisions by the ROC) were handled by the Companies Commission in 2005. Landmark decisions obtained by the Companies Commission in 2005 are as follows:

#### **Companies Act 1965 (Act 125) Landmark decision**

Section 84 (Interpretation)	The KL High Court decided that a Memorial Park operator does not fall under the requirements of Section 84 of Act 125. The Companies Commission filed an appeal to the Court of Appeal for a clarification of this requirement, as it would affect other Memorial Park operators in Malaysia.
Sections 22 and 23 (Name of company and change of name)	The KL High Court decided that the Companies Commission need not take cognizance of a foreign company' name, which was not incorporated in Malaysia, in approving names under Section 22 of Act 125.
Sections 69E and 69F (Substantial shareholder to notify company of his interests and change in his interests)	The Companies Commission successfully resisted an application for Judicial Review against a decision of the Registrar made in respect of issues under Sections 69E and 69F of the Act.

### **Legal advisory**

The Legal Division ensured that the legal interest of the Companies Commission was protected at all times. In-house legal services were provided as and when required. These included writing opinions, preparing contracts for various dealings with external parties and providing oral opinions during discussions and meetings.

### **Network relations**

Rapport with interrelated departments was maintained to ensure the smooth performance of duties. At the same time, cordial working relationships with professional bodies, other regulatory agencies and international corporate administrators were developed to help facilitate enforcement efforts. In 2005, investigation officers visited the Insolvency Department of Malaysia in Putrajaya to better understand the procedures adopted by the Department when registering information on bankruptcy and other data related to investigations under Section 125 of Act 125.

## Education and training

In-house training was provided to all departments within the Companies Commission to enhance legal competency amongst staff. Effective enforcement was also enhanced through continuous education and training for investigation officers. In 2005, they participated in the Corporate Fraud Conference, Company Secretary Conference, National Accountant Conference, Accounting Workshops on Financial Reporting Standards in Malaysia, and CSP Manual Workshop on Annual Returns, Accounts, Audit and Auditors.

### Outlook

Inspections on substantial shareholders (Section 69 of Act 125) are an important part of corporate governance compliance requirements to ensure a healthy capital market and prevent market manipulation. In 2006, the Companies Commission will place more emphasis on surveillance and inspections with regard to this provision.

The Companies Commission will increase surveillance and enforcement efforts to ensure company secretaries keep appropriate statutory records, hold annual general meetings and lodge proper statutory documents. These efforts will include prompt investigation and effective action taken to deal with complaints received from the general public.

Preventing corporate malpractice and wrongdoing are the greatest challenges ahead. There is a need to strengthen the investigation team with qualified and well-trained personnel in order for effective enforcement, which will directly promote good corporate governance and its increased awareness in the corporate sector of Malaysia. In 2006, the Companies Commission will equip investigation personnel with practical knowledge and techniques to investigate corporate malpractice or corporate governance non-compliance cases, and form a special team to deal with cases related to corporate governance and listed companies as well as those of public or national interest.

Increased enforcement efforts in conducting inspection and investigation will increase the number of criminal and civil cases. There is a need to deal effectively with enforcement action to reinforce the image of the Companies Commission as a regulatory body. In 2006, the Companies Commission will attempt to increase the compliance rate through education and effective enforcement. The focus will also be on corporate governance cases for the year 2006 onwards.

Court papers and legal correspondence to the Companies Commission can be addressed to:

Prosecution and Litigation Department  
Companies Commission of Malaysia  
Level 10, Putra Place, 100 Jalan Putra,  
50622 Kuala Lumpur.

Tel : 03-40476000

Fax : 03-40433778

In 2006, the Companies Commission will also enhance cooperation with other authorities, professionals and prescribed bodies for increased effectiveness in carrying out regulatory activities.

# Key Events

Key events and social activities in 2005 include:

## January

- |       |  |
|-------|--|
| 5 – 7 | <b>Careers Expo</b> at Universiti Sains Malaysia in Pulau Pinang.                        |
| 11    | <b>Tahlil</b> and <b>Doa Selamat</b> gathering.  |
| 15    | <b>Hari Bersama Pelanggan</b> (organised by the Ministry) in Kota Bahru, Kelantan.       |
| 20    | <b>MAPPAs expo</b> at the Putrajaya International Convention Centre (PICC) in Putrajaya. |



## February

- |    |   |
|----|---|
| 7  | First <b>monthly get-together</b> .   |
| 12 | <b>Hari Bersama Pelanggan</b> in Pahang.  |
| 28 | <b>Companies Commission Annual Dialogue for Central region</b> will be an annual communication event. |

This inaugural dialogue was held in Kuala Lumpur and represented by senior management to:

- promote understanding and closer working relationships between the Companies Commission and industry as well as professional bodies;
- exchange ideas and clarify matters related to operational issues which in turn would enhance the overall efficiency of its public service delivery system;
- disseminate information for external stakeholders to better understand the functions and activities of the Companies Commission as the enforcing body for numerous Acts and legislation; and
- collaborate on formulation of guidelines in specific areas.

## March

- 1 **New organisation structure** was implemented.
- 2 – 6 **National Intellectual Property Day 2005** at the Melaka International Trade Centre (MITC).
- 16 **Islam Hadhari exhibition** in Kuala Terengganu, Terengganu.
- 19 **Hari Bersama Pelanggan** in Alor Setar, Kedah.



- 19 – 20 **Student motivation course.**

## April

- 1 **Student motivation course.**
- 4 – 9 **Hari Bersama Pelanggan** (organised by the Ministry) in Putrajaya, in conjunction with the Chief Secretary to the Government's visit.



- 23 **Annual dinner.**



- 24 Second **monthly get-together.**

## May

4 – 6 **Entrepreneur Movement Programme organised by MECD** at Hotel Equatorial Bangi in Selangor.



14 **Hari Bersama Pelanggan** in Kuching, Sarawak.



20 **Maulidur Rasul.**

25 **Pahang FELDA exhibition.**

26 **Management lunch and secretariat get-together.**

28 – 29 **SPM students workshop.**

## June

9 – 11 **National Entrepreneurship Expo (EKNA 2005)** at Putrajaya World Trade Centre (PWTC) in Kuala Lumpur.



11 **Hari Bersama Pelanggan** in Ipoh, Perak.

11 **Companies Commission Sports Day.**



21 The training centre (incubator for the **Training Academy**) started operations. At present, the Corporate Directors Training Programme (CDTP) is conducted at the 11th floor of our head office.

25 – 26 **Entrepreneur Movement Programme organised by MECD** in Alor Setar, Kedah.

25 – 26 **UPSR and PMR examination workshop.**

29 **Langkawi International Yachting Companies Act (LIYCA) 2005** approved by Dewan Rakyat.

## July

2 – 3 **Ministry sports events.**

5 **Langkawi International Yachting Companies Act (LIYCA) 2005** approved by Dewan Negara.

9 **Hari Bersama Pelanggan** in Seremban, Negeri Sembilan.

26 – 31 **Consumer Day Malaysia 2005 exhibition** at Kuala Lumpur Convention Centre in Kuala Lumpur.

## August

2 – 3 **Construction Industry Development Board (CIDB) exhibition** in Sungai Petani, Kedah.

5 – 14 **Consumer Day Malaysia 2005 exhibition** at Danga Bay in Johor Bahru, Johor.

6 **Hari Bersama Pelanggan** at the PKNS Complex in Shah Alam, Selangor.

20 – 21 **Entrepreneur Movement Programme organised by MECD** in Kuala Terengganu, Terengganu.



## September

9 – 11 **National Language and Literature Expo 2005** at Berjaya Mega Mall in Kuantan, Pahang.

16 **Tahlil and Doa Selamat** gathering.

16 **Friendly Futsal** with KRU.

17 – 18 **Entrepreneur Movement Programme organised by MECD** in the southern zone in Johor Bahru, Johor.

19 **Talk** by the **Ministry of Health.**

24 **Hari Bersama Pelanggan** at Giant in Ipoh, Perak.

26 **Crime talk** by the **Royal Malaysian Police.**

26 **Tenpin Bowling** with **Secretaries and Auditors.**

## October

- 1 **17th Laws and the Community Seminar** at Holiday Villa in Subang, Selangor (in collaboration with the National University of Malaysia). The Companies Commission presented a paper on corporate regulation at this seminar and also participated in the exhibition by disseminating information on our functions and compliance requirements under Companies Act 1965 (Act 125) and Registration of Businesses Act 1956 (Act 197).
- 
- 4 **Corporate Practice Consultative Forum (CPCF)**  
This forum will be held regularly on a quarterly basis:
- for representatives of the Companies Commission, professional bodies and other selected organisations to deliberate specific matters related to Act 125 and its subsidiary legislation;
  - to promote active joint consultation, co-operation and assistance amongst CPCF members and senior officers of the Companies Commission on matters related to company law practice issues;
  - to promote discussion and recommendations from participants on matters related to pressing issues in company law and practice; and
  - to discuss issues or share input on improvements that could enhance the Companies Commission’s public service delivery system.
- 
- 14 **Breaking of Fast** get-together.
- 

## November

- 19 **Hari Bersama Pelanggan** at Astaka Shopping Centre in Kuala Terengganu, Terengganu.
- 
- 21 **Hari Raya** gathering.



25

**East Malaysia Regional Dialogue** will be an annual event.



This inaugural dialogue was held in Kuching, Sarawak and attended by 120 participants from 10 leading professional bodies, regulatory agencies and trade associations in East Malaysia. Similar to the Annual Dialogue in the Central region, it will serve as a platform for collaboration to ensure effective enforcement of corporate regulations, policies and procedures. Investigation was done and action taken to address all feedback and comments highlighted during the discussion.

## December

1 – 2 **Entrepreneur Movement Programme organised by MECD** at Magellan Sutera Hotel in Kota Kinabalu, Sabah.

4 – 6 **2006 Action Plan Brainstorming Session** at Guoman Port Dickson Resort in Port Dickson, Negeri Sembilan.



17 **Hari Bersama Pelanggan** at Tesco in Melaka.

17 – 18 **The Companies Commission Family Day.**



# CLRC Publications and Consultative Papers

## Articles by the Corporate Law Reform Committee (CLRC)

Title	Published by
An Insight to Corporate Law Reform in Malaysia	(1) <i>Accountant's Today</i> – Malaysian Institute of Accountants (MIA) (2) <i>Malaysian Accountant</i> – Malaysian Institute of Certified Public Accountants (MICPA) (3) <i>The Chartered Secretary</i> – The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) (4) <i>The Malaysian Corporate Secretary</i> – Malaysian Association of Company Secretaries (MACS) (5) <i>The Approved Company Secretaries</i> – Institute of Approved Company Secretaries IACS) (6) <i>Infoline</i> – Bar Council (7) <i>Capital Review</i> – Federation of Public Listed Companies (FPLC)
Reviewing the Traditional Concepts that Underlie the Working of Capital Raising	As above
Reforming the Corporate Insolvency Regime	(1) <i>The Approved Company Secretaries</i> – Institute of Approved Company Secretaries (IACS) (2) <i>Infoline</i> – Bar Council (3) <i>Capital Review</i> – Federation of Public Listed Companies (FPLC)
Reform Trends in Director's Duties	As above
Enhancing Decision Making Process for Private Companies	Sent to respective professional bodies for publication

## Consultative Papers published by the CLRC

Title	Date issued to public (Consultative period ended)
Strategic Framework for the Corporate Law Reform Programme	September 2004 (31.10.2004)
Capital Maintenance Rules and Share Capital: Simplifying and Streamlining Provisions Applicable to Shares	June 2005 (22.09.2005)
A Consultative Document on Engagement with Shareholders	February 2006 (30.04.2006)
A Consultative Document on Company Liquidation – Reforms and Restatement of the Law	March 2006 (14.06.2006)

## Consultative Papers submitted to the Technical Sub-committee (for clearance) and the CLRC (for final approval)

Title	Working Group	Status (TSC)	Status (CLRC)
Company Liquidation – Reform and Restatement of the Law	D	Approved on 13.08.2005.	Submitted to the CLRC for publication and consultation on 12.09.2005.
Company charges and registration process – improvements to the existing system	D	Approved on 13.08.2005.	To be submitted to the CLRC for consideration.
Engagement with Investors*	C	Approved on 13.08.2005.	Submitted to the CLRC for publication and consultation on 17.10.2005.
Clarifying and Reformulating the Board’s Role and Director’s Duties	C	Approved on 15.09.2005.	Submitted to the CLRC for consideration and has been partially discussed.
Directors – Appointment, Removal, Resignation, Remuneration, Insurance and Indemnification	C	Approved on 15.09.2005.	To be submitted to the CLRC for consideration.
Creating a Conducive Legal and Regulatory Framework for Businesses	A	Submitted for deliberation in November and due for reconsideration.	To be submitted to the CLRC for consideration.
The Holding of AGMs and the use of Written Resolutions*	A	Approved by the CLRC on 17.10.2005.	To be submitted to the CLRC for consideration.
Company Formation and Related Matters	A	Approved on 24.10.2005.	To be submitted to the CLRC for consideration.
Review of Provisions Regulating Substantial Property Transactions	B/C	Submitted for deliberation in November and due for reconsideration.	To be submitted to the CLRC for consideration.

\* To be merged into one consultation paper.

# Action Plans for 2006

The Companies Commission will improve its reputation as a dependable and performance-driven enforcement agent and service provider. Clear-cut work systems, procedures and key performance indicators form the effective foundation from which we deliver efficient services and work towards enhancing the visibility of our performance level and corporate brand name.

*We believe that there is always room for improvement in everything we do.*

To avoid complacency and in line with our approach to be strategic in all that we plan and implement, we have prioritised several targets as the way forward. These action plans are based on a budget allocation of RM 85.8 million for operational expenses and RM 19.38 million for capital expenditure approved (in view of a projected revenue of RM 294.08 million in 2006), and have been structured to ensure that we achieve all eight strategic objectives of our Strategic Direction Plan by 2008.

## Six proposed strategies for 2006

2006	Q1	Q2	Q3	Q4
<b>Strategy 1:</b> To develop and implement effective IT initiatives for excellence in customer service.	<b>Business process improvement:</b> Review and re-engineer business processes to eliminate non value-added procedures and shorten processing time (via a lab methodology, dialogue with customers and stakeholders, a review of the Clients' Charter and benchmarking against authorities abroad).			
	<b>Complete the IT migration project:</b> Upgrade the server and capacity to improve delivery performance.			
			<b>Develop online or e-services:</b> Develop e-info, e-registration, e-incorporation, e-search, e-filing and e-payment systems.	
	<b>Develop the Disaster Recovery facility:</b> Provide a recovery facility for the Companies Commission's critical business systems in the event of any failure at the main data centre.			
<b>Strategy 2:</b> To ensure compliance through effective surveillance and enforcement.	<b>Intensification of enforcement:</b> Target a predetermined compliance rate and prosecute more sophisticated cases (e.g. corporate misconduct and transactions by related parties).			
<b>Strategy 3:</b> To initiate, develop and implement a comprehensive regulatory framework in tandem with changing business environment	<b>Corporate Law Reform Programme:</b> Continuation of the Corporate Law Reform Programme.			
	<b>Review of laws:</b> <ul style="list-style-type: none"> <li>• Review Trust Companies Act 1949.</li> <li>• Review regulations for company secretaries under Act 125.</li> <li>• Review Act 197 to enhance efficiency of business registration.</li> </ul>			
<b>Strategy 4:</b> To enhance revenue and sustainable growth in financial performance.	<b>Develop new products and services:</b> Develop new products and services to benefit and meet the further needs of customers.			
<b>Strategy 5:</b> To develop and sustain excellent corporate branding.	<b>Develop networking and branding to sustain a good image:</b> Networking activities and enhancement of the Companies Commission's corporate image.			
<b>Strategy 6:</b> To enhance human capital.	<b>Develop staff competency:</b> Maintain and enhance human capital.			



# Key Statistics

## Registration of Companies and Businesses

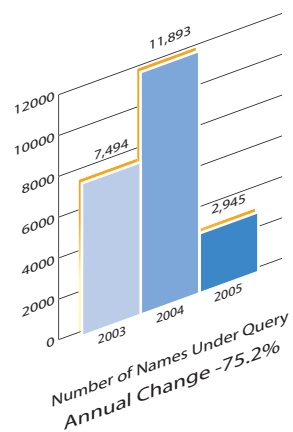
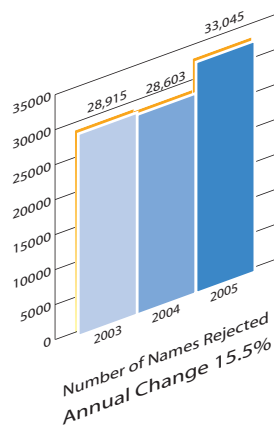
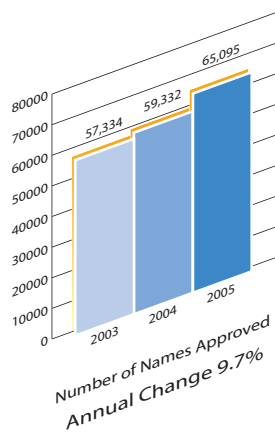
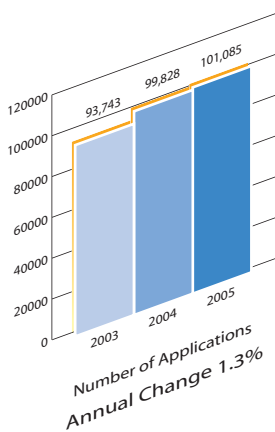
More new businesses were registered in 2005, rising 2.1% from the year before. On the other hand, the number of new companies incorporated decreased by 2.2% when compared to 2004. Despite the latter, the registration of companies and businesses both achieved respectable growth, at 5.4% and 6.7% respectively; figures which exceeded the average GDP growth of 5%.

A GDP growth of 5.5% has been projected for 2006 despite emerging external challenges due to rising oil prices, higher interest rates and increasing global competition. Budget 2006 allocated a sum of RM 35.5 billion, an increase of 13% from 2005, for development expenditure, to diversify new sources of growth and encourage private investments in the agriculture, biotechnology, high-technology manufacturing, information and communications technology, education and tourism sectors.

In view of proactive governmental measures to stimulate domestic economic activities and promote a business-friendly environment, further growth in company and business registrations is expected in 2006.

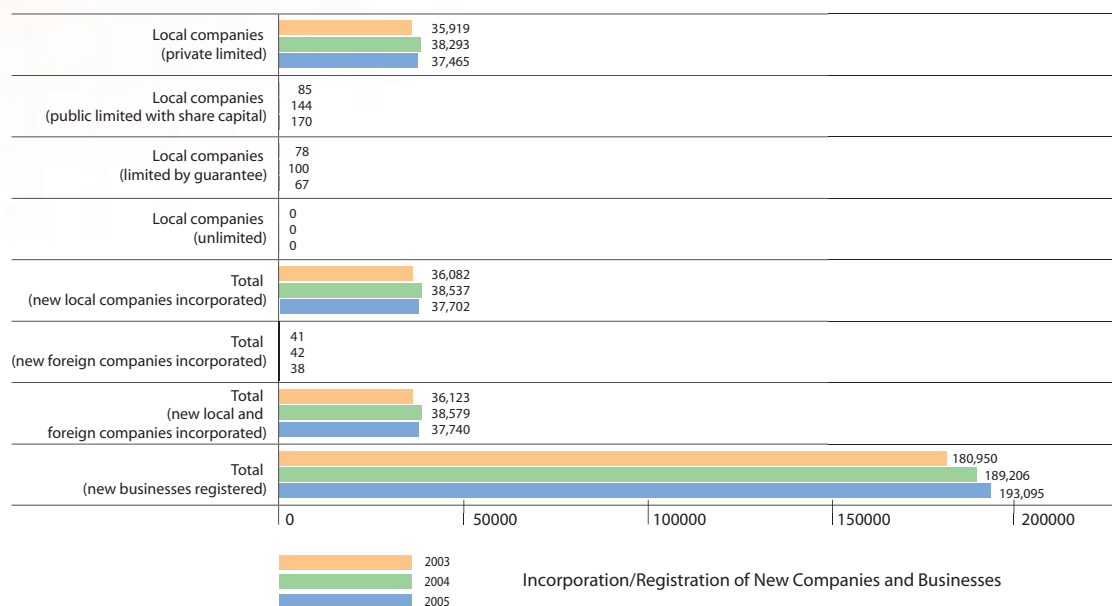
### Company Name Search

	2003	2004	2005	Annual Change (2004–2005)
Number of applications	93,743	99,828	101,085	1.3%
Number of names approved	57,334	59,332	65,095	9.7%
Number of names rejected	28,915	28,603	33,045	15.5%
Number of names under query	7,494	11,893	2,945	-75.2%



## Incorporation/Registration of New Companies and Businesses

	2003	2004	2005	Annual Change (2004–2005)
Local companies (private limited)	35,919	38,293	37,465	-2.2%
Local companies (public limited with share capital)	85	144	170	18.1%
Local companies (limited by guarantee)	78	100	67	33.0%
Local companies (unlimited)	0	0	0	0.0%
Total (new local companies incorporated)	36,082	38,537	37,702	-2.2%
Total (new foreign companies incorporated)	41	42	38	-9.5%
Total (new local and foreign companies incorporated)	36,123	38,579	37,740	-2.2%
Total (new businesses registered)	180,950	189,206	193,095	2.1%



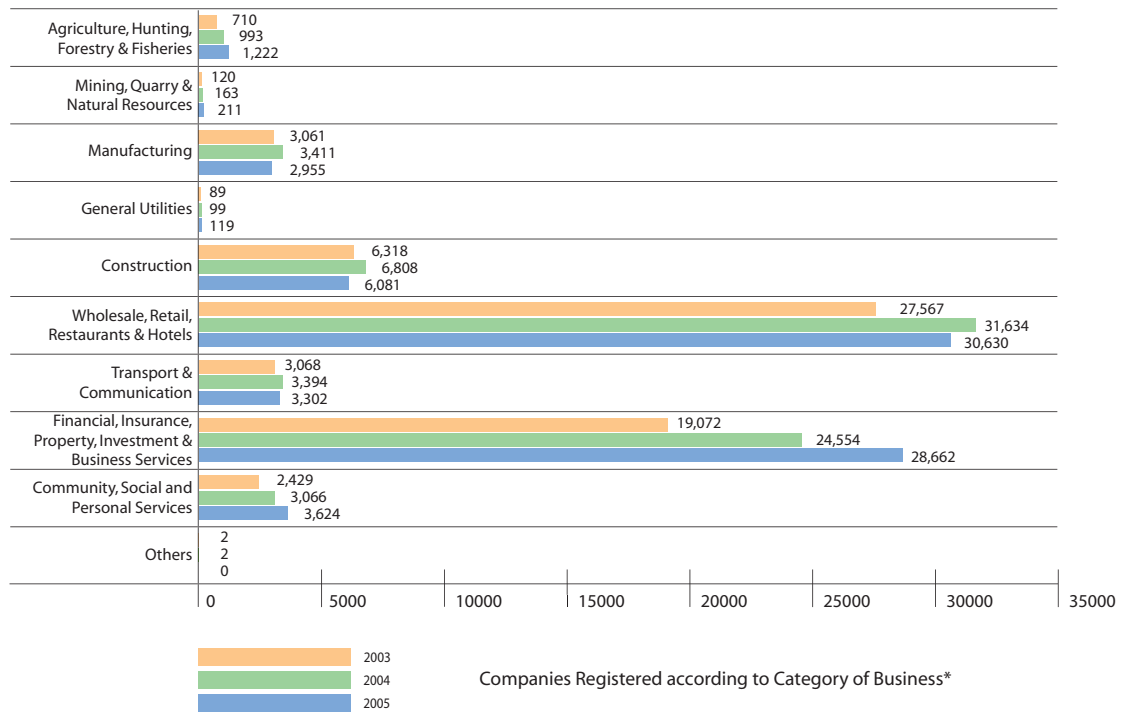
### Registration of businesses

The Registration of Businesses Act 1956 (Act 197) requires persons who conduct businesses to register such businesses with the Registrar not later than 30 days from their commencement. Business owners, whether as sole proprietors or in partnerships, have unlimited liability whereby they are subject to less stringent rules of disclosure when compared to Act 125 which requires compliance in terms of, for example, keeping proper accounting records, tabling financial statements at annual general meetings and lodgement of the same with the Registrar.

**Companies Registered according to Category of Business\***

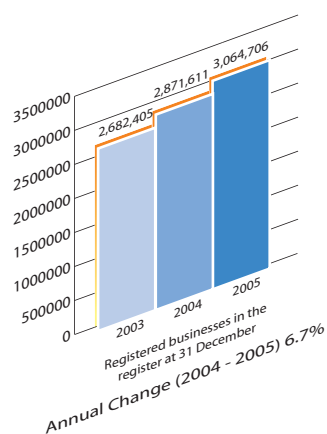
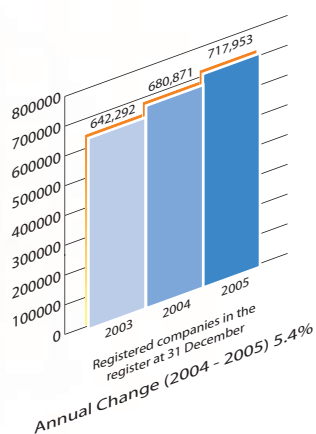
	2003	2004	2005	Annual Change (2004–2005)
Agriculture, Hunting, Forestry & Fisheries	710	993	1,222	23.1%
Mining, Quarry & Natural Resources	120	163	211	29.4%
Manufacturing	3,061	3,411	2,955	-13.4%
General Utilities	89	99	119	20.2%
Construction	6,318	6,808	6,081	-10.7%
Wholesale, Retail, Restaurants & Hotels	27,567	31,634	30,630	-3.2%
Transport & Communication	3,068	3,394	3,302	-2.7%
Financial, Insurance, Property, Investment & Business Services	19,072	24,554	28,662	16.7%
Community, Social and Personal Services	2,429	3,066	3,624	18.2%
Others	2	2	0	-100.0%
<b>Total (number of companies)</b>	<b>62,436</b>	<b>74,124</b>	<b>76,806</b>	<b>3.6%</b>

\*Note: The total number of companies is greater than the total number registered because each company may carry out more than one type of business.



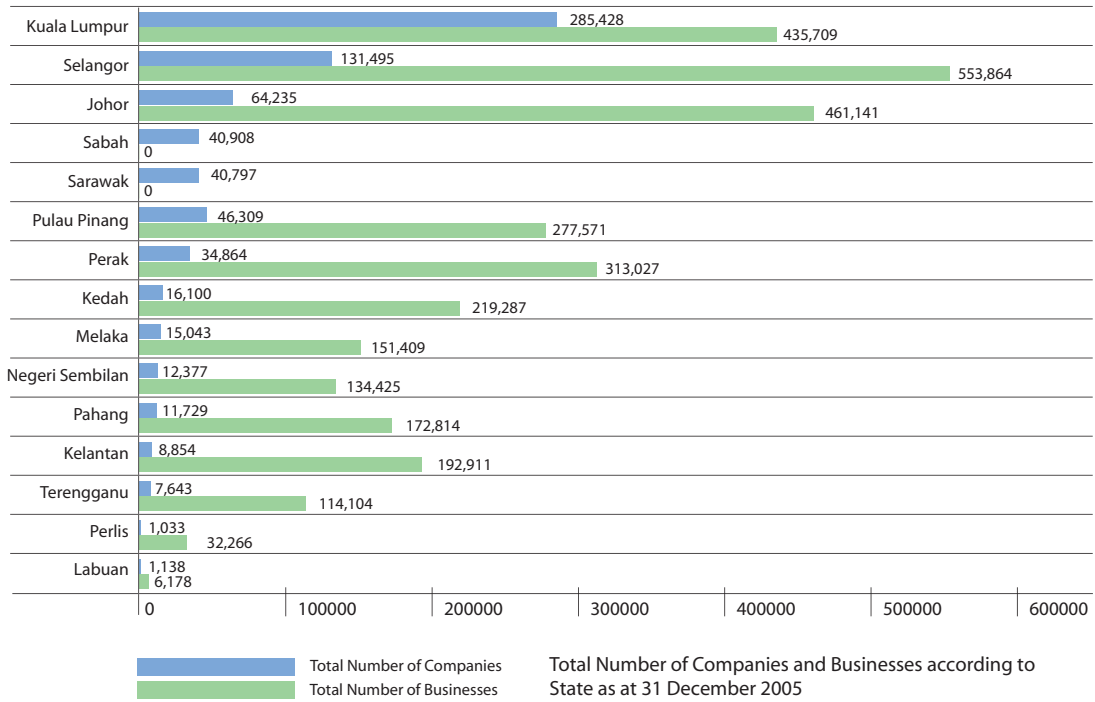
### Total Number of Registered Companies and Businesses

	2003	2004	2005	Annual Change (2004-2005)
Registered companies in the register at 31 December	642,292	680,871	717,953	5.4%
Registered businesses in the register at 31 December	2,682,405	2,871,611	3,064,706	6.7%



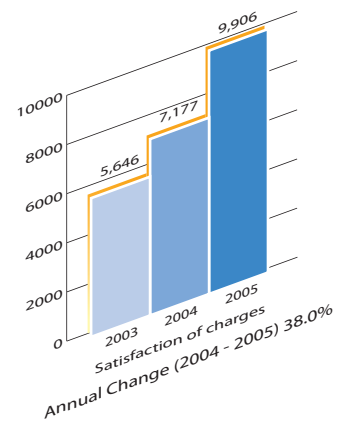
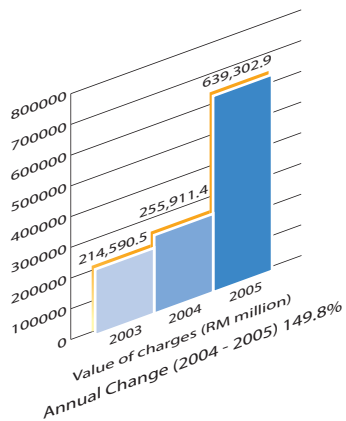
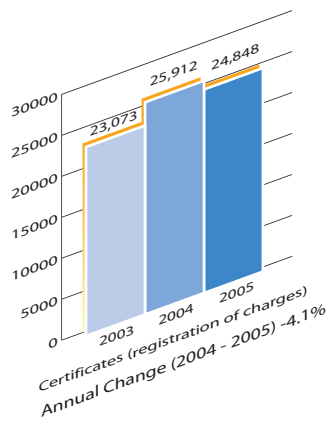
### Total Number of Companies and Businesses according to State as at 31 December 2005

State	Total Number of Companies				Total Number of Businesses	
	Local Companies	Foreign Companies	Number	%	Number	%
Kuala Lumpur	281,733	3,695	285,428	39.8	435,709	14.2
Selangor	131,307	188	131,495	18.3	553,864	18.1
Johor	64,167	68	64,235	8.9	461,141	15.0
Sabah	40,874	34	40,908	5.7	0	0.0
Sarawak	40,771	26	40,797	5.7	0	0.0
Pulau Pinang	46,226	83	46,309	6.5	277,571	9.1
Perak	34,853	11	34,864	4.9	313,027	10.2
Kedah	16,097	3	16,100	2.2	219,287	7.2
Melaka	15,037	6	15,043	2.1	151,409	4.9
Negeri Sembilan	12,376	1	12,377	1.7	134,425	4.4
Pahang	11,723	6	11,729	1.6	172,814	5.6
Kelantan	8,849	5	8,854	1.2	192,911	6.3
Terengganu	7,639	4	7,643	1.1	114,104	3.7
Perlis	1,033	0	1,033	0.1	32,266	1.1
Labuan	1,137	1	1,138	0.2	6,178	0.2
<b>Total</b>	713,822	4,131	717,953	100.0%	3,064,706	100.0%



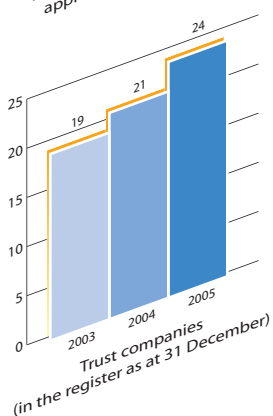
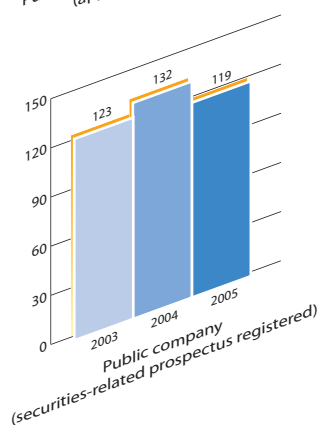
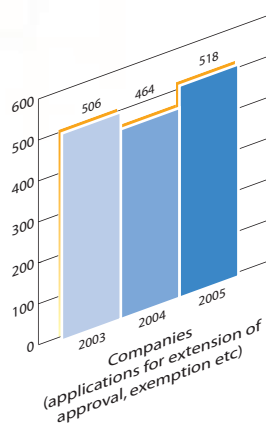
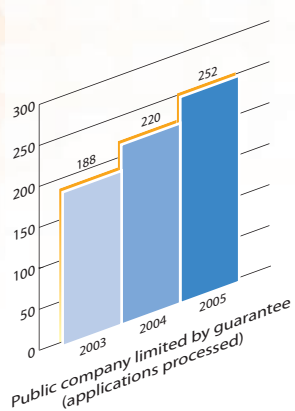
### Registration and Satisfaction of Charges

	2003	2004	2005	Annual Change (2004-2005)
Certificates (registration of charges)	23,073	25,912	24,848	-4.1%
Value of charges (RM million)	214,590.5	255,911.4	639,302.9	149.8%
Satisfaction of charges	5,646	7,177	9,906	38.0%



## Corporate Administration

	2003	2004	2005	Annual Change (2004-2005)
Public company limited by guarantee - applications processed	188	220	252	14.5%
Companies - applications for extension of approval, exemption etc	506	464	518	11.6%
Public company - securities-related prospectus registered	123	132	119	-9.8%
Trust companies - in the register as at 31 December	19	21	24	14.3%



### Companies limited by guarantee

Act 125 defines a company limited by guarantee as a company formed on the principle of having the liability of its members limited by the memorandum to such amount as the members may respectively undertake to contribute to the assets of the company in the event of it winding up. A company limited by guarantee does not require share capital for its funding. Its funding is derived from member's subscription, donation or other income.

The Companies Commission registers two types of companies limited by guarantee – those with the word 'Berhad' and those without the word 'Berhad' as part of their names as provided under Section 24 of Act 125.

### Trust companies

Trust companies are, in general, legal entities that act as an agent or trustee on behalf of beneficiary members for the purpose of administration, management and control of property as well as of acting as financial agent and custodian upon moneys, securities, properties and other related assets, among other objectives. A trust company does not own the assets its customers have assigned to its management, but it may assume certain legal obligation to care for assets on behalf of these parties.

The Companies Commission is responsible for the registration of trust companies under Trust Companies Act 1949 (Act 100). Any public company incorporated in Malaysia may apply to the Registrar to be registered as a trust company, provided that it meets specific criteria such as having objects as stipulated under Section 8 of Act 100, with an authorised capital of not less than RM 500,000 divided into shares of not less than RM 10 each.



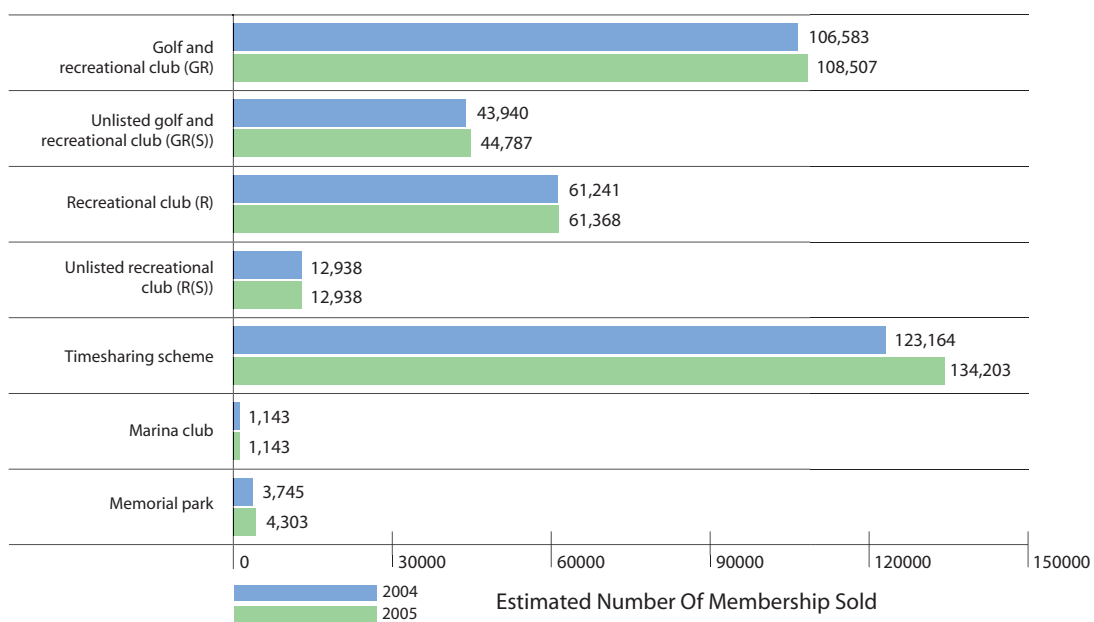
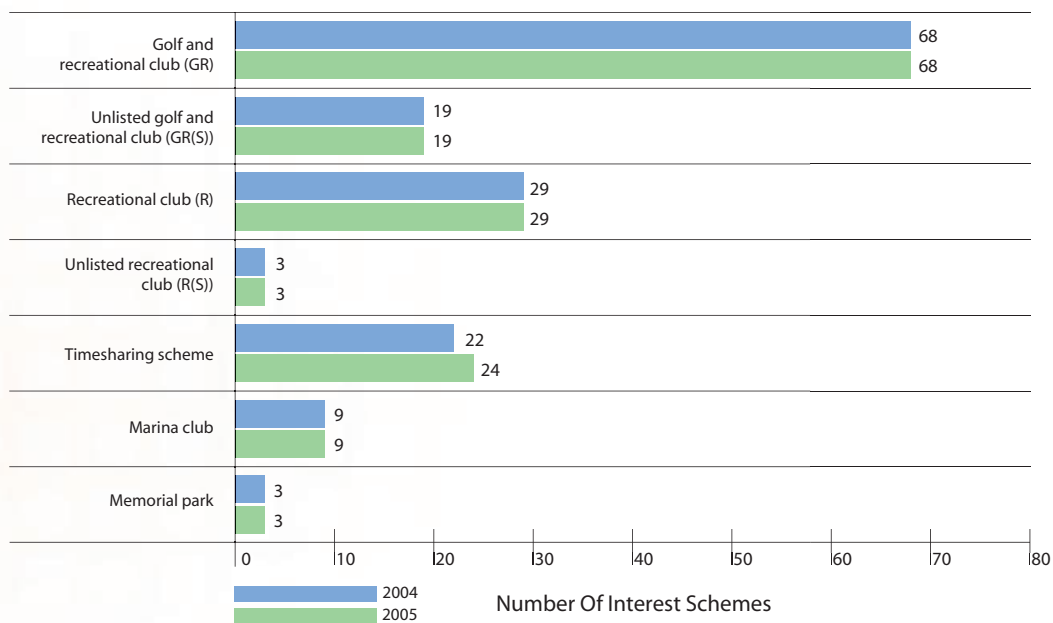
### Interest schemes

A public company which makes an offer for sale of interests under Section 84, excluding shares, debentures etc, must comply with the requirements of Division 5 of Part IV of Companies Act 1965 (Act 125). The Companies Commission monitors the activities and development of interest schemes. The operators of interest schemes are also required to comply with the policy guidelines and requirements issued by the Companies Commission. There are currently five types of interest schemes that are registered with the Companies Commission. These include golf and recreational clubs, recreational clubs, timesharing schemes, marinas clubs and memorial parks.

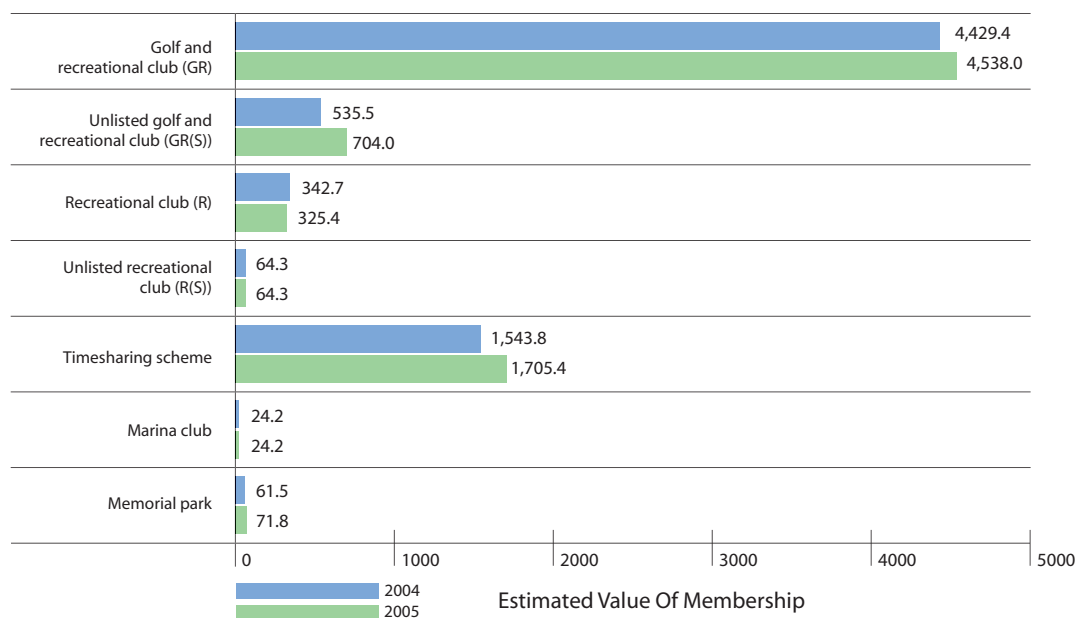
### Interest Schemes

	2004	2005	Annual Change (2004–2005)
Golf and recreational club (GR)	68	68	0.0%
Unlisted golf and recreational club (GR(S))	19	19	0.0%
Recreational club (R)	29	29	0.0%
Unlisted recreational club (R(S))	3	3	0.0%
Timesharing scheme	22	24	9.1%
Marina club	9	9	0.0%
Memorial park	3	3	0.0%
<b>Total (number of interest schemes)</b>	<b>153</b>	<b>155</b>	<b>1.3%</b>
Golf and recreational club (GR)	106,583	108,507	1.8%
Unlisted golf and recreational club (GR(S))	43,940	44,787	1.9%
Recreational club (R)	61,241	61,368	0.2%
Unlisted recreational club (R(S))	12,938	12,938	0.0%
Timesharing scheme	123,164	134,203	9.0%
Marina club	1,143	1,143	0.0%
Memorial park	3,745	4,303	14.9%
<b>Total (estimated number of membership sold)</b>	<b>352,754</b>	<b>367,249</b>	<b>4.1%</b>
Golf and recreational club (GR)	4,429.4	4,538.0	2.5%
Unlisted golf and recreational club (GR(S))	535.5	704.0	31.5%
Recreational club (R)	342.7	325.4	-5.0%
Unlisted recreational club (R(S))	64.3	64.3	0.0%
Timesharing scheme	1,543.8	1,705.4	10.5%
Marina club	24.2	24.2	0.0%
Memorial park	61.5	71.8	16.7%
<b>Total (estimated value of membership) (RM million)</b>	<b>7,001.4</b>	<b>7,433.1</b>	<b>6.2%</b>

Interest Schemes (continued)



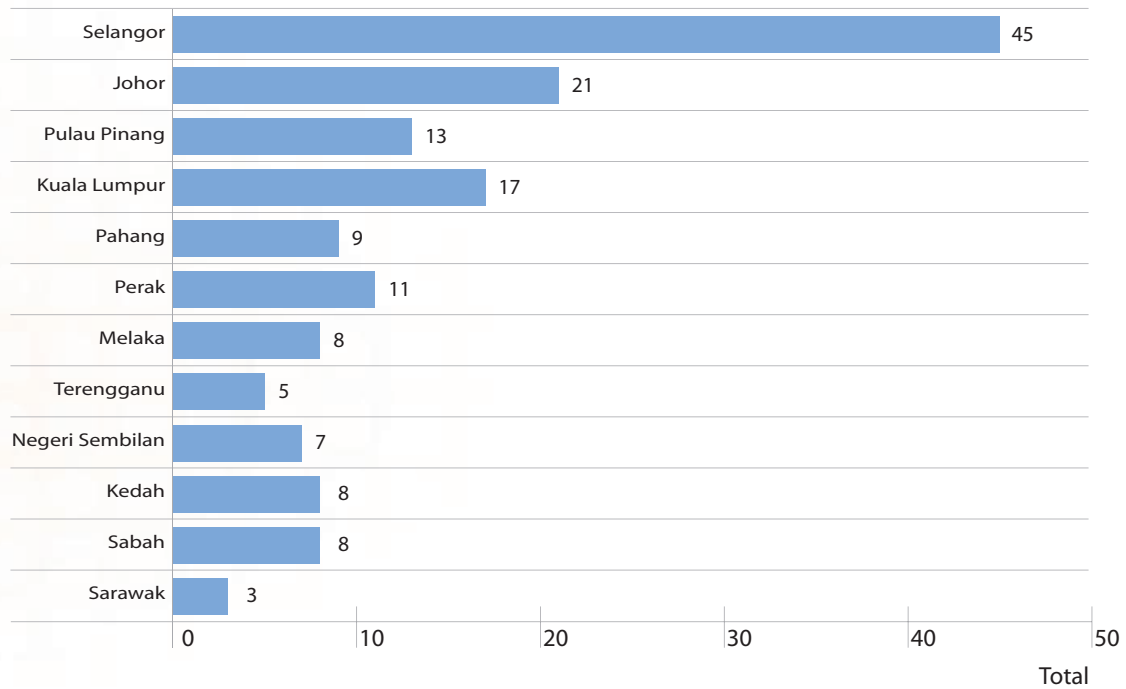
### Interest Schemes (continued)



### Interest Schemes and Unlisted Recreational Clubs as at 31 December 2005

State	Golf and Recreational Club		Recreational Club		Timesharing Scheme	Marina Club	Memorial Park	Total
	GR	GR(S)	R	R(S)				
Selangor	22	1	13	1	7	1	-	45
Johor	12	4	3	-	-	1	1	21
Pulau Pinang	5	-	5	1	-	2	-	13
Kuala Lumpur	4	-	4	-	9	-	-	17
Pahang	6	-	-	-	3	-	-	9
Perak	3	-	4	-	1	1	2	11
Melaka	3	3	-	1	-	1	-	8
Terengganu	3	1	-	-	1	-	-	5
Negeri Sembilan	3	3	-	-	-	1	-	7
Kedah	3	2	-	-	1	2	-	8
Sabah	3	4	-	-	1	-	-	8
Sarawak	1	1	-	-	1	-	-	3
<b>Total</b>	<b>68</b>	<b>19</b>	<b>29</b>	<b>3</b>	<b>24</b>	<b>9</b>	<b>3</b>	<b>155</b>

### Interest Schemes and Unlisted Recreational Clubs as at 31 December 2005 *(continued)*



Interest Schemes and Unlisted Recreational Clubs as at 31 December 2005

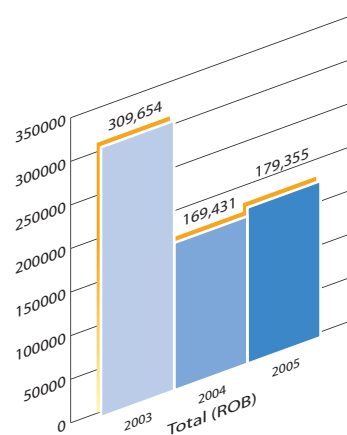
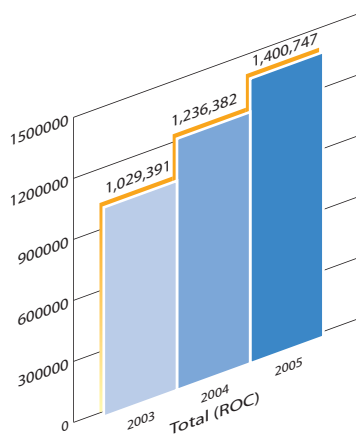
## ***Supply of Company and Business Information***

*As the provider of timely and reliable corporate information to interested parties in order for them to make informed decisions in their corporate dealings and investments, we observed strong year-on-year increases of 13.3% and 5.9% in the supply of corporate information and business information respectively in 2005.*

*In 2006, revenue growth in this area is expected to continue to rise, especially with our undertaking to supply more value-added and useful information to the public.*

### Supply of Information by the ROC and ROB

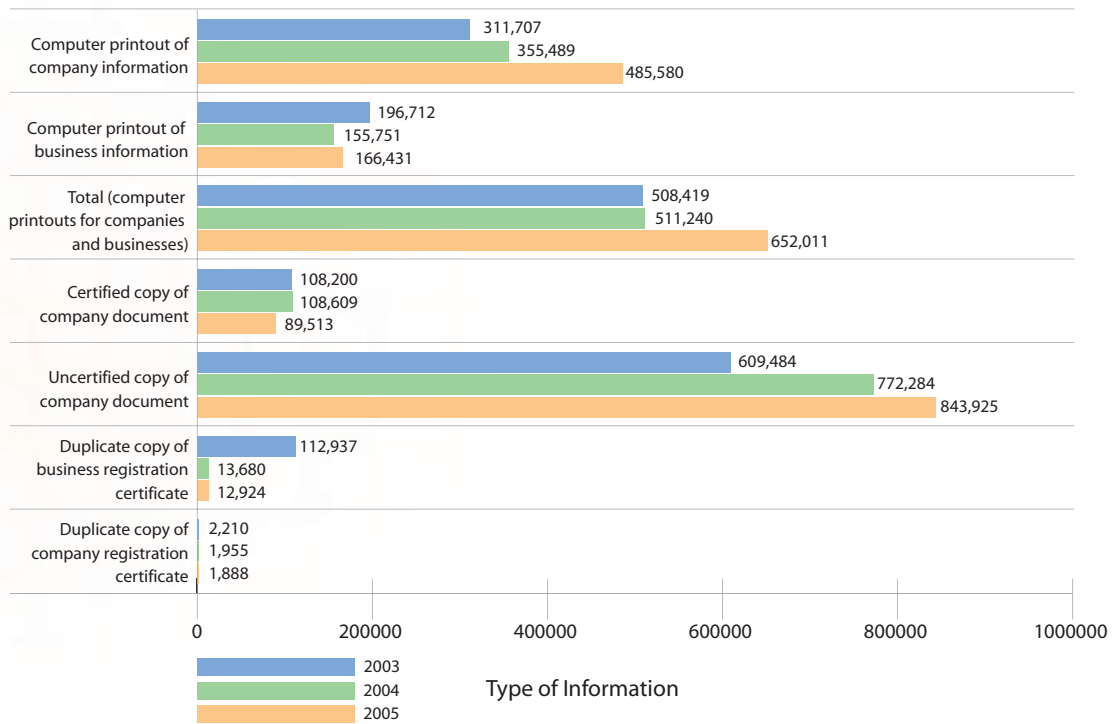
	2003	2004	2005	Annual Change (2004–2005)
Total - ROC	1,029,391	1,236,382	1,400,747	13.3%
Total - ROB	309,654	169,431	179,355	5.9%



### Type of Information

	2003	2004	2005	Annual Change (2004–2005)
Computer printout of company information	311,707	355,489	485,580	36.6%
Computer printout of business information	196,712	155,751	166,431	6.9%
<b>Total - computer printouts for companies and businesses</b>	<b>508,419</b>	<b>511,240</b>	<b>652,011</b>	<b>27.5%</b>
Certified copy of company document	108,200	108,609	89,513	-17.6%
Uncertified copy of company document	609,484	772,284	843,925	9.3%
Duplicate copy of business registration certificate	112,937	13,680	12,924	-5.5%
Duplicate copy of company registration certificate	2,210	1,955	1,888	-3.4%

### Type of Information (continued)



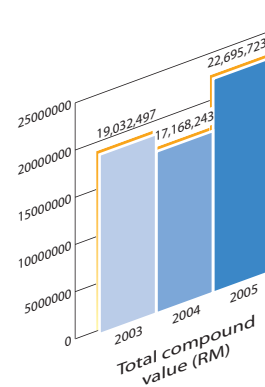
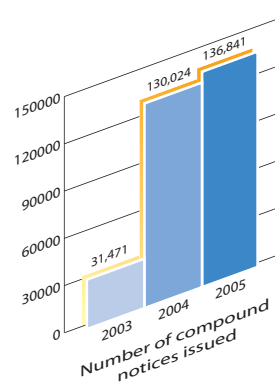
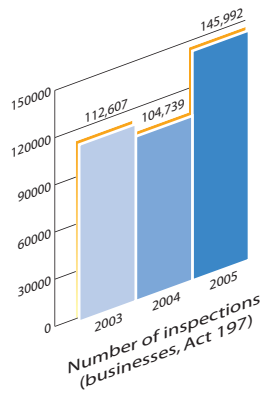
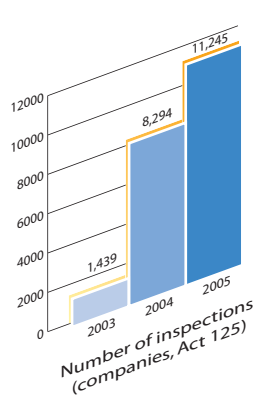
### Inspection on Companies and Businesses

Compared to 2004, inspections of companies and businesses in 2005 increased by 35.6% and 39.4% respectively. This significant rise is due to the continuing enforcement drive diligently carried out by the Surveillance Section across the nation to check on non-compliance with Companies Act 1965 (Act 125) and the Registration of Businesses Act 1956 (Act 197) by people in their role as directors, company secretaries, auditors and associates of businesses.



## Surveillance and Statutory Inspections

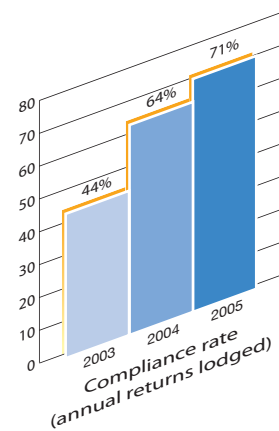
	2003	2004	2005	Annual Change (2004–2005)
Number of inspections (companies, Act 125)	1,439	8,294	11,245	35.6%
Number of inspections (businesses, Act 197)	112,607	104,739	145,992	39.4%
Number of compound notices issued	31,471	130,024	136,841	5.2%
Total compound value (RM)	19,032,497	17,168,243	22,695,723	32.2%



	2003	2004	2005	Annual Change (2004–2005)
Compliance rate (annual returns lodged)	44%	64%	71%	10.9%

### Compliance rate in lodgement of annual returns

In the UK, Australia and New Zealand, compliance rate is benchmarked in terms of lodgement of annual returns. On average, these jurisdictions see a rate of compliance that ranges from 90% to 96%. The Companies Commission benchmarks against these rates and has unceasingly strived to achieve improved compliance rates in annual returns lodgement year after year. In 2005, we achieved a 71% compliance rate, a marked improvement from 64% in 2004 and 44% in 2003, as a result of the intensification of our enforcement activities. We will strive to further improve this compliance rate in 2006 to ultimately target the average percentage currently being attained by our peers in other countries. With continued extensive enforcement activities being actively carried out, we are confident that this achievement could be reached in the near future.

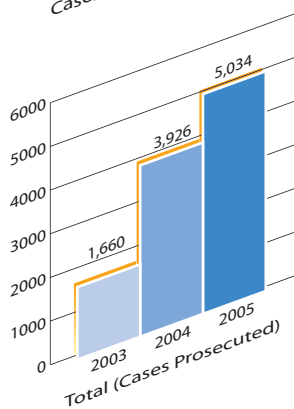
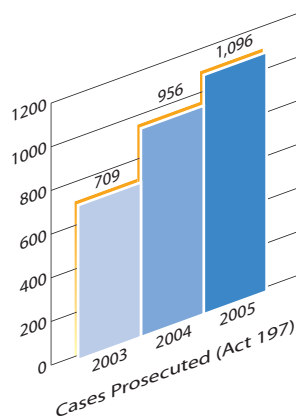
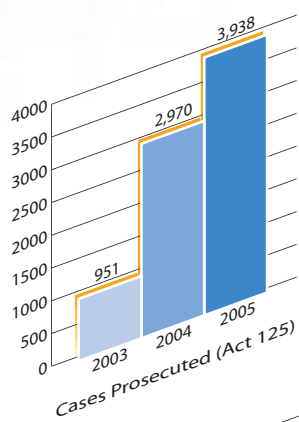


## Prosecution of Companies and Businesses

Significant increases were observed in 2005 in the total number of cases prosecuted under the Companies Act 1965 (Act 125) and Registration of Businesses Act 1956 (Act 197), with a rise of 32.6% and 14.6% respectively compared to 2004. Ongoing enforcement activities conducted across Malaysia throughout the year resulted in more prosecution cases of various offences committed by officers of companies and associates of businesses under the respective Acts.

### Cases Prosecuted

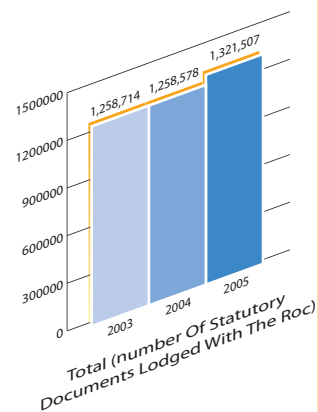
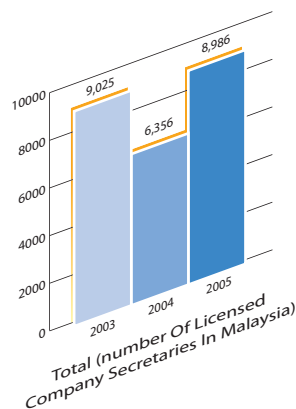
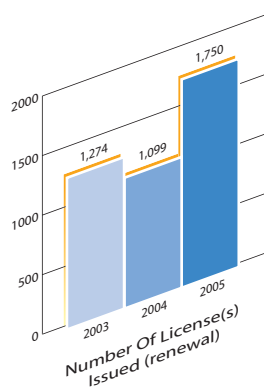
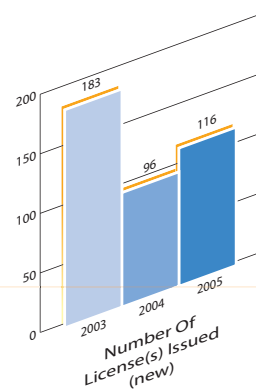
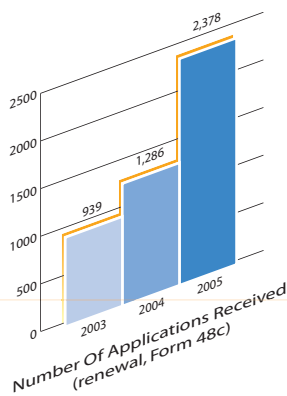
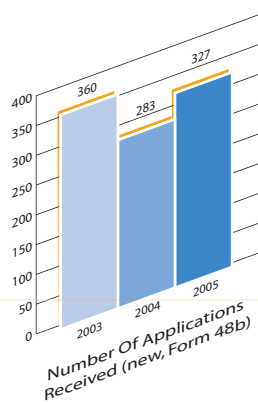
	2003	2004	2005	Annual Change (2004–2005)
Cases prosecuted (Act 125)	951	2,970	3,938	32.6%
Cases prosecuted (Act 197)	709	956	1,096	14.6%
Total (cases prosecuted)	1,660	3,926	5,034	28.2%



## Company Secretaries, Audit Firms and Auditors

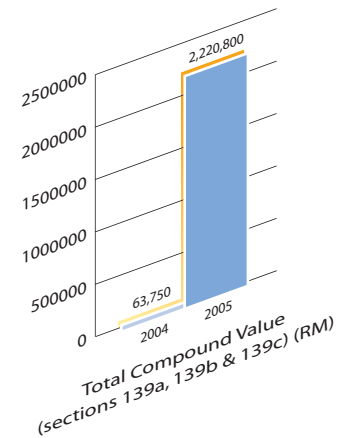
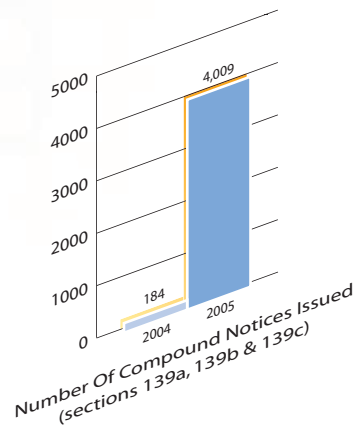
### Licensing of Company Secretaries

	2003	2004	2005	Annual Change (2004–2005)
Number of applications received - new, Form 48B	360	283	327	15.5%
Number of applications received - renewal, Form 48C	939	1,286	2,378	84.9%
Number of license(s) issued - new	183	96	116	20.8%
Number of license(s) issued - renewal	1,274	1,099	1,750	59.2%
Total - number of licensed company secretaries in Malaysia	9,025	6,356	8,986	41.4%
Total - number of statutory documents lodged with the ROC	1,258,714	1,258,578	1,321,507	5.0%



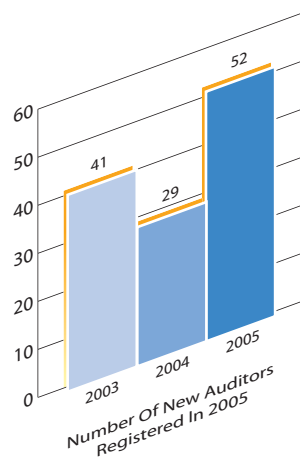
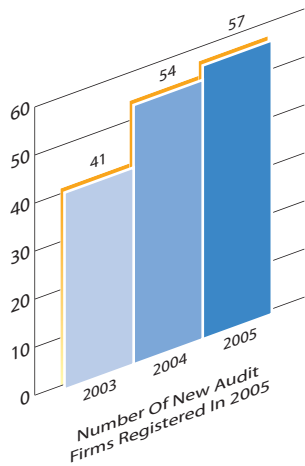
### Compound Notices Issued and Prosecution of Company Secretaries

	2004	2005	Annual Change (2004–2005)
Number of compound notices issued - Sections 139A, 139B & 139C	184	4,009	2,078.8%
Total compound value - Sections 139A, 139B & 139C (RM)	63,750	2,220,800	3,383.6%



### Registration of Audit Firms and Auditors

	2003	2004	2005	Annual Change (2004–2005)
Number of new audit firms registered in 2005	41	54	57	5.6%
Number of new auditors registered in 2005	41	29	52	79.3%



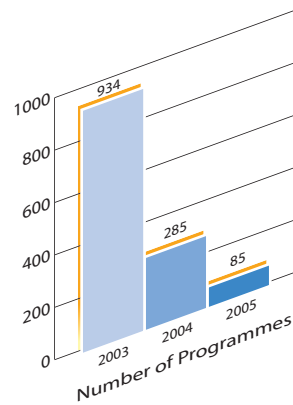
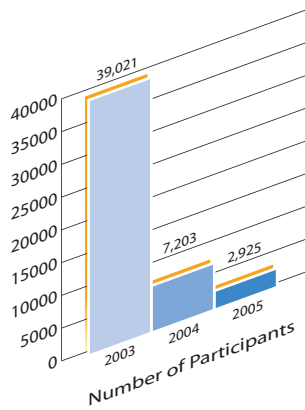
## Corporate Directors Training Programme (CDTP)

2005 saw a marked decline in the number of participants and CDTP programmes, decreasing by 59% and 70% respectively when compared to 2004, after the announcement by the Companies Commission on the government's decision that attendance of these programmes by corporate directors is not mandatory. This drop in the number of participants has been a cause for concern for the Companies Commission, especially pertaining to its efforts in upgrading corporate governance practices among corporate directors.

To intensify public education efforts, CDTP programmes have been conducted to much encouraging feedback at the Companies Commission own training centre which is currently located at the head office.

### CDTP and Participants

	2003	2004	2005	Annual Change (2004–2005)
Number of participants	39,021	7,203	2,925	-59.4%
Number of programmes	934	285	85	-70.2%



# Contact Us

The Companies Commission is transparent and accountable at all times. Dialogue, feedback and comments help us improve our public service delivery system. Our team of staff is accessible in every state of Malaysia.

*Hotline 03-40476000 records complaints, provides answers or puts you in touch with the people who can assist.*

## **Johor**

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## **Kelantan**

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## **Kuala Lumpur (Head Office)**

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## **Negeri Sembilan**

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### **Wilayah Persekutuan Labuan**

---

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E-mail : arifh@ssm.com.my

Organisation structure and the management team, see page 14.



# Financial Statements

31 December 2005

Balance Sheet, Income Statement, Statement of Changes in Equity,  
Cash Flow Statement and Notes to the Financial Statements

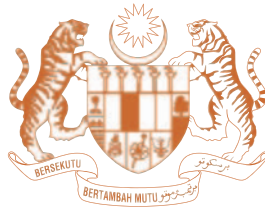


**SURUHANJAYA SYARIKAT MALAYSIA**  
COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

# Contents

1	Statement By The Members Of The Companies Commission Of Malaysia
2	Statutory Declaration By The Officer Responsible For The Financial Management Of The Companies Commission Of Malaysia
	Financial Statements
3	- Balance Sheet
4	- Income Statement
5	- Statement of Changes in Equity
6	- Cash Flow Statement
7-28	- Notes to the Financial Statements



**CERTIFICATE OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
COMPANIES COMMISSION OF MALAYSIA  
FOR THE YEAR ENDED 31 DECEMBER 2005**

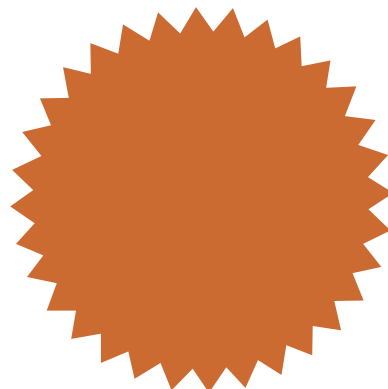
The financial statements of Companies Commission of Malaysia for the year ended 31 December 2005 have been audited by my representative. These financial statements are the responsibility of the management. My responsibility is to audit and to express an opinion on these financial statements.

2. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing. Those standards require an audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes examining on a test basis, evidence supporting the amounts and adequate disclosures in the financial statements. It also includes assessment of the accounting principles used as well as evaluating the overall presentation of the financial statements.

3. In my opinion, the financial statements give a true and fair view of the state of financial affairs of the Companies Commission of Malaysia as at 31 December 2005 and of the results of its operations and its cash flow for the year based on the approved accounting standards.

  
**( ZAABA BIN ZAINUDDIN )**  
for AUDITOR GENERAL OF  
MALAYSIA

PUTRAJAYA  
13 APRIL 2006



**COMPANIES COMMISSION OF MALAYSIA**

(Incorporated under the Companies Commission of Malaysia Act, 2001)

**STATEMENT BY MEMBERS OF THE COMPANIES  
COMMISSION OF MALAYSIA**

We, **DATO' SERI TALAAT BIN HJ. HUSAIN** and **ABDUL KARIM BIN ABDUL JALIL**, being two of the members of the **COMPANIES COMMISSION OF MALAYSIA**, do hereby state on behalf of the members that in our opinion, the financial statements as set out on pages 3 to 28 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Commission as at 31 December 2005 and of the results of its operations and of its cash flows for the year ended on that date.

On behalf of the Commission,



**DATO' SERI TALAAT BIN HJ. HUSAIN**

Chairman



**ABDUL KARIM BIN ABDUL JALIL**

Member

Dated : 25. 01. 2006

Kuala Lumpur

**COMPANIES COMMISSION OF MALAYSIA**

(Incorporated under the Companies Commission of Malaysia Act, 2001)

**STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANIES COMMISSION OF MALAYSIA**

I, **ZAHRAH BT ABD. WAHAB FENNER**, being the officer primarily responsible for the accounting records and financial management of the Commission do solemnly and sincerely declare that the financial statements as set out on pages 3 to 28 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by  
**ZAHRAH BT ABD. WAHAB FENNER**  
at Kuala Lumpur in the Federal Territory  
on 25. 01. 2006



Before me,



(Commissioner for Oaths)

Lot 2.42, Tkt. 2, The Mall  
180, Jalan Putra,  
50350 Kuala Lumpur



## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 RM	2004 RM
PROPERTY, FITTINGS AND EQUIPMENT	3	23,121,236	18,927,207
WORK IN PROGRESS	4	2,155,594	10,205,758
STAFF FINANCING	5	6,622,793	2,177,355
CURRENT ASSETS			
Debtors	6	124,940	856,341
Other debtors	7	6,091,108	2,678,683
Staff financing	5	714,735	276,941
Short term deposits	8	65,924,272	43,427,925
Cash and cash equivalents	9	299,410,558	284,778,989
		372,265,613	332,018,879
CURRENT LIABILITIES			
Federal Consolidated Fund	10	125,960,225	129,099,557
Other creditors	11	7,892,189	5,244,284
Work in progress creditors	12	335,847	2,538,173
Taxation		4,294,000	2,782,000
		138,482,261	139,664,014
NET CURRENT ASSETS		233,783,352	192,354,865
		<u>265,682,975</u>	<u>223,665,185</u>
Financed by:			
CAPITAL GRANT	13	48,899,432	52,579,005
ACCUMULATED SURPLUS		169,695,685	133,894,628
FINANCING FUNDS	14	46,000,000	36,000,000
		264,595,117	222,473,633
PROVISION FOR EMPLOYEE BENEFITS	15	1,087,858	1,191,552
		<u>265,682,975</u>	<u>223,665,185</u>

Notes on pages 7 to 28 form an integral part of these financial statements

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Income	16	251,920,450	242,886,095
Less :			
Federal Consolidated Fund		125,960,225	121,443,047
		<hr/>	<hr/>
		125,960,225	121,443,048
Less: OPERATING EXPENSES			
Staff costs	17	37,123,195	32,299,576
Administrative expenses	18	33,155,773	28,577,631
Grant	19	200,000	-
Depreciation and amortization benefit	3	8,168,200	3,482,562
		<hr/>	<hr/>
		78,647,168	64,359,769
Surplus before taxation	20	47,313,057	57,083,279
Less : Taxation	21	1,512,000	1,592,000
Net surplus for the year		<hr/>	<hr/>
		45,801,057	55,491,279

Notes on pages 7 to 28 form an integral part of these financial statements

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	← Capital Grants →				
	Launching grant RM	Vested Benefits RM	Accumulated Surplus RM	Financing Funds RM	Total RM
Balance as at 1 January 2004	43,600,000	1,080,584	96,365,166	26,000,000	167,045,750
<u>Net gains not recognised in the income statement</u>					
Amortisation on vested benefits	-	(3,696,534)	-	-	(3,696,534)
Net gains not recognised in income statement	-	(3,696,534)	-	-	(3,696,534)
Vested benefits	-	11,594,955	-	-	11,594,955
Surplus for the year	-	-	55,491,279	-	55,491,279
Prior year adjustments	-	-	(7,961,817)	-	(7,961,817)
Transfer of accumulated surplus 2004 to financing fund	-	-	(10,000,000)	10,000,000	-
Balance as at 31 December 2004	43,600,000	8,979,005	133,894,628	36,000,000	222,473,633
<u>Net surplus not recognised in income statement</u>					
Amortisation of vested benefits	-	(3,679,573)	-	-	(3,679,573)
	-	(3,679,573)	-	-	(3,679,573)
Surplus for the year	-	-	45,801,057	-	45,801,057
Transfer of accumulated surplus to financing fund	-	-	(10,000,000)	10,000,000	-
Balance as at 31 December 2005	43,600,000	5,299,432	169,695,685	46,000,000	264,595,117

Notes on pages 7 to 28 form an integral part of these financial statements

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 RM	2004 RM
<b><u>Operating activities</u></b>		
Surplus before taxation	47,313,057	57,083,279
Adjustments for:		
Depreciation and amortization benefit	8,168,200	3,482,562
Loss on disposal of property and equipment	12,190	3,573
Profits / dividends income	(11,115,374)	(11,992,107)
Operating profit before working capital changes	44,378,073	48,577,307
Decrease/(Increase) in trade debtors	731,401	(807,541)
Increase in other debtors	(3,412,425)	(865,386)
Decrease in Federal Consolidated Fund	(3,139,332)	(76,901,926)
Increase in other creditors	2,647,905	1,785,439
Decrease in work in progress creditors	(2,202,326)	(692,870)
Decrease in provision for employee benefits	(103,694)	(16,633)
<b>Net cash (used in)/generated from operating activities</b>	<b>38,899,602</b>	<b>(28,921,610)</b>
<b><u>Cash flow from investing activities:</u></b>		
Purchase of property, fittings and equipment	(16,061,692)	(17,789,981)
Proceeds from disposal of property and equipment	7,700	660
Decrease in work in progress	8,050,164	8,601,564
Purchase of short term deposit	(22,496,347)	(43,427,925)
Profits / dividends received	11,115,374	11,992,107
Staff financing	(5,350,662)	(2,032,089)
Repayment received from staff financing	467,430	159,357
<b>Net cash used in from investing activities</b>	<b>(24,268,033)</b>	<b>(42,496,307)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,631,569</b>	<b>(71,417,917)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>284,778,989</b>	<b>356,196,906</b>
<b>Cash and cash equivalents at end of year</b>	<b>299,410,558</b>	<b>284,778,989</b>

Notes on pages 7 to 28 form an integral part of these financial statements

## **COMPANIES COMMISSION OF MALAYSIA**

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **1 PRINCIPAL ACTIVITIES**

The Companies Commission of Malaysia is a statutory body established under the Companies Commission of Malaysia Act 2001 ( Act 614 ). The principal activities of the Commission are the establishment of company and business registration systems and enforcement of the Companies Act 1965, Business Registration Act 1956, Trust Companies Act 1949, Kootu Funds (Prohibition) Act 1971 and any subsidiary legislation made under the above Acts.

There have been no significant changes in the nature of these principal activities during the financial year.

#### **2 SIGNIFICANT ACCOUNTING POLICIES**

##### **a Basis of Preparation**

The financial statements of the Commission have been prepared under the historical cost convention and in compliance with applicable approved accounting standards in Malaysia.

##### **b Property, fittings and equipment and depreciation**

Property, fittings and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The carrying values of property, fittings and equipment are reviewed for impairment where there are indications that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Any impairment loss is recognized immediately as expenditure in the income statement.

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### b Property, fittings and equipment (continued)

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognized to the extent of the carrying amount of the assets that would be determined (net of amortization and depreciation) if no impairment loss has been recognized. The reversal is recognized as income immediately in the income statement.

Gain or loss arising on disposal of equipment is the difference between the net disposal proceeds and the carrying amounts of the equipment, and is disclosed in the income statement.

Property, fittings and equipment are depreciated using the straight line method over their estimated useful lives at the following annual rates:

	%
Motor Vehicles	20
Furniture and Fixtures	20
Computer and Peripherals	20-33 $\frac{1}{3}$
Office Equipment	20
Renovation	20



## **COMPANIES COMMISSION OF MALAYSIA**

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **c Income**

The Commission's sources of income comprise the collection of fees for companies and businesses registrations, compounds, interests, dividends and Corporate Directors Training Programme (CDTP). All service income are stated in the financial statements on cash basis whereas income from interest, dividends and Corporate Directors Training Programme are stated on accrual basis.

Compounds are recognised on cash basis as each compound issued is only an offer with a payment period as determined by the Registrar. Compounds which are not being settled after the expiry of the payment period will be followed by prosecution in accordance with the provision of Companies Act 1965 and Business Registrations Act 1956. Fines imposed by the courts accrue directly to the Federal Consolidated Funds.

##### **d Work In Progress**

Work in progress will be capitalized as property, fittings and equipment after the certificate of completion or certificate of acceptance is received by the Commission.

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### e Vested Assets, Rights and Liabilities

These are all assets, rights or liabilities of the Government of Malaysia that were transferred to and vested in the Commission. They are stated after deducting all direct expenses and depreciation of the vested assets.

The vested assets, rights and liabilities are stated at fair value and are recognised based on capital approach.

The non monetary vested assets are amortized over their remaining useful lives. The benefit is stated as amortization benefit in the statement of changes in equity.

##### f Launching Grants

Launching grants relate to the initial grants by the Government and were recognised in the financial statements based on the capital approach.

##### g Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits with financial institutions.

##### h Staff Financing

The allocations for computer, motor vehicle and house financing are RM1.0 million, RM5.0 million and RM50.0 million respectively. These allocations were transferred from the accumulated surplus for the financial years 2002 to 2006.

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### i Contribution to Federal Consolidated Fund

Contribution to the Federal Consolidated Fund represents 50% of the total revenue received as stipulated under section 35(1) of the Companies Commission Act 2001 (Act 614).

##### j Income Taxes

Income tax on the surplus or deficit for the year comprises current and deferred tax. Current tax is the expected income taxes payable on the taxable surplus for the year and is measured using the tax rates applicable at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principal, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax is measured at the tax rates applicable at the balance sheet date.

##### k Other Creditors

Other payables are stated at cost.

## **COMPANIES COMMISSION OF MALAYSIA**

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **I Employee Benefits**

###### **Short Term Benefits**

Salaries and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Commission.

###### **Defined Contribution Plans**

Contribution is made to Employees Provident Fund (EPF) for employees who have opted for EPF scheme or the Government Pension Fund for those who are in the pensionable scheme. Such contributions are recognized as an expense in the income statement as incurred.

###### **Long Term Benefits**

Payment for long term benefits to employees after retirement and / or after the completion of contract service is recognized on an accrual basis in the current year income statement as cost of employee benefits whereas in the balance sheet, such amount is recognized as a liability known as Provision For Employee Benefits.

The types of long term benefits which will be recognized are as follows:

- i. Cash rewards in lieu of annual leave; and
- ii. Gratuity paid to contract staff upon completion of service.

## **COMPANIES COMMISSION OF MALAYSIA**

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

The computation of cash in lieu of annual leave payable to retirees as well as gratuity payment to contract staff who complete their term of service is based on the actual information available on the balance sheet date and the eligibility based on the terms and conditions of service. The current salary rate is used to compute these liabilities.

#### **m Comparative Figures**

Comparative figures have been reclassified to reflect changes in the presentation of the current year financial statements.

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 3 PROPERTY, FITTINGS AND EQUIPMENT

	<b>Furniture and Fittings RM</b>	<b>Office Equipment RM</b>	<b>Software Computer Peripherals RM</b>	<b>Motor Vehicles RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b><u>Cost</u></b>						
At 1 January 2005	1,804,412	919,073	13,625,815	3,014,104	11,817,726	31,181,130
Additions	377,669	428,486	13,530,145	-	1,725,392	16,061,692
Disposal	-	-	(25,450)	-	-	(25,450)
At 31 December 2005	2,182,081	1,347,559	27,130,510	3,014,104	13,543,118	47,217,372
<b><u>Accumulated Depreciation</u></b>						
At 1 January 2005	363,556	49,108	8,754,089	723,625	2,363,545	12,253,923
Depreciation for the year on vested assets	-	-	3,566,496	113,077	-	3,679,573
Depreciation for the year	357,265	202,400	4,721,815	523,175	2,363,545	8,168,200
Disposal	-	-	(5,560)	-	-	(5,560)
At 31 December 2005	720,821	251,508	17,036,840	1,359,877	4,727,090	24,096,136
<b><u>Net Book Value</u></b>						
At 31 December 2005	1,461,260	1,096,051	10,093,670	1,654,227	8,816,028	23,121,236
At 31 December 2004	1,440,856	869,965	4,871,726	2,290,479	9,454,181	18,927,207
Depreciation charge for the year ended 31 December 2004	360,386	40,230	3,936,830	478,105	2,363,545	7,179,096

Notes on pages 7 to 28 form an integral part of these financial statements

## COMPANIES COMMISSION OF MALAYSIA

(Incorporated under the Companies Commission of Malaysia Act, 2001)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 3 PROPERTY, FITTINGS AND EQUIPMENT (continued)

Assets for the Migration Project are vested in the Commission by way of a Novation Agreement dated 23 April 2004. These property, fittings and equipment are stated at fair value on the vesting date and have a remaining useful life of 2 years.

Work in progress amounted to RM9.67 million were capitalized as property, fittings and equipment at the end of the financial year 2005.

The development and usage of the new applications were carried out in the current year as a result of the Novation and supplementary agreements signed in year 2004. The impact of time and the technology involved indicate that the applications need to be reviewed to determine their impairments.

Impairment is measured by comparing the asset's carrying value with its recoverable amount. Delay in the usage of the overall system applications was estimated to have impaired the value of the systems equivalent to one third of their costs of development, amounting to RM 3,150,982. The impairment loss is recognized immediately and disclosed in the depreciation for the year in the income statement.



## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 4 WORK IN PROGRESS

- i On 23 April 2004, a Novation Agreement was signed between the Commission, Ministry of Domestic Trade and Consumer Affairs and an information and communication technology consultancy company, novating to the Commission the original agreement dated 10 October 2002 for the upgrading of the management and corporate information system of the Commission known as the Migration Project worth RM18.95 million. Subsequent to the Novation Agreement, a supplementary agreement between the Commission and the same consultancy company was signed, resulting in an additional capital expenditure amounting to RM1.79 million.

System application of the Commission amounting to RM 9.45 million which is 94% completed and in use was capitalized as property, fittings and equipments in the current year. The balance is included in work in progress.

- ii The work in progress also includes new projects such as application developments for the integrated financial and human resources management systems. The Commission has awarded the contract for upgrading of its IDAMAN system during the financial year.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 5 STAFF FINANCING

	2005 RM	2004 RM
House financing	6,646,013	1,486,927
Motor vehicle financing	1,630,639	1,105,386
Computer financing	234,458	232,686
	<hr/> 8,511,110	<hr/> 2,824,999
Less : Unearned profit from Islamic financing	1,173,582	370,703
Staff financing before profit	<hr/> 7,337,528	<hr/> 2,454,296
	<hr/> <hr/>	<hr/> <hr/>
Repayment within 12 months	714,735	276,941
Repayment exceeding 12 months	6,622,793	2,177,355
	<hr/> 7,337,528	<hr/> 2,454,296
	<hr/> <hr/>	<hr/> <hr/>

- i. Staff financing consists of house, motor vehicle and computer financing approved to the staff of the Commission.
- ii. The maximum repayment periods for motor vehicle and computer financing are 8 years and 4 years respectively with a profit rate of 4% per annum.
- iii. The maximum repayment period for house financing is 25 years with a profit rate of 2% per annum.

#### 6 TRADE DEBTORS

Trade debtors consist of service fees receivable, which include fees from renewal of business licenses made through POS Malaysia and fees from Corporate Directors Training Programme.

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 7 OTHER DEBTORS

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Profits and dividends receivable	4,910,252	1,525,857
Deposit and prepayment	1,097,287	902,690
Advances to staff	34,688	28,355
Other receivables	48,881	221,781
	<hr/> 6,091,108	<hr/> 2,678,683

#### 8 SHORT TERM DEBTORS

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Institutional Trust Account	40,154,592	28,594,469
Islamic Commercial Papers	25,769,680	14,833,456
	<hr/> 65,924,272	<hr/> 43,427,925

During the current and previous financial years, the Commission placed its funds in an Institutional Trust Account maintained by Amanah Raya Berhad, a public company limited by shares incorporated in Malaysia. The principal activities of the said company consist of administering estates of deceased persons and acting as trustee for minors, the public and unit trust schemes. The gross dividend receivable by the Commission is 5% per annum (2004:5%) and the tenure of the placement is one year.

The Commission had purchased Islamic Commercial Papers through various licensed financial institutions. The effective profit receivable by the Commission for these securities ranged from 2.85% to 2.90% per annum (2004: 2.71% to 2.80 %) and their tenure is up to 6 months.

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 9 CASH AND CASH EQUIVALENTS

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Cash and bank balance	14,469,125	15,508,866
Deposits with :		
Licensed local banks and financial institutions	284,941,433	196,554,259
Licensed discount houses	-	72,715,864
	<u>299,410,558</u>	<u>284,778,989</u>

The effective profit rate for Al-Mudharabah general investments and Al-Mudharabah special investment with banks and financial institutions ranged from 2.37% to 3.61% per annum (2004: 2.56 % to 3.74%).

The tenure of the Al-Mudharabah general investment is 30 days to a year, and for the Al-Mudharabah special investment is 1 night to 90 days.

#### 10 FEDERAL CONSOLIDATED FUND

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	129,099,557	199,247,851
50% of revenue of the Commission	125,960,225	121,443,047
Prior year adjustment (note 22)	-	6,753,632
Payment made during the year to the Federal Consolidated Fund	(129,099,557)	(198,344,973)
	<u>125,960,225</u>	<u>129,099,557</u>

Section 35(1) of the Companies Commission Act 2001 (Act 614) provides that the Commission pays 50% of its total annual revenue to the Federal Consolidated Fund.

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 10 FEDERAL CONSOLIDATED FUND (continued)

Prior year adjustment is the additional amount paid to the Ministry of Domestic Trade and Consumer Affairs for expenditure of the Commission during the transitional period from 16 April 2002 to 31 December 2003 as determined by the Government.

#### 11 OTHER CREDITORS

	2005	2004
	RM	RM
Payables and accruals	4,443,264	3,020,414
Statutory payables	373,772	162,549
Staff deduction payables	529,716	1,422,123
Provision for bonus and employee benefits (note 15)	1,831,394	17,571
National Integrity Plan	34,265	-
Other receipts	679,778	621,627
	<hr/> 7,892,189	<hr/> 5,244,284

#### 12 WORK IN PROGRESS CREDITORS

Creditors for work in progress are costs in respect of the information and communication technology project not paid as at year end.

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 13 CAPITAL GRANTS

	2005 RM	2004 RM
Launching grants	43,600,000	43,600,000
Vested Benefits:		
Balance as at 1 January	8,979,005	1,080,584
Additional	-	11,594,955
Less : Amortization benefit	3,679,573	3,696,534
	5,299,432	8,979,005
Balance as at 31 December	48,899,432	52,579,005

Capital grants include initial grant provided by the Government to cover financial liabilities and capital expenditure of the Commission.

Vested benefits at the beginning of financial year are assets vested in the Commission in 2002 and 2003. These include property, fittings and equipment and all monies received from Corporate Directors Training Programme.

In 2004, the Migration Project was novated to the Commission by the Government resulting in all assets of this project being vested to the Commission. These assets, categorized as vested benefits are stated at fair value.

The amortization of vested benefits in the current year is taken as benefit of the usage of the specific property, fittings and equipment which is equivalent to the depreciation of the property, fittings and equipment vested, amounting to RM 3,679,573 (2004: RM 3,696,534) as shown in note 3. This amount is stated as amortization benefit in the statement of changes in equity.

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 14 FINANCING FUNDS

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
House financing fund	40,000,000	30,000,000
Motor vehicle financing fund	5,000,000	5,000,000
Computer financing fund	1,000,000	1,000,000
	<u>46,000,000</u>	<u>36,000,000</u>

The Members of the Commission have in year 2003 approved the allocation of RM5.0 million and RM1.0 million for the motor vehicle and computer financing funds respectively.

As for the house financing fund a sum of RM50.0 million was approved by way of a yearly transfer of RM10.0 million from the accumulated surplus from year 2002 to year 2006.

#### 15 PROVISION FOR EMPLOYEE BENEFITS

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
As at 1 January	1,209,123	-
Adjustment on employee benefits (note 22)	-	1,208,185
Provision for gratuity in current year	75,594	22,367
Less: Payment made to employee	122,317	21,429
As at 31 December	<u>1,162,400</u>	<u>1,209,123</u>
Maturing within 12 months (note 11)	74,542	17,571
Maturing after 12 months	1,087,858	1,191,552
	<u>1,162,400</u>	<u>1,209,123</u>



## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 16 INCOME

	2005 RM	2004 RM
Income from operating activities:		
Service income	217,773,018	213,118,646
Compounds	22,695,723	17,168,243
Corporate Directors' Training Programme	227,560	507,916
Other income:		
Profits and dividends	11,115,374	11,992,107
Other income	120,965	102,756
Loss on disposals of property and fittings	(12,910)	(3,573)
	<hr/> 251,920,450	<hr/> 242,886,095

#### 17 STAFF COSTS

	2005 RM	2004 RM
Salaries	24,997,993	22,409,942
Allowances	605,368	557,747
Statutory contributions	5,241,311	3,851,538
Overtime	679,385	360,369
Bonus and other benefits	3,901,223	3,538,288
Medical	1,264,871	1,004,034
Members' allowances	86,850	108,532
Subsidies to staff on Government loan	346,194	469,126
	<hr/> 37,123,195	<hr/> 32,299,576

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 18 ADMINISTRATIVE EXPENSES

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Travelling and accommodation	1,533,368	958,520
Communication and utilities	1,576,683	1,575,145
Rental	9,582,667	9,367,326
Printing and stationery	3,955,251	3,529,737
Upkeep of equipment	12,757,111	9,350,046
Office maintenance and security	619,961	508,832
Professional fees	1,177,478	1,219,561
Entertainment and hospitalities	1,899,836	1,772,651
Other administrative costs	53,418	295,813
	<hr/> <hr/> 33,155,773	<hr/> <hr/> 28,577,631

#### 19 FINANCING GRANT

During the current financial year, a financial aid amounting to RM 200,000 was given to Malaysian Institute of Corporate Governance for enhancement of corporate governance as provided under section 17 of the Companies Commission of Malaysia Act 2001 (Act 614).

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 20 SURPLUS BEFORE TAXATION

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Surplus for the year before taxation is derived after crediting: -		
Profits and dividends	11,115,374	11,992,107
Other income	120,965	102,756
Loss on disposals of property, fittings and equipment	(12,190)	(3,573)
And charging: -		
Members' allowance	86,850	108,532
Auditors' remuneration	48,400	48,000
Bonus	3,895,377	3,515,921
Depreciation	11,847,773	7,179,096
Amortization benefit	(3,679,573)	(3,696,534)

#### 21 TAXATION

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Provision for the year	1,512,000	1,592,000
Effective tax rate	3.20%	2.79%

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 21 TAXATION (continued)

A numerical reconciliation between tax expense / (income) and the accounting profit multiplied by the current tax rate 28% (2004: 28%):

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Surplus for the year	13,247,656	15,983,318
Unallowable expenditures	1,404,620	973,712
Exempted tax income	(13,627,110)	(16,229,060)
Other income / (losses)	1,512,000	1,592,000
Utilized capital allowances	(1,025,166)	(727,970)
	<hr/> 1,512,000	<hr/> 1,592,000

No deferred tax liabilities/(assets) have been recognized in the balance sheet. The Commission has been granted tax exemption status by the Minister of Finance effective from the year of assessment 2002 on revenue derived from fees, compound and the launching grant from the Federal Government. Other income is taxable at the corporate rate of 28%.

## COMPANIES COMMISSION OF MALAYSIA

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 22 PRIOR YEAR ADJUSTMENTS

	2005 RM	2004 RM
Prior year adjustments consist of:		
i. Payment made to the Ministry of Domestic Trade and Consumer Affairs for expenditure of the Commission during the transitional period from 16 April 2002 to 31 December 2003 as determined by the Government.	-	6,753,632
ii. Provision of employee benefits for payment in lieu of leave under the Government Pension Scheme before 16 December 2002	-	1,208,185
	-	7,961,817

#### 23 CAPITAL COMMITMENT

	2005 RM	2004 RM
Capital expenditure commitment :		
Approved and contracted for	5,375,249	3,458,800
Approved but not contracted for	-	3,272,214
	5,375,249	6,731,014

## **COMPANIES COMMISSION OF MALAYSIA**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **24 RISK MANAGEMENT POLICIES**

##### **Liquidity Risk**

The Commission mitigated its liquidity risk by maintaining part of its investment in liquid assets by placing deposits with financial institutions to meet its short term financial commitments.

##### **Cash Flow Risk**

The Commission reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows.

##### **Data Integrity Risk**

The Commission is continually upgrading its information system to ensure the integrity of the information supplied to the public.

#### **25 EMPLOYEES**

The number of employees of the Commission as at 31 December 2005 was 978 including 193 temporary staff (2004: 924 including 186 temporary staff).

#### **26 TABLING OF FINANCIAL STATEMENTS**

The financial statements for the financial year ended 31 December 2006 were tabled and approved by the Members of the Commission on 25 January 2006.

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**SURUHANJAYA SYARIKAT MALAYSIA**  
COMPANIES COMMISSION OF MALAYSIA

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