



SURUHANJAYA SYARIKAT MALAYSIA  
COMPANIES COMMISSION OF MALAYSIA



Entering A New World Of  
Paperless Transactions

Annual Report

2008

[www.ssm.com.my](http://www.ssm.com.my)



**2008 ANNUAL REPORT THEME:**

## INFORMATION AND COMMUNICATION TECHNOLOGY

Globalization is a reality and not just a catch phrase. The world we live in has changed drastically especially in the last 15 to 20 years. While a global economy has been in for centuries in the form of colonialism and world trade, a new economy has taken shape in the form of free trade, cross border investments, deregulation and privatization of state-owned enterprises.

In the globalized economy, the Information and Communication Technology (ICT) plays a fundamental role in wealth creation and enhancing the national economic growth. Without instantaneous and global forms of communications, the world's financial markets could not exist, nor could companies coordinate their production strategies or enhance the sale of products and rendition of services at a global scale. The ICT as such is a prerequisite and is fundamental to the functioning of the global economy. It is used to spread information in a new way - to millions of people, almost instantaneously and without the confines of traditional limitations of distance and time. It is also used to create new forms of organization and modes of operation, foster new forms of solidarity and enable a new method of sharing of experience. In addition, the ICT possesses many advantages - it is efficient, affordable and flexible.

Thrust One of the Ninth Malaysia Plan identifies the ICT as one of the areas vital for Malaysia's economic growth. It has witnessed rapid growth since it was first introduced and has stimulated the expansion of various other industries in Malaysia. The ICT is now part of the country's national agenda, finding its way amongst others in Vision 2020, the Ninth Malaysia Plan (RMK9), the National Annual Budget, the formation of Cyberjaya and Putrajaya, MSC Malaysia and PEMUDAH.

SSM realizes the importance of ICT and has since utilized and harnessed its limitless potentials in fulfilling the duties and responsibilities entrusted to the organization. The ICT agenda is pursued in many forms – the CBS ROB and CBS ROC projects, the e-Info service, the e-Lodgement service, SSM's ICT Strategic Plan, the Business Registration Mobile Counter initiatives, the Virtual Library, the Financial Management System, the Human Resources Management System, the e-Enforcement and numerous others. SSM is committed in pursuing its ICT agenda towards enhancing the national public service delivery system.



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A Snapshot of

# SSM'S ICT EVOLUTION

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The computerisation of Companies Commission of Malaysia's (SSM) internal functions began during the era of Registrar of Companies (ROC) and Registrar of Businesses (ROB), prior to the establishment of SSM on 16 April 2002. During that time, the backbone system which processed and stored information of companies and businesses ran on a mainframe-based system known as SMROC and SMROB. Digital image of companies' documents were stored in a system called Integrated Digital Image Management (IDAMAN) System.

Major transformation of SSM ICT infrastructure began with the System Migration Project which kicked off in 2002. This project involved major changes in SSM's ICT infrastructure wherein the mainframe-based system was replaced with an open system coupled with web-based application called Company and Business System (CBS). The project also equipped SSM headquarters and branches with a new set of personal computers, network equipments and other computer peripherals such as printers and scanners. In addition, SSM's back office and security applications underwent major upgrading with the introduction of e-mail and firewall. The System Migration Project was completed in May 2005 with the roll-out of CBS-ROC and CBS-ROB for companies and businesses respectively.



With SSM business functions fully computerized, it then looked into improving its delivery of corporate and business information. Working hand-in-hand with its service provider, SSM had in July 2006 launched the SSM e-Info service. This service enables the purchase of companies and businesses corporate profile via the internet 24/7. This service has been widely accepted and has since recorded purchases of information from all over the world.

In March 2007, SSM upgraded its website to enable posting of more information. In addition, more interactive features were introduced to facilitate the public's usage of the website.

To further improve its service delivery to the public, SSM collaborated with the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) in December 2006 to develop an online document filing system called the e-Lodgement service. This system was rolled-out in phases. The first phase was deployed in May 2007 to cater for the registrations and renewals of businesses. The second phase was deployed in November 2007 to cater for online incorporations and lodgements of selected documents. The e-Lodgement service was officially launched by the Minister of Domestic Trade and Consumer Affairs on 22 January 2008.

SSM has also taken steps to further improve its internal operations. Such initiatives included the introduction of the Human Resource Management System (HRMS) and Financial Management System (FMS). Both systems were fully deployed in 2006 and have since then significantly improved SSM's internal management of its human resource capital and finances.

SSM is continuously enhancing its ICT applications and is always looking for ways to fully utilize the ICT in its daily functions. Initiatives that are currently being developed include the migration from form-based transactions to transactions-based, automation of on-line approvals, real-time availability of corporate and business information and faster transactions rate for the e-Info and e-Lodgement services.

## STATEMENT ON CORPORATE GOVERNANCE

Corporate governance in the Malaysian context is defined as:

*“.....the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders.”*

**(The High Level Finance Committee Report on Corporate Governance, February 1999)**

SSM views the administration of good corporate governance in the country as not the sole responsibility of one corporate regulator. While the generic corporate governance is administered by SSM, specific areas of corporate governance such as banking, capital market, intellectual property and others, are administered by specific organizations. All these different areas form the corporate community. The key in effective administration of good corporate governance as such lies in mutual cooperation, understanding and knowledge – not only among fellow co-regulators but also the corporate community.

As an agency responsible for the incorporation of companies, SSM plays a vital role in nurturing good corporate governance practice amongst companies. This is done through the administration and enforcement of basic corporate governance provisions enshrined in the Companies Act 1965. Contrary to popular belief, failure by companies to audit their accounts, convene annual general meetings or lodge annual returns (together with audited accounts) are not merely 'technical offences' but a breach of fundamental corporate governance principles. The observance of basic yet fundamental corporate governance practices goes a long way towards ensuring corporate sustainability, protecting the interest of stakeholders and addressing the higher level corporate governance issues.



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>> MINISTER'S  
MESSAGE



# mes sage



## MINISTER'S MESSAGE

**Dato' Shahrir Abdul Samad**

*Minister of Domestic Trade and Consumer Affairs*

FY 2008 was another impressive year for Malaysia which recorded a 4.6% growth in GDP year-on-year despite the emerging global economic downturn with many advanced economies such as the United States, the European Union, Japan, Singapore, Taiwan and New Zealand slowly slipping into the recession. The current global economic turmoil, which was preceded by the US sub-prime mortgage crisis, had eventually snowballed into a global financial crisis. Malaysia was not significantly affected by the US sub-prime crisis as it has no direct exposure to the US market. Domestic demand, notably the growth in the services sector has been the key driver of the nation's economy for many years and 2008 was no exception. The strong performance of the services sector was broad based, with key drivers being business services, finance and insurance, communication, wholesale and retail. In FY 2008, the services sector was still able to grow by 8 % (compared with 9.7% in 2007) despite the slowing global economy towards year end.

Though the nation's economy fundamentally remains resilient with strong domestic consumption, sound banking system and large foreign reserve, if the external conditions continue to deteriorate further, it will have adverse repercussions on the domestic economy in 2009, particularly, in the export-oriented manufacturing sector. In order to sustain economic growth and avoid the country sliding into recession, the Government introduced a slew of measures in the past year to pump-prime the domestic economy. These included the announcement of a seven-billion Ringgit

stimulus package for various projects to be undertaken in the next year. This is in addition to the projects being implemented under the Ninth Malaysia Plan (2006-2010). The additional funds will be spent on housing, education, public transportation, and maintenance of existing infrastructures. Another key initiative includes the reduction of employees' EPF contribution by 3% in an attempt to increase the consumers' disposal income. Furthermore, in the first part of the year when inflation was at its peak due to surging oil prices, many countries increased their interest rates to counter the inflation. However, Malaysia's Central Bank, Bank Negara, took the unconventional approach of not raising the interest rates in order not to increase the financial burden of borrowers during this difficult times. All these measures are designed to sustain domestic consumption and mitigate the external impact on Malaysia.

In a time of economic crisis, many companies would resort to retrenchments, withhold new investments or adopt cost-cutting measures in anticipation of slump in demand and declining business as well as consumer confidence. Such actions would decidedly lead to significant lay-off of workers, which will deepen the economic problem even further as job losses would lead not only to loan defaults and bank failures, but also consumption cutbacks which will then lead to negative growth and consequently more job losses.

Therefore, it is imperative to have in place action plans to stimulate the economy by attracting investments from both domestic and foreign investors. This will minimize the social impact of the economic adversities as investments will create more job opportunities which are absolutely critical for economic recovery of a country.

In weathering the potentially bleak economic outlook in 2009, the Companies Commission of Malaysia (SSM) under the purview of the Ministry of Domestic Trade and Consumer Affairs has contributed significantly towards promoting domestic investments by providing a conducive business environment to help maintain the vibrancy of the economic activities in FY 2008. This is evidenced by the growth of 5.2% and 7.4% in the total number of companies and businesses registered respectively amidst global economic uncertainties. The introduction of the e-Lodgement in 2008 has no doubt provided the business community with a fast and efficient alternative channel to incorporate companies, register businesses and lodge statutory documents.

I am also delighted that Malaysia has been ranked twentieth in the World Bank's annual publication *'Doing Business 2009'* in terms of ease of the conduct of businesses. Previously, the country ranked twenty fifth among 181 international economies. According to the report, the significant reduction in the time taken for the registration of companies and businesses and the introduction of e-Lodgement in addition to tax reforms undertaken by the Government have contributed to the improvement in the international ranking. The e-Lodgement thus constitutes a strategic initiative by SSM and is vital towards ensuring the economic competitiveness of Malaysia as a business destination. In short, the e-Lodgement serves as a testimony of SSM's commitment towards providing high quality services befitting its quest towards attaining the stature as a centre of excellence.

FY2008 also saw the launching of the Final Report of SSM's Corporate Law Reform Committee (CLRC). The Final Report is the culmination of CLRC's four-year comprehensive and thorough review of the Companies Act 1965 towards coming up with a dynamic and modern set of corporate regulatory framework for the 21st century. The implementation of the many recommendations of the Final Report will certainly go a long way in ensuring Malaysia's corporate regulatory framework remains up-to-date and comprehensive in tandem with the changing business environment.

## MINISTER'S MESSAGE (cont'd)

The country will be facing an extremely challenging year in 2009 in view of the worsening external economic environment. Malaysia is expected to achieve a much lower GDP growth next year but the nation is well-placed to avoid sliding into recession. With resolution and resilience, we will together ride out the worst of the potential global economic turmoil. I am confident that under the able leadership of Datuk Abdul Karim Jalil, the Chief Executive Officer of the Companies Commission Malaysia, underpinned by the united team of committed workforce in SSM, SSM will continue to shine and achieve milestones in what would be the most challenging year since its inception.

### **Dato' Shahrir Abdul Samad**

Minister of Domestic Trade and Consumer Affairs

16 February 2009

# Chairman's Foreword

» CHAIRMAN'S  
FOREWORD

Foreword



## CHAIRMAN'S FOREWORD

**Dato' Mohd Zain Mohd Dom**

*Chairman*  
Companies Commission  
of Malaysia

Assalamua'laikum Warahmatullah,

2008 started with a high degree of enthusiasm but ended with much uncertainty, which served as the common prelude to the general sentiment of 2009. Despite the increasing level of upheavals in the global financial market and business environment, the Companies Commission of Malaysia (SSM) has proven to be a resilient organization, attaining various milestones and achievements throughout the year, apart from being actively involved in various pursuits towards fulfilling its statutory mandate.

Throughout 2008, SSM continued its commitment to enhance and improve its public service delivery system by progressively executing its ICT Strategic Plan (ISP). Acknowledging the role of ICT as a key driver to better serve the public, SSM has invested its financial and human capital resources to continue enhancing its organizational and operating efficiency. This initiative was undertaken vide its - procedures and practices, staff competencies, compliance and enforcement as well as products and services.

The ICT initiatives undertaken also herald the implementation of electronic services. The year saw a significant increase

in the number of documents filed electronically, from 37,025 documents lodged in 2007 to a 120,981 documents in 2008. SSM officially launched the e-Lodgement service which was deployed for trial run in May 2007 with initial services offered to cater for business e-Lodgements. The full spectrum of the first phase of SSM's e-Lodgement was officially launched by the Minister of Domestic Trade and Consumer Affairs on 22 January 2008, marking a new chapter for corporate Malaysia. A total of 30,437 new businesses were registered on-line while 917 new companies were incorporated via the e-Lodgement service. The numbers although relatively modest served as an encouraging start in SSM's e-Lodgement initiative. With the introduction of the e-Lodgment services, SSM effectively constitutes the first Malaysian e-Government initiative that utilizes online payment for the electronic filing of documents. This achievement will remain in the annals of SSM as a success story of inter-Government agencies collaboration, namely the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) and SSM. This is a milestone that SSM should take pride in.

The e-Lodgement service contains many long-term benefits for stakeholders in particular and the country in general. It has realized the Malaysian Government's ambition in joining other government agencies worldwide in providing electronic filing facilities. The ease of use, added security, lower cost and additional functionality of our electronic services is the key to SSM's contribution towards the government's agenda to make Malaysia a business friendly nation by improving the government's delivery system. Through e-Lodgement service, the Government is able to facilitate daily business transactions by making its services available 24/7 and transcends beyond the confinement of counter locations. The e-Lodgement also enhances the integrity of the company's records as the data are entered by the stakeholders directly on-line, thus eliminating any form of information discrepancies and dispensing with the need of data entry by SSM.

Currently, SSM is improving the security aspects and overcome various minor technical glitches usually existing in the deployment of new systems, to perfect the e-Lodgment service. This initiative is geared towards minimizing the risk of on-line frauds and identity thefts. Towards this end, SSM is working closely with other government agencies as well as other stakeholders in addressing issues and considering suggestions to develop anti-fraud mechanisms.

During the past year, SSM made substantial progress from a paper processing orientated registry to one based on the electronic flow of data. As we look ahead, we recognize that this change requires a bold new way of serving our customers, whether in respect of filing documents or searching for information. It will not simply be a matter of changing or adding new products and services. The e-Lodgement also requires commitment from members of the public to utilize such services upon its deployment. The Government is responsive towards the many demands and suggestions of the public. The e-Lodgement service was developed in response to such needs echoed by the business community in general. It is my hope that the e-Lodgement service developed will be well received by the business community. Together, let's embrace a new paradigm of operating businesses in Malaysia.

On other fronts, SSM has continued its role in enhancing the national corporate governance framework with various enforcement initiatives such as investigations and inspections. The database inspection methodology for instance, introduced in 2007 and further intensified, had resulted in a total number of 590,521 inspections conducted in 2008 compared to 462,451 in the previous year. The introduction of (2) two Practice Notes last year were to ensure compliance of the fundamental requirements of corporate governance namely, the lodgment of annual returns together with the submission of audited accounts. The enforcement approach by SSM also entails robust education and awareness programs spearheaded by the relatively young but vibrant Companies Commission of Malaysia Training Academy (COMTRAC). To date, COMTRAC has carried out numerous courses, training programs and seminars

## CHAIRMAN'S FOREWORD (cont'd)

attracting hundreds of participants from the business community, ranging from company secretaries, directors, the management as well as members of the public in general and students. I believe the 'Balanced Enforcement' approach propagated by SSM will add a new dimension to corporate law enforcement and represent the next generation of enforcement approach towards administering and enforcing SSM's laws and regulations.

The rapid progress of SSM is a combined result of its strong management team, committed workforce as well as due and forthcoming support from the members of the business community. Further, the sound financial management has placed us in a strong position to meet the challenges of 2008 and beyond. We have an ambitious and challenging agenda: implementing new legislation, introducing electronic services;, restructuring the organization, collaborating with other government agencies to the benefit of wider public services and delivering efficient services to our customers. We must move forward on all these fronts if we are to achieve our vision and retain our reputation as an excellent public service provider.

**Dato' Mohd Zain Mohd Dom**

Chairman

Companies Commission of Malaysia

11 February 2009

# ceo's review



» CEO'S REVIEW  
FOR THE YEAR

# for the year



## CEO'S REVIEW OF THE YEAR

**Datuk Abdul Karim  
Abdul Jalil**

*Chief Executive Officer  
Companies Commission  
of Malaysia*

Assalamu'alaikum and salutations,

As we step into 2009, I would like to both reflect on the major activities undertaken in 2008 as well as to share my thoughts on what the future holds for the Companies Commission of Malaysia (SSM) in 2009.

FY2008 was indeed a very significant year for SSM as it marked the final year of the implementation of SSM's First Strategic Direction Plan 2004-2008 (First SDP). A lot has happened throughout the five year period and I am proud to say that SSM was able to complete majority of the projects and action plans laid out in the First SDP. We are now in the midst of finalising the Second Strategic Direction Plan 2009-2013 (Second SDP) which will provide another strategic roadmap for the organization for the next five years. With the Second SDP, SSM will be equipped with a new vision and strategic objectives towards fulfilling the statutory mandate provided under section 17 of the Companies Commission Act 2001.

FY2008 can be described as SSM's ICT year. Almost all the initiatives carried out had some form of relationship with the ICT, either directly or indirectly. Last year marked the commencement of SSM's five year Information and Communications Technology Strategic Plan (ISP) to align all SSM's ICT initiatives towards accommodating the needs of the organisation as well as meeting stakeholders' expectations. The objective of developing the ISP is to ensure that a set of strategic guidelines and roadmap are available for the development and application of ICT in the organization. The ISP will enable SSM to strategically apply ICT in its daily business environment towards enhancing the public service delivery system. In doing so, the roles of the ICT and the functions of the ICT Division have significantly changed. The ICT and ICT Division in SSM have evolved from previously taking up a supporting role to that of an enabler. Throughout FY2008 and prior to the commencement of year one of the ISP in 2009, various initiatives were performed to provide SSM with a strong foundation towards implementing the various projects and initiatives identified in the ISP. They include preparatory works such as the setting up of the ICT Governance Council and ISP Delivery Office. Other tasks carried out include the identification of the initiative owners, business process re-engineering, the introduction of basic ICT standard operating procedures for SSM branches nationwide and the prioritization of projects to be carried out in 2009. Apart from the Second SDP, the ISP serves as an integral part of the direction which SSM intends to take as it strives to become a world class registry.

SSM has long contemplated the introduction of an online filing facility to members of the public. Finally, in 2008, the culmination of years of planning and system development has resulted in the official launch of SSM's e-Lodgement service on 22 January 2008. The development of e-Lodgement is indeed significant as it enhances SSM's public delivery service system by offering the public an alternative avenue to carry out transactions with SSM. The SSM e-Lodgement service allows for various tasks previously undertaken manually to be done by intelligent computers. This will significantly shorten the time taken for the various processes involved in the registration of businesses and incorporation of companies as well as lodgement of statutory documents. I believe the e-Lodgement will enable the country to enhance its level of competitiveness internationally. This is already evidenced in the World Bank's "Doing Business 2009" whereby Malaysia's overall international ranking in the ease of doing business had improved from twenty fifth in 2007 to twentieth in 2008. The World Bank report attributed the improvement of Malaysia's ranking to 2 factors - payment of taxes and the conduct of business, of which SSM has played a significant role in the latter through the introduction of the new Client Charter and the e-Lodgement. In addition, SSM had also played a proactive role by engaging the representatives of the World Bank, specifically by creating awareness and explaining the two aforesaid initiatives.

SSM is proud of the fact that its e-Lodgement service is the first of its kind which utilizes the multi online modes of payment such as credit cards, prepaid and direct debit from various bank accounts. I believe that this is just the beginning. SSM is not resting on its laurels but will continuously improve the e-Lodgement facility as part of its enhancement of the public service delivery system. One of the methods being developed, for example, is the proposed Corporate Secretarial Integration System (CSI). The underlying idea for the introduction of CSI is to allow the software of company secretarial firms to directly integrate with SSM's system. This will allow for the auto-population of data and integration of the data stored with that of the company secretaries. Other aspects currently being looked into include process automation, enhancing the speed of the online transactions, further simplification of the data entry process and enhancing the e-Lodgement's security features.

## CEO'S REVIEW OF THE YEAR (cont'd)

To ensure the success of the e-Lodgement services, SSM had embarked on a massive nationwide awareness programme together with the respective professional bodies, chambers of commerce, company secretarial houses, business associations and government agencies. It is imperative that the public is aware and informed on the e-Lodgement service as this was introduced for their benefit. Apart from the conventional promotional drive through seminars, other forms of enhancing public awareness was also pursued through the introduction of the e-Lodgement kiosks and cyber-guides at SSM HQ. The cyber-guides were assigned to teach the public on how the online lodgement service is utilized.

Still on the ICT front, I am pleased to inform that since its launch in FY2006, the take-up rate of the SSM e-Info service has increased by leaps and bounds and the clientele for the e-Info has broadened to include foreign clients from countries such as Singapore, United Kingdom, India, United States, Hong Kong, Japan, Philippines, Australia, China and Germany. Last year, SSM launched a range of new products derivatives under its e-Info services. The number of transactions recorded for FY2008 saw an increase of almost 97% compared to the previous year. The new services introduced were the SSM e-Info Charges, the SSM e-Info Images and the SSM e-Info Mobile Service. Other product derivatives introduced during the year were the e-Info Financial Comparison, the e-Info Business Termination Letter and the e-Info Company Watch consisting of three sub-derivatives. In the future, SSM will continue to diversify its e-Info product range to cater to the needs and requirements of its clientele.

FY2008 also saw the implementation of the partial closure of the supply of information counters at SSM's HQ, Selangor and Negeri Sembilan. This pilot project was part of SSM's initiatives to encourage the public to go online for their purchase of corporate and business information. E-Info kiosks were installed together with cyber-guides to assist the public on how to procure information through the e-Info service. The second phase of this programme, expected to be implemented in 2009, will see the complete closure of supply of information counters at SSM's HQ, Selangor and Negeri Sembilan. The pilot project, if successful, will later be expanded nationwide.

SSM however understands that the take-up rate of the e-Lodgement service does not only depend on the level of public awareness but is also highly dependant on other external factors such as internet literacy rate, internet penetration rate and broadband saturation. In addressing these obstacles, SSM will continue to engage the business community, relevant Government agencies and the public in general to enhance the take up rate of the e-Lodgement.

The SSM e-Lodgement and e-Info services are the new services introduced in town. By this virtue, SSM understands the challenge of the need to change the public's culture which prefers to carry out transactions over the counter. Carrying out transactions via the internet represents a form of paradigm shift for most. Prompting members of the public to subscribe to a new paradigm shift is by no means easy but I sincerely believe that the introduction of the e-Lodgement initiative serves as a great starting point. This is because the e-Lodgement will benefit the business community and the country at large in the long run. The impetus of all SSM's e-Services initiatives introduced (especially e-Lodgement and e-Info) is to achieve business efficiency. In the modern business dictionary, business efficiency translates into more profit through the reduction of costs incurred. In relation to the e-Lodgement and e-Info, the traditional costs incurred pursuant to the engagement of 'runners'/middlemen will be eliminated. Other forms of costs which most tend to overlook would be in the form of parking charges incurred, petrol consumption and vehicle maintenance which can surprisingly snowball to a hefty amount. For most people in business, time is money. By carrying transactions via e-Lodgement and e-Info, the business community can dispense with the need to be physically present at any of SSM's office nationwide, queue up to make payment and to submit forms as well as to wait for manual processing to take place before a particular transaction is fully completed. For strategic business

undertakings, being the first to take action makes a lot of difference. Imagine the advantage of being able to arrive to an informed business decision by virtue of being able to obtain fast corporate or business information over another business competitor. For most, that leads to the simple question of profitability. However, in a highly competitive business environment, it can bog down to the issue of business survivability. Likewise, there is a need for certain business transactions to be carried out through a special purpose vehicle (SPV). A swift and fast incorporation process means faster business transactions rate – again, leading to the issue of a company possessing the extra edge over another competing company.

SSM's ICT initiatives carried out last year did not only include the enhancement of its service delivery to external stakeholders. It also included the introduction of various ICT-based initiatives within the organization to facilitate and smoothen internal work processes. In FY2008, SSM introduced the e-Enforcement system which enhanced SSM's surveillance and monitoring capabilities of companies and businesses. This e-Enforcement system allows SSM's surveillance officers to conduct onsite and real time checking of information as well as onsite issuance and printing of inspection notices. The pilot project had already commenced in the Klang Valley and will be expanded nationwide in 2009. In the near future, the e-Enforcement initiative will also add company secretaries and auditors into its surveillance list.

Various other initiatives to "ICTise" the internal functions of SSM were also introduced. They include the Financial Management System (FMS), improvement of the ICT connectivity between SSM headquarters and state branches, the V-Library and the e-Payslip. The implementation of the FMS has allowed for the generation of accurate and timely information regarding SSM's revenue and expenditure flow.

Apart from the progress in the ICT front, FY2008 was also an important year for SSM's law reform programme. The Corporate Law Reform Programme initiated in December 2003 was concluded in 2008 with the Corporate Law Reform Committee (CLRC) handing over its Final Report to the Minister of Domestic Trade and Consumer Affairs in October 2008. The review undertaken by the CLRC was momentous as this was the first time an independent committee was established to conduct a comprehensive review of the Companies Act 1965. The concept of having public consultations introduced, which was also a first, had received numerous suggestions from members of the industry as to how the existing legal framework of the Companies Act 1965 can be further improved. The Final Report of the CLRC contains 188 recommendations covering various areas such as corporate governance, enforcement and sanctions, insolvency, share capital and capital maintenance as well as creating a conducive legal and regulatory framework for businesses. This review of the Companies Act 1965 will allow for the introduction of modern enterprise system that will enhance the relevant regulations on governance structure and internal mechanism of a corporation so as to enhance the overall governance effect of a company. SSM is currently reviewing the various recommendations proposed by the CLRC. Looking at the extensive nature of the amendments, it is highly probable that a new Companies Act altogether may be introduced by the year 2011.

Last year, SSM had also initiated a public consultation for its proposed Limited Liability Partnership Act. The Limited Liability Partnership (LLP) is an alternative business vehicle to complement the existing ways of doing business in Malaysia; namely by way of local company, foreign company, partnership and sole proprietorship. SSM had also consulted the members of the professional bodies such as MAICSA, MICPA, MIA and the Bar Council where valuable feedback and insights were shared towards developing the LLP legal framework through the Corporate Practice Consultative Forums. SSM is targeting for the LLP statute to be introduced in 2009.

## CEO'S REVIEW OF THE YEAR (cont'd)

The "*Balanced Enforcement*" approach continued to be pursued with rigour. While conventional enforcement methodology such as prosecution and the offer of compound are still pursued, such enforcement actions are also balanced with administrative actions and education of the stakeholders. This is because SSM is more than a corporate regulator. It is actually an establishment where business institutions are conceived towards carrying out business and commercial undertakings. As such, SSM plays an important role as a business nurturer, moulding the companies nationwide towards strengthening their basic and fundamental corporate governance requirements as well as preparing them for the challenges that awaits them ahead prior to becoming multi-nationals and public listed companies.

Towards strengthening the fundamentals of corporate governance, SSM had issued (2) two Practice Notes in 2008. Practice Note 1 of 2008 was issued to re-align the discrepancy between the existing industry practices and the requirements under the Companies Act 1965 for the lodgement of annual returns together with audited accounts. Practice Note 2 of 2008 provided advice to companies and company secretaries with the course of action in the event of a change of financial year of a company vis-à-vis the lodgement of annual return and audited accounts, tabling of annual return during the annual general meeting (AGM) and the holding of AGM. The issuance of such Practice Notes are aimed at assisting the public's understanding on the correct application of the laws towards ensuring basic good corporate governance practices.

There were also many firsts scored in terms of conventional enforcement last year. One of them included a prosecution action taken against a *de facto* company director under sections 89 and 363(3) of the Companies Act 1965. New frontiers were charted upon the prosecution initiated against Akar Korporat Sdn Bhd for operating an unregistered interest scheme.

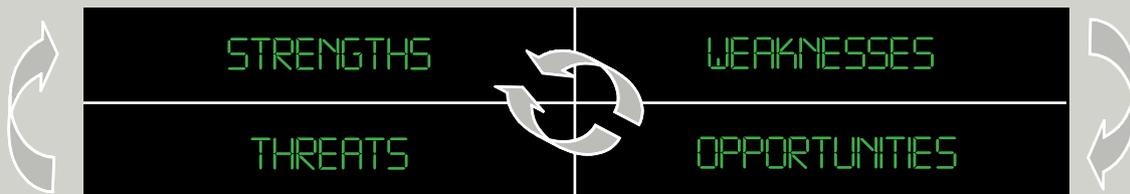
The vigorous conventional enforcement activities were balanced with the elements of education and awareness. Stakeholders' education was also seriously pursued with the SSM Training Academy (COMTRAC) at the forefront in educating directors, company secretaries, auditors and officers within a company. The various training programs organized by COMTRAC have increased tremendously with new modules such as management accounting and winding up being added. It is hoped that COMTRAC will become one of the leading learning institutions in providing the training needs for the corporate and business world.

As in previous years, this concept of '*Balanced Enforcement*' has seen the compliance rate rise consistently each year. In 2007, it reached a high of 91%. In 2008, SSM's compliance rate, measured through the submission of annual returns and audited accounts, had achieved a rate of 80% compliance. This percentage, although represented a drop compared to the compliance rate in 2007, was very significant as it represents quality rather than simply quantity. In a nutshell, the figure signifies that as high as 80% of all companies in Malaysia had managed to fully comply with sections 143 and 169 of the Companies Act 1965 by submitting their annual returns TOGETHER with their audited accounts. This translates to better quality of data retained in SSM's database which is accessible to the members of the public. SSM will intensify its effort – both by carrying out conventional enforcement initiatives and educating the business community to further enhance SSM's compliance rate.

SSM considers all its stakeholders as partners. As such, in carrying out its functions as a corporate regulator, SSM had last year engaged the business community and members of professional bodies through the SSM Annual Dialogue and the Corporate Practice Consultative Forum (CPCF). In addition, joint meetings with the various associations such as the Malaysian Association of Golf and Recreational Club Owners Berhad (MAGRO), Malaysian Holiday Timeshare Developers' Federation (MHTDF) and Association of Trust Companies (ATCM) were also conducted. The open communication with such bodies is an integral part in enhancing the cooperation between SSM and its stakeholders. Apart from listening to the various issues raised by the stakeholders, SSM also took this opportunity to disseminate information pertaining to the e-Services, the proposed introduction of the LLP and the issuance of the various Practice Notes.

Touching a bit on the future, I can only say that 2009 will be a challenging year not only for SSM but for the country as a whole. The global economic slowdown will require SSM to adopt new strategies and play an extremely important role in the country's economy. The VUCA (volatile, uncertain, complex and ambiguous) environment, a military term borrowed by economists and global businesses, is becoming more and more apparent by the day. This is where SSM will be exposed to a multitude of tests, be it in relation to its enforcement approach, introduction of policies and regulatory framework or enhancement of its public service delivery system. There will be greater need for stakeholders' consultations and engagements – all of which will be pursued towards attaining a common objective, that is to ensure national economic sustainability. I believe, with common understanding and greater working relationship between the regulator and the stakeholders, we can together wither the hard times. The challenge that faces us all is perhaps best described in the application of the famous management tool of SWOT analysis namely:

- How to turn identified weaknesses into opportunities and finally leveraging upon them to become strengths;
- How to reduce or eliminate identified threats and where possible to turn them into opportunities and strengths;
- How to further leverage on strengths; and
- How to leverage on opportunities and manifest them into strengths



## CEO'S REVIEW OF THE YEAR (cont'd)

The application of SWOT analysis works best if carried out by way of team efforts together with a high degree of objectivity. Similarly, such principles would also apply to SSM and all its stakeholders. By working together as a team, not only the constituents of SWOT can be positively identified, they can be better managed for the benefits of SSM, the stakeholders and ultimately the country as a whole.

Lastly, I would like to thank the YB Minister and the Ministry of Domestic Trade and Consumer Affairs for their continuous support, the entire SSM staff for their hard work and efforts put in and the Commission Members for sharing their wisdom and guidance, as well as all SSM stakeholders for their cooperation given throughout last year.

Wassalam.

**Datuk Abdul Karim Abdul Jalil**

Chief Executive Officer

Companies Commission of Malaysia

4 February 2009

members

» SSM COMMISSION  
MEMBER'S PROFILES

profiles



*Standing from Left:*  
**Datuk Idrus Harun, Dato' Razali Haji Ibrahim,  
Datuk Abdul Karim Abdul Jalil, Datuk Idris Abdullah**

*Sitting from Left:*  
**Dato' Mohd Zain bin Mohd Dom, Puan Zaiton Mohd Hassan,  
Tuan Haji Abdillah Haji Abdul Hamid, Puan Siti Halimah Ismail**



## SSM COMMISSION MEMBER'S PROFILES



**Dato' Mohd Zain bin Mohd Dom**  
Chairman

Dato' Mohd Zain holds a Bachelor's degree in Sociology. He started his career with the Malaysian Government's Administration and Diplomatic Corp in 1976 and has, amongst others, held the positions of Assistant under Secretary and Principal Assistant Director of the International Trade Division, Assistant Permanent Malaysian Representative to Geneva and Deputy Permanent Representative to the United Nations, Geneva (International Trade Division). Other notable appointments include the Minister Counsellor for Economic Affairs of both the Malaysian Permanent Representative Office to the European Union (EU), Brussels and the Malaysian Permanent Representative Office to the World Trade Organisation (WTO), Geneva. He was the Lead Negotiator for the Malaysia-Australia Free Trade Agreement (FTA), the Malaysia-New Zealand FTA as well as the ASEAN-Australia-New Zealand FTA negotiations in 2005 and 2006.

Dato' Mohd Zain was appointed Secretary General of the Ministry of Domestic Trade and Consumer Affairs on 6 February 2007. He was then appointed Chairman of SSM on 1 March 2007. Dato' Mohd Zain also serves as a Commission Member of the Malaysian Multimedia and Communication Commission and has been since January 2008.



**Datuk Abdul Karim Abdul Jalil**  
Chief Executive Officer

Datuk Abdul Karim's public service career spans from being Deputy Public Prosecutor at the Attorney General's Chambers, 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.

Datuk Abdul Karim was Head of the Appeals Unit in the Prosecution Division of the Attorney General's Chambers at the end of 2000. In 2001, he was appointed Director of the Enforcement Division, 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. Datuk Abdul Karim is also a board member of the Labuan Offshore Financial Services Authority (LOFSA) as well as a member of the Foreign Investment Committee (FIC) and the Financial Reporting Foundation.



#### **Datuk Idrus Harun**

Datuk Idrus was appointed a Commission Member in April 2002. Since beginning his career as a Legal Officer in 1980, Dato' Idrus has served in various senior positions which include Senior Assistant Registrar of the Kuala Lumpur High Court, Sessions Court Judge in Kota Kinabalu, Deputy Public Prosecutor of the Attorney General's Chamber, Legal Advisor for the State of Terengganu, Senior Federal Counsel of the Anti-Corruption Agency and Legal Adviser for the Election Commission. He was the Registrar of Companies from 1998 to 2002. Thereafter, he resumed his service at the Attorney General's Chambers as Head of the Advisory and International Division and as Parliamentary Draftsman before his current position as Solicitor General. Datuk Idrus also served as a member of the Labuan Offshore Financial Services Authority (LOFSA), Securities Commission and Foreign Investment Committee (FIC), amongst others. At present, he is a member of the Malaysia-Thailand Joint Authority (MTJA) and the Retirement Fund (Incorporated).



#### **Puan Zaiton Mohd Hassan**

Puan Zaiton has been serving as Commission Member since December 2003. Previously, she served as an auditor with Pricewaterhouse (PricewaterhouseCoopers) and thereafter joined Bank Pembangunan (M) Berhad. Puan Zaiton then served Maybank for 12 years before becoming President of Malaysian Rating Corporation Berhad (MARC) from 1996 to 2004. Puan Zaiton is currently the Managing Director of Capital Intelligence Advisors Sdn. Bhd. She is a board member of Credit Guarantee Corporation Malaysia Berhad, BIMB Holdings Bhd., Bank Islam Malaysia Berhad and Malaysian Industrial Development Finance Berhad (MIDF).

## SSM COMMISSION MEMBER'S PROFILES (cont'd)

**Tuan Haji Abdillah Haji Abdul Hamid**

Tuan Haji Abdillah has been serving as Commission Member since June 2004. He was previously an officer of the Royal Malaysian Police and held the position of Inspector from 1975 to 1979. He has also worked as a Legal Executive with legal firms in Kota Kinabalu and Tawau in Sabah. In 1984, Tuan Haji Abdillah served as the Deputy Minister of Rural and Regional Development, Sabah. 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.

**Dato' Razali Haji Ibrahim**

Dato' Razali was appointed a Commission Member effective 1 April 2006. Previously, he served as a Legal Assistant at Messrs. Lee Hishamuddin and was also a director of several companies, including SP Setia Bhd, until his resignation in 1999. Thereafter, he was appointed as Private Secretary to the Minister of Youth and Sports Malaysia, a position he held until March 2004. He is currently the Member of Parliament for Muar, Johor and Head of UMNO Youth Johor. He is also a partner of the legal firm Messrs Gideon Tan Razali Zaini. Dato' Razali was recently appointed as the Chairman of National Film Development Corporation Malaysia (FINAS) and also sits as a Board of Administrator of the Institute of Language and Literature (Dewan Bahasa dan Pustaka)



#### **Puan Siti Halimah Ismail**

Puan Siti Halimah was appointed a Commission Member effective 1 June 2006. She started her career in public service at the Economic Planning Unit of the Prime Minister's Department in 1981. She has been serving at the Tax Analysis Division of the Treasury, Ministry of Finance since 1991. She is currently the Senior Deputy Under Secretary of the Tax Analysis Division as well as a board member of the National Professional Services Export Council (NAPSEC) of the Malaysia External Trade Development Corporation (MATRADE).

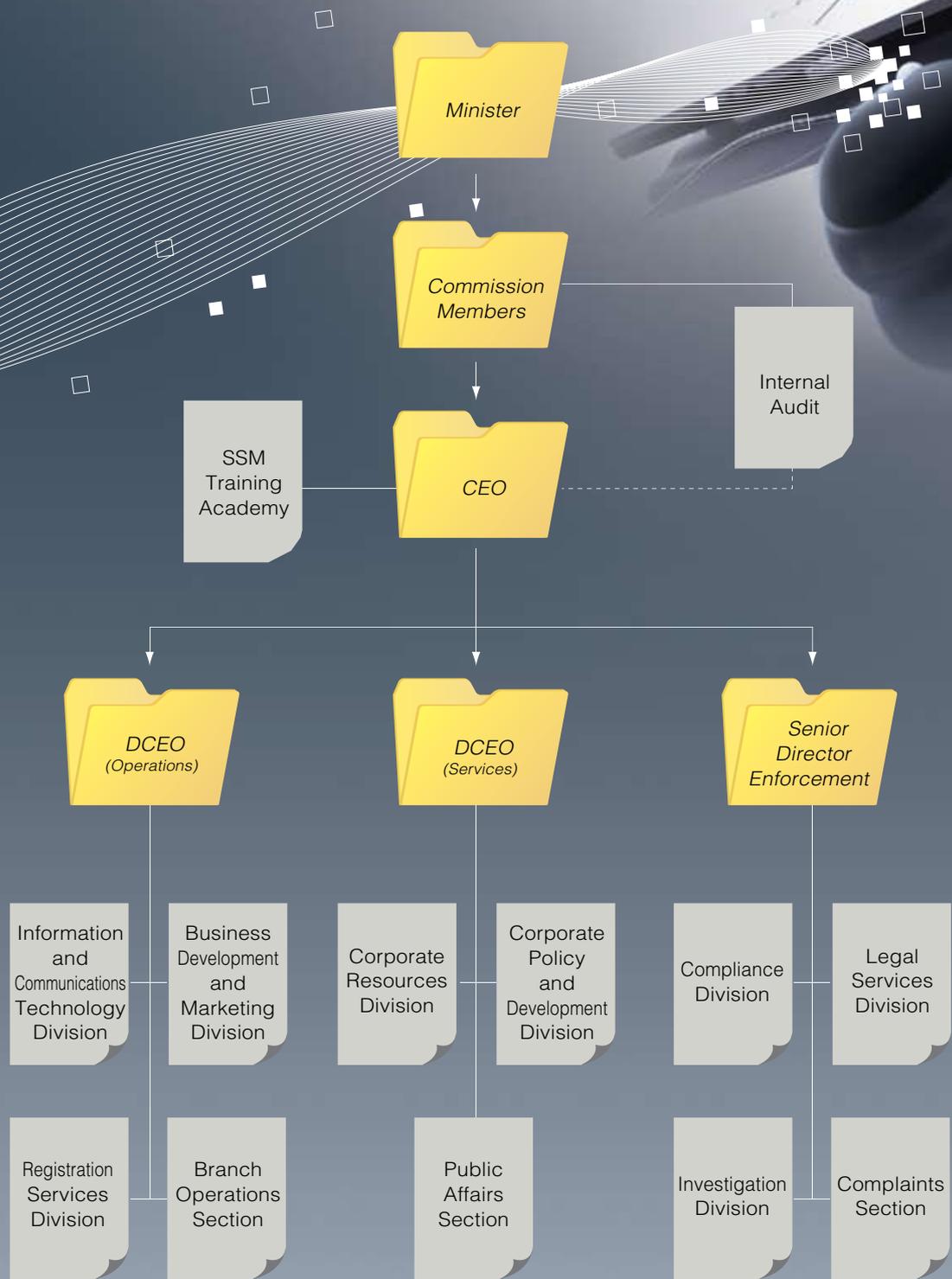


#### **Datuk Idris Abdullah**

Datuk Idris was appointed a Commission Member effective 16 April 2007. He holds a First Class LLB (Hons) degree from the University of Malaya, and began his career in 1981 as a resident lawyer at Ting and Company Advocates in Sibu, Sarawak. Between 1982 and 1985, he served as an in-house Legal Advisor to a group of companies with diverse interests in property development, timber extraction and processing, leisure and hospitality business as well as wholesale and general retail trading. Datuk Idris is a senior partner of Idris and Company Advocates. He also holds several key positions in Malaysia and Singapore namely Commission member of Malaysian Communications and Multimedia Commission (MCMC), Chairman/Director of Magnus Energy Group Ltd (Listed on Singapore SESDAQ) and Chairman/Director of Industrial Power Technology Pte Ltd.

Recognizing his vast experience in the industry, several companies based in Sarawak have engaged him as their advisors in areas of building, construction and motor trading as well as recreational clubs and education sectors.

# SSM ORGANIZATION CHART



# mana gement

» SSM EXECUTIVE  
MANAGEMENT PROFILES

profiles

## SSM EXECUTIVE MANAGEMENT PROFILES



**Datuk Abdul Karim Abdul Jalil**  
Chief Executive Officer

Datuk Abdul Karim was appointed Chief Executive Officer of the Companies Commission of Malaysia (SSM) on 1 November 2005 and is responsible for its day-to-day administration.

His public service career spans from being Deputy Public Prosecutor at the Attorney General's Chambers, Senior Federal Counsel at the Department of Inland Revenue Malaysia (now known as the Inland Revenue Board of Malaysia), Deputy Public Prosecutor in Penang and Perlis as well as Sessions Court Judge in Kota Kinabalu, Kuala Lumpur and Melaka. Datuk Abdul Karim was Head of the Appeals Unit in the Prosecution Division of the Attorney General's Chambers at the end of 2000. In 2001, he was appointed Director of the Enforcement Division, Securities Commission and subsequently as Director of the Enforcement and Legal Division at the Anti-Corruption Agency between May 2004 and October 2005.

Datuk Abdul Karim is also a board member of the Labuan Offshore Financial Services Authority (LOFSA) as well as a member of the Foreign Investment Committee (FIC) and the Financial Reporting Foundation.



**Zahrah Abd Wahab Fenner**  
Deputy Chief Executive Officer  
(Services)

Zahrah was appointed as the Deputy Chief Executive Officer (Services) [DCEO Services] on 1 June 2002. As the DCEO (Services), Zahrah oversees the Corporate Resource Division, the Corporate Development & Policy Division and the Public Affairs Section. Presently, she is also a member of the Approval and Implementation Committee of the Iskandar Region Development Authority (IRDA). Zahrah joined SSM in July 1995 and served as SSM (previously the Registrar of Companies) Chief Accountant.

Zahrah holds a Bachelor in Accounting (Hons) from Universiti Kebangsaan Malaysia and is a Chartered Accountant. She began her career as an Advisor Accountant with the Royal Customs and Excise Department between August 1984 and April 1992 where she advised on matters relating to valuation and standard international practices of the open market. Between May 1992 and July 1995, Zahrah was attached to the Ministry of Foreign Affairs as the Principal Accountant where she was responsible in handling the financial accounts and audit for Malaysian Embassies and High Commissions worldwide.



**Hjh Rokiah Mohd Nor**  
Deputy Chief Executive Officer  
(Operations)

Rokiah was appointed as the Deputy Chief Executive Officer (Operations) [DCEO (Operations)] with effect from 5 July 2008. She oversees the functions of the Registration and Services Division, Marketing and Business Development Division, Information Communication & Technology Division and Branch Operations Section which is responsible for the supervision and monitoring of 14 state offices, 3 branch offices and a service centre, nationwide.

Rokiah possesses a Bachelor Degree in Science (Hons) from Universiti Sains Malaysia. She joined the civil service as Commercial Registration Officer in January 1980. Over the years, she held various positions in the Registration Division and after the incorporation of SSM, she became the Head of General Documents Section.



**Alice Loke Yee Ching**  
Senior Director, Enforcement

Alice served as the Senior Director of the Enforcement Office, SSM from February 2008 to September 2008. She oversaw the functions of the Legal Services Division, Investigation Division, Compliance Division and Complaints Section.

Alice graduated with LLB (Hons) from Universiti Malaya in 1986 after she completed her HSC in Sekolah King Edward VII Taiping. She started her career in 1986 as a Magistrate and later as Senior Assistant Registrar in the Kuala Lumpur High Court. She was then promoted to Deputy Registrar of Federal Court in 1993. In 1994, Alice was attached to Insolvency Department prior to being promoted as a Senior Federal Counsel.



**Mohamed Zanyuin Ismail**  
Director, Registration Services  
Division

Zanyuin was appointed as the Director of Registration Services Division in July 2008. This division is responsible for the management of registration and incorporation documents lodged, winding up of companies and administration of interest schemes. Prior to such appointment, he served as the Director of Registration Services Division between April 2003 and July 2008. Zanyuin holds a Bachelor (Hons) in Social Science from Universiti Sains Malaysia. He began his public service career as a Registration Officer/Assistant Registrar of Companies in August 1980 under the (then) Ministry of Trade and Industry. Zanyuin was appointed as Deputy Registrar of the Registry of Business in February 1995. He joined SSM upon its establishment in 2002 and served as the Senior Manager for Business Registration Section.



**Muhammad Redzuan  
Abdullah**  
Director, Legal Services Division

Redzuan oversees prosecution, civil litigation and legal advisory portfolios in SSM upon his appointment as the Director of Legal Services Division in July 2007. Prior to that, he served as the General Manager of the Legal Department and Director of the Compliance Division between March 2006 and July 2007. Redzuan was a Police Officer with the Royal Malaysian Police between April 1974 and March 1995. He joined the Malaysian, Judicial and Legal Service on 15 March 1995 and had served as a Senior Assistant Registrar and Magistrate. Redzuan graduated from the International Islamic University Malaysia with an LLB (Hons).

## SSM EXECUTIVE MANAGEMENT PROFILES



**Amir Ahmad**  
Director, Corporate  
Resources Division

Amir is in charge of SSM's human resource capital, talent management, organizational administration, integrity and discipline, administration and facilities management as well as financial affairs. He joined SSM in 2007 as the General Manager of Corporate Resources Division. He was later appointed as the Director of Corporate Resources Division. Amir graduated from Western Michigan University, USA, with MBA in 1989. He also holds a Bachelor of Science in Business Administration, majoring in Human Resource Management from Bowling Green State University, USA in 1987. Prior to joining SSM, he served various organisation including PA Management Consulting (M) Sdn Bhd, Maybank Bhd, UMW Corporation and Eden Enterprise Bhd.



**Nor Azimah Abdul Aziz**  
Director, Company Commission  
of Malaysia Training Academy  
(COMTRAC)

Azimah was appointed as the Director of COMTRAC in April 2007. She is responsible for the training of company directors, officers, company secretaries as well as members of the public on the aspects of corporate law and its regulation. As the Director of COMTRAC, she is also responsible in enhancing SSM's employees capacity and capability as well as administering the SSM resource centre. Azimah joined SSM in August 2003 as the General Manager of the Corporate Policy, Planning and Development Department where she was responsible for regulatory research, statistics, corporate planning as well as the SSM Training Centre. Throughout her stint with SSM, Azimah served as the Secretary to the Corporate Law Reform Committee as well as the National Integrity Plan. Upon obtaining her law degree from UITM Shah Alam in 1991, Azimah began her career as an Advocate and Solicitor in 1992. She then joined Universiti Kebangsaan Malaysia as a Law Lecturer at Faculty of Business and Management and later acquired her postgraduate degree in LLM (Business Law) from the University of Wales, UK in 1996. In 2000, she was seconded to the Technical and Regulatory Department of the Malaysian Institute of Accountants prior to joining SSM.



**Ghazali Ismail**  
Director, Marketing and Business  
Development Division

Ghazali was appointed as the Director of Marketing and Business Development Division in July 2008. He oversees the development of SSM's products and services, supply of information as well as the public service delivery system. Ghazali holds a Bachelor's degree in Business Administration. He started his career with the Royal Malaysian Police as an Inspector in 1978. He was then promoted as the Assistant Superintendent Police in November 1994. Between 1994 and 1995, he served the United Nations as an observer for an election in Mozambique. In 1999 and 2000, he again served the United Nations as a peacekeeping officer in Serbia, Kosovo. In 2001, Ghazali was seconded to the Registrar of Company (ROC) as an investigating officer. In April 2002, Ghazali joined SSM and was appointed as a Manager in charge of investigations. In July 2003, he was promoted to the position of State Director of Perak and thereafter served as the State Director of Penang in June 2006. He was later promoted as the Director of Compliance Division in June 2007, prior to assuming his current post.



**Khuzairi Yahaya**  
Director, Internal Audit

Khuzairi started his career with SSM as the Director of Information and Communication Technology Division in 2003 and later moved to head SSM's Internal Audit in November 2007. In Internal Audit, Khuzairi carries out periodical organizational audit, emphasizing on internal control and governance. As the Director of Internal Audit, he also assists in the functions of SSM's Audit Committee. He holds a degree in Management from Purdue University with 14 years of working experience with the Securities Commission's ICT Division.



**Aznorashiq Mohamed Zin**  
Director, Investigation Division

Aznorashiq was appointed as the Director of the Investigation Division in April 2007 and oversees the investigation functions of SSM. Previously he was attached to the Investigation Department of Securities Commission. Aznorashiq has a total of (9) nine years investigative experience in corporate and securities fraud with an audit background of (3) three years. Aznorashiq graduated from International Islamic University Malaysia with Bachelor of Accounting (Hons) in 1996. He later went on to complete his Master of Business Administration (MBA) specializing in Finance also at the same university in 2004. He is a Chartered Accountant and a member of the Malaysia Institute of Accountants (MIA). He is also qualified as a Certified Fraud Examiner (CFE).



**Azryain Borhan**  
Director, Corporate Development  
and Policy Division

Azryain joined SSM in April 2007 and currently oversees corporate law reform, policy, international networking, economic research and statistics, risk management, project management and monitoring as well as strategic planning in SSM. Prior to joining SSM, Azryain was the Assistant Vice President, Legal and Secretarial in Khazanah Nasional Berhad. Azryain also served as a legal manager in Borcos Shipping Sdn Bhd during which time he was seconded as a Deputy General Manager (Legal) to Biotech Medical Sdn Bhd. Between August 2000 and December 2004, Azryain served the Securities Commission as a Senior Prosecuting Officer in the Enforcement Division and later as a Senior Associate in the Securities Issues Division. He spent a short stint as a legal practitioner with Messrs. Khaw & Partners and Messrs. Zul Rafique & Partners, handling corporate legal advisory and general litigation respectively. Azryain was admitted as an advocate and solicitor of the High Court of Malaya in July 1999 upon the completion of his pupillage with Messrs. Shearn Delamore & Co. He graduated from the International Islamic University Malaysia with LLB (Hons) in 1998.

## SSM EXECUTIVE MANAGEMENT PROFILES



**Rosli Haji Ahmad**  
Director, Compliance Division

Rosli oversees SSM's compliance and corporate surveillance activities on company secretaries, auditors and board of directors. He was promoted to Director of Compliance Division in October 2008. He started his career as an Assistant Registrar of Companies with the (then) ROC in 1985. He had served in various departments and in state offices of ROC such as the Registration Department, ROC Labuan Branch Manager as well as Head of ROC Kuantan Branch and Melaka Branch. Between 1999 and 2002, Rosli served as a member in a committee established by the Ministry of Domestic Trade and Consumer Affairs to set up SSM. Prior to his current appointment, he was a State Director of SSM Melaka state office from 2004 to 2006 and later as SSM Johor State Director between 2006 and 2008. Rosli holds a Bachelor's Degree in Economics from Universiti Kebangsaan Malaysia.

economy

>> MALAYSIAN ECONOMY  
2008 OVERVIEW



overview

# MALAYSIAN ECONOMY 2008 OVERVIEW



The Malaysian economy generally had a good start in the first half of 2008. However, deteriorating external economic environment affected Malaysia during the second half of the year, mainly through the trade and financial market linkages. Growth in the second half of 2008 was significantly lower due to weaker external demand following the deepening recession in several advanced economies as well as slower growth in the regional economies.

The resilience of the Malaysian economy over the years had enabled the nation to weather the slowdown in the global economy in 2008. This is attributed to the following factors:

- The emergence of domestic demand as a key driver of growth. The strong economic growth of 6.3% in 2007 was achieved due to the robust expansion in domestic activities despite a moderation in external demand.
- Malaysia's export markets are increasingly diversified, with almost 54% of total exports to the Asian (excluding Japan) economies (compared to only 46.2% in 2001). Meanwhile, the share of Malaysia's exports to US declined to 15.6% in 2007 from 20.2% in 2001. Thus, while global growth had moderated in 2008 due mainly to slower growth in the US, and to a lesser extent, in Europe and Japan, the economic growth in the Asian region and other emerging economies has supported the export sector. Strong trade performance was seen during the period of January to November 2008, with total trade of RM1.105 trillion, an increase of 9.2%, from the corresponding period in 2007.
- As a commodity producer, Malaysia has benefited from increased down-stream activities, particularly the resource-based industries due to robust domestic demand as well as demand from the regional economies.

Overall, the Malaysian economy in 2008 grew by 4.6% (2007:6.3%), supported mainly by resilient domestic demand



and driven by private and public consumption. Domestic demand remained resilient, which increased by 6.5% following continued expansion in private and public consumption. Private consumption's strong growth of 8.1% was supported by the bonus payments to civil servants, spending during the festive season and payment of cash rebates for fuel subsidy. Public consumption increased by 6.9% on continued high expenditure for emoluments, supplies and services.

Agriculture performed well with a 3.9% expansion (2007:2.2%), benefiting from a sharp rise in palm oil production, reflecting upon improved yields and recovery from the year-earlier period when floods suppressed output. This rise was also supported by food related activities, particularly livestock, paddy as well as vegetables.

The services sector sustained its strong growth momentum, expanding by 7.2% (2007:9.7%). The strong growth in the sector was supported by strong consumption activities, insurance sub-sector and on higher finances.

Growth in the manufacturing sector was weaker at 1.3% (2007:3.1%) due mainly to the weakness in the export-oriented industries. In particular,



the electronic and electric industry is expected to weaken further in view of the sluggish US growth. However, the domestic-oriented industries continue to register strong growth, supported mainly by transport equipment, construction-related products and food industries.

The mining sector recorded a modest positive growth of 2.1% (2007: 3.2%) in 2008 due to higher output of both crude oil and gas in the first half of 2008 when the prices were at record high.

The construction sector expanded by 3.0% (2007: 4.6%), led mainly by higher activity in the civil engineering sub-sector. The sub-sector is expected to benefit from activities related to implementation of projects under the Ninth Malaysian Plan (9MP) as well as in the oil and gas sector. Growth would also be supported by the increased activities in the non-residential and residential sub-sectors. The former would be supported by demand for office space, particularly in the Klang Valley, while the latter is expected to benefit from the measures taken by the Government in 2007 to spur the residential sub-sector.

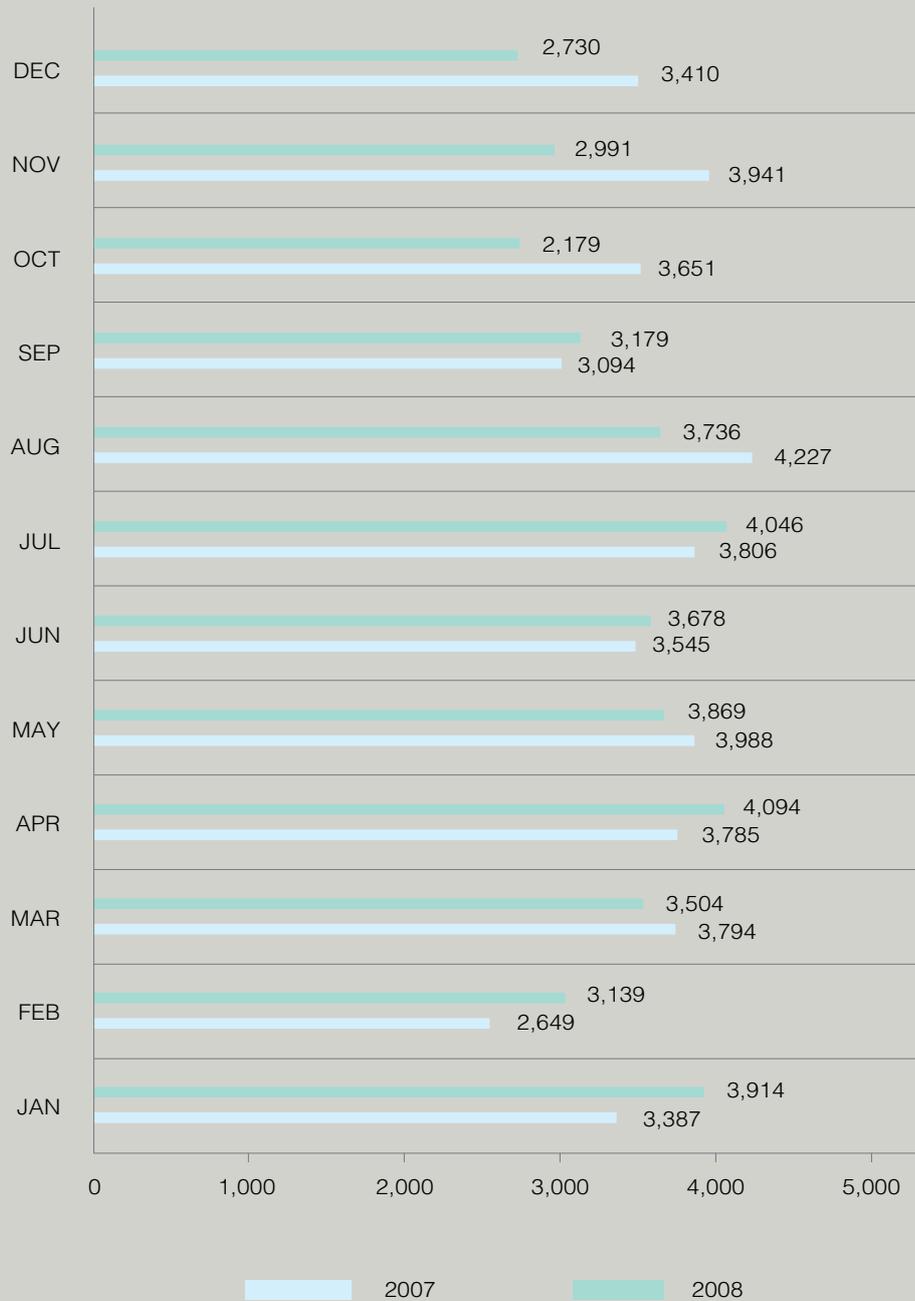
## MALAYSIAN ECONOMY 2008 OVERVIEW (cont'd)

Headline inflation averaged at 5.5% in 2008 (2007: 2%). Inflation pressures rose over the year on account of the sharp rises in global food and fuel prices, especially in the third quarter when inflation increased to a record 26-year high of 8.4%, due to higher electricity tariff and higher retail prices for petrol and diesel following the reduction of subsidies for fuel. However, inflation moderated to 5.9% in the fourth quarter as a result of a series of downward adjustments of retail fuel prices by the Government.

Private investment activity remained robust in 2008 with many high level approved domestic and foreign direct investments particularly in the manufacturing, services, oil and gas sectors. In addition, private investment had also benefited from the measures implemented by the Government and other agencies to further improve business environment and enhanced efficiency in public service delivery. The reduction in corporate tax rate, intensification of implementation of projects under the 9MP and the economic corridors, as well as improvement of Malaysia's international ranking from 25th in 2007 to 20th last year in the World Bank's publication Doing Business 2009, had spurred private investment activities in 2008. The jump in the World Bank ranking was partly attributed to SSM's improvement in its public service delivery through the New Client Charter as well as the introduction of SSM's e-Lodgement service.

During the year under review, SSM had taken various strategic initiatives in response to the changes to the economic environment, both domestically and also in the external environment, to sustain business and corporate activities. Apart from intensifying the outreach programmes, SSM continued to capitalise on the momentum created by the various efforts initiated by the Government and other agencies to sustain the nation's economic growth. This is evidenced from the growth of 5.2% and 7.7% in the number of new companies and businesses respectively registered in 2008.

In relation to the new incorporation of companies, last year saw a slight drop in growth of 5.2% from 5.7% in 2007. Generally, the comparison of new incorporation growth patterns made between 2007 and 2008 indicates an uptrend in the growth of new incorporations between the months of January and July (with the exception of March and May) 2008. Beginning August 2008 however, the comparative statistical data indicates that the number of new incorporations had started to decline. With the exception of the month of September 2008, the remaining months after August had revealed significant month-to-month reduction of new incorporations. The incorporation pattern in 2008 can be said to generally reflect the influence of the global economic slowdown where its impact had slowly crept into the country's economy beginning the second quarter.



Year 2008 saw a growth in new business registrations (i.e. sole proprietorships and partnerships) by 7.7% from 6.9% in 2007. The growth comparison of new business registrations between 2007 and 2008 however reveals an interesting dimension compared to new incorporation of companies. The month-to-month growth of new businesses registered was consistent throughout 2008 with the exception of March 2008. It generally reflects that Malaysians generally are keen to carry trade and commercial activities using the partnerships and sole proprietorships business model. This may be due to their modest setting up and maintenance costs compared to that of limited liability companies.

MALAYSIAN ECONOMY 2008 OVERVIEW (cont'd)



Pursuant to the above data and trend, SSM expects the number of new incorporations in 2009 to continue to deteriorate, consistent with the negative projection of the state of the global economy by analysts and economists. However, SSM projects that there will be increase of new business registrations in 2009, probably not only due to the effects of retrenchments and unemployment but also the need for families to supplement their income. Taking cue from these projections, SSM will be taking special measures to assist the country to cushion the full brunt of the potentially adverse economic scenario.

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» EMBRACING  
THE e-WAY



e-way

## EMBRACING THE e-WAY

2008 marked the year where the information and communications technology (ICT) became the central theme of numerous projects, initiatives and activities undertaken by the Companies Commission of Malaysia (SSM). Initially perceived as an enabler to daily operations, the ICT has now taken centre stage within the organization.

### THE e-LODGE MENT SERVICE

SSM officially launched the e-Lodgement service on 22 January 2008 comprising the Business e-Lodgement and the Company e-Lodgement. The e-Lodgement service enables business owners and companies to lodge and register documents electronically. This service also enables the Registrar to send documents on-line directly to SSM's clients. The e-Lodgement service was developed through collaborative efforts between SSM and the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) of the Prime Minister's Department.

Prior to the official launch, a simulation exercise for the Business e-Lodgement was successfully carried out for a period of (6) six months starting from 21 May 2007. For the Company e-Lodgement, the service was rolled-out in two stages, that is, in November and December 2007 respectively. The first stage offered three services involving five forms, while the second stage offered nine other services involving thirteen forms.

The then Honourable Minister of Domestic Trade and Consumer Affairs, Y.B. Datuk Mohd Shafie bin Hj. Apdal officiated the launch of the e-Lodgement service. The theme of the launch, **"The future is Now: Harnessing the Power of ICT"**, was a reflection of SSM's aspiration to be at par with the global trends and progress in ICT.

The e-Lodgement service is one of SSM's initiatives towards enhancing the public service delivery system and it is in line with the aspirations for the development of e-Government in Malaysia. In addition, the e-Lodgement also serves as one of the solutions on issues pertaining to unscrupulous touts who charge exorbitant fees to businesses for their small services.



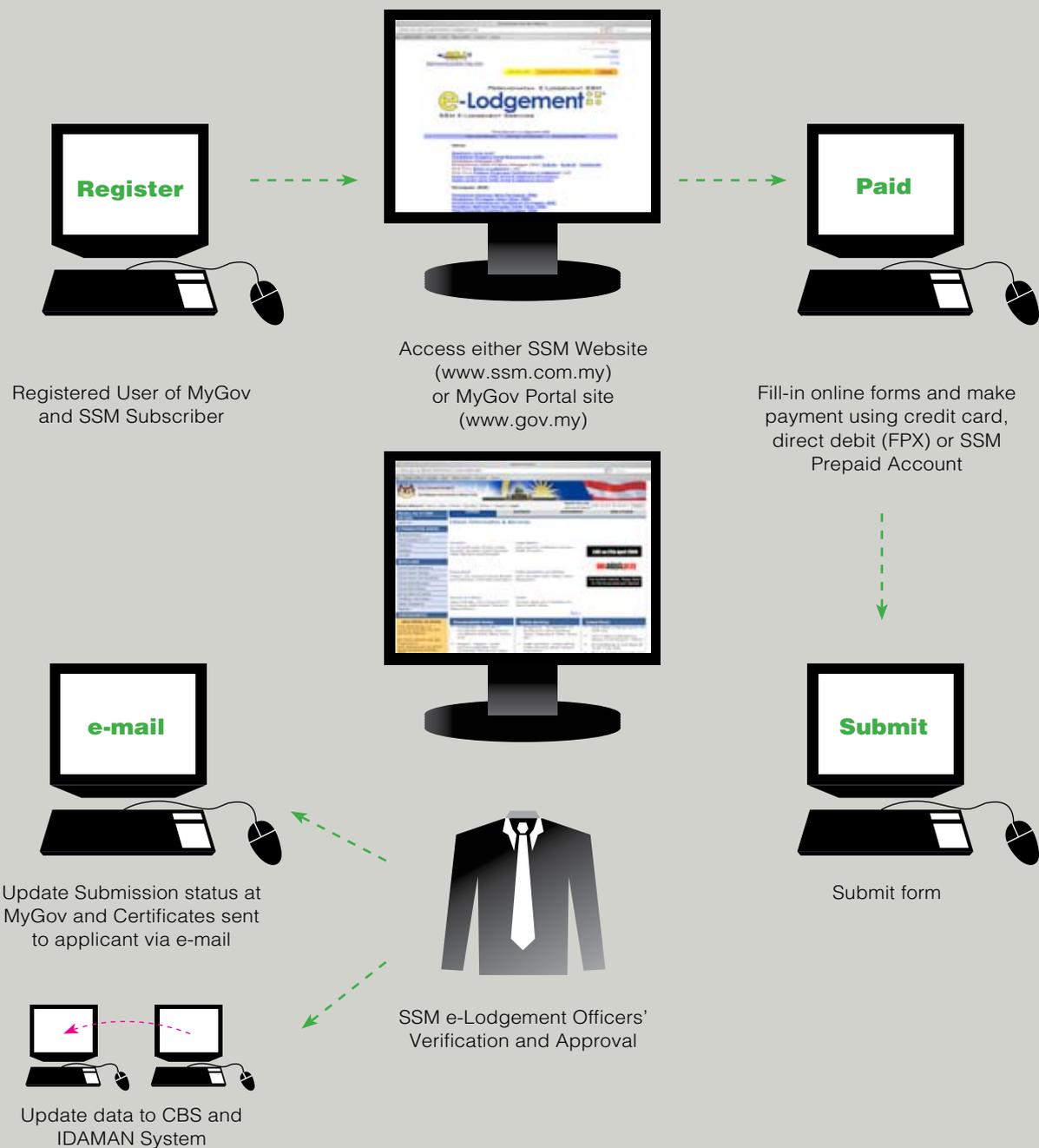
Prior to the introduction of e-Lodgement, amendments were made to the Companies Act 1965 and the Registration of Businesses Rules 1957 to ensure that the legal foundation towards offering such service was palatable. SSM also issued the Protocol for Internet Lodgement which further outlines the policies and dynamics of the e-Lodgement service.

The e-Lodgement service is accessible through the MyGovernment portal at [www.gov.my](http://www.gov.my) or SSM's website at [www.ssm.com.my](http://www.ssm.com.my). A report by MAMPU in May 2008 showed that SSM e-Lodgement services garnered the top position (85.5%) for transactions by the public amongst nine pioneer government agencies under the e-Government initiative.

No.	Agency	Total Transactions
1	Suruhanjaya Syarikat Malaysia (SSM)	167,579
2	Kementerian Perumahan dan Kerajaan Tempatan (KPKT)	13,568
3	Rubber Industries Smallholders Development Authority (RISDA)	14,458
4	Jabatan Pendaftaran Negara (JPN)	33
5	Kementerian Sumber Manusia (KSM)	26
6	Jabatan Keselamatan & Kesihatan	37
7	Istana Budaya (IB)	8
8	Department of Civil Aviation (DCA)	13
9	Lembaga Tembakau Negara (LTN)	258
10	Lembaga Kemajuan Wilayah Kedah (KEDA)	4
<b>Total</b>		<b>195,984</b>

## EMBRACING THE e-WAY (cont'd)

To use the e-Lodgement service, an individual must first register as a user of the MyGovernment Portal (PSP). The process flow of the e-Lodgement service is as shown below:



SSM aims to achieve a 80:20 ratio for e-Lodgement transactions against over-the-counter (OTC) transactions by the end of 2009. Consistent with this objective, SSM will eventually reduce the OTC services to a third of its current capacity.

### Payment Selections

The e-Lodgement service offered by SSM is the first e-Government initiative that utilizes online payments methods for electronic submission of statutory documents. There are three types of payment mode for the e-Lodgement services as follows , namely :

- (a) Direct Debit for account holders of Bank Islam, CIMB Bank, Public Bank, Hong Leong Bank, Maybank and RHB Bank
- (b) Credit Card
  - MasterCard; or
  - Visa.
- (c) SSM Prepaid Account
  - Individual account which requires a minimum deposit of RM70 and a minimum top up amount of RM10.
  - Corporate account which requires a minimum deposit of RM500 and a minimum top up amount of RM10.

### The Business e-Lodgement Service

The SSM Business e-Lodgement service offers the following five services:

Services Offered		Documents	Processing Time
1	Application for Business Name Approval	PNA 42	1 hour
2	Registration of Business	Form A	1 hour
3	Application for Renewal of Business Registration	Form A1	15 minutes
4	Online Business Updates : (i) Change of Business Address (ii) Change in Type of Business (iii) Change of Particulars of Branch (iv) Change of Information of Owner	Form B1 Form B2 Form B3 Form B4	1 hour
5	Notifications of Termination of Registered Business	Form C	15 minutes
<b>Total</b>	<b>5 Services</b>	<b>8 Forms</b>	

## EMBRACING THE e-WAY (cont'd)

**Company e-Lodgement Service**

The SSM Company e-Lodgement service offers the following 12 services:

Services Offered		Documents	Processing Time
1	Request for availability of name	Form 13A	1 day
2	Application for incorporation of local company	Form 6 Form 48A M&A	1 day
3	First submission after incorporation	Form 24 Form 44 Form 49	3 days
4	Application for company secretary's licence	Form 48B	1 day
5	Application for renewal of company secretary's licence	Form 48C	30 minutes
6	Application for change of company name	Form 11(21) Form 52	1 day
7	Annual return of a company having a share capital with exempt private certificate (EPC)	Annual Return, EPC	3 days
8	Annual return of a company having a share capital with accounts	Annual Return, Accounts, Form 56	3 days
9	Notice of situation of registered office and office hours and particulars of changes	Form 44	3 days
10	Notice of place where register of members and index kept, or of change in that place	Form 53	3 days
11	Return giving particulars in register of directors, managers and secretaries and changes of particulars	Form 49 Form 48A	3 days
12	Return of allotment of shares	Form 24	3 days
<b>Total</b>	<b>12 Services</b>	<b>18 Forms</b>	

With the exception to the application for company secretary licence and request for availability of names, the other services offered by the Company e-Lodgement service are only available to:

- members of a prescribed body pursuant to Section 139A(a) of the CA 1965; or
- persons licensed by the Registrar pursuant to Section 139A(b) of the CA 1965.

**Statistics and Take up Rates**

From January to December 2008, SSM received a total of 109,248 transactions for Business e-Lodgement with a total revenue of RM2,383,105.00. As at 31 December 2008, the take up rate for the Business e-Lodgement was 7.82% as shown below:

Types of Services	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Name Search (PNA42)	3,779	3,380	4,777	5,890	5,596	5,100	6,236	5,277	4,585	3,117	3,317	3,209	54,263
New Registration (Form A)	2,009	1,756	2,454	2,951	2,732	2,785	3,374	2,797	2,288	2,409	2,475	2,407	30,437
Business Renewal (Form A1)	110	105	181	139	207	267	381	327	383	439	417	545	3,501
Business Updates (Form B)	1,128	921	1,231	1,620	1,392	1,501	1,800	1,542	1,355	2,065	2,374	2,401	19,330
Termination (Form C)	114	112	120	158	140	147	217	169	142	116	106	176	1,717
<b>Total</b>	<b>7,140</b>	<b>6,274</b>	<b>8,763</b>	<b>10,758</b>	<b>10,067</b>	<b>9,800</b>	<b>12,008</b>	<b>10,112</b>	<b>8,753</b>	<b>8,146</b>	<b>8,689</b>	<b>8,738</b>	<b>109,248</b>

**Take up Rate for Business e-Lodgement Service**

Month	Nationwide (OTC)	%	e-Lodgement	%	Total (Nationwide OTC + e-Lodgement)
January	116,383	94.20	7,140	5.80	123,523
February	96,344	93.88	6,274	6.12	102,621
March	109,746	92.61	8,763	7.39	118,509
April	120,546	91.81	10,758	8.19	131,304
May	107,896	91.47	10,067	8.53	117,963
June	108,639	91.73	9,800	8.27	118,439
July	119,927	90.90	12,008	9.10	131,935
August	110,380	90.85	10,112	9.15	110,492
September	83,345	91.17	8,753	9.50	92,098
October	88,702	91.59	8,146	8.41	96,848
November	95,042	91.60	8,689	8.37	103,731
December	103,003	92.18	8,738	7.82	111,741

The slow take up rate for Business e-Lodgement service was attributed to several factors such as the intermittent system instability and connectivity, broadband saturation and payment gateway interruptions during its initial stage of introduction. Other factors affecting the slow take up rate includes poor internet literacy amongst the owners of small business and the lack of ICT facilities.

To overcome these problems, SSM conducted meetings with MAMPU and other online service providers to resolve issues relating to system instability, accessibility and online payment transactions. To educate and facilitate the public to better understand the service, frequently asked questions (FAQs), guidelines and quick reference manual on Business e-Lodgement were posted on SSM website. Cyber-guides are also assigned to assist customers who are using the e-Lodgement services at SSM offices.

Between January and December 2008, SSM received a total of 9,291 transactions for company e-Lodgement. The total revenue collected was RM1,335,480.00. The take up ratio for Company e-Lodgement against OTC as at 31 December 2008 was 1.00%.

## EMBRACING THE e-WAY (cont'd)

## Details of Company e-Lodgement Transactions

Types of Services	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Name Search – Form 13A	56	126	267	372	394	480	580	542	576	611	575	572	5,151
Incorporation	7	12	35	59	88	85	106	127	104	100	95	99	917
First Submission	6	10	25	39	56	28	38	47	66	41	53	44	453
Annual Return with EPC	-	1	4	1	3	4	19	41	2	2	-	3	80
Annual Return with Accounts	-	7	14	6	21	27	139	156	37	69	60	47	583
Notice of Registered Office – Form 44	4	12	24	40	41	44	31	36	29	34	39	139	473
Notice of Registered Member – Form 53	1	22	2	6	8	10	5	8	7	1	11	6	87
Return of Allotment of Shares – Form 24	2	4	6	10	10	10	17	14	14	17	12	28	144
Change of Name – Form 11	2	4	6	12	19	9	16	7	12	10	17	16	130
Particulars of Directors and Managers – Form 49	10	56	126	115	103	111	188	118	121	77	84	98	1,207
Application For Licensed Secretary – Form 48B	-	-	-	-	-	-	-	-	-	-	1	-	1
Renewal of Licensed Secretary – Form 48C	1	3	1	4	1	7	9	5	3	3	18	10	65
<b>Total</b>	<b>89</b>	<b>257</b>	<b>510</b>	<b>664</b>	<b>744</b>	<b>815</b>	<b>1,148</b>	<b>1,101</b>	<b>971</b>	<b>965</b>	<b>965</b>	<b>1,062</b>	<b>9,291</b>

## Take up rate Companies e-Lodgement

Month	Nationwide (OTC)	%	e-Lodgement	%	Total (Nationwide OTC + e-Lodgement)
January	365,119	99.998	89	0.024	365,208
February	268,756	99.996	257	0.096	269,013
March	286,910	99.976	510	0.17	287,420
April	329,968	99.904	664	0.20	330,632
May	305,604	99.83	744	0.24	306,348
June	220,630	99.80	815	0.37	221,445
July	437,753	99.63	1,148	0.27	438,901
August	208,359	99.73	1,101	0.52	209,460
September	322,504	99.48	971	0.30	323,475
October	270,932	99.65	965	0.35	271,897
November	165,786	99.42	965	0.58	166,751
December	186,279	99.00	1,062	1.00	187,341

Similar to the Business e-Lodgement, the take up rate for Company e-Lodgement is also low. SSM is currently intensifying its promotional activities to achieve better take up rate in 2009.

The majority of users of the e-Lodgement service were from Kuala Lumpur and Selangor. As at December 2008, Selangor recorded the highest percentage of e-Lodgement users at 31.6% for Business e-Lodgement and 37.5% for Company e-Lodgement respectively. Kuala Lumpur recorded a total of 20.8% for Business e-Lodgement and 23.0% for Company e-Lodgement. Further details are as per the tables below.

Apart from Selangor and Kuala Lumpur, the e-Lodgement service was well received by users in Johor and Pulau Pinang. This is consistent with the high concentration of businesses and companies in these states coupled with the high level of awareness as well as the availability of internet facilities.

#### Applications Received Via Business e-Lodgement According to States

State	Total Applications Received
Selangor	18,991
Kuala Lumpur	10,615
Johor	7,375
Kedah	5,425
Pulau Pinang	5,341
Perak	958
Pahang	664
Negeri Sembilan	463
Melaka	174
Perlis	66
Terengganu	97
Kelantan	131
<b>Total</b>	<b>50,300</b>

#### Applications Received Via Companies E-Lodgement According to States

State	Total Applications
Kuala Lumpur	1,040
Johor	292
Pulau Pinang	202
Selangor	1,074
Perak	128
Kedah	21
Pahang	32
N. Sembilan	345
Terengganu	29
Melaka	20
Putrajaya	4
Sarawak	10
Sabah	205
<b>Total</b>	<b>3,451</b>

## EMBRACING THE e-WAY (cont'd)

Feedbacks obtained from e-Lodgement awareness briefings and users required SSM to look into aspects such as simplification of the data entry process, the possibilities for auto-population of data from SSM's database and integration of data stored with that of company secretaries system, auto approve process, speedier online transaction and enhance security features.

### Benefits of e-Lodgement:

24/7 service availability	Available beyond the normal office hours. The processing time is extended until 8.15pm during the weekdays. Lodgements which come after 8.15pm or during weekends and public holidays will be processed immediately when normal office operating hours resume.
Global accessibility	Accessible from anywhere in the world.
Faster processing rate	Submissions or applications via e-Lodgement are given priority in processing.
Convenience to user	Lodgements of documents can be carried out from the comfort of one's home or office.
Multi-payment channel	The e-Lodgement offers a wider choice of payment methods such as credit card, direct debit or SSM Prepaid Account.
Enhanced data accuracy	The accuracy of data is increased as e-Lodgement eliminates the process of data entry by SSM staff.

### Moving Forward

SSM will continue to carry out research and development to further improve the e-Lodgement service. These include making improvements on security features as well as system and technical enhancements. SSM is also currently developing the Company Secretary Integration System (CSI) which would enable direct interface between company secretaries and SSM. The CSI is projected to be able to resolve problems relating to auto-data population, integration with the company secretary's data, lodgement authorization and transactions security. SSM is also exploring into the introduction of transactions-based lodgement and is expediting the development of automation for selected transactions on e-Lodgement.

SSM will also implement the mandatory e-Lodgement for selected services in 2009. A total of six services have been identified for the purpose of mandatory e-Lodgement. The proposed services are:

- Application for company secretary's licence;
- Application for the renewal of company secretary licence (auto approved);
- Request for availability of name;
- Application for change of company name;
- Notification of place where register of members and index is kept (auto approved), or change in that place (auto approved); and
- Notice of situation of registered office and office hours and particulars of changes (auto approved).

**THE e-INFO SERVICE**

The e-Info service was first introduced in July 2006. It enables the procurement of corporate and business information through the internet 24/7 and is accessible worldwide.

As at 31 December 2008, a total of 222,234 transactions were recorded compared to only 85,847 transactions in 2007. This translates into an increase of 158%.

Month	2006		2007		2008	
	Transactions (No)	Revenue (RM)	Transactions (No)	Revenue (RM)	Transactions (No)	Revenue (RM)
January	-	-	5,932	84,000	10,230	145,395
February	-	-	3,531	47,295	8,159	118,587
March	-	-	5,876	77,235	11,473	154,350
April	-	-	5,919	81,960	16,544	229,994
May	-	-	7,078	103,140	18,862	264,113
June	-	-	6,876	97,170	20,288	281,220
July	894	13,365	7,859	111,630	22,589	312,422
August	2,051	27,945	9,336	135,315	22,053	310,119
September	2,407	33,495	8,151	113,130	10,534	155,625
October	3,762	37,080	8,118	117,960	15,208	228,120
November	3,640	54,075	9,010	130,125	35,346	469,738
December	4,065	58,650	8,161	118,260	30,948	409,276
<b>Total</b>	<b>16,819</b>	<b>224,610</b>	<b>85,847</b>	<b>1,217,220</b>	<b>222,234</b>	<b>3,078,958</b>

Since its introduction, the e-Info service has been widely utilized by users from across the globe. Throughout 2008, a total of 38,563 foreign procurements of corporate and business information via the e-Info were recorded. The breakdown of foreign usage of e-Info is as follows:

**International users for SSM's e-Info service**

Country	Number of Visitors	%
Singapore	16,916	43.8
United Kingdom	4,438	11.5
India	3,952	10.2
United States	3,843	10.0
Hong Kong	3,119	8.0
Japan	1,981	5.1
Philippines	1,813	4.7
Australia	1,608	4.1
China	552	1.4
Germany	392	1.0
Others	399	1.0
<b>Total</b>	<b>38,563</b>	<b>100</b>

## EMBRACING THE e-WAY (cont'd)

The following e-Info product derivatives were available in 2008:

(i) SSM e-Info Charges

This service offers information pertaining to the particulars of the companies' registered charges. The information includes company name, company number, charge number, name and address of chargee, type of instrument, property affected, date of charge, date of certificate (Form 40), date of release (if any), charge type, charge status, charge amount and amount secured by the registered charges.

(ii) SSM e-Info Image

This service allows the public to purchase images of company documents lodged.

(iii) SSM e-Info Mobile Service

This service allows the public to obtain corporate information via their mobile phone. Customers are able to check company/business names and registration numbers via SMS.

In addition, three new e-Info product derivatives were also developed in 2008. They are as follows:

• **e-Info Financial Comparison**

This new product allows the public to compare the financial performance of a company based on an extract of information from its two most recent audited Balance Sheet and Profit and Loss Account. Additional information available includes the company's general information, balance sheet items and income statement items.

• **e-Info Business Termination Letter**

This product allows the public to request for a Business Termination Letter if a business is not renewed within twelve (12) months of the expiry date.

• **e-Info Company Watch (CW)**

This service notifies its subscriber whenever a change occurs on any pre-determined particular of a company/business. The pre-determined information includes information on registered address, shareholders, lodgement of annual return and financial statement (if any) and as well as charges/mortgages. Information will be sent based on a one-time notification. The CW e-Info offers three (3) variants, namely:

(a) **Company Watch Basic**

A subscriber will be notified of any changes made on the information of a particular company. Changes on any pre-determined information of a particular company/business will be sent in vide a simple notification through email.

(b) **Company Watch Premium**

Company Watch Premium will alert the subscriber on any changes in relation to any pre-determined information of a particular company/business via e-mail. Besides the notice, SSM will also e-mail the PDF file of the updated information to the subscriber.

(c) **Company Watch X-tra**

Company Watch X-tra provides subscribers with updates of information of the subscribed company/business. Subscribers will be notified via e-mail on the changes and will be provided with the PDF copy of the information and a copy of the document image(s).

### Closure of Counters for the Supply of Information

The e-Info kiosks were introduced on 6 October 2008 to promote the online procurements of corporate and business information. It is consistent with SSM's objective in phasing out counter services for the procurement of corporate and business information and replacing them with total on-line procurements via the e-Info service by the end of 2009.

To familiarise the public with the new concept of delivery channel, SSM had introduced a three-month transition period beginning from 6 October 2008 to 31 December 2008 involving Kuala Lumpur, Selangor and Negeri Sembilan offices. The existing counter staff were appointed as 'Cyber-Guides' to assist customers in the usage of the e-Info kiosks.

Details of the charges for the transition period and post-transition period are stated as follows:

Payment Methods	Transition Period	Post-transition Period
e-Card, e-Account (prepaid), MEPS	RM11	RM13
Credit Card	RM15	RM15

The introduction of e-Info kiosk served as a catalyst for the increase in the e-Info transactions. During the three month transition period, a total of 145,974 transactions were registered, of which 69% was derived from the online services and 31% from the e-Info kiosks.

Services Delivery	Transaction	%
e-Info Services	100,851	69
e-Info Kiosk	45,123	31
<b>Total</b>	<b>145,974</b>	<b>100</b>

SSM's closure of supply of information counters are divided into five stages:

- (i) Pilot project and transition period for Federal Territory of Kuala Lumpur and the states of Negeri Sembilan and Selangor;
- (ii) Total closure of all supply of information counters in Kuala Lumpur, Negeri Sembilan and Selangor;
- (iii) Transition period for the remaining states in the Peninsular Malaysia;
- (iv) Transition period for Sabah and Sarawak; and
- (v) Total closure of supply of information counters nationwide.

## EMBRACING THE e-WAY (cont'd)

The detailed information pertaining to SSM's closure of counters are as follows:

Date	Activity	Action
6/10 – 31/12/2008	Transition Period for Kuala Lumpur, Negeri Sembilan and Selangor	<ul style="list-style-type: none"> <li>• Downsizing of information supply counters from two to one.</li> <li>• e-Info promotion price:               <ul style="list-style-type: none"> <li>- RM11</li> <li>- RM15 (Credit card)</li> </ul> </li> <li>• OTC service is available only for purchase of bulk information - more than 20 information</li> <li>• For 20 informations or less, the public is required to utilize the e-Info kiosks.</li> <li>• Certification of true copies are done OTC.</li> </ul>
2/1/2009	Closure of all counters for Kuala Lumpur, Negeri Sembilan and Selangor	<ul style="list-style-type: none"> <li>• The information supply counters are replaced with the e-Info kiosks.</li> <li>• e-Info price for information purchased at the kiosks and the internet:               <ul style="list-style-type: none"> <li>- RM13</li> <li>- RM15 (credit card)</li> </ul> </li> <li>• Certification of true copies are done OTC.</li> </ul>
2/1- 31/1/2009	Transition Period for the remaining states in the Peninsular Malaysia	<ul style="list-style-type: none"> <li>• Downsizing of information supply counters from two to one.</li> <li>• e-Info promotion price:               <ul style="list-style-type: none"> <li>- RM11</li> <li>- RM15 (Credit card)</li> </ul> </li> </ul>
1/2-1/3/2009	Transition period for Sabah & Sarawak	<ul style="list-style-type: none"> <li>• OTC services is available only for purchase of bulk information - more than 20 information</li> <li>• For 20 informations or less, the public is required to utilize the e-Info kiosks.</li> <li>• Certification of true copies are done OTC.</li> </ul>
1/3/2009	Nationwide closure of procurement of information counters	<ul style="list-style-type: none"> <li>• The information supply counters are replaced with the e-Info kiosks.</li> <li>• e-Info price for information purchased at the kiosks and the internet:               <ul style="list-style-type: none"> <li>- RM13</li> <li>- RM15 (credit card)</li> </ul> </li> <li>• Certification of true copies are done OTC.</li> </ul>

## SSM e-SERVICES AWARENESS CAMPAIGN

### e-Lodgement Briefings and Hands On Training

Since the launch of the e-Lodgement service on 22 January 2008, SSM had organized briefing sessions and provided practical trainings on the usage of the service to company secretaries, members of various professional bodies and chambers of commerce, business associations, foreign embassies and government agencies.

The programmes were conducted to create awareness and to attract the public to utilize e-Lodgement instead of using the conventional counter services. These programmes were conducted nationwide in collaboration with SSM state offices and relevant professional bodies. A total of six organizations and 1,037 participants were involved throughout 2008. The details of the professional bodies, number of programmes conducted and participants involved are shown in the table below:

### Details of Awareness Programmes

Associations/SSM State Offices	Number of Sessions	Number of Participants
MAICSA	4	320
MIA	10	289
MICPA	2	106
MACS	1	50
PFA	2	35
ACCA	1	16
SSM State Offices	7	221

### Setting up of e-Lodgement Kiosks

SSM had set up special e-Lodgement kiosks on the 2nd floor of SSM headquarters in Kuala Lumpur on 3 July 2008 to further facilitate members of the public who wish to lodge their documents via e-Lodgement. SSM has also assigned cyber-guides to provide training and assistance to users of the e-Lodgement kiosks. Similar initiative was also carried out at all state offices.

### Promotion of e-Lodgement through the Business Registration Mobile Counters (BRMC) and Circuit Counters activities

SSM also leveraged on BRMC to promote its e-Services by offering advice to the customers on how the e-Services could be utilised to benefit their business. Brochures and leaflets on the e-Services containing information on the process, payment modes and enquiry contact details were also distributed during these events. Special kiosks were also set up during events conducted or participated by SSM to enable the public to experience the e-Services first hand.

### Other promotional activities

SSM had arranged various interviews in relation to its e-Services with the media. Articles pertaining to e-Info and e-Lodgement were printed in retained columns, business journals and newspaper reports. Television and radio interviews to promote the e-Services were also conducted throughout 2008. In addition, manuals, guidelines, reference brochures and FAQ's were posted on SSM's website to facilitate the usage of Business and Company e-Lodgement by the general public.

## EMBRACING THE e-WAY (cont'd)

**OTHER e-BASED PRODUCTS AND SERVICES****Tendering of Company Registration Number (TCRN)**

TCRN is a service which allows the public to bid for selected company incorporation numbers. A total of 30 unique numerical combinations were selected by the TCRN Special Panel. There were two classes of numbers namely:

- (a) 1st class numbers
  - a combination of one, two or three unique and attractive numbers with a minimum reserved price of RM2,000.00.
- (b) 2nd class number
  - a combination of numbers other than the 1st class numbers with a minimum reserved price of RM1,000.

SSM had conducted two (2) bidding sessions in June and August 2008. The TCRN project was able to generated a total revenue of RM30,055.00. The details of revenue generated and the numerical combinations are as follows:

**Details of Revenue Collected via Tendering Company Registration Number**

<b>Session</b>	<b>Revenue</b>
1 ( 23 June – 23 July 2008)	14,732.00
2 ( 8 August – 8 October 2008)	15,323.00
<b>Total</b>	<b>30,055.00</b>

**Commemorative Dates**

SSM had leveraged on the unique dates throughout 2008 to enable interested members of the public to register their businesses or incorporate their companies on such dates. The dates were:

- 8 August 2008; and
- 20 August 2008.

On 8 August 2008, apart from its normal counter operations, SSM conducted mobile registration counters operations nationwide to enable prospective business owners to register their businesses. For the incorporation of companies, SSM had allowed early applications for incorporation to be sent from 4 August 2008 onwards. The exercise is to enable interested stakeholders to have the '080808' numerical combination in the registration of business certificates and incorporation certificates. Project 080808 had managed to attract 1,466 new business registrations and 664 new company incorporations. A total of RM842,005.00 was generated pursuant to project 080808. The statistical details are as per the next page.

**Revenue Collected and Total Number of New Business Registered and Company Incorporated On 080808**

State	Business		Company		Total (RM)
	Form A	Revenue (RM)	Incorporation	Revenue (RM)	
Labuan	9	510	4	8,000	8,510
Perlis	37	2,235	5	12,000	14,235
Terengganu	16	1,400	8	12,060	13,460
Melaka	66	5,040	23	23,000	28,040
Pahang	147	9,400	8	8,000	17,400
N. Sembilan	72	4,590	8	12,000	16,590
Kedah	45	4,410	10	17,480	21,890
Kelantan	27	2,950	10	16,000	18,950
Perak	127	7,410	14	17,000	24,410
P.Pinang	98	6,120	36	32,000	38,120
Selangor	253	13,290	55	57,000	70,290
Johor	161	12,900	38	44,000	56,900
Sabah			66	70,625	70,625
Sarawak			57	67,000	67,000
Kuala Lumpur	408	36,585	322	339,000	375,585
<b>Total</b>	<b>1,466</b>	<b>106,840</b>	<b>664</b>	<b>735,165</b>	<b>842,005</b>

Similar exercise was carried out on 20 August 2008 to leverage on the unique numerical combination of '20082008'. Project 20082008 recorded 1,358 new business registrations and 228 new company incorporations, generating a total revenue of RM392,320.00. The details of the transactions recorded for Project 20082008 is as per the next page:

## EMBRACING THE e-WAY (cont'd)

**Revenue Collected and Total Number of New Business Registered and Company Incorporated On 20082008**

State	Business		Company		Total (RM)
	Form A	Revenue (RM)	Incorporation	Revenue (RM)	
Labuan	2	140	0	0	140
Perlis	31	1,680	1	1,000	2,680
Terengganu	54	2,400	6	6,000	8,400
Melaka	52	3,450	24	24,000	27,450
Pahang	54	3,390	7	7,000	10,390
N. Sembilan	94	5,340	4	4,000	9,340
Kedah	33	1,740	3	3,000	4,740
Kelantan	72	3,450	11	34,000	37,450
Perak	85	7,800	4	4,000	11,800
P.Pinang	95	5,610	11	9,000	14,610
Selangor	207	10,800	11	11,000	21,800
Johor	115	11,460	17	21,000	32,460
Sabah			8	8,000	8,000
Sarawak			7	7,000	7,000
Kuala Lumpur	464	82,060	114	114,000	196,060
<b>Total</b>	<b>1,358</b>	<b>139,320</b>	<b>228</b>	<b>253,000</b>	<b>392,320</b>

**SSM's Website Enhancement**

SSM's website is a channel to reach out to stakeholders and the public in general. The website also serves as the forefront in providing information to the international community and potential investors. Its content explains the processes involved in the incorporation of local companies and registration of foreign companies.

The website enhancement which was carried out in two stages commenced in January 2008 and it formed part of the 2008 Strategic Thrusts. The First Stage involved the updating of contents and was completed on 10 April 2008. The exercise incorporated the evaluation requirements by MAMPU which were included later in May 2008. The Second Stage focussed on further enhancement and delivery of a new interface for the website based on users' requirements. It is expected to be completed by 30 September 2009. SSM has also developed protocols and standard operating procedures for the operation, maintenance and updating of its website to ensure updated and essential information are available to the public.

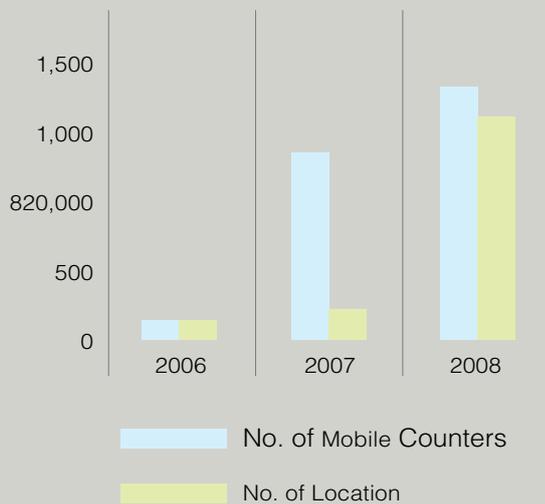
**Business Registration Mobile Counter**

The Business Registration Mobile Counter (BRMC) is one of SSM's initiatives to reach out to the business community. BRMC mobilizes counter based transactions outside SSM fixed premises and are held at strategic locations with high business-related activities such as at local council offices, market place, hotel lobbies, supermarkets and hypermarkets. This initiative offers the Malaysian business community an alternative channel and convenient access to SSM's business registration services. BRMC performs onsite approvals for business registration and renewal. These mobilized counter operations are directly connected to SSM CBSROB system via the internet through 3G wireless connectivity.

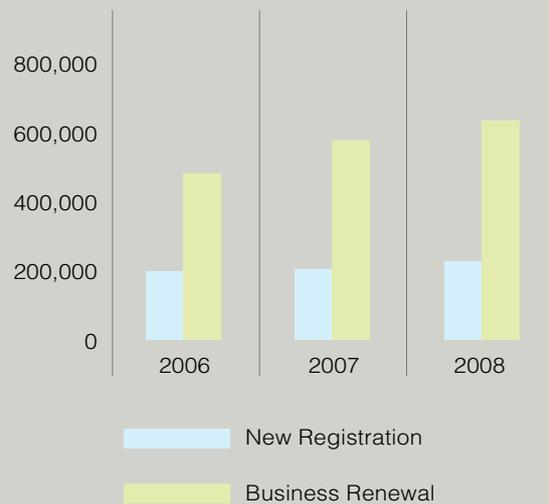
The mobilization of BRMC in local municipals offices has enabled the creation of a one-stop centre wherein businesses are able to register or renew businesses by SSM and at the same time and locality, obtain the necessary business licenses and local municipal permits to carry out business. Apart from serving the business community in a more flexible environment, BRMC also disseminates information and inculcate awareness amongst the business community and members of the public. Most of the locations are hotspots for small businesses, petty traders and stall operators. These particular groups of business community generally have minimal understanding or awareness on the aspects of Registration of Businesses Act 1956 and Companies Act 1965. SSM officers manning the BRMC are tasked to explain the obligations imposed by the aforesaid laws to enable the smooth operations of businesses.

The charts below indicate the continuous expansion of the BRMC activity since its launch in 2006. The BRMC operational frequency had increased to a total of 1,399 mobile counters conducted at 1,277 locations nationwide in 2008 as compared to 813 at 264 locations in 2007.

**BRMC Frequency and Location Nationwide**



**Business Total Transaction Nationwide**



**BRMC Total Transaction Nationwide**



**BRMC Annual Market Share**



## EMBRACING THE e-WAY (cont'd)

In 2008, the BRMC operations generated a total revenue of RM5,389,252.00 compared to RM1,926,277.00 in 2007. This represents a remarkable increase of 180%. With the expansion of locations and frequency of mobile counters, the BRMC recorded a total of 21,643 new business registrations and 41,064 renewals of business registrations throughout 2008, contributing to a variance of 72% and 211% respectively compared to 2007. From the perspective of the total business registrations and renewals throughout 2008, the BRMC programme had contributed 7% from the overall new business registered and 7% from the overall renewals of business registrations. In comparison, it was 5% and 2% respectively in relation to similar transactions recorded in 2007.

**Business Registration Mobile Counter Activities from 2006 - 2008**

<b>Nationwide BRMC</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>
New registration	2,953	12,559	21,643
Business Renewal	924	13,210	41,064
No of BRMC	117	813	1,399
No. of location	118	264	1,399
<b>Revenue (RM)</b>	<b>275,705</b>	<b>1,926,277</b>	<b>5,389,252</b>

**BRMC Market Share Compared to the Total Revenue Collection For Business New Registration and Renewals**

	<b>2006</b>	<b>2007</b>	<b>2008</b>
New registration	1%	5%	7%
Business Renewal	0%	2%	7%

**Mobile Counter by SSM State Offices**

<b>State/ Month</b>	<b>Total (January-December 2008)</b>		
	<b>No. of Mobile Counter</b>	<b>No. of New Registration</b>	<b>Revenue (RM)</b>
K.Lumpur	102	2,859	792,675
Perlis	27	51	6,975
Kedah	361	3,022	712,332
Penang	185	2,970	791,885
Perak	59	1,332	373,781
Selangor	103	3,007	306,075
N. Sembilan	90	640	183,978
Melaka	97	1,136	261,386
Johor	117	2,440	960,882
Pahang	105	2,655	743,724
Terengganu	93	891	178,385
Kelantan	54	607	75,627
Labuan	6	33	1,550
<b>Total</b>	<b>1,399</b>	<b>21,643</b>	<b>5,389,252</b>

### Circuit Counter

The Circuit Counter is a strategic collaboration with municipal councils. Circuit Counters serves as SSM service centres on a regular basis at pre-identified locations to enable members of the public to register or renew their business. In 2008, Circuit Counters were set up at (4) four municipal offices, namely, Dewan Bandaraya Kuala Lumpur (DBKL), Majlis Perbandaran Sepang (MPSepang), Majlis Perbandaran Ampang Jaya (MPAJ) and Majlis Perbandaran Kajang (MPKj). The Circuit Counters possess similar concept and objectives to that of the BRMC. The main difference being the former is set up at fixed locations with periodical and scheduled presence of SSM officers.

The table below shows an increase by 55.33% in the total of new businesses registration during Circuit Counters operations in 2008 compared to year 2007. The total transactions for renewal had increased from 4,151 to 5,954, reflecting a growth of 43.4% compared to 2007.

### Circuit Counters Activities

Kuala Lumpur HQ	Year		
	2007	2008	%
New Business Registration	779	1,210	55.53
Business Registration Renewal	4,151	5,954	43.4

The Circuit Counters initiative provides flexibility and convenience to the public as there is no necessity to visit the SSM office for business registration transaction whilst at the same time allowing them to accomplish other business arrangements with the local municipals, resulting in the saving of time and costs.

### e-Enforcement

The e-Enforcement is a new surveillance methodology introduced in August 2008 to enhance the efficiency of SSM's monitoring and surveillance activities. It enables SSM enforcement officers to carry out real time data checking and verification while conducting physical inspections on the business premises. The e-Enforcement initiative also allows on-site production of compound notices and all enforcement actions taken will be updated simultaneously in SSM's database. The e-Enforcement comprises of two main components namely:

- (i) The on-site component comprising the system, infrastructure and processes used during surveillance activities; and
- (ii) The administrative and reporting component involving central administration system to produce surveillance activities reports.

The on-site component involves the following activities:

- (a) Onsite and real time check of current information of entities, individuals, businesses or premises to verify compliance with the relevant laws administered;
- (b) Onsite issuance and printing of inspection notices;
- (c) Onsite issuance and printing of compound notices; and
- (d) Suspension of transactions by individuals/businesses/companies where required.

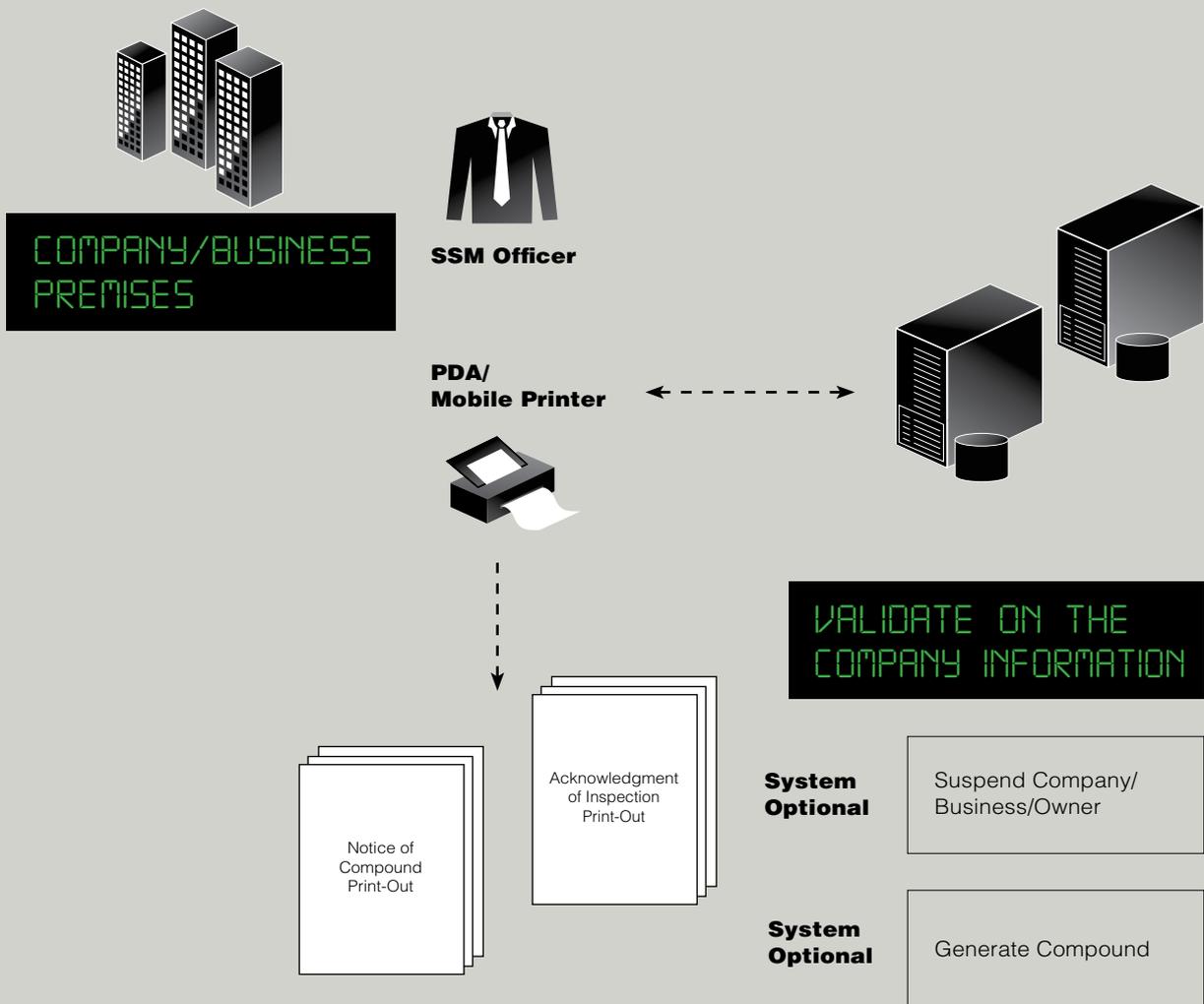
## EMBRACING THE e-WAY (cont'd)

The administrative and reporting component focuses on two main activities namely:

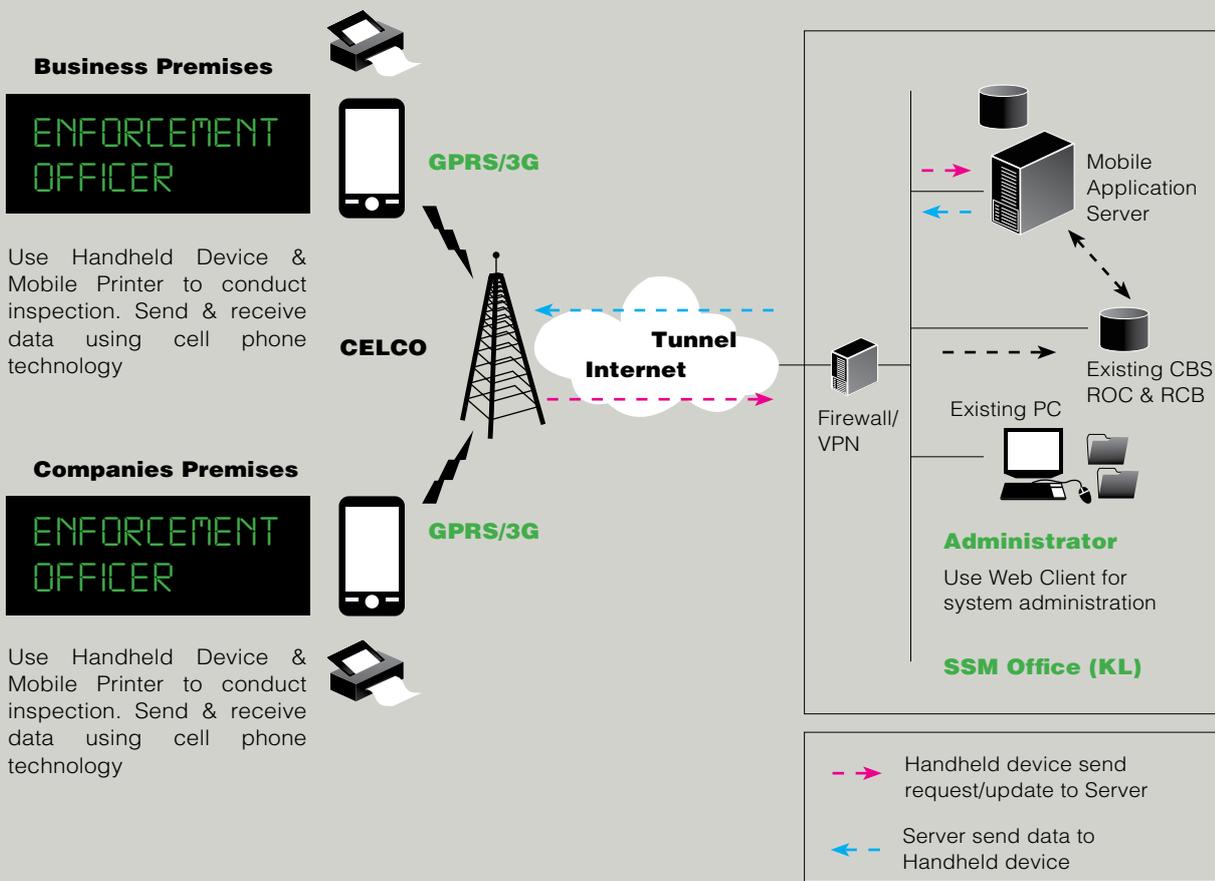
- (a) Technical System Administration involving the ID and password management, the audit trail to monitor system usage and inventory control of the devices; and
- (b) Production of reports on onsite activities. This module is accessible after the operation/inspection and will be used for statistical report purposes.

The process flow and system architecture of SSM's e-Enforcement is described below:

### PROCESS FLOW



**SYSTEM ARCHITECTURE**



The e-Enforcement system uses the following technologies:

(a) Telephone (GPRS, 3G, PDA, Windows Mobile, Bluetooth)

The enforcement officers are provided with Personal Digital Assistant (PDA) telephones where they can access SSM systems through 3G or GPRS services. The PDA is directly connected to a portable printer through wireless Bluetooth technology.

(b) Internet (Direct access to SSM's information through internet)

The PDA is connected to SSM's database through the internet after a secured tunnel (VPN) is being created.

(c) Security (SSL VPN, Audit Trail)

Secure Sockets Layer-Virtual Private Network (SSL-VPN) is utilized to secure the communication and transaction between the PDA and the server. This infrastructure is part of the SSM Mobile Remote Secure Access (MoRSe) which enables secure connection to SSM systems from outside of the SSM premises via the internet.

## EMBRACING THE e-WAY (cont'd)

*(d) Printing (Mobile Thermal Printer)*

Mobile printers are to enable printing of notices and use the same technology as copier machines where the use of toner is unnecessary.

*(e) Web Application for Reporting*

All surveillance activities will be logged and reported. Users can check their transaction using mobile enforcement system through an internet browser when they return to SSM office. This portal also provides a statistical report, ready to be analysed.

*(f) Integration of information with current database*

JDBC (Java Database Connector) Integration Technology is used to ensure standard system integration and to facilitate future enhancement of the system.

The system development phase for the e-Enforcement project started in February 2007 and was completed in June 2007. A user requirement study was conducted involving selected SSM enforcement officers. A testing phase was conducted for one month to ensure that the system flow is appropriate with the enforcement functions.

The pilot run of the e-Enforcement project was implemented for one year beginning from 17 July 2007 to ensure that any deficiency or defect can be referred to the system developer for improvement or rectification during the warranty period of the system's purchased. The e-Enforcement system was fully implemented beginning August 2008. Currently, the e-Enforcement system monitors the following:

**Details of Offences under e-Enforcement Activities**

No.	Offences (Companies Act 1965)
1	<b>Breach of section 121(1)(b)</b> Failure to print company name and number on official documents
2	<b>Breach of section 121(3)</b> Failure to display company name
No.	Offences (Registration of Businesses Act 1956)
3	<b>Breach of section 12(1)(a)</b> Carrying on business without registration
4	<b>Breach of section 12(1)(b)</b> Carrying on business after business registration expired
5	<b>Breach of section 12(2)</b> Failure to display certificate of registration
6	<b>Breach of Rule 17A(1)(b)</b> Failure to submit change of registered business address
7	<b>Breach of Rule 17A(2)</b> Failure to display company name and business registration number

The initial phase of the e-Enforcement implemented in the Klang Valley was successful with on-site detection of various offences during inspections. The details of offences detected and confirmed were as follows:

#### Inspection Carried Out Within Kuala Lumpur Region through e-Enforcement

Type of offences		Month				
Act	Offences	Aug	Sept	Oct	Nov	Dec
CA 1965	<b>Section 121(1)(b)</b> Failure to print company name & number on official documents	2	18	2	-	-
	<b>Section 121(3)</b> Failure to display company name	28	-	5	1	-
<b>Total</b>		<b>30</b>	<b>18</b>	<b>7</b>	<b>1</b>	<b>-</b>
ROBA 1956	<b>Section 12(1)(a)</b> Carrying on business without registration	-	8	3	1	-
	<b>Section 12(1)(b)</b> Carrying on business after business registration expired	-	-	2	-	-
	<b>Section 12(2)</b> Failure to display certificate of registration	2	14	-	2	-
	<b>Rule 17A(1)(b)</b> Failure to submit change of registered business address	1	3	3	-	-
	<b>Rule 17A(2)</b> Failure to display signboard	65	66	37	47	4
<b>Total</b>		<b>68</b>	<b>91</b>	<b>45</b>	<b>49</b>	<b>4</b>

SSM will continue to enhance the e-Enforcement system to allow the detection of other offences and to widen its application nationwide in 2009. The upcoming enhancement of the e-Enforcement includes the monitoring of secretaries and auditors towards ensuring good corporate governance and high integrity amongst officers of companies.

## EMBRACING THE e-WAY (cont'd)

### INTERNAL ICT APPLICATIONS

#### SSM e-Portal

The SSM e-Portal, also known as enterprise information portal (EIP), provides a framework for the integration of information, people and processes which transcends beyond divisional boundaries within the organization. The SSM e-Portal provides a secure unified access point in a form of a web-based user interface and is designed to provide comprehensive and personalize information through specific port outlets.

The e-Portal enables document sharing calendar sharing, and other forms of collaborations within SSM. An example of the internal application is the Human Resources Management System (HRMS) which is integrated via the e-Portal. It provides online access to human resource capital related services such as e-Leave applications and e-Payslip, while the knowledge management initiative updates local and international news via the portal to keep staffs well informed. Specialised application like statistical reports of businesses and companies' registration are also integrated in the portal. The e-Portal also serves as a platform for video conferencing between SSM HQ and 18 state offices and branches dispersed throughout Malaysia.

The e-Portal is hosted and maintained on SSM servers and can only be accessed by SSM's employees. However, a plan to integrate the portal with SSM website is in the pipeline and expected to be available by the end of 2009. By integrating both web platforms, the communications efficiency amongst SSM staff can be further enhanced as internal communication can also be accessed through the internet.

#### Human Resources Management System (HRMS)

The HR function consists of tracking existing employee data which traditionally includes personal histories, skills, capabilities, accomplishments and salary. To reduce the manual workload of these administrative activities, an electronic automation of these processes was introduced in SSM and known as Human Resource Management Systems.

The HRMS was first rolled out in 2006 and to some extent has automated the routine processes of HR. This has allowed HR personnels to focus on value-added services for SSM. In 2008, SSM had further added the e-Payslip into the HRMS application system. The e-Payslip is the latest addition to the existing e-Applications such as e-Leave and updating of staff information via Employee Self Service (ESS). The e-Payslip application implementation did not involve any cost as it is generated from the monthly payroll transactions. The report is then converted into an acceptable pay slip document which is to be used as a valid document. Since this is another cost-effective project by HRM Section, SSM has approximately saved RM25,000 for the cost of printing the conventional pay slip with mailing cost of RM30,000 which is equivalent to RM55,000 annually. Besides being an easy-access application as it is parked in the ESS System where everyone can have access to, it also serves to keep all pay slip records for future viewing.

### Financial Management System

The Financial Management System was implemented in 2006 with a client-based solution to provide efficient and timely work processing and financial reporting. The system was upgraded to the latest web based solution and was successfully rolled out in August 2008.

With the implementation of the system, some of the work processing has been reduced significantly such as printing of cheques, issuance of purchase order and preparation of bank reconciliations as well as eliminating manual bookkeeping for petty cash. The system also allows financial reporting to be provided on periodical basis or as and when required.

The new version also enables the decentralization of computerized financial management to State Offices and Branches in the current year. The system was rolled out to State Offices in three following phases:

- (a) The pilot phase was rolled out at the Selangor State Offices on 17 March 2008 and Negeri Sembilan State Office on 24 March 2008;
- (b) Phase 1 was rolled out to Johor, Penang and Sarawak State Office on 17 November 2008; and
- (c) Phase 2 was rolled out to Perak, Melaka, Pahang, Terengganu, Sabah and Labuan.

### ICT connection between HQ and branches

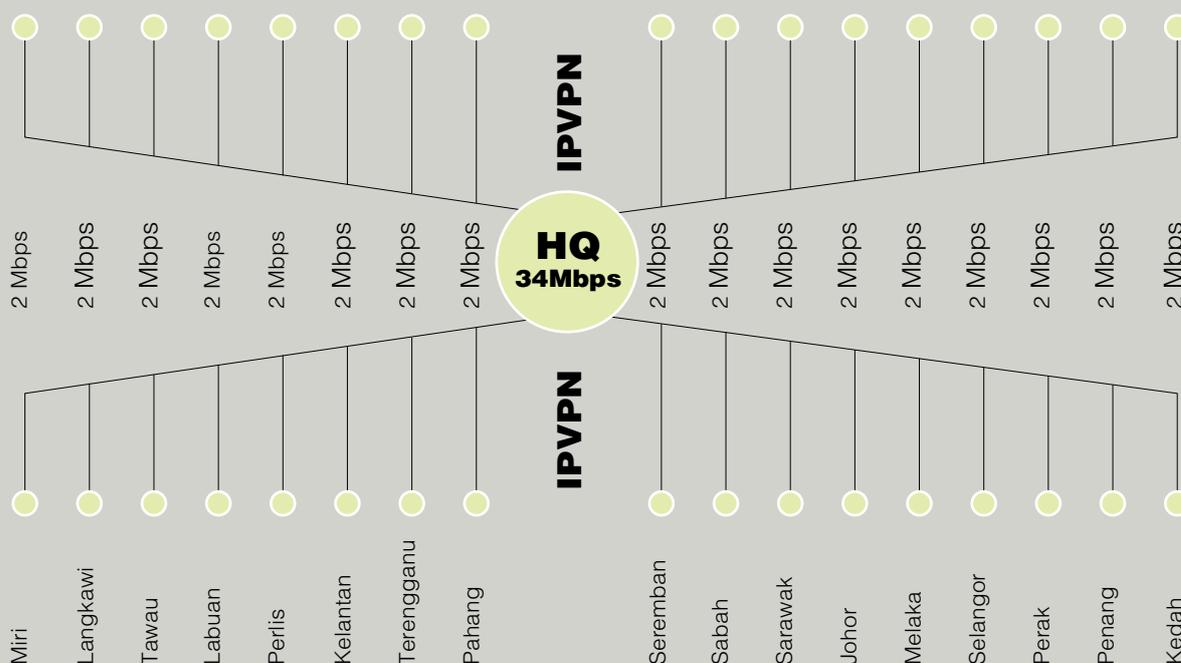
The current evolution of web-based system has simplified the administration of enterprise information. Based on this trend, SSM has transformed its core system back in 2005 to a full web-based system. The transformation had created the need of a strong Wide Area Network (WAN) infrastructure to support SSM's nationwide operations.

From a mere 128 kbps speed branch access, the WAN infrastructure was upgraded up to 16 times of the speed to form a more reliable and efficient Virtual Private Network (VPN). The technology adopted was also changed from the conventional Frame-Relay Technology to IPVPN (Internet Protocol Virtual Private Network) Technology. Fully equipped with 1:1 backup ratio through ISDN PRI circuits, availability has been guaranteed by the Service Level Agreement (SLA) to more than 99.5% per month. This upgrade was proven a success when the rate of Image Retrieval Satisfaction through IDAMAN System (Imaging System that stores original copies of Companies Document Images) improved significantly. Huge document images which previously required hours of retrieval can now be accessed in less than five minutes. The failure rate had also been significantly reduced.

## EMBRACING THE e-WAY (cont'd)

Apart from the core system, various value-added applications were also uploaded into the infrastructure comfortably such as video streaming, IP surveillance system and other multimedia services without disrupting SSM's daily operations.

The network design below depicts the connections of each branch to SSM HQ via a fully meshed IPVPN design.



### V-Library

The SSM Resource Centre had in 2008 purchased the Virtual Library system or better known as V-LIB system. V-LIB is an online library system that has comprehensive features on library automation to cater the needs of its users. The system has been upgraded on 29 November 2007 in terms of website interface, links and others. The V-Library can be accessed through SSM e-portal <http://e-portal.ssm.com.my/SSMApplications/SSMvirtuallibrary>; or <http://libraryserver/vlib/main.aspx>.

This V-LIB system allows a resource centre personnel to sort data on materials purchased through the cataloguing process. The users can subsequently view them through the system by clicking at the Online Public Access Catalogue (OPAC) link. Currently, more than 2,000 books have been recorded in the system and users can search for the books by using OPAC.

# collaboration

>> COLLABORATIONS/  
PARTNERSHIPS  
WITH STAKEHOLDERS



# partnerships



Sustaining good collaboration with stakeholders is an integral part of SSM's holistic initiative of achieving its vision to be a centre of excellence towards enhancing the nation's competitiveness and resilience. Good stakeholder management has enabled SSM to keep abreast with the changes in the dynamic business and regulatory environment, promote understanding among stakeholders of SSM's activities, goals, core values, policies and services.

In 2008, SSM continued with its strategy of meeting the aspiration and expectation of the stakeholders by undertaking various programmes such as exchanging views and information with professional bodies, regulatory agencies, corporate sectors through annual dialogue and consultative forum as well as intensifying outreach programmes and media engagements.

#### **Corporate Law Reform Project (CLRP)**

The Corporate Law Reform Project (CLRP) commenced in December 2003 with the purpose of reviewing the Companies Act 1965. This is part of SSM's strategic direction in facilitating the development of a conducive and dynamic business and regulatory environment for this country. To accomplish the objectives of the CLRP, the Corporate Law Reform Committee (CLRC) was established to create a legal and regulatory structure in order to facilitate business and to promote accountability and protection to corporate directors and members while taking into account the interests of other stakeholders in order to ensure that these are all in line with international standards.

The CLRP afforded an excellent opportunity for SSM to work closely with its stakeholders and the public at large. The composition of the CLRC was important as SSM wanted to ensure that a well rounded comprehensive review was conducted. The CLRC members consist of representatives from the legal, corporate secretarial, accounting community, government agencies and the government. The CLRP created history as this was the first time a review of any legislation was conducted by an independent committee. It was another first when public consultation was undertaken to seek the views and comments of the stakeholders and public at large. The responses received have played a significant part in the formulation of the recommendations submitted by the CLRC.

The CLRC concluded its review of the Companies Act 1965 in June 2008. The Final Report of the CLRC contains a total of 188 recommendations which reflect modern business practices with the aim of simplifying laws and procedures to better facilitate business creation and operations in Malaysia while ensuring accountability in corporate management and decision-making. The recommendations contained in the report are on areas pertaining to the creation of a conducive legal and regulatory framework for businesses, corporate governance, share capital and capital maintenance, corporate insolvency as well as criminal, civil and administrative sanctions under the Companies Act 1965.

The CLRC Final Report was submitted to the Commission Members in July 2008. The CLRC presented the Final Report to the Minister of Domestic Trade and Consumer Affairs during a Handing-over Ceremony held on 20 October 2008.

### Introduction of the Limited Liability Partnership (LLP) in Malaysia

In April this year, SSM released its second consultation document on the introduction of the Limited Liability Partnership (LLP) in Malaysia to solicit comments from its stakeholders. The LLP is an alternative form of business vehicle for small businesses, start-ups, venture capital undertakings and professionals. The LLP offers a combination of limited liability for its members and the flexibility of the partnership arrangement for the internal operations of its business.

The salient features of an LLP are:

- Having limited liability status for the partnership without the strict procedures of an corporate body;
- Perpetual succession; and
- Flexibility in respect of the internal arrangements between partners and the manner in which businesses are managed.

The concept of the LLP has been tried and tested with great success around the world in jurisdictions such as the United Kingdom, United States of America, Dubai, Japan and Singapore. The introduction of this business vehicle would be more palatable to foreigners who intend to venture and set up business in Malaysia as they are already familiar with the LLP framework. The introduction of the LLP will provide a wider alternative to the business community in respect of the methods of carrying out business in Malaysia. It will also offer simpler procedures and be more cost effective to the businesses. SSM has carried out a public consultation exercise through the issuance of its Consultative Document and engagement with stakeholders. The feedback received was encouraging and stakeholders are receptive to the concept introduced through LLP. SSM is currently drafting the LLP Bill.

### SSM Annual Dialogues in Kuala Lumpur, Kota Kinabalu and Kuching

SSM successfully conducted the Annual Dialogue in Kuala Lumpur (HQ) on 9 July 2008. The Annual Dialogue was attended by approximately 200 participants from selected government-linked companies as well as relevant Government agencies, statutory bodies and professional bodies.

The SSM Annual Dialogues in Kota Kinabalu and Kuching were held on 24 and 25 November 2008 respectively. The dialogues were attended by about 300 participants and it received good evaluation and response from the participants.

Among the issues highlighted were:

- Practice Note 1/2008  
The issuance of PN 1/2008 has rectified the inconsistency between the provisions of the Companies Act 1965 and the practice adopted by some companies where Annual Returns are lodged without attaching a copy of the audited accounts. The implementation of PN 1/2008 is another initiative by SSM to improve and strengthen the practice of good corporate governance.
- Progress of the Limited Liability Partnership (LLP)  
SSM is currently in the midst of developing a legal framework towards introducing the concept of Limited Liability Partnership (LLP) in Malaysia as an alternative vehicle to carry out businesses. The dialogue was informed that SSM has issued a Consultative Document on the introduction of the LLP framework in Malaysia in April 2008 and the LLP Bill is expected to be tabled in Parliament by 2009.

## COLLABORATIONS/PARTNERSHIPS WITH STAKEHOLDERS (cont'd)

- Congestion of internet line especially during peak period.  
In ensuring continuous quality service delivery to the public, SSM has always taken steps and initiatives to enhance its services. The latest initiative being the introduction of the Company Secretary Integration (CSI) system which is expected to be implemented in Quarter 1 of 2009. CSI is a new method of filing of Annual Return and Accounts where filing is done online from the company secretaries' office system direct to Suruhanjaya Syarikat Malaysia's (SSM) system without accumulating or grouping of the companies' document for submission. With the introduction of this new system, the congestion during the peak period will be tremendously reduced.
- Notice under Section 7(11) of the Companies Act 1965  
SSM notified the participants of the dialogue that the purpose for the issuance of notice under Section 7(11) is to request for information from companies in order to update the information contained in SSM's database. This will also ensure that the practice of good corporate governance is upheld.

In an effort to highlight SSM's role in the development of various economic corridors nationwide, SSM invited the representatives of Iskandar Malaysia, Northern Corridor Economic Region (NCER), the East Coast Economic Region (ECER), the Sabah Development Corridor (SDC) and the Sarawak Corridor of Renewable Energy (SCORE) to conduct a briefing on their respective projects during the dialogues. The walkthrough had touched on the following:

- The overview/dynamics of Iskandar Malaysia, NCER, ECER, SDC and SCORE;
- Highlights on the special business areas to be developed in the respective economic regions;
- Projection on business growth vis-à-vis the incorporation of new companies, registration of foreign companies as well as registration of businesses (the latter being more of a 'spill-over' effect pursuant to the development to be experienced in the particular area).

By inviting representatives from various economic corridors nationwide to deliver briefing on the respective economic regions, SSM is repositioning itself in the national economy. This repositioning is part of SSM's re-branding exercise of its corporate image. Traditionally perceived as merely a registrar of companies/businesses, provider of corporate information and enforcement, moving forward, SSM will be undertaking a more significant role as a business catalyst. The immense business potential to be created in the respective economic regions augurs well for the interest of the professional bodies in that it encourages incorporations and registration of companies/businesses which translates into the generation of additional revenue for SSM.

**Corporate Practice Consultative Forum (CPCF)**

SSM organized two sessions of the CPCF. Representatives from the various professional bodies such as The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), Malaysian Association of Company Secretaries (MACS), Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA), Bar Council and Institute of Approved Chartered Secretaries (IACS) attended the Forum. Various operational and legal issues were raised and discussed during the Forums. There were three ad-hoc CPCF meetings held during the year to discuss various urgent issues.

Among the issues that were raised and discussed are as follows:

- SSM's e-Lodgement services – deliberation on the possibility of making selected services mandatory;
- The approval on the proposed revised key financial statement;
- The enhancement of CPCF structure;
- The formation of a CPCF Technical Committee;
- The requirement on lodging of annual return together with the audited accounts;
- MIACSA proposal on the WTO initiatives for the creation of a separate head for Corporate Governance, Compliance & Sectorial Services in the classification list of WTO;
- Imposition of incorporation fees; and
- Proposed FAQs on Companies (Amendments) Act 2007.

To further strengthen the foundation of CPCF, the Forum member has agreed to form a Technical Committee under CPCF to resolve issues on technical matters and operational issues. This Technical Committee will consist of representative from the professional bodies together with SSM officers. MAICSA will be the Secretariat of the Technical Committee.

#### **Joint Meeting between SSM, MAGRO, MHTDF & ATCM**

SSM's joint meeting with MAGRO, MHTDF & ATCM was successfully held on 29 August 2008 at the Legend Hotel, Kuala Lumpur. It drew good response and was well received. The joint meeting was divided into two sessions. The first session was the meeting between SSM and the trustees. The second session was the meeting between SSM, MAGRO, MHTDF and ATCM.

The main purpose of the meeting between SSM and the trustees is to obtain feedbacks from the trust companies on the proposed amendments to the Trust Companies Act 1949 (TCA 1949). The areas for the proposed amendments are :

- (a) The provisions on offences and penalties;
- (b) The schedule of fees payable by trust companies,;
- (c) Section 5 of TCA 1949 in relation to reciprocal provisions for Singapore registered trust companies; and
- (d) The Corporate Governance framework which trust companies should be subjected to.

Participants were invited to forward their comments and views concerning the amendments to the TCA 1949. Other issues raised by the participants were:

- (a) Section 32 TCA 1949 i.e. re-examine the restriction on holding of shares as it is currently provided that each member/shareholder of the Trust company shall hold not more than one-fifth of the issued capital,;
- (b) Section 8 TCA 1949, where objects of the Trust company should include other areas such as Islamic Trusts;
- (c) To re-examine the provisions on prohibitions such as Section 31 TCA 1949 in relation to mentally disordered persons;
- (d) To take into account provisions of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001;
- (e) The need to consolidate the TCA 1949 and the Public Trust Corporation Act (PTCA) 1995. Amanah Raya Berhad is a company duly incorporated under the Companies Act 1965 and is a Trust corporation established under the PTCA 1995;
- (f) Companies rendering any form of Trust services such as will writing and wealth management should be registered under the TCA 1949.

## COLLABORATIONS/PARTNERSHIPS WITH STAKEHOLDERS (cont'd)

The Second Session was the meeting between SSM, ATCM, MAGRO and MHTDF. These meetings are necessary to act as platforms for Trustees and participants of the Interest Scheme Industry to converge and discuss the problems faced by the Industry and for SSM to disseminate its views directly to the Industry. SSM intends to revamp the law on Interest Schemes so that it will operate in a regulated environment to protect interest holders and to facilitate its expansion.

The group engaged in vigorous discussion on few issues including the discrepancy requirement under Companies Act and Direct Selling Act whereby the latter Act prohibits the collection of money during the cooling-off period and the uncertainty about the utilization of sinking fund.

SSM also took the opportunity to remind the industry participants to strictly adhere to the remittance of payment into sinking fund within 30 days from date of receipt of payment and to practise good governance in operating the scheme. Mismanagement of money will usually result in failure in paying service charges on the land, which is the main reason for the collapse of many schemes.

Due to the success of this joint meeting, SSM will ensure that such collaborative meetings are held annually.

**Fitness Club Briefing**

The briefing session was successfully held on 12 December 2008. It was attended by 32 representatives from fitness club operators, management firms and the press.

The participants were given an extensive explanation on why the offering of membership subscriptions of more than 12 months is considered as an offering of interest under section 84(1) of the Companies Act 1965. Such scheme must be registered and approved by SSM before it can be offered to public. Participants were also shown the road map on the processes and procedures involved in registering the scheme with SSM.

SSM, in its role to protect the public's interest, does not intend to impede the growth of an industry which plays an important part in the nation's economic growth. Therefore, SSM had an open discussion with the participants on the proposed Policy Guidelines and Requirements for the issuance of memberships of more than 12 months by fitness clubs.

The initiatives taken by SSM to collaborate with its stakeholders, has led to the setting-up of a Malaysian Fitness Industry Working Group. SSM had a robust discussion with the working group to strike a balance between public's interest and growth of the industry. SSM is in the midst of finalising the relevant legal framework that would ensure protection of public's interest invested in these memberships.

**SSM State Offices**

The role of SSM state offices throughout Malaysia is equally important as that of the head office. The state offices had organized programmes to educate business communities on the need to register the businesses as well as on duties and responsibilities of directors, secretaries and shareholders. Good relationship with local authorities and municipal councils, trader associations and other enforcement agencies has given the opportunities for SSM to enlighten members of the public with regard to the functions and roles of SSM. This approach also helps SSM to facilitate the registration of businesses and increase the compliance rate of companies. Programmes organized by the state offices through out 2008 are as below:

**Outreach Programme**

In collaboration with local authorities and municipal council, trader associations and other enforcement agencies, the state offices had organized programmes to enlighten the public of the functions and roles of SSM.

During these programmes, stakeholders and traders are informed of the requirement of the Acts, their rights and services provided by SSM. Programmes organized by SSM are as below:

**Details of Outreach Programmes**

State	No. of Programme	No. of Participants	Programmes	Agency / Institution
Perlis	12	433	<ol style="list-style-type: none"> <li>1. Registration of Company</li> <li>2. Duties and Responsibilities of Company Directors</li> <li>3. Basic Entrepreneurship</li> <li>4. e- Lodgement Briefings</li> </ol>	Company secretaries, MARA, Pusat Giat Mara, Unit Perancang Ekonomi Perlis (UPEN)
Kedah	16	631	<ol style="list-style-type: none"> <li>1. Formation of Company and Business</li> <li>2. Business Structure – Strengths and Weaknesses</li> <li>3. Farming</li> <li>4. e-Lodgement Briefings</li> </ol>	Traders from Kedah, company secretaries, Mara, Giat Mara, Entrepreneurs, Staff of SSM Kedah, Jabatan Penternakan
Penang	8	600	<ol style="list-style-type: none"> <li>1. <i>Etika Usahawan</i></li> <li>2. Kerjaya Usahawan</li> <li>3. Perniagaan adalah sunnah</li> <li>4. e-Lodgement Briefings</li> </ol>	Lecturers, students, youths around Penang, company secretaries, Staff of SSM Penang
Perak	29	1,525	<ol style="list-style-type: none"> <li>1. Introduction to Business, Difference between Company &amp; Business</li> <li>2. Introduction to ROBA &amp; Business Registration Procedure.</li> <li>3. Guidelines and Training on Answering Telephone</li> <li>4. e-Lodgement Briefings</li> </ol>	Trainee from Giat Mara, Officers of PKNP, would-be Entrepreneurs, Staff of SSM Perak, traders, company secretaries, Health Officers
Selangor	34	977	<ol style="list-style-type: none"> <li>1. Registration of Company &amp; Business</li> <li>2. Seminar on Registration of Kindergartens</li> <li>3. Basic Entrepreneurship</li> <li>4. e-Lodgement Briefings</li> </ol>	Staff of SSM Selangor, Entrepreneurs, students, youth, officers from Land Office, government pensioners, staff of PTGS, FAMA, Jabatan Kebajikan Masyarakat, Mara, officers from DOS

## COLLABORATIONS/PARTNERSHIPS WITH STAKEHOLDERS (cont'd)

State	No. of Programme	No. of Participants	Programmes	Agency / Institution
N. Sembilan	8	600	<ol style="list-style-type: none"> <li>1. <i>Etika Usahawan</i></li> <li>2. Kerjaya Usahawan</li> <li>3. Perniagaan adalah sunnah</li> <li>4. e-Lodgement Briefings</li> </ol>	Students, Traders, Entrepreneurs , company secretaries, single mothers, the public
Melaka	12	647	<ol style="list-style-type: none"> <li>1. Registration of Business.</li> <li>2. SSM and Its Role</li> <li>3. Briefings on the Enforcement of Sign Boards</li> <li>4. e-Lodgement Briefings</li> </ol>	College students, officers of LPKP, company secretaries, staff of SSM, entrepreneurs, youth & traders in advertising
Johor	20	990	<ol style="list-style-type: none"> <li>1. Procedure for Registration of Company &amp; Business</li> <li>2. Introduction to Annual Return &amp; Financial Statement</li> <li>3. Incorporation &amp; Legislation</li> <li>4. e-Lodgement Briefings</li> </ol>	Companies secretaries, students, Staff of SSM Muar & Johor, youth, entrepreneurs and traders
Pahang	32	1,632	<ol style="list-style-type: none"> <li>1. Procedure for Registration of Company &amp; Business</li> <li>2. Record management</li> <li>3. Role of SSM, Business Entity &amp; Legislation</li> <li>4. e-Lodgement Briefings</li> </ol>	College students, traders, Officers from KPDN, Mara and government department
Terengganu	48	3,360	<ol style="list-style-type: none"> <li>1. Procedure for Registration of Company &amp; Business</li> <li>2. Briefings on Insolvency</li> <li>3. Directors Responsibilities and Corporate Governance</li> <li>4. e-Lodgement Briefings</li> </ol>	Company secretaries, students, staff of SSM Terengganu, Traders, entrepreneurs, officers from government agencies / department
Kelantan	19	810	<ol style="list-style-type: none"> <li>1. Traders Role &amp; Responsibilities</li> <li>2. Business and Laws relating to IT</li> <li>3. e-Lodgement Briefings</li> </ol>	Traders from Kelantan, Pelajar, would-be entrepreneurs and Staff of SSM Kelantan.
Labuan	16	403	<ol style="list-style-type: none"> <li>1. Basic Understanding of ROBA</li> <li>2. SSM e- Services</li> <li>3. Dialogue With Banks &amp; Chamber of Commerce</li> <li>4. Duties &amp; Responsibilities of Directors</li> <li>5. e-Lodgement Briefings</li> </ol>	Traders, participants of STEB, company secretaries, representatives from Banks, Chamber of Commerce, Professional and government agencies
Sabah	11	5,506	<ol style="list-style-type: none"> <li>1. Registration of Business &amp; Entrepreneurship</li> <li>2. Briefings on e-Filing and SSM New Products</li> </ol>	Company secretaries, students, Staff of SSM Sabah, the public, members of Gabem, NGO and government agencies
Sarawak	11	457	<ol style="list-style-type: none"> <li>1. Basic Entrepreneurship Seminar</li> <li>2. Role of SM</li> <li>3. LSTP Seminar</li> <li>4. e-Lodgement Briefings</li> </ol>	Company secretaries, students and Officers from LPKP
<b>Total</b>	<b>289</b>	<b>19,484</b>		

### Exhibitions

SSM also participated in several exhibitions as part of an effort to build closer relationship with its stakeholders as well as to promote better understanding of its role, functions and services to general public. In addition, a counter for receiving customer feedback and/or complaints was also set up.

### Media Engagements

Various media appearances and interviews were conducted to disseminate key messages and to promote and create greater awareness to the public with regard to SSM, its role, products and services. SSM's executive management were interviewed on air over radio networks such as KL FM, Klasik FM, Asyik FM, Bernama Radio 24 and on television networks such as RTM1, RTM2, TV3, NTV7 and Astro on matters pertaining to the proposed LLP, e-Services and Tendering Company Registration Number. The detailed list of electronic media appearances were as follows:

### List of Media Interviews

Network	Date	Programme	Subject Matter
Klasik FM	2 January 2008	Interview with Klasik FM	e-Lodgement Launching
RTM 2	7 January 2008	Interview with Hello On Two	e-Lodgement Launching
TV3	15 January 2008	Interview with The Exchange	e-Lodgement Launching
Astro	16 January 2008	Interview with Astro Awani	e-Lodgement Launching
<i>Bisnes Malaysia</i> (RTM 1)	22 May 2008	Interview with Bisnes Malaysia	Limited Liability Partnership (LLP)
Klasik FM (Radio RTM 93.8)	22 May 2008	Interview with Klasik FM	Limited Liability Partnership (LLP)
Bernama Radio 24	24 May 2008	Interview with Bernama 24 (Radio)	Limited Liability Partnership (LLP)
KL FM (Telephone Interview)	28 May 2008	Interview with KL FM	Limited Liability Partnership (LLP)
Biz Brief Case (NTV7) Recorded Interview	28 May 2008	Interview with NTV7	Limited Liability Partnership (LLP)
Hello On Two	13 June 2008	Hello On Two	Limited Liability Partnership (LLP)
Klasik FM	3 July 2008 (Thursday) 3.00 pm recording (Aired on 5 July 2008)	Interview with Klasik FM (Radio RTM 93.8)	Tendering Company Registration Number
RTM1	10 July 2008 (Thursday) 9.00 am	Interview with Selamat Pagi Malaysia	Tendering Company Registration Number
<i>Bisnes Malaysia</i>	11 July 2008 (Friday) 5.00 pm	Interview with Bisnes Malaysia (RTM1)	Tendering Company Registration Number
Asyik FM (Radio RTM 91.1)	14 July 2008 (Monday) 10.00 am	Interview with Asyik FM (Radio RTM 91.1) <i>Bicara Hal Ehwal Semasa</i>	Tendering Company Registration Number
Astro Channel 201	14 August 2008	<i>Rancangan "VarthagaUlla Segment" melalui Program Vizhuthugal</i>	How to Incorporate Companies and Register Businesses in Malaysia
RTM2	26 August 2008	Hello on Two	Improve Frontline Service Delivery System

## COLLABORATIONS/PARTNERSHIPS WITH STAKEHOLDERS (cont'd)

<b>Network</b>	<b>Date</b>	<b>Programme</b>	<b>Subject Matter</b>
Asyik FM	10 November 2008	Interview with Asyik FM	Closing Of Counter For e-Info Kiosk
Klasik FM	11 November 2008	Interview with Bernama 24 (Radio)	Closing Of Counter For e-Info Kiosk
Bernama Radio 24	11 November 2008	Interview with Bernama 24 (Radio)	Closing Of Counter For e-Info Kiosk
Bernama Radio 24	15 November 2008	Interview with Bernama 24 (Radio) Santai Famili	Closing Of Counter For e-Info Kiosk

SSM also organized and granted media interviews as well as issued news press releases. Over 197 press clippings on SSM were published in The New Straits Times (NST), Berita Harian, Utusan Malaysia, The Star, The Edge, Malaysian Business and many other printed media, which had helped to spread the key messages with regards to the requirements and updates of Companies Act 1965, improvement in the public delivery systems, enforcement initiatives as well as new products and services.

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# INTERNATIONAL ENGAGEMENT

SSM acknowledges the need to establish networks, cooperate and collaborate with other international agencies in the era of globalization. This is particularly in relation to other international corporate registers, the World Bank as well as other Governmental agencies. SSM has benefited tremendously from its relationships with such agencies especially in the areas of enhancing the public service delivery system, regulatory reform and enforcement. Likewise, as evidenced last year, SSM had also embarked on contributing its share of initiatives, knowledge and experience to various international corporate registers as well as the World Bank.

## **Corporate Registers Forum 2008**

As a founding member of the Corporate Registers Forum (CRF), SSM continued the tradition by attending the fifth CRF held in Vancouver, Canada from 31 March to 4 April 2008. SSM was represented by its CEO, the Director of Corporate Development & Policy Division and the Director of SSM Training Academy. SSM was given the honour to present a paper entitled "*Corporate Social Responsibility: A Regulator's Approach*". The paper touched on the roles of regulators in relation to Corporate Social Responsibility (CSR). The salient points highlighted during the presentation were as follows:

- that corporate registers and regulators worldwide need to play a proactive role in CSR;
- that corporate registers and regulators can play four main roles identified by the World Bank, namely, the mandating role, the facilitating role, the endorsing role and the partnering role; and
- the challenges faced by the corporate registers and regulators.



This CRF theme for 2008 was **'Between Friends – Interoperability'** was represented by the Inukshuk which connote friendship and collaboration. Presentations on the synergies between the various corporate registries were made during the forum. Forum delegates also shared their experiences and pitfalls faced in relation to their day-to-day operational issues.

The presentations by the other representatives touched on issues such as introducing a world class registry, the joint Australia/New Zealand initiative to reduce the compliance burden and simplification of forms. A presentation was also made on the results of the CRF/European Corporate Registers Forum (ECRF) Survey conducted in 2007, the survey of which was conducted for the purposes of gathering and comparing annually data on company registration practices and new registrations, total registrations and business terminations.

#### **European Commerce Register's Forum 2008**

SSM participated in the European Commerce Register's Forum (ECRF) 2008 which was held from 18 to 20 June 2008 in Belgrade, Serbia. ECRF comprises of registries of companies of the European Union as well as countries of Central and Eastern Europe.

The objectives of the setting up of the ECRF are:

- to increase the competitiveness of the European businesses and industries; and
- to encourage and assist improvement in the administration of technical and practical procedures, laws and regulations administered by the business and commerce registers, through mutual cooperation, education, benchmarking and exchange of ideas, conferences and working groups.

## INTERNATIONAL ENGAGEMENTS (cont'd)

The ECRF 2008 was hosted by the Serbian Business Registers Agency and attended by a total of 120 participants representing 33 countries worldwide. SSM was represented by two officers.

The theme for ECRF 2008 was **“Register. Work. Succeed.”** The topics presented during the Forum centred on areas relating to money laundering issues, the fight against fraud along with the establishment of One Stop Shops towards simplification of businesses and optimization of customers' experience.

One of the major deliberations held at the ECRF 2008 was on the reform of doing business. Representatives from the World Bank were invited to present their views and experiences of some countries in carrying out reform exercises towards increasing competitiveness.

### **34th UNCITRAL Working Group V (Insolvency Law) Meeting (New York 3 -7 March 2008)**

The United Nations Commission on International Trade Law (UNCITRAL) Working Group V (Insolvency Law) held its 34th meeting at the United Nations Headquarters, New York from 3-7 March 2008. The meeting was attended by representatives from 36 Member Countries of the United Nations as well as representatives from a number of international organizations, such as the International Association of Insolvency Regulators (IAIR), European Commission (EC), American Bar Association (ABR), Commercial Finance Association (CFA), INSOL International, International Insolvency Institute (III), International Bar Association, International Working Group on European Insolvency Law, etc.

UNCITRAL was established by the General Assembly in 1966 to serve as a core legal body of the United Nation (UN) system in matters pertaining to international trade law and practices. With the aims of removing or reducing barriers and obstacles which hamper the flow of trade due to disparities in national law governing international trade, UNCITRAL is mandated to further the progressive harmonization and unification of the laws of international trade.

2008 saw SSM's maiden participation in the meeting. Malaysia was also represented by Bank Negara Malaysia (Central Bank of Malaysia - BNM) and the Insolvency Department.

#### **Discussion on the Model Law of Treatment of Enterprise Group in Insolvency**

As the UNCITRAL Working Group V on Insolvency Law was tasked to develop the model law on the treatment of enterprise group in insolvency as supplementary to the Insolvency Guide and the Model Law on Cross Border Insolvency, the meeting thoroughly deliberated issues pertinent to:

- (i) Joint applications (JA) at the commencement of insolvency proceedings which determines the parties' eligibility to commence the insolvency proceedings. In the context of a corporate group, a joint application allows two or more members of the corporate group to commence insolvency proceedings;
- (ii) Procedural coordination (PC) in respect of the coordinated administration of insolvency proceedings which involved two or more members of an enterprise group;
- (iii) The availability of remedy in the form of substantive consolidation. Substantive consolidation (SC) is a judicially created equitable remedy whereby the assets and liabilities of two or more entities are pooled, and the pooled assets are aggregated and used to satisfy the claims of creditors of all the consolidated entities; and

- (iv) Competencies of the courts and jurisdictions over the commencement and conduct of insolvency proceedings, including matters arising in the course of those proceedings and some possible criteria for the determination of a competent court as an additional recommendation.

Although Malaysia has yet to adopt the Model Law on Cross-Border Insolvency, there is a need to consider initiating discussion on the relevancy of the cross-border issues due to the rapid expansion of trade and investment amongst local companies. SSM acknowledged that the current increase in cross-border trade and investment has led to greater incidences of cases where companies and individuals have assets in more than one country. Hence, when a debtor company with assets in more than one country becomes a subject of an insolvency proceeding, there often exists an urgent need for cross-border cooperation and coordination in the supervision and administration of the insolvent company's assets and affairs. The increasing cases of cross-border insolvencies reflect the continuing global expansion of trade and investment.

### **35th UNCITRAL Working Group V (Insolvency Law) Meeting (Vienna, Austria 17 – 20 November 2008)**

The 35th UNCITRAL Working Group V on Insolvency Law was held from 17th – 20th November 2008 at Vienna, Austria. SSM sent (2) two representatives to the meeting. The meeting continued discussions on the formulation of the model law on the treatment of enterprise group in insolvency.

The UNCITRAL meeting had served as a platform for SSM representatives to collaborate with their counterparts from other jurisdictions as well as reputable international insolvency organizations. SSM has directly benefited from the UNCITRAL meeting by leveraging on the expertise and experiences of the European Union, United States and the international insolvency practitioners where the cross border insolvencies have been fully developed and widely practiced. The UNCITRAL meeting was an excellent opportunity and platform for mutual exchange and sharing of ideas.

SSM's participation in the 34th and 35th Meetings of the UNCITRAL Working Group V (Insolvency Group) marked its consistent effort in assisting the Government in providing adequate, effective and modern legal infrastructures in Malaysia. The existence of sophisticated legal frameworks which cater for the need of both local and foreign investors will complement the Government's aspirations in attracting more investors to invest in Malaysia.

### **Anti-Money Laundering and Counter Financing of Terrorism Efforts (AMLA)**

As a member of the Asia Pacific Group on Money Laundering (APG), Malaysia fully supports efforts to curb money laundering and financing of terrorism. To mark its commitment in combating money laundering and terrorism activities, Malaysia has enacted the Anti-Money Laundering and Anti Terrorism Financing Act 2001 (AMLA). The national efforts against money laundering are coordinated through the National Consultative Committee on Anti Money Laundering/Counter Financing of Terrorism (NCC) chaired by the BNM wherein SSM participated actively in the NCC activities.

In July 2008, the Director of Legal Services Division attended the Annual General Meeting of Anti Money Laundering/Counter Financing of Terrorism (AML/CFT) in Bali, Indonesia. At the AGM, Malaysia tabled the progress report on the AML/CFT regime in particular on the specific points identified in the Mutual Evaluation Report in 2007 where SSM was directly involved in the supervision over non-profit organizations.

NCC has established a specific Sub-Committee on Non-Profit Organizations where SSM was mandated to head this Sub-Committee. The members of this Sub Committee are the Inland Revenue Board (IRB), Registrar of Societies (ROS), Minister of Domestic Trade and Consumer Affairs (MDTCA) and BNM. SSM chaired the inaugural meeting of this Sub-Committee in August 2008. The Sub-Committee is currently discussing and deliberating the formulation of a detailed plan for measures to oversee and supervise activities relating to companies limited by guarantees, societies and charities which fall under the category of non-profit organizations.

#### Visitations by international regulators

SSM had received delegations from various foreign jurisdictions throughout 2008. The brief descriptions of such visits are as follows:

- Thailand – 5 March 2008 on the roles, functions, enforcement activities and services by SSM
- World Bank (Norway) – 27 June 2008 on various jurisdictions' reform initiatives.

#### Trade mission

SSM collaborated with Malaysia External Trade Development Corporation (MATRADE), Malaysian Industrial Development Authority (MIDA) and Ministry of Entrepreneur and Cooperative Development (MeCD) and had participated in trade and investment missions to Japan, Vietnam and Singapore. The objectives of the missions were to attract foreign investments into Malaysia. SSM was tasked with the responsibility to brief the potential investors on the incorporation of companies in Malaysia. Details of the trade missions are as per the table below:

Date	Venue	Organized by
5 - 10 July 2008	Osaka & Yokohama, Japan	MIDA
27 - 29 July 2008	Hanoi & Ho Chi Minh City, Vietnam	MATRADE
12 August 2008	Singapore	MIDA
30 Nov - 1 Dec 2008	Egypt	MeCD

balance



» UPHOLDING THE  
"BALANCED ENFORCEMENT"

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# UPHOLDING THE "BALANCED ENFORCEMENT"

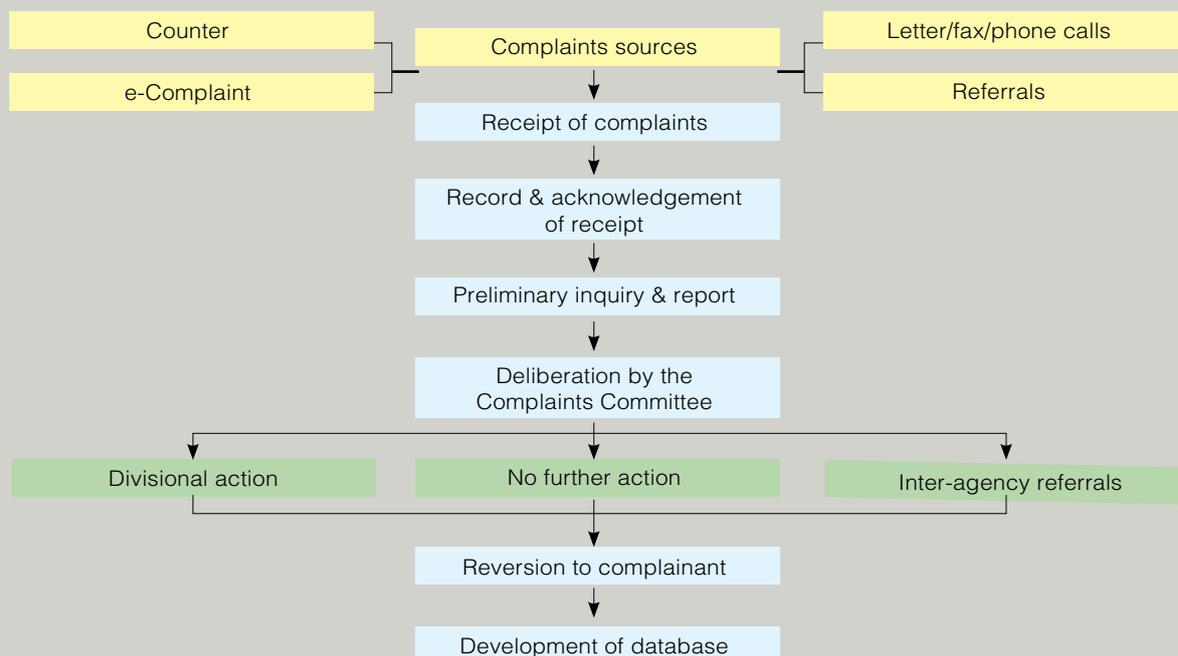
SSM is mindful that there is a crucial need to strike a balance between enhancing economic growth through the carrying out of business activities and the need to enforce the provisions of corporate laws. Coming down too hard on corporate offenders may discourage the public's and investors' participation in the business industry while lack of enforcement would prevent the creation of a conducive and sustainable corporate environment. There is also a need to embrace a more holistic notion of enforcement where adherence to the laws should ideally be coupled with awareness, knowledge and understanding of such laws. The 'Balanced Enforcement' approach entails the following notion:

- (a) Balancing conventional enforcement approach with that of creation of awareness; and
- (b) Balancing between regulatory actions, administrative actions and imposing criminal sanction.

## COMPLAINTS MANAGEMENT

The efficient management and speedy disposal of all complaints lodged was the central theme for SSM in 2008. All complaints received were reviewed by a complaint committee. In cases where the issues raised falls under the jurisdiction of other enforcement agencies, the complaints will be forwarded to them for their further actions. Where the complaints lodged do not come within any provisions of the laws administered by SSM, the complainant will be informed accordingly that no further action (NFA) will be taken by SSM on the complaints.

SSM's newly restructured complaints management chart is depicted as follows:



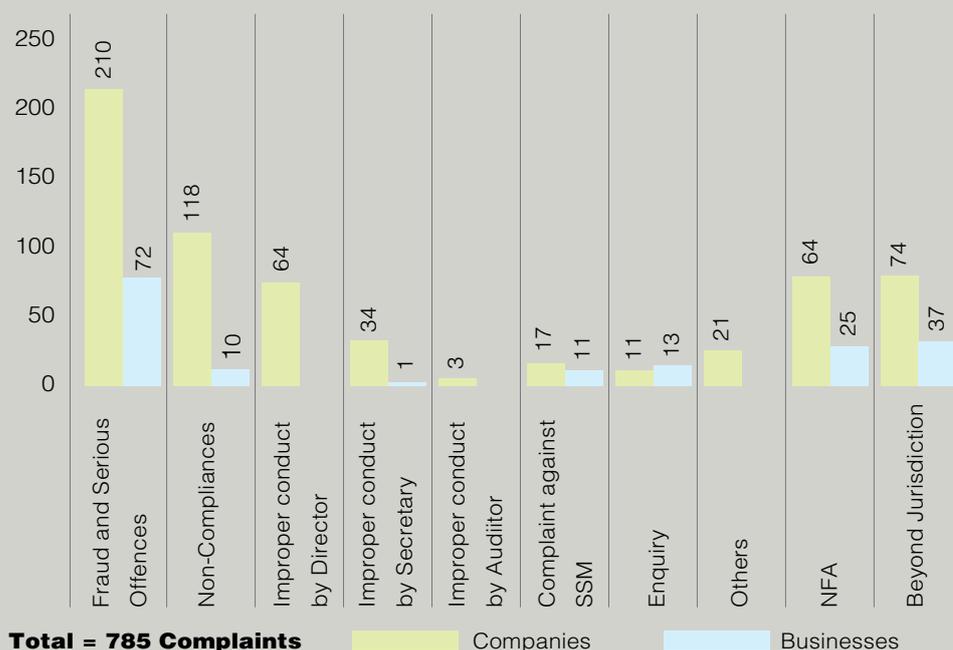


In 2008 SSM received a total of 616 complaints pertaining to companies and 169 complaints pertaining to businesses, relating to a diverse range of issues. These represented an increase of 36% and 52% on companies and businesses respectively compared with the complaints received in 2007. The table comparing the number of complaints received and resolved is depicted below:

Year	Complaints Received		Complaints Resolved	
	2007	2008	2007	2008
<b>Company</b>	452	616	390	518
<b>Business</b>	111	169	103	154
<b>Total</b>	<b>563</b>	<b>785</b>	<b>493</b>	<b>672</b>

All issues raised in the complaints lodged were thoroughly reviewed and analysed to determine if any offence had been committed under the laws enforced by SSM. The following table shows the breakdown of the types of complaints received in 2008:

**COMPLAINT RECEIVED AS AT 31.12.2008**



## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

## Breakdown on the types of complaints received

Breakdown of Complaints received according to Cluster Fraud and serious offences (which carries custodial sentence and/or fine)	Number of complaints	
	Companies	Businesses
Lodgement of false / misleading particulars	138	44
Unregistered or expired business / unincorporated company	6	26
Illegal deposit taking / offer the purchase of shares to public	10	1
Unregistered / illegal investment schemes	56	1
	<b>210</b>	<b>72</b>
<b>Non-Compliances</b>		
Breaches of – S 143, S 165 and S 169	75	0
Breaches of – S 167, S 121, S 141	43	10
	<b>118</b>	<b>10</b>
<b>Improper conduct by Directors</b>		
Non-disclosure / Non-notification	1	0
Breach of fiduciary duties	47	0
Unfit directors (bankrupt, past conviction)	16	0
	<b>64</b>	<b>0</b>
<b>Improper Conduct by Secretaries</b>	<b>34</b>	<b>1</b>
<b>Improper Conduct by Auditors</b>	<b>3</b>	<b>0</b>
<b>Complaint against SSM</b>		
Complaint on services	7	2
Approval of Similar names	6	8
Errors on register	4	1
	<b>17</b>	<b>11</b>
<b>Enquiry</b>	<b>11</b>	<b>13</b>
<b>Beyond Jurisdiction/ Concurrent Jurisdiction issues</b>		
Labour / employment issues	12	19
Travelling / tourism / hospitality agencies	19	2
Illegal direct selling / scratch and win	14	6
Penal Code offences	29	10
	<b>74</b>	<b>37</b>
<b>NFA issues</b>		
Claim for refund / unpaid debt	10	15
Claim for defective goods, warranty claim or goods services are poor / not according to specifications	6	2
Conduct / irregularity of meetings	16	0
Closure of business / company	0	1
Internal dispute	32	7
	<b>64</b>	<b>25</b>
<b>Others</b>		
• Misconduct during liquidation / receivership	13	0
• Accounting irregularity	8	0
	21	0
<b>Total</b>	<b>616</b>	<b>169</b>

The following table shows the various courses of actions taken in relation to the complaints received in 2008:

**Breakdown of the types of actions taken on complaints received in 2008**

Actions Taken	Company	Business
Refer to the Investigation Division	148	37
Refer to the Compliance Division	172	38
Refer to the Legal Services Division	4	2
Refer to the Marketing & Business Development Division	3	2
Refer to the Registration Services Division	29	3
Beyond Jurisdiction - Refer to relevant authorities	31	18
No further action (NFA)	131	54
<b>Total</b>	<b>518</b>	<b>154</b>

The significant increase in the number of complaints lodged with SSM underlines the increasingly challenging role of SSM as a corporate regulator. More importantly, it reflects the public's increased level of awareness of the need for compliance by companies and businesses to the law.

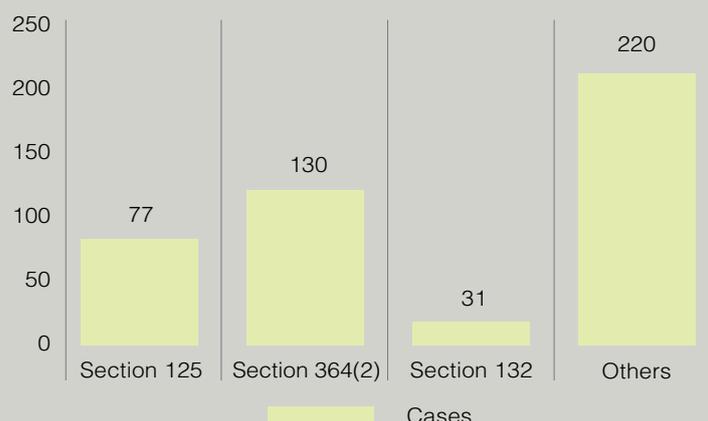
**INVESTIGATION OF OFFENCES**

In 2008, a total of 458 cases were investigated involving a range of offences, the details of which are as per the table below:

**Types of offences investigated by SSM**

No.	Section	Offences (Companies Act 1965)
1	Section 67	Dealing by companies in its own shares
2	Section 69E	Failure to notify company of substantial shareholding
3	Section 94	Issuance of statement for subscription of interest scheme
4	Section 125	Undischarged bankrupt acting as director
5	Section 131	Failure to disclose directors' interest
6	Section 132	Breach of fiduciary duty by directors
7	Section 133	Loan to directors
8	Section 315	Winding up of unregistered companies
9	Section 363	Offer of shares and interest to public without prospectus
10	Section 364(2)	Making or authorizing the making of false and misleading statements
11	Section 366	Fraudulently inducing persons to invest money
12	Section 367	Using a business name prior to incorporation

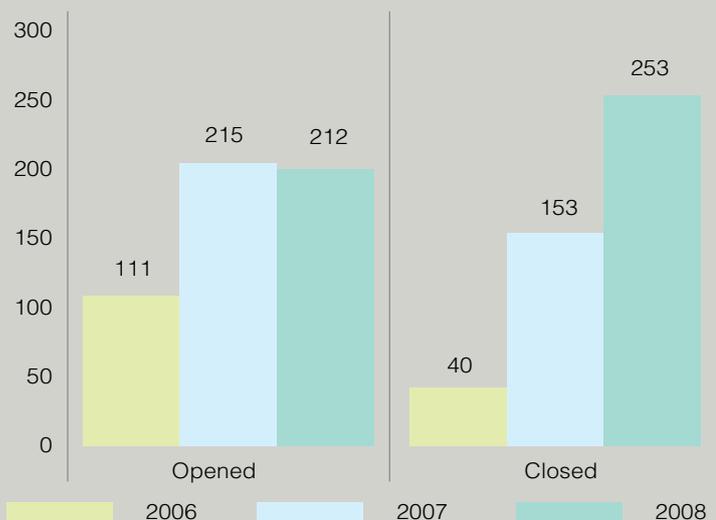
Of the 458 cases investigated, the majority of the alleged offences were in relation to the breach of Section 364(2) of Companies Act 1965, which accounted for 29% of all investigations. The breach of section 125(1) of Companies Act 1965 where undischarged bankrupts acting as directors of companies constituted 17% of the cases investigated while the offence under Section 132 formed 7% of the overall investigations. Further details of the breakdown of the types of offences investigated are as follows:



## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

**New investigation papers opened and investigations concluded**

SSM's enforcement drive continued relentlessly in 2008 with 212 new investigation papers (IPs) opened and 253 investigation papers completed. The number of investigation concluded rose significantly by 65% compared to 2007 and represented a 533% increase against investigations completed in 2006. The significant increase was attributed to the expansion of the Investigation Division, enhanced investigation skills as well as improved investigation technique employed.



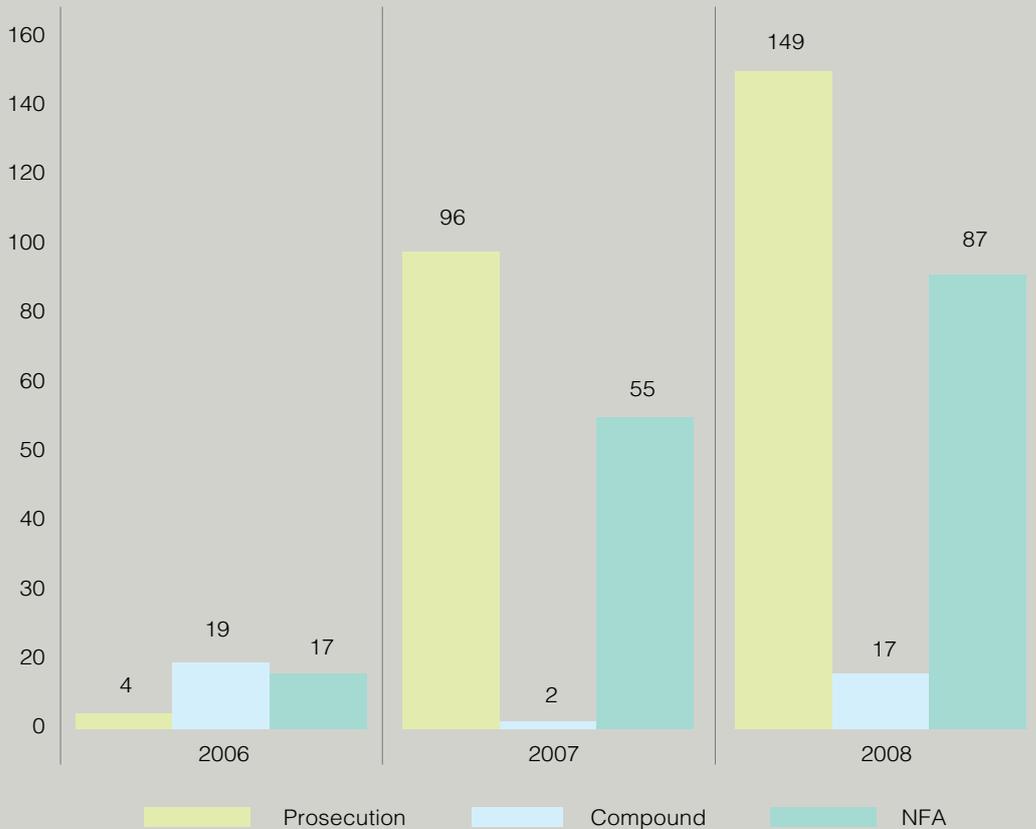
24 cases classified as serious breach of corporate governance were investigated. These cases involved possible breach of the fiduciary duty of directors and officers of companies. SSM had also investigated 84 other cases involving fraud and financial reporting including 77 cases related to offences pertaining to the rendition of false and/or misleading statements. In addition, 68 cases were investigated under the classification of general offences where 38 cases are related to undischarged bankrupts acting as directors.

**Highlights of cases investigated**

- In relation to section 132 of the Companies Act 1965 (CA 1965), a subsidiary of a public listed company (PLC) received wide media attention when the local press highlighted issues pertaining to large losses incurred by the subsidiary due to a breakdown in internal control. Pursuant to the media coverage, SSM had immediately commenced investigation into the affairs of the subsidiary company. The investigation into this offence is still ongoing.
- SSM had also achieved another milestone when it conducted simultaneous raid against three land banking companies for the alleged breach of section 94 and section 363 of CA 1965 (i.e. offering unregistered interest to the public). The investigation into this offence is still ongoing. SSM had also issued press statements advising the public to be vigilant before parting with their money for the purpose of investments.

SSM had executed 13 warrants of arrests against 13 individuals for committing offences under section 125(1) of CA 1965. These include individuals who had acted or performed duties as directors while they remained as undischarged bankrupts. Prosecution has been instituted against these individuals where the outcomes of the trials are still pending.

**Statistics on the actions taken upon the completion of investigation**



Note: NFA means No Further Action

Due to the active investigative approach, increase in manpower composition and enhanced skills of the investigating officers, a speedier completion of IPs were achieved. A total of 149 IP's were referred for prosecution while another 17 IP's were referred to Compliance Division for issuance of compound. The remaining 87 IP's were closed and classified as 'no further action' (NFA) due to no offence disclosed or lack of evidence.

**PROSECUTION OF OFFENCES**

In 2008 SSM prosecuted a significant number of criminal cases under the CA 1965 ranging from offences of non-compliance to the more serious corporate governance offences. It must also be noted that there was an increased number of complaints being made in respect of serious offences with regard to serious corporate governance malpractices. This is evident from the many IP's opened for the purpose of investigation into these offences such as the breach of section 125(1), section 132 and section 364(2) of CA 1965. Prosecution of serious corporate governance offences was the primary focus last year.

Section 125(1) of CA 1965 prohibits an undischarged bankrupt from acting as a company director or directly/indirectly taking part or being concerned with the management of any corporation except with the leave of the Court. In 2008, a total of six directors were charged for the breach of section 125 (1) of CA 1965. SSM has also acted against five directors for offences committed under section 364(2) CA 1965 in relation to the lodgement of false and misleading statements. Section 364(2) of the CA 1965 provides that every person who in any return, report, certificate, balance sheet or other document required by or for the purposes of the Companies Act makes or authorises the making of a false or misleading statement shall be guilty of an offence against the Companies Act and the penalty is imprisonment for 10 years or a fine of RM250,000.00 or both.

## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

**Prosecution highlights****PP v Mohd Zaki bin Abdullah**

SSM reached a new milestone by successfully prosecuting a *de facto* company director of Akar Korporat Sdn Bhd for an offence under section 363(3) of the CA 1965. The company had offered the members of the public to participate in the profits of a teak plantation scheme. Such activity came under the purview of an interest scheme where adherence to the provisions of Division 5 Part IV of CA 1965 is required. He was additionally charged under section 89 of CA 1965 as he had allowed the public to purchase interests in his company although it was not a public company. The offender had collected an amount of approximately RM5 million from 10,000 throughout the operation of the scheme. SSM's prosecuting team had successfully argued that the plantation of teakwood saplings constitute 'interest' in the company and as such fall within the definition of shares under Section 363(9) of CA 1965. Although the accused was not a director on record, there was sufficient evidence to prove that the accused had played the role of a *de facto* director in the management of Akar Korporat Sdn Bhd. The Kota Bharu Sessions Court had imposed a fine of RM100,000 (and in default, 12 months imprisonment), and RM50,000 (and in default, 6 months imprisonment) for both offences respectively. The accused had paid a total of RM150,000 of fine for both offences. Post conviction SSM has proceeded to initiate the process of striking out the accused's company, Akar Koperat Sdn Bhd under Section 308 of the Companies Act 1965.

**PP v Ong Chee Weng****PP v Ong Chee Meng****PP v OCH Properties Management Sdn. Bhd.**

SSM had also prosecuted various forms of fundamental breaches of corporate governance which included failure by companies to convene annual general meetings (AGMs) and submit annual returns. In relation to the aforementioned breaches, SSM had successfully obtained convictions against two directors of OCH Properties Management Sdn Bhd for offences committed under sections 143(1), 165(4) and 169(1) of CA 1965. Both directors pleaded guilty for failing to hold AGMs from 2001 to 2007, lodge annual returns to the Registrar and for failing to present the company's profit and loss accounts in the AGM. They were fined a total of RM63,700.00 for the offences committed.

Other major decisions obtained pursuant to prosecution actions initiated by SSM are stated as follows:

No.	Nature of Offence	Offender	Facts of Case	Punishment
1	Section 125(1):  Director who is an undischarged bankrupt acted as company director.	Bumi World Corporation (M) Sdn. Bhd.	A former director of Bumi World Corporation (M) Sdn. Bhd., acted as a director in signing Director's Circular Resolution for the period of 19.08.2006 until 30.06.2007 while still a bankrupt.	Pleaded guilty and was convicted on 25.11.2008 for the offence under S.125(1), CA. Meanwhile, the Court took into consideration his admission of committing the offence under S.364 (2) CA. He was fined RM5,000.00 and in default, 3 months imprisonment. Fine paid.
2	Section 364(2):  Person who made or authorized the making of a false or misleading in any material knowing it to be false or misleading.	Dataco Sdn. Bhd.	The director of Dataco Sdn. Bhd., was charged for making a false statement in Form 24 which was later lodged with the Registrar.	Was acquitted & discharged by the Sessions Court on 11.08.2008. The Public Prosecutor filed a notice of appeal on 14.08.2008 against the decision of Sessions Court.

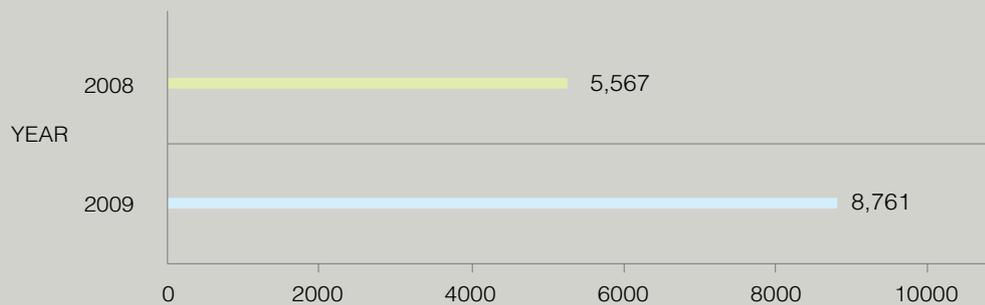
Major prosecutions initiated in 2008 are as follows:

No.	Nature of Offence	Offender	Facts of Case	Punishment
1	Section 23(3):  Company which failed to comply with the direction by the Registrar to change its name within 6 weeks after direction is given.	KKIP Sdn. Bhd.	KKIP failed to comply with the direction by the Registrar to change its name within 6 weeks after direction was given.	The Offender was charged on 18.03.2008
2	Section 125(1):  Director who is an un-discharged bankrupt acted as company director.	Pasti Sinar Sdn. Bhd.	The director of Pasti Sinar Sdn. Bhd. was charged for acting as company director while still a bankrupt.	The Offender was charged on 13.10.2008
		Realiti Mampu Sdn. Bhd.	The director of Realiti Mampu Sdn. Bhd. was charged for signing Director's Circular Resolution for the period of 16.07.2003 to 14.11.2007.	The Offender was charged on 21.10.2008
		Majestic Discovery Sdn. Bhd.	The director of Majestic Discovery Sdn. Bhd. was charged for acting as company director for a period of 18.09.2006 until 16.10.2006 while still a bankrupt.	The Offender was charged on 04.09.2008
		Bumi Rija Sdn. Bhd.	The director of Bumi Rija Sdn. Bhd. was charged for acting as company director for a period of 28.05.2007 until 05.06.2007 while still a bankrupt.	The Offender was charged on 01.08.2008
		Perunding Kami Sdn. Bhd.	The director of Perunding Kami Sdn. Bhd. was charged for acting as company director on 13.09.2006 while still a bankrupt.	The Offender was charged on 16.09.2008
		Vera Juta Sdn. Bhd.	The director of Vera Juta Sdn. Bhd. was charged for acting as company director while still a bankrupt.	The Offender was charged at Sessions Court Kota Kinabalu on 10.11.2008
3	Section 364(2):  Person who made or authorized the making of a false or misleading in any material knowing it to be false or misleading.	Pasti Sinar Sdn. Bhd.	The director of Pasti Sinar Sdn. Bhd. was charged for making a false statement in Form 48A which was later lodged with the Registrar.	The Offender was charged on 13.10.2008

UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

No.	Nature of Offence	Offender	Facts of Case	Punishment
		Realiti Mampu Sdn. Bhd.	The director of Realiti Mampu Sdn. Bhd. was charged for making a false statement in Form 48A which was later lodged with the Registrar.	The Offender was charged on 21.10.2008
		Sahabat Inisiatif Sdn. Bhd.	A former director of Sahabat Inisiatif Sdn. Bhd. was charged for making a false statement in Form 48A which was later lodged with the Registrar.	The Offender was charged on 21.10.2008
		Bumi Rija Sdn. Bhd.	The director of Bumi Rija Sdn. Bhd. was charged for making a false statement in Form 48A which later lodged with the Registrar.	The Offender was charged on 15.09.2008
		Vera Juta Sdn. Bhd.	The director of Vera Juta Sdn. Bhd. was charged for making a false statement in Form 48A which was later lodged with the Registrar.	The Offender was charged at Sessions Court Sandakan on 23.10.2008
4	Section 132(1):  Failure to exercise power as director of a company in the best interest of the company.	Sunny Sales Sdn. Bhd.	The director of Sunny Sales Sdn. Bhd. was charged for failing to act honestly in discharging his duties as a director of Sunny Sales Sdn Bhd.	The Offender was charged on 18.12.2008.

As at 31 December 2008, the total number of cases charged or registered with the Courts by the prosecution stood at 5,567 cases. It represents a decrease by 57.4 % (3,194 cases) as compared to the cases charged or registered in 2007.



The breakdown of cases registered or charged for the various breaches of CA 1965 and Registration of Businesses Act 1956 (ROBA 1956) is tabulated in the table below:

No.	Offences (CA 1965)	No. of cases registered/ charged in 2008
1	<b>Section 23(3)</b> Failure to comply with the direction by the Registrar to change its name within 6 weeks after direction is given	2
2	<b>Section 7(11)(a)</b> Failure to give notice of information in writing to the Registrar.	19
3	<b>Section 7(11)(b)</b> Failure to supply any information or who in supplying any information, makes any statement which he knows to be false	16
4	<b>Section 121(1)(b)</b> Failure to print company name & number on official documents	3
5	<b>Section 125(1)</b> Undischarged bankrupt who acted as company director	23
6	<b>Section 132(1)</b> Failure to exercise power as director of a company for the best interest of the company	2
7	<b>Section 133(4)</b> Loans to directors	1
8	<b>Section 134</b> Failure to keep Register of Directors	-
9	<b>Section 139</b> Failure to appoint Company Secretary	3
10	<b>Section 139(1B)</b> Office of secretary of company left vacant for more than one month at a time	2
11	<b>Section 143(1)</b> Failure to hold Annual General Meeting	480
12	<b>Section 165(4)</b> Failure to lodge Annual Return	2,678
13	<b>Section 165A(1)</b> Failure to attach Auditor's statements	2
14	<b>Section 167(1A)</b> Failure to cause appropriate entries to be made in the accounting record within 60 days of the completion of the transaction	6
15	<b>Section 169(1)</b> Failure to table accounts at the Annual General Meeting within the prescribed period	1,238
16	<b>Section 364(2)</b> Person who made or authorized the making of a false or misleading in any material knowing it to be false or misleading	21
17	<b>Section 366(3)</b> Obtaining payment of money to company by false promise of directors or member of company	2
18	<b>Section 367(1)</b> Penalty for improper use of words "Limited" and "Berhad"	4
19	<b>Section 370(1)</b> Failure to keep minutes of meetings in minutes book	65
20	<b>Section 12(1)(a)</b> Carrying on business without registration	58

UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

No.	Offences (CA 1965)	No. of cases registered/charged in 2008
21	<b>Section 12(1)(b)</b> Carrying on business after business registration expired	668
22	<b>Section 12(1)(c) &amp; (d)</b> Failure to comply with requirements of the Registrar under Section 10	27
23	<b>Section 12(2)</b> Failure to display certificate of registration	93
24	<b>Rule 17A(1)(b)</b> Failure to submit change of registered business address	39
25	<b>Rule 17A(1)(c)</b> Failure to file a notice of termination	2
26	<b>Rule 17A(2)</b> Failure to display signboard	113
<b>Total</b>		<b>1,000</b>
<b>Total Number Of Cases Registered /Charged Under CA 1965 &amp; ROBA 1956</b>		<b>5,567</b>

**CIVIL LITIGATIONS**

Pursuant to section 37 of the Companies Commission of Malaysia Act 2001 (CCM Act 2001), SSM's officers who are legally qualified are authorised to appear in any civil proceedings for and on behalf of SSM. In addition to the normal mode of originating processes in the High Court, SSM's Legal Officers have also handled applications for judicial review. At the appellate level, our Legal Officers have handled civil appeals at the Court of Appeal and the Federal Court. Apart from civil matters, SSM legal officers are also responsible for criminal revision and also criminal appeals.

**Civil litigations commenced and resolved**

A total of 82 civil cases were handled by SSM in 2008 without the need to engage external lawyers or consultants. This is because the officers are highly competent and well-experienced to appear in court for matters pertaining to civil litigations and civil enforcements. A total of 58 cases involving SSM as one of the litigants were freshly filed in 2008. A total of 46 cases were closed after final disposal by the Courts, leaving 36 cases which are currently pending hearings in Court in relation to various matters under the CA 1965.

**Number of Cases in 2008**



### Civil litigations: similarity of names

The Registrar is given the discretion to allow the usage of company names based on the criteria laid down under section 22 of the Companies Act 1965. There have been instances where individuals or local companies, capitalizing on the goodwill created by established multinational and domestic companies, made attempts to incorporate companies with similar names. SSM has been defending civil actions relating to usage of company names and appreciates judicial pronouncements on this issue. SSM has been successful in all the related civil actions so far.

### Civil litigations: corporate hijacking

SSM notes that the global trend commonly known as 'corporate hijacking' has started to make inroads into Malaysia. In a situation where a company is performing well or undertaking a major contract or transaction, there have been cases in which unscrupulous parties attempt and in some cases, successfully managed to change the management and/or shareholding structure of a particular company. There were also cases arising from disputes among the members of the Board of Directors, where attempts have been made by conflicting parties to lodge statutory forms with SSM in their bid to oust the opposing individuals or group. As a result, SSM was involved in contentious litigations where parties have applied for a declaration order from the High Court to determine the actual management structure of the company.

### Civil litigations: reinstatement of companies after being struck off

The Registrar of Companies is empowered to strike-off dormant companies from the register to ensure that only active and quality companies remain in the register. SSM admits to the fact that entities continuously incorporate and maintain dormant companies for specific purposes. Nevertheless, under the law, dormant companies are also subject to the compliance requirements under the CA 1965. Once a company is struck-off the register, an aggrieved party may apply to Court to reinstate the company within 15 years. SSM carefully reviews the applications for reinstatement to ensure that it is made for a proper purpose and is not intended to deceive any interested parties. There have been occasions where directors made use of the striking-off provisions to escape from court actions, creditors and actions from other government agencies. In addressing such situations, SSM will commence an investigation for a potential offence under section 364(2) of CA 1965.

A total of 17 contentious litigation cases under the above mentioned sections were handled by SSM in 2008, 11 of which have been disposed of:

No.	Types of Cases	No. of Cases	No. of Cases disposed
1	<b>Section 11(10)</b> Appeal to High Court on the decision or actions of the Registrar	5	3
2	<b>Section 22 and 23</b> Similarities of company names	3	2
3	<b>Section 141</b> Application for a declaration on management structure of a company	4	1
4	<b>Section 308(5)</b> Application to reinstate a company back into the Register of Companies after being struck-off	5	5
<b>Total</b>		<b>17</b>	<b>11</b>

## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

## Landmark civil cases litigated in 2008

**SSM v. Open Borders Sdn. Bhd. and 2 others**

[Kuala Lumpur High Court Civil Suit No. S4-21-269-2008]

The Defendants developed a website which is similar to the Plaintiff's website. Such website was misleading and infringes the Plaintiff's rights under the copyright and passing-off. An ex-parte injunction was granted by the Court in favour of SSM. Parties are now in the midst of negotiation of settlement and towards finalization of the terms of the consent judgment

**N.V Multicorporation and 17 others v. SSM**

[Court of Appeal Civil Appeal No. W-01-41-2005]

NV Multicorporation Berhad and its subsidiaries are developers and operators of memorial parks comprising burial plot and columbaria structure in Malaysia. They develop lands into burial grounds and sell individual plots to the public. The general public enter into a license agreement with the developer and pay the price of each plot in one lump sum. The burial plot is not sub-divided and proof of ownership for each plot is the license agreement between the parties. The purchaser of the burial plot is also required to pay a continuity fee to be kept in a trust fund managed by the developer or its appointed agent.

SSM views that the operations of NV Multicorporation and its subsidiaries tantamount to selling interest to the public or commonly known as interest schemes. These activities are regulated under Part IV Division 5 of the CA 1965. SSM found that the companies did not have approved deeds pursuant to section 91(1) of the CA 1965 for their business activities and took enforcement action against them. The objective of the prevailing law is to protect public interest by ensuring only approved companies may offer interests other than shares and debenture to the public. This would avoid potential scams being offered resulting in massive loss of money by the investing public.

The companies filed a civil action in Kuala Lumpur High Court against SSM for a declaration that their business activities do not fall under the category of 'interest schemes' under section 84 of CA 1965. The Court of Appeal had decided in 13 June 2008 to allow our appeal with costs against the High Court decision. The Court of Appeal held that the business operations of NV Multicorporation and its subsidiaries were interest scheme under the purview of Division 5 Part IV of CA 1965. Therefore, the companies must comply with the provisions stipulated under the said provision.

In furtherance to the Court of Appeal's decision which was in favour of SSM, NV Multicorporation Bhd has filed an appeal to the Federal Court. The appeal is fixed for hearing on 13 April 2009.

**Amalgamated Batteries Sdn Bhd v. SSM**

[Kuching High Court Originating Summons No. 24-14-2008-II]

In March 2007, SSM received a complaint that the managing director and company secretary of Bahterangkut Sdn Bhd relating to false information given by an individual on the resignation of the company secretary and changes to the board of directors.

Pursuant to the complaint, SSM's investigation officers (IO) had applied for a search warrant to conduct a search of the premises of Amalgamated Batteries Manufacturing (Sarawak) Sdn Bhd (Plaintiff's in this case) on the ground that the accounting records of Bahterangkut Sdn Bhd were kept at the Plaintiff's premises. The Magistrates' Court in Kuching granted the warrant to search. However on the day of the search, the Plaintiff's officers and staff refused to allow SSM's IO entry to the premises. Thereafter, the Plaintiff filed a civil action to set aside the search warrant and applied a stay of execution of the said search warrant. SSM however filed a Summon in Chamber to set aside the Plaintiff's application on the following grounds:

- The Plaintiff has no reasonable cause of action;
- Plaintiff application is scandalous, frivolous and vexatious;
- The conduct of the Plaintiff and its officer amounts to an abuse of the process of Court;
- The search warrant was validly issued; and

- The filing of the Plaintiff's application (Originating Summons) does not provide an automatic stay against the execution of the search warrant.

The Kuching High Court Judge granted order in terms pursuing to SSM Summons in Chamber and dismissed the Plaintiff's application with costs. In furtherance to the Kuching High Court's decision, the Plaintiff has filed an appeal to the Court of Appeal. The date of hearing for the appeal has yet to be fixed by the Court of Appeal.

#### **Norakhmar bt Baharom and another v SSM and 4 others**

[Kuala Lumpur High Court Originating Summons No. D8-24-355-2006]

In June, Kuala Lumpur High Court ruled against a senior politician from Selangor who continued to hold directorship in a company despite being adjudged bankrupt in 2001. Although he managed to obtain an order to set-aside the bankruptcy order, based on the Articles of the company, his directorship is automatically vacated upon the declaration of his bankruptcy.

#### **Halagel (M) Sdn. Bhd. v. SSM and another**

[Alor Setar High Court Originating Summons No. MT2-24-1618-2006]

In October, the Alor Setar High Court dismissed an action by a company against SSM and another company. The action was filed for a declaration that SSM made an error in approving the name of another company using the word 'Halagel' which was claimed to be similar to the Plaintiff hence causing confusion to the public. The Court ruled that the Plaintiff did not provide any evidence to prove that any confusion was caused by usage of the name 'Halagel' and that exercising its discretion conferred by section 22 of CA 1965, the Registrar had acted properly. The Plaintiff has filed a Notice of Appeal against this decision at the Court of Appeal.

#### **Toyochem (M) Berhad v. SSM and another**

[Kuala Lumpur High Court Civil Suit No. D3-24-329-2003]

This case involves a decision by Kuala Lumpur High Court on the issue of company's name (section 22 & 23 of CA 1965). The 1st Plaintiff is a company incorporated in Japan. Together with its local subsidiary, they applied for a declaration that SSM's decision in allowing the registration of 2nd Defendant's company name was contrary to section 22(1) of the CA 1965 due to similarity with the 1st Plaintiff's name. In his judgment, the Learned Judge held that the Registrar of Companies has a discretion in considering and allowing a company's name, subject to the provisions of section 22 of CA 1965 and the Minister's Directive on prohibited names. Since the 1st Plaintiff is a company incorporated under a foreign jurisdiction, SSM has no authority over it nor must it take cognizance of its name when approving names for companies to be incorporated in Malaysia. The application was therefore dismissed with cost. The plaintiffs initially filed a Notice of Appeal against the whole decision to the Court of Appeal but subsequently withdrew it in December.

#### **So Lee Tek v. SSM**

[Kuala Lumpur High Court Originating Summons No. D2-24-161-2008]

As the regulator of the ROBA 1956, SSM initiated proceedings under Section 7 of ROBA 1956 to rectify the Registrar's records with regards to the termination of Syarikat Perniagaan Tek Seng Hin.

The Defendant, Mr So Le Tek, was the sole owner of Syarikat Perniagaan Tek Seng Hin. He had no knowledge of the lodgement of Form C dated 13 November 2007 which was intended to terminate his business. Upon investigation, it was discovered that the signature on the said Form C was forged. As the termination was unauthorized, SSM applied to the Court to nullify the effects of the said Form C.

The High Court granted the order to rectify the Registrar's records and allowed SSM's application to nullify the said Form C.

UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

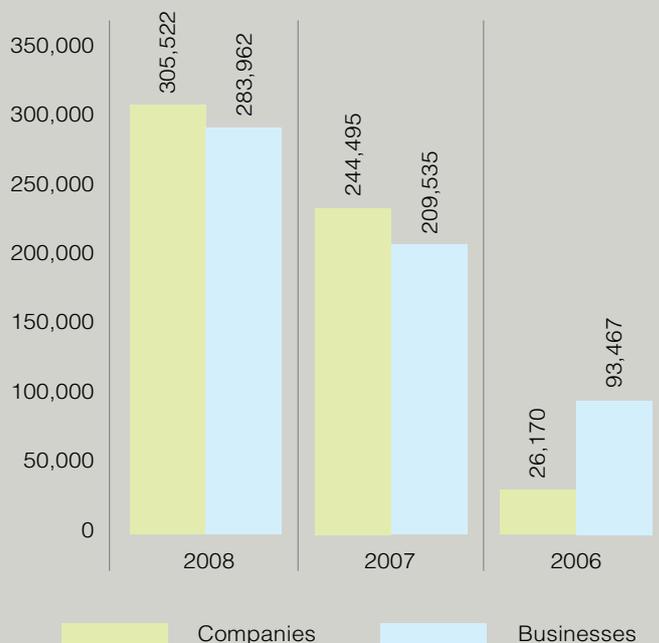
**CORPORATE MONITORING AND SURVEILLANCE**

SSM has put in relentless efforts in instilling corporate governance and best business practices among companies and its officers. Equipped and supported by up-to-date ICT devices which facilitated the enforcement drives, the scope of inspection was expanded in year 2008 to cover Companies Limited by Guarantee (CLBG) and Interest Schemes.

**Inspection Activities**

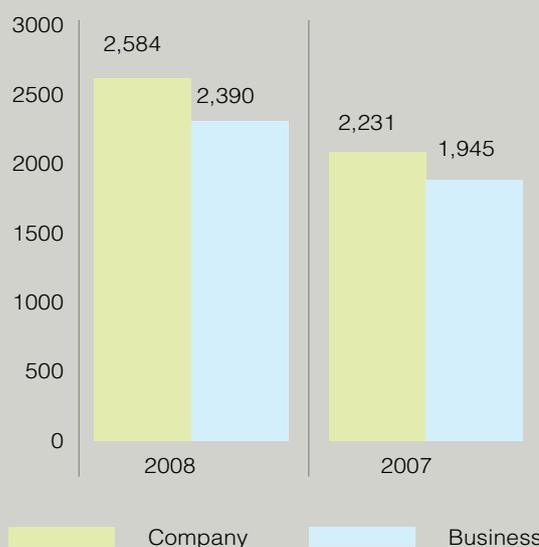
In ensuring compliance with the corporate and business laws and regulations, a total of 305,522 companies and 283,962 businesses were inspected throughout 2008. This marked an increase by 25% for companies and 35.5% for businesses compared to year 2007 which saw 244,495 companies and 209,535 businesses being inspected. This shows a significant increase in number of inspection in 2008 by 1067.5% for companies and 203.8% for businesses compared to year 2006 as shown in the graph below.

**Comparison of Inspections Carried out in 2006, 2007 and 2008**



Almost 78% of the inspections were done through database inspection, which involved the screening of corporate and business information stored in the SSM database. The screening process undertaken detected breaches involving failure to lodge statutory documents and offences relating to appointment and resignation of secretaries and auditors. This involved inspections on 264,619 companies and 194,031 businesses.

As part of the database inspection, SSM continued its collaboration with Kuala Lumpur Municipal Council (DBKL) to inspect companies and businesses with regards to their DBKL premise licences through the DBKL e-license database. Authorised surveillance officers were granted access to the database and were privy to new applications and renewal applications of DBKL premise licences made by companies and businesses. The data obtained would be cross-referred against SSM's database to ensure compliance with CA 1965 and ROBA 1956. Such mutual cooperation undertaken had also enabled DBKL to authenticate its information pertaining to the registration of companies and businesses towards enabling DBKL to process the applications. In 2008, this form of cross-database inspection involved 2,584 companies and 2,390 businesses. There was a 34% decrease in the number of offences detected from the inspection carried out in 2008, where out of 4,974 applications received from 2,584 companies and 2,390 businesses, only 187 non-compliance cases were identified compared to 282 cases out of 4,176 applications in 2007. Most of the offences were committed under sections 143 (1), 165(4) and 169(1) of CA 1965.

**Statistics on the Inspections regarding DBKL e-License for year 2007 and 2008**

Despite the focus given to database inspection, physical inspections on companies and businesses continued to be carried out to monitor the following activities:

- Inspection on companies' statutory books to ensure proper records are being kept and updated as well as other aspects of compliances with the CA 1965;
- Inspection on accounting documents and records to ensure the reliability of the financial statements lodged and the consistency of the records kept by the company and SSM;
- Inspection on business premises to ensure that the businesses have been registered and comply with the provisions of the ROBA 1956; and

The total number of physical inspections conducted in 2008 represented an increase of 34.3% compared to 2007 (130,834 in 2008; 97,366 in 2007).

**Special project to trace unethical directors, company secretaries and auditors**

As at 31 December 2008, there were 9,383 licensed company secretary and 45,880 members of certified bodies in Malaysia. In addition, SSM records show that there were a total of 2,251,112 directors of companies registered. SSM had also undertaken a special project to trace unethical directors, company secretaries and auditors. The special project also focused on corporate governance related issues involving companies limited by guarantee (CLBGs) and Interest Schemes.

Through this project, inspections were carried out on the followings:

- 55,659 companies together with their company secretaries;
- 36,229 companies together with their auditors;
- 295 CLBGs; and
- 9 registered Interest Schemes.

The purpose of the inspection was to ensure, *inter alia*, that:

- CLBGs and interest-scheme companies comply with the required terms and conditions imposed onto them by SSM;
- only approved auditors or company liquidators carry out the functions of an auditor or company liquidator;
- auditors and company liquidators discharge their responsibilities properly and ethically;

## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

- removal and resignation of the company auditor is well-informed to the Registrar of Companies;
- only approved company secretaries licensed by SSM and registered with certified professional bodies carry out the functions of a company secretary as required by the Registrar of the Companies; and
- company secretaries act honestly and carry out duties with due diligence.

The table below shows the number of non-compliance identified through the aforesaid special inspection carried out in 2008:

No.	Offences (Companies Act 1965)	No. of Cases
1	<b>Regulation 8A(4)</b> - Failure to inform SSM within one month of the relevant date of the alteration or any change in any particulars relating to the firm or its partners.	28
2	<b>Section 9(1)(a)</b> - To act as auditor without a valid auditor's license.	34
3	<b>Section 9(4)(a)</b> - Audit firm acting as auditor for a company without all partners having a valid auditor's license.	61
4	<b>Section 9(1)(a) &amp; Section 9(4)(a)</b> - To act as auditor without a valid auditor's license and the audit firm acting as auditor for a company without all partners having a valid auditor's license.	10
5	<b>Section 9(6)</b> - Company appoints a firm as auditor of a company without the firm prior consent in writing.	10
6	<b>Section 19(2)</b> - Company limited by guarantee acquires land without the approval from Minister.	5
7	<b>Section 24</b> - Amendments of company's memorandum / article without the approval from Minister.	4
8	<b>Section 90(1)(a)</b> - Offer/invite public to subscribe for or purchase any interest without valid prospectus.	1
9	<b>Section 94(1)(b)</b> - Failure to comply with covenant contained in any deed.	7
10	<b>Section 115(2)</b> - Failure to keep copies of registered charges.	1
11	<b>Section 121(1)(b)</b> - Failure to print company name and number on all official company's document.	1
12	<b>Section 139(1B)</b> - Failure to appoint company secretary within 30 days after the post is being vacated.	2,151
13	<b>Section 139C (3)</b> - Continues to act as company secretary after being disqualified under this section.	85
14	<b>Section 139B(5)</b> - Failure to renew company's secretarial license within 30 days before expiry of license.	92
15	<b>Section 143(1)</b> - Failure to hold Annual General Meeting of a company.	6
16	<b>Section 154(1)</b> - Failure to lodge Form 11.	1
17	<b>Section 156(1)(a)</b> - Failure to keep minutes of meeting in the register of minutes book.	1

No.	Offences (Companies Act 1965)	No. of Cases
18	<b>Section 158(1)(a)</b> - Failure to keep and update register of members.	1
19	<b>Section 165(5)</b> - Failure to lodge Annual Return.	8
20	<b>Section 167(1)</b> - Failure to keep accounting records for a period of seven years.	1
21	<b>Section 169(1)</b> - Failure to table account statement of profit and loss in Annual General Meeting within the stipulated time.	43
22	<b>Section 169(4)</b> - Failure to table audited account statement of profit and loss in Annual General Meeting within the stipulated time.	8
<b>Total</b>		<b>2,559</b>

Almost 85% of the offences detected related to the failure of companies in appointing a company secretary within 30 days after the post has been vacated [section 139(1B) of the CA 1965]. From the 3,591 cases recorded, 2,151 involved directors, which accounted for 59% of the total number of offenders. This reflects the lack of responsibility among directors in discharging their statutory duties and ensuring basic corporate governance requirements were implemented. SSM has taken cognizance of this issue and is now taking steps through close monitoring of activities, enforcement actions and creation of awareness.

The offences relating to company secretaries involved the breach of section 139C(3) of CA 1965 (continuing to act as a company secretary after being disqualified) and section 139B(5) of CA 1965 (failure to renew company secretary licences within 30 days before expiry of the licence). 86 cases were recorded on the breach of section 139C(3) and 92 cases were recorded on the breach of section 139B(5), constituting 7% of the total number of offences detected pursuant to the special project. As a result of close monitoring on the company secretaries, 20 individuals comprising of 11 licensed secretaries and 9 members of prescribed bodies were black listed while one company secretary licence was revoked under section 139C(2) of CA 1965.

### Company secretarial licenses

2008 saw a 75% increase in the number of applications received by SSM to renew company secretary licences. SSM received 2,040 applications last year compared to 1,164 in 2007. 1,880 renewal applications, accounting for 92% of the renewal applications received, were approved by SSM. SSM also received 266 new applications for company secretary licences which represents an increase of 26% compared to the number of applications received in year 2007. However, only 126 new applications, accounting for 47% of the new applications received were approved. SSM had imposed stricter requirements prior to granting approval for renewals as well as the granting of the company secretarial licences. Apart from lodgement requirements, the aspiring candidates were also tested in terms of their knowledge of the CA 1965, corporate governance, the capital market and management.

### Surveillance conducted on auditors

The proposal for the establishment of an auditor oversight framework was part of a comprehensive reform proposal of the CA 1965 initiated by SSM in December 2003. This proposal was deliberated as early as December 2005 by the Corporate Law Reform Committee (CLRC), an independent committee established by SSM to spearhead the reform of the CA 1965. The Final Report officially released by the CLRC on 20 October 2008 recommends the establishment of an independent oversight board for auditors.

## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

The oversight and monitoring mechanisms on auditors by SSM are to a large extent substantially in existence. There are extensive provisions pertaining to audit and auditors residing under the provisions of the CA 1965. Section 9 provides that only an approved company auditor may be appointed and act as an auditor of a company. Other salient features of section 9 are as follows:

- The description of those who shall not be appointed as auditors range from a person who is indebted to the company in the excess of RM2,500, where he is an officer of a company, partner, employer or employee of a company, amongst others.
- The provision of criminal liability in the event of any breach of section 9.

Other provisions in the CA 1965 related to auditors and audits are as follows:

- (i) **Section 165** - The requirement for the lodgement of annual return together with audited accounts;
- (ii) **Section 167(1)** - The mandatory requirement to keep accounting and financial records and for such documents to be audited;
- (iii) **Section 169(4)** - The mandatory requirement for the accounts of a company to be audited;
- (iv) **Section 172A** - The duty to inform the relevant regulators (i.e. SSM and Bursa Malaysia) upon the cessation of the period of engagement of auditors;
- (v) **Section 174(2)** - The requirement for auditors to state whether the accounts have been duly prepared in accordance with the provisions of the CA 1965 and whether they are in accordance with the approved accounting standards;
- (vi) **Section 174(3)** - The requirement for auditors to form an opinion as to whether all information has been duly obtained, proper accounting and records kept, returns received are adequate and procedure in relation to the consolidation of accounts were appropriate;
- (vii) **Section 174(8)** - Auditors of all companies (private and public) are required to report to the Registrar if in the course of audit, he is satisfied that there has been a breach of any of the provision of the CA 1965 and the circumstances are as such that in his opinion the matter has not been or will not be adequately dealt with by comment in his report or by bringing the matter to the notice of the directors of the company;
- (viii) **Section 174(8A)** - Mandatory 'whistle-blowing' provision applicable to auditors of public companies/ companies controlled by public companies where fraud/dishonesty is being committed;
- (ix) **Section 175** - duties of auditors to furnish accounts and any reports, certificates and other documents required to be prepared by him under the CA 1965 to the trustee of debenture holders;

SSM also carries out professional oversight functions through the following activities:

- (i) Examining the audited accounts to see whether the auditors who signed them are indeed registered auditors.
- (ii) Inspects the documentations which an auditor has purportedly gone through and cross-checked them with the standard prescribed by the Malaysian Approved Standard of Auditing (specifically A1 230 standard for documentations). In the event of any findings of non-compliance to the respective standard, SSM will inform the Malaysian Institute of Accountants (MIA) for their further action.
- (iii) In the event of irregularities detected in the accounts lodged, SSM will scrutinize such accounts and issue a query letter to the auditor. A copy of the letter is also sent to MIA for their further action.
- (iv) Assesses the independence of auditors as against the companies which they audit.

In 2008, SSM monitored the auditors by conducting 47,536 inspections against companies' audit entries and auditors. The number of inspections carried out had tremendously increased compared to 2,473 in 2007. As the result, 144 compound notices were issued for various offences under CA 1965. The offences committed ranged from failure to inform SSM on any change in any particulars relating to the firm or its partners [Regulation 8A(4)], acting as auditor without a valid licence [Section 9(1)(a)], audit firms operating without valid licence [Section 9(4)(a)] and appointment

as an auditor without a written consent (Section 9(6)). 1,036 query letters were also issued in relation to non-balanced financial statements. One case involving unethical practise by an auditor was referred to the Investigation Division for further investigation.

Apart from the aforesaid special projects and operations, SSM had also leveraged on the Corporate Practice Consultative Forum (CPCF) to discuss, amongst others, technical and operational issues involving the discharge of auditors' duties and functions. Further details on the auditors' surveillance activities are detailed out below:

#### Auditors oversight functions carried out by the Corporate Accounts Monitoring Section (CAMS)

- As at 31 December 2008:
  - (a) there are 1,763 audit firms registered with SSM;
  - (b) there are 292 non-active auditors;
  - (c) there are 1,471 active audit firms (of which 1,069 are sole proprietorship while 402 are partnerships).
- Between January to December 2008, a total of 34 new auditors were approved.
- SSM also carried out a special project to inspect the audit quality of exempt private companies (EPC – companies which are exempted from lodging their audited accounts). However, the accounts of such companies are still subjected to mandatory audit. SSM has carried out such enforcement initiatives to ensure the standard of audit for all types of companies are maintained. The findings revealed that a number of auditors have failed to adhere to the International Standard of Auditing (Documentation AI 230). The list of such auditors was submitted to the MIA for their further action.
- Since the introduction of the new section 172A of CA 1965 on 15 August 2007, SSM received 5,633 notifications involving termination and resignation of auditors. These are effectively '**red flags**' which prompted SSM to investigate further the circumstances of the premature departure of the auditors.

No.	Projects/activities	Objective(s)	Status
1	Focus on Unethical Auditor 2008	To halt the misconduct of auditor under S.9(1) and S.9(4) CA'65.	<p><u>Auditors inspected : 153</u> <u>Audit firm inspected : 275</u></p> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• 33 auditors – S.9(1)(a) CA'65</li> <li>• 58 auditors – S.9(4)(a) CA'65</li> <li>• 7 auditors – S.9(1)(a) and S.9(4)(a) CA'65</li> <li>• 1 case – S.364 CA'65 (has been forwarded to Investigation Division)</li> <li>• 105 notices of compound have been issued with the amount of RM1,993,500</li> </ul>
2	Surveillance for cases under Section 132 (as to the duty and liability of director) GLC and public companies with RM5 million paid up capital	To halt the misconduct of Directors in Public Companies and its subsidiaries	<p><u>"Interest Scheme"</u> <u>9 companies underwent comprehensive inspection</u></p> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• 2 companies complied</li> <li>• 7 companies committed various non-compliance sections:                             <ul style="list-style-type: none"> <li>• S.90(1): 1 company</li> <li>• S.94(1)(b): 7 companies</li> </ul> </li> </ul> <p>7 notices of companies issued amounting to RM410,000</p> <p><u>CLBG with the word Berhad"</u></p> <ul style="list-style-type: none"> <li>• 295 companies inspected</li> <li>• 9 companies underwent comprehensive inspection</li> </ul>

UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

No.	Projects/activities	Objective(s)	Status
			<p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• 5 companies complied</li> <li>• 4 companies compounded under various sections.</li> </ul> <p><b>Action taken (Compound Issued):</b></p> <ul style="list-style-type: none"> <li>• S.115(2): 1 company compounded RM500</li> <li>• S.121(1)(b): 1 company compounded RM500</li> <li>• S.156(1)(a): 1 company compounded RM200</li> <li>• S.158(1): 1 company compounded RM200</li> </ul> <p><u>CLBG without the word "Berhad" (S:24 CA'65):</u> <u>96 companies inspected</u></p> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• 73 companies complied</li> <li>• 23 companies compounded under various sections.</li> </ul> <p><b>Action taken (Compound)</b></p> <ul style="list-style-type: none"> <li>• S.9(6): 10 companies compounded RM5,000</li> <li>• S.143(1): 4 companies compounded RM4,650</li> <li>• S.165(5): 6 companies compounded RM3,800</li> <li>• S.167(1): 1 company compounded RM2,000</li> <li>• S.169(1): 12 companies compounded RM377,400</li> </ul>
3	Development on Audit Firms' Database	To create an improved database for audit firms' surveillance as a new product under SSM's information database	1,475 active audit firms information have been updated through this system.
4	Inspection on non-balance Balance Sheet	As an initial stage of compliance inspection on companies financial statement	1,483 companies' financial statements have been inspected. <b>Status:</b> 1,036 errors on financial statements have been queried for correction
5	Registering and Processing Audit Firms and Auditors Information Involvement as Panel	To update database on auditors and audit firms	<ul style="list-style-type: none"> <li>• <b>FORM 5</b> [Return of Partners of Firm of Auditors] <b>Status:</b> 452 forms have been processed.</li> <li>• <b>FORM A</b> [Application to be Company Auditors under S:8(1)] <b>Status:</b> 28 forms have been processed.</li> </ul>

No.	Projects/activities	Objective(s)	Status
			<ul style="list-style-type: none"> <li>• <b>FORM C</b> [Application for renewal of Approval of a Company Auditor or Liquidator under S:8(5)] <b>Status:</b> 735 forms have been processed.</li> <li>• <b>FORM 3</b> [Approval of Auditor/Liquidator under S:8(1) and S:8(3)] <b>Status:</b> 35 forms have been processed.</li> <li>• <b>FORM 4</b> [Form of Renewal of Approval of Auditor/Liquidator under S:8(5)] <b>Status:</b> 818 forms have been processed.</li> <li>• <b>FORM 11</b> [Special Notice under S:153(1), S:172(4) &amp; S:174(8) - on Removal of Auditor] <b>Status:</b> 1,426 forms have been processed</li> <li>• <b>Requirement under S:172A CA 1965</b> 6,949 letters have been processed</li> </ul> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• 28 compound notices issued under Companies Regulations 1966 regulation 8A(4) amounting to RM 6,800</li> <li>• 586 copies of FORM 5 have been issued to the public amounting to RM2,571</li> </ul>
6	Interviewer for Auditors and Liquidators License Application	To facilitate Ministry of Finance (MOF) in ensuring auditors/liquidators are well versed with CA 1965	23 interview sessions were attended by CAMS officers.  34 out of 87 candidates succeeded in their application.

### Surveillance conducted on CLBGs

Though CLBGs are incorporated for non-profit oriented purposes, they are still required to comply with the CA 1965 where some provisions applicable to all companies are also applicable to them. SSM's surveillance and monitoring functions had detected breaches such as failure to table audited account, appointment of auditors without written consent and failure to lodge annual returns. The yearly comparison of the offences detected is as follows:

No.	Offences (CA 1965)	No. of Cases		
		2006	2007	2008
1	<b>Section 169</b> - Failure to table account statement of profit and loss in Annual General Meeting within the stipulated time.	55	94	59
2	<b>Section 9(6)</b> - Company appoints a firm as auditor of a company without the firm's prior consent in writing.	12	30	9
3	<b>Section 165(5)</b> - Failure to lodge Annual Return.	10	13	14

## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

From the above statistics, there has been a marked decrease in terms of breaches committed. This is pursuant to SSM's effective awareness programmes as well as strict filtering regime in relation to the setting up of CLBGs.

All the inspections conducted also focused on the compliance of section 24 of CA 1965, which is in relation to the terms and condition issued by the Minister in furtherance to the setting up of charitable foundations. The Minister may approve the application of charitable foundation to drop the word "Berhad" from the name if he is satisfied that all the criterias stated in s 24(1) of the Act are fulfilled. In addition, under s 24(3) of the Act, the licence under this section may be issued on such conditions as the Minister thinks fit. The licence under this section may at any time be revoked by the Minister if the charitable foundation has committed offences under the provision of the Companies Act or violated condition of the licence that has negative impact on the public interest.

The special project identified failure on part of CLBGs to comply with items 1 and 6 of the terms and conditions of CLBGs license (i.e. making any alterations or amendments in its Memorandum and Articles of Association as well as possessing and disposal of lands prior to Minister's approval being granted) as the most frequent offence, accounting for 9.8% of offences committed. There has been a significant decrease in non-compliance of item 8 (i.e. failure to fulfil the requirement of having all the promoted donors to give the donations pledged within 6 months from the date of incorporation) in 2008. This was due to stricter scrutiny on the applications for CLBGs. Applications that failed to prove the ability to obtain pledge of one (1) million were rejected.

The yearly comparison of the offences detected are as follows:

No.	License Conditions	Description	Year			
			2005	2006	2007	2008
1	First Condition	Prior to the Minister's approval, a company is prohibited from making any alterations or amendments in its Memorandum and Articles of Association.	0	0	2	4
2	Second Condition	Prior to the Minister's approval, a company is prohibited from appointing new directors.	4	4	3	0
3	Third Condition	A company shall ensure that no members or its directors are using such company or its financial sources for the purpose of any political or unlawful activities.	1	0	0	0
4	Fourth Condition	A company shall ensure its profit and any other income are to be used according to the company's object.	0	0	0	0
5	Fifth Condition	Prior to the Minister's approval, a company is prohibited from making any application for contribution or donation from the public.	1	1	0	0
6	Sixth Condition	Prior to the Minister's approval, a company is prohibited from possessing and disposing land.	0	1	1	4
7	Seventh Condition	A company is prohibited from incorporating subsidiaries and holding shares of more than 49% in another company.	0	0	0	0
8	Eighth Condition	A company is required to receive all money as promised by the prospective contributors within 6 months after its incorporation.	20	5	13	1
9	Ninth Condition	Apart from all the above-mentioned conditions, a company is required at all time to comply with all provisions stated in Memorandum and Articles of Association.	0	0	0	0
<b>Total</b>			<b>26</b>	<b>11</b>	<b>19</b>	<b>9</b>

**Issuance of notice under section 7(11) (a) of CA 1965 in relation to charges created**

SSM had in 2008 issued 64,436 query notices on charges created for more than 15 years to update its database.

The issuance of such notices was based on the following criteria:

- Where the records on the charges has existed for more than 15 years from the date of registration of charge;
- Where the companies are still in existence; and
- Where the charges are of 'unsatisfied' status.

This project has managed to update the status of many registered charges kept by the Registrar and this has enabled SSM to supply updated and accurate information to the public. In addition, it has enhanced the level of awareness of the importance of filing the documents of discharge when loans have been fully settled and keeping the records of charges by company secretaries and directors as required under sections 113 and 115 of CA 1965 respectively.

**Surveillance carried out on Interest Schemes**

The Interest Scheme business module has slowly gaining popularity in Malaysia as it provides an alternative for individuals to participate in a business endeavour. Business activities carried out through specific schemes falling under the purview of section 84 of CA 1965 must comply with the requirement of Division 5 Part IV of the same. In addition, the Interest Schemes operating must adhere to The Policy Guidelines and Requirements for Sales of Club Memberships and Timesharing Arrangements issued by SSM.

To date, a total of 160 Interest Schemes have been registered with SSM involving six types of schemes, namely, Golf and Recreation Club, Recreation Club, Timesharing Scheme, Marina, Memorial Park and Share Farming Scheme. SSM constantly monitored the conduct of business of the schemes registered to ensure compliance of the law and to protect the interest of its participating members through inspections. The chart below depicts the inspection activities carried out and offences detected:

**Number of Inspections According To Category of Schemes**

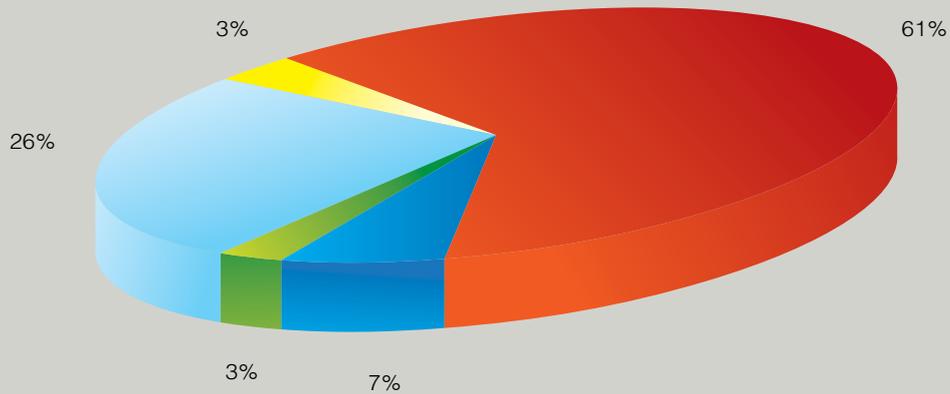
Schemes	Number of Registered Schemes	No. of Companies Inspected	Non-Compliance (sections under the CA 1965)				
			90(1)	92(1)	93(1)	94(1)	169(1)
Golf and Recreation Club	89	82	23	3	6	45	4
Recreation Club	34	28	6	0	2	15	0
Timesharing Scheme	24	18	1	0	0	10	0
Marina	9	7	0	1	0	0	0
Memorial Park	3	0	0	0	0	0	0
Share Farming Scheme	1	0	0	0	0	0	0
<b>Total</b>	<b>160</b>	<b>135</b>	<b>30</b>	<b>4</b>	<b>8</b>	<b>70</b>	<b>4</b>

The focus of inspection is on the accounting records of the clubs especially on the establishment of the trust funds accounts which include trust account, sinking fund account and refundable security deposit account.

Surveillance is also carried out on management companies in relation to the register of interest holders required by section 92(1) CA 1965. Inspection on the register of interest holders would reveal the date and sale of membership and whether it was done in accordance with the prospectus circulated. An analysis of common offences committed between 2003 until 2008 is depicted as follows:

UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

Common Offences (2003 - 2008)



- S.90(1) Sales of membership without a valid prospectus
- S.92(1) The management company shall in respect of each deed with the company is concerned keep a register of the holders of the interest under the deed
- S.93(1) Failure to lodge with the register a return (Form 32) within 2 months after the financial year end
- S.94(1) Fail to comply with a covenant contained or deemed to be contained in any deed that is or at any time has been an approved deed
- S.169(1) Failure to table the audited financial statement within specified time

The table appearing in the next page depicts the detailed analysis on of the issues in relation to the offences committed:

No.	Sections	Offences	Issues
1	Section 90(1)	<ul style="list-style-type: none"> <li>• Sale of membership without a valid prospectus</li> </ul>	<ul style="list-style-type: none"> <li>• The operators of the schemes intentionally accept the applications of membership even though there was no valid prospectus issued.</li> <li>• The process of offer and acceptance of membership is done after the expiry of prospectus.</li> </ul>
2	Section 92(1)	<ul style="list-style-type: none"> <li>• The management company shall in respect of each deed with which the company is concerned keep a register of the holders of interests under the deed.</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to keep and maintain the register of membership as prescribed.</li> <li>• The operators are not aware/not clear as to the need to follow the format as prescribed in the Act.</li> </ul>
3	Section 93(1)	<ul style="list-style-type: none"> <li>• Failure to lodge with the Registrar a return (Form 32) within 2 months after the financial year end.</li> </ul>	<ul style="list-style-type: none"> <li>• Misinterpretation of the Act.</li> <li>• The company secretaries are not aware of the provision for the companies to make lodgement.</li> </ul>

No.	Sections	Offences	Issues
4	Section 94(1)(b)	<ul style="list-style-type: none"> <li>Failure to comply with a covenant contained or deemed to be contained in any deed or at any time has been an approved deed.</li> </ul>	<ul style="list-style-type: none"> <li>Failure to deposit 10% of monthly subscription fees into sinking fund trust account at specified time as per covenant of an approved trust deed.</li> <li>Inability of the operator to meet the requirement of the covenant of the approved trust deed to deposit 10% of the monthly subscription fees within the prescribed time.</li> <li>Failure to remit the monies into sinking fund account and use as cash flow.</li> <li>Transfer of membership without a valid prospectus.</li> </ul>
	Section 94(1)(a)	<ul style="list-style-type: none"> <li>Contravene or fail to comply with Division 5 Part IV</li> </ul>	
	Section 169(1)	Failure to table the audited financial statement within specified time.	<ul style="list-style-type: none"> <li>Failure to prepare Financial Statement within specified time.</li> </ul>

#### SPECIAL TASK FORCE ON INTEREST SCHEMES

SSM had established a special task force (STF) to identify various interest schemes offered throughout Malaysia which were not registered with SSM. The STF which comprised of 14 officers from various divisions reports to the Special Task Force Committee whose responsibility is in relation to the direction and strategy of the STF. The STF commenced its function on 1st December 2008 and will cease operation by the end of February 2009.

The establishment of the STF was an immediate move by SSM to protect the public from unscrupulous operators who enticed members of the public to invest in interest schemes with the promise of high returns within a short period of time. The STF had conducted surveillance on 50 operations suspected of operating illegal interest schemes. The schemes offered by these operations ranged from investment in interest in primary production (agriculture, horticulture and aquaculture) to interest in profit or realisation of a business.

Out of the 50 operations, the STF had sufficient evidence to suspect that 12 of these operations are scams whereby the underlying investment products do not exist. These cases were forwarded for further investigation. In the course of its functions, the STF had also come across other types of offences such as illegal deposit taking and illegal direct selling activities. These cases were forwarded to the relevant enforcement agencies for further action.

Nevertheless, in line with SSM's approach of *Balanced Enforcement*, SSM had approached companies which offered genuine interest schemes and educated them in the aspect of compliance to CA 1965 towards getting such schemes to be registered under SSM.

#### SPECIAL PROJECT TO STRIKE OFF COMPANIES UNDER SECTION 308 OF CA 1965

In March 2008, striking off process was carried out on companies which had been dormant (i.e. either not in operation or had ceased operation) for more than 5 years. A total of 231,331 companies were filtered to determine whether they could be struck-off under section 308 CA1965. The filtration criteria for the purpose of striking off are set out below:

## UPHOLDING THE "BALANCED ENFORCEMENT" (cont'd)

- The company is not carrying on business or not in operation;
- The company has no assets and liabilities;
- The company has no outstanding charges;
- The company has no outstanding penalties or offer of compounds under the Companies Act 1965;
- The company is not involved in any legal proceedings;
- The company is not a holding company or a subsidiary of another corporate body; and
- The company is not a "Guarantor Corporation".

As a result, notices under section 308(1) of CA 1965 were sent to 129,574 companies notifying them of the Registrar's intention to strike off such companies. Further to this action, 123,872 notices under section 308(2) is being sent to inform the companies concerned that the Registrar will proceed to strike off such companies unless the contrary is proven. The details of response received pursuant to the notices sent are as follows:

No.	Description	Total Notices
1	Number of notices under Section 308(1) sent out to the companies registered address	129,574
2	Number of companies objected to the striking off	5,702
3	Number of companies agreed to the striking off	2,969
4	Number of notices returned (undelivered)	14,560
5	Number of notices with no response	106,343

#### Enforcement collaboration with other agencies

Various strategic collaborations were entered into by SSM with other corporate co-regulators and enforcement agencies. The collaborations were important to enable information sharing towards better enforcement of laws and regulations. They include:

- (i) Tripartite meetings between Securities Commission (SC), SSM and Royal Malaysian Police (PDRM).

A tripartite agreement was formalised by way of a Memorandum of Understanding (MOU) between SSM, SC and PDRM on 14 March 2005 with the primary purpose of facilitating co-operation in respect of surveillance, investigative and enforcement functions of the authorities relating to issues of corporate governance involving public listed companies.

Pursuant to the tripartite meetings, a total of 65 cases were referred by SC to SSM in respect of breaches under the CA 1965. As at 31 December 2008, a total of 54 cases (83%) were disposed on the direction of the Deputy Public Prosecutor. The remaining 11 cases are still being investigated. The tripartite working relationship also resulted in the joint prosecution of 2 cases with SC and PDRM respectively for offences under section 364(2) CA 1965.

- (ii) National Coordination Committee to Counter Money Laundering (NCC)

SSM is an active member of the NCC. With effect from August 2008, SSM was appointed by NCC to head the Sub-Committee on Non-Profit Organizations. Members of this sub-committee comprise of BNM, Ministry of Domestic Trade and Consumer Affairs, Inland Revenue Board and Registrar of Societies. SSM had cooperated with BNM to produce the Standard Guidelines on Anti-Money Laundering in respect of Company Secretaries and trust companies, which had been distributed to the respective stakeholders.

## (iii) Counter Terrorism Working Group

SSM is a member of the Counter Terrorism Working Group chaired by Wisma Putra. This Working Group monitors the designated list of individuals suspected of being involved with terrorist organizations or assisting their cause. Based on this designated list, SSM will bar suspected individuals from being registered as directors, shareholders and business proprietors of any businesses or companies. SSM also uses the designated list to commence action to wind-up any companies which are being run by suspected individuals related to terrorisms.

(iv) Collaboration with the Ministry of Domestic Trade and Consumer Affairs and the Royal Malaysian Police - 95 cases on illegal direct selling and 11 cases on infringement of copyrights.

(v) Collaboration with Jabatan Kemajuan Islam Malaysia - 90 cases (4 companies were taken action under Section 218(m) & S 218 (n) of CA 1965 in relation to deviant teaching contrary to public interest).

(vi) Collaboration with the Ministry of International Trade and Industries (MITI) - 16 cases in relation to 'Scratch & Win' contests and sale of pirated VCDs.

(vii) Collaboration with Malaysian Communication and Multimedia Commission - 75 companies were investigated and action was taken against 12 companies in relation to web-base businesses.

(viii) Collaboration with the Ministry of Health - 4 cases in relation to illegal/unlicensed medical products.

(ix) Collaboration with Vehicle Licensing Board of Malaysia (LPKP) - 199 companies and 228 businesses in relation to vehicles licensed under the name of companies and businesses.

(x) Collaboration with Malaysian Institute Of Accountant (MIA) - 2099 cases in relation to queries on imbalance financial statement referred and 2 cases in relation to default auditors under Companies Act 1965.

(xi) Collaboration with Jabatan Akauntan Negara (JAN) - 2 audit licences requested to be revoked.

## REGULATORY ACTIONS CARRIED OUT IN 2008

SSM realized that there is an impending need to re-align between the requirements of the law and the prevailing market practice in order to enhance the national corporate governance framework. Upon identifying that adherence to basic corporate governance requirements such as the holding of an annual general meeting (AGM), auditing of company's account and lodgement of annual return (together with audited accounts) which constitute the fundamentals of corporate governance, SSM had issued two Practice Notes in 2008. These requirements imposed by CA 1965 serve as the backbone of corporate governance, in exchange for the privileges of limited liability conferred to the company and the proposition of law that companies are separate legal entities. Contrary to popular belief, failure to adhere to the above requirements (or any of the provisions of the CA 1965 for that matter) does not tantamount to technical offence but breach of fundamental corporate governance principles.

### Practice Note 1 of 2008

In June 2008, Practice Note 1 of 2008 (PN1/2008) was issued to address the inconsistency between the current practice by companies and the requirements of Section 165 of CA 1965 whereby annual returns were lodged with the Registrar without attaching the audited accounts. SSM viewed such practice as not in accordance with the principles

UPHOLDING THE "*BALANCED ENFORCEMENT*" (cont'd)

of good corporate governance. The issuance of PN1/2008 reiterated the legal requirements that submission of annual return must be accompanied by a copy of audited accounts or a certificate relating to exempt private company, as the case may be. This serves to strengthen the reporting and disclosure obligations by companies.

**Practice Note 2 of 2008**

In December 2008, SSM issued Practice Note 2 of 2008 (PN2/2008) to advise its stakeholders on the actions to be taken following a change of the financial year of a company. PN2/2008 sought to address the anomalies of reporting when a company changes its financial year. In some circumstances, the change in the financial year may result in the inability of a company to lay its audited accounts in the annual general meeting (AGM) in a particular calendar year. Such situation necessitate the company to apply for an extension of time under section 143(2) and/or section 169(2) of CA 1965 which may result in an annual general meeting to be held beyond a given calendar year.

PN 2/2008 deems that an AGM convened following an approved application of extension of time resulting in it being held beyond the calendar year to have fulfilled the requirement of section 143(1) of CA 1965 for the calendar year it was supposedly held. Additionally, where there are no audited accounts laid before the AGM due to the operations of the relevant provisions of law, the annual return of the company shall be accepted without the inclusion of a copy of the audited accounts. However, the company must substantiate the lodgement of the annual return with a copy of the approval of extension of time. PN 2/2008 serves to reiterate the legal stance that although a company has the prerogative to decide its financial year, a company intending to change its financial year must strictly adhere to the provisions of sections 143 and 169 of CA 1965.

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» PRUDENT  
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# PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE

As an organization which administers and promotes good corporate governance amongst companies and corporations, the Companies Commission of Malaysia (SSM) has also embedded the qualities of governance in its daily administration. In this regard, the elements of governance practised transcend beyond the notion of transparency and accountability but include prudent organizational management. tance that although a company has the prerogative to decide its financial year, a company intending to change its financial year must strictly adhere to the provisions of sections 143 and 169 of CA 1965.

## THE COMMISSION MEMBERS

The Commission Members oversees the carrying out of SSM's functions stipulated under section 17 of the Companies Commission of Malaysia Act 2001 (CCM Act 2001) and the exercise of its powers under section 18 of the same Act. There are altogether eight (8) Commission Members (including the Chief Executive Officer - CEO) who are appointed by the Minister of Domestic Trade and Consumer Affairs under section 6 of CCM Act 2001.

During the year in review, the Commission Members met on eight occasions (two of them being Special Meetings) to deliberate and put in place long-term strategic plans, monitor the performance of the Key Performance Indicators (KPIs) and determine various issues brought before them. The details of the Commission Members meetings are as follows:

### Details of the Commission Members Meetings for FY2008

<b>Title</b>	<b>43rd Meeting 24/1/08</b>	<b>44th Meeting 17/4/08</b>	<b>45th Meeting 12/6/08</b>	<b>46th Meeting 28/7/08</b>	<b>47th Meeting 16/9/08</b>	<b>Special Meeting No. 1/2008 15/10/08</b>	<b>Special Meeting No. 2/2008 18/11/08</b>	<b>48th Meeting 16/12/08</b>
<b>Present</b>	7 members	7 members	6 members	7 members	7 members	7 members	7 members	7 members
<b>Absent</b>	1 member	1 member	2 members	1 member	1 member	1 member	1 member	1 member



### Committees established

Various committees were established pursuant to section 19 of the CCM Act 2001 to facilitate the administration of certain areas within SSM. They are as follows:

Committees Established	Brief Description
<p><b>Audit Committee</b></p> <ol style="list-style-type: none"> <li>1. Siti Halimah Ismail (Chairperson)</li> <li>2. Datuk Idris Abdullah</li> <li>3. Datuk Idrus Harun</li> </ol>	<p>The duties of the Audit Committee are:</p> <ol style="list-style-type: none"> <li>(a) To assist the Commission in the review of the adequacy and effectiveness of the internal control system.</li> <li>(b) To review the risk management policies and practices of the Commissions to ensure their effectiveness.</li> <li>(c) To review the year-end financial statements, before submission to the Commission, focusing in particular on:                             <ul style="list-style-type: none"> <li>• Compliance with prevailing accounting standards.</li> <li>• Compliance with statutory and regulatory disclosure requirements.</li> <li>• Changes in major accounting policies and practices.</li> <li>• Any significant adjustments arising from the audit.</li> <li>• Significant and unusual events (e.g. material contingent liabilities).</li> </ul> </li> <li>(d) To review the external auditors' management reports and management's responses.</li> <li>(e) To support and provide directions to the Internal Audit Function to ensure its effectiveness.</li> <li>(f) To consider the findings arising from internal audit reports or other internal investigations and responses by management and to determine the appropriate corrective action required of the management.</li> </ol>
<p><b>Investment Committee</b></p> <ol style="list-style-type: none"> <li>1. Zaiton Mohd Hassan (Chairperson)</li> <li>2. Dato' Mohd Zain Mohd Dom</li> <li>3. Datuk Abdul Karim Abdul Jalil</li> <li>4. Zahrah Abd Wahab Fenner</li> </ol>	<p>This committee is responsible for overseeing the investment of SSM funds and formulating general guidelines and procedures with regard to such investments.</p>

## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

Committees Established	Brief Description
<p><b>Procurement Committee B</b></p> <ol style="list-style-type: none"> <li>1. Datuk Abdul Karim Abdul Jalil (Chairperson)</li> <li>2. Zahrah Abd Wahab Fenner</li> <li>3. HjH Rokiah Mhd Noor</li> <li>4. Mohamed Zanyuin Ismail</li> <li>5. Amir Ahmad</li> <li>6. Muhammad Redzuan Abdullah</li> <li>7. Rezy Izwan Ramly</li> </ol>	<p>This committee is responsible to approve the procurement of all works, services and properties below the amount of RM20 million.</p>
<p><b>Employment Committee I</b></p> <ol style="list-style-type: none"> <li>2. Datuk Abdul Karim Abdul Jalil (Chairperson)</li> <li>3. Datuk Idrus Harun</li> <li>4. Hj Abdillah Hj Abdul Hamid</li> </ol>	<p>This committee is responsible for formulating the terms and conditions of employment for all SSM staff and approve all recruitments of new employees.</p>
<p><b>Disciplinary Committee I</b></p> <ol style="list-style-type: none"> <li>1. Dato' Mohd Zin Mohd Dom (Chairperson)</li> <li>2. Hj Abdillah Hj Abdul Hamid</li> <li>3. Datuk Idrus Harun</li> </ol>	<p>This committee is responsible for deliberating and acting on allegations against officers in Group A as identified under the Cabinet Committee Report 1976. This committee possesses the power to impose punishment by way of dismissal and reduction of rank.</p> <p>* NOTE: Group A officers refers to employees in the Management and Professional Group.</p>
<p><b>Disciplinary Committee II</b></p> <ol style="list-style-type: none"> <li>1. Dato' Mohd Zin Mohd Dom (Chairperson)</li> <li>2. Hj Abdillah Hj Abdul Hamid</li> <li>3. Datuk Idrus Harun</li> </ol>	<p>This committee is responsible for deliberating and acting on allegations against officers in the top management group. The committee has jurisdiction to impose all forms of punishment apart from dismissal or demotion.</p>
<p><b>Disciplinary Committee III</b></p> <ol style="list-style-type: none"> <li>1. Datuk Abdul Karim Abdul Jalil (Chairperson)</li> <li>2. Mahani Tan Abdullah</li> <li>3. Datuk Idrus Harun</li> <li>4. Hj Abdillah Hj Abdul Hamid</li> </ol>	<p>This committee is responsible for deliberating and acting on allegations against officers in Group A as identified under the Cabinet Committee Report 1976 (including the Management and Professional Groups). The committee has jurisdiction to impose all forms of punishment apart from dismissal or demotion.</p>
<p><b>Disciplinary Committee IV</b></p> <ol style="list-style-type: none"> <li>1. Datuk Abdul Karim Abdul Jalil (Chairperson)</li> <li>2. Mahani Tan Abdullah</li> <li>3. Ghulam Muhaiddeen Abdul Aziz</li> <li>4. Datuk Idrus Harun</li> <li>5. Hj Abdillah Hj Abdul Hamid</li> </ol>	<p>This committee has the responsibility of deliberating and acting on allegations against officers in Support Group B, C &amp; D as identified under the Cabinet Committee Report 1976 (including the Management and Professional Groups). This committee possesses the power to impose punishment by way of dismissal and reduction of rank.</p>
<p><b>Disciplinary Committee V</b></p> <ol style="list-style-type: none"> <li>1. Zahrah Abd Wahab Fenner (Chairperson)</li> <li>2. Mohd Nasir Noryakin</li> <li>3. Ghulam Muhaiddeen Abdul Aziz</li> <li>4. Datuk Idrus Harun</li> <li>5. Hj Abdillah Hj Abdul Hamid</li> </ol>	<p>This committee has the responsibility of deliberating and acting on charges against officers in Support Group B, C &amp; D as identified under the Cabinet Committee Report 1976 (inclusive of the Management and Professional Groups). The committee has jurisdiction to impose punishment apart from dismissal or demotion.</p>

Committees Established	Brief Description
<p><b>Corporate Law Reform Committee (CLRC)</b></p> <ol style="list-style-type: none"> <li>1. Dato' K.C. Vohrah (Chairperson)</li> <li>2. Datuk Dr. Samad Hj. Alias</li> <li>3. Dato' Loh Siew Cheang</li> <li>4. Dato' Charon Wardini Mokhzani</li> <li>5. Datuk Simon Shim Kong Yip</li> <li>6. Datuk Abdul Karim Abdul Jalil</li> <li>7. Datuk Dr Nik Ramlah Nik Mahmood</li> <li>8. Cheong Kee Foong</li> <li>9. Peter Lee Siew Choong</li> <li>10. Eric Kang Shew Meng</li> <li>11. Lim Tian Huat</li> <li>12. Prof. Khaw Lake Tee</li> <li>13. Philip Koh Tong Ngee</li> <li>14. Selvarany Rasiah</li> <li>15. Prof. Dr. Aishah Bidin</li> <li>16. Balqis Aini binti Mohd Ali</li> <li>17. See Mee Chun</li> <li>18. Rozielawaty binti Ab Ghani</li> </ol>	<p>This committee is responsible for reviewing the legal and regulatory framework of the Companies Act 1965 and making recommendations for the amendments of the Act.</p>

**Advisory Panel for Companies Commission of Malaysia Training Academy**

Committees Established	Brief Description
<p><b>Advisory Panel for Companies Commission of Malaysia Training Academy</b></p> <ol style="list-style-type: none"> <li>1. Wong Wing Seong</li> <li>2. Datuk Dr. Zainal Aznam Mohd Yusof</li> <li>3. Datuk Dr. Abdul Samad Hj. Alias</li> <li>4. Datuk Idris Abdullah</li> <li>5. Tee Geok Hock</li> <li>6. Prof. Dr. Aishah Bidin</li> <li>7. Y.M. Raja Datuk Arshad Raja Tun Uda</li> <li>8. Mohd Arif Md Yusof</li> <li>9. Datuk Abdul Karim Abdul Jalil</li> </ol>	<p>The Panel has been established to monitor the progress and implementation of Comtrac's business plan as well as providing advisory support and views on Comtrac's strategic direction plans, its training programmes and curriculum development.</p>

**PRUDENT ORGANIZATIONAL MANAGEMENT**

**Project management and monitoring**

The Project Management and Monitoring Office (PMO) monitors the progress of projects carried out in SSM towards ensuring the achievement of organizational Key Performance Indicators (KPI's) and Key Performance Targets (KPT's). In this regard, the PMO Policy developed earlier in 2007 was implemented towards achieving the following objectives:

- To enable effective management of resources and due completion of projects within the defined scope, quality, time and cost; and
- To enable timely and comprehensive reporting of status of projects to SSM's Executive Management.

In 2008, a total of 53 projects and strategic initiatives were implemented in SSM. The largest number of projects implemented in SSM in 2008 is in relation to ICT enhancements. The ICT projects made up approximately 48% of the budget allocated for projects in 2008. The ICT projects implemented in 2008 were focused towards the improvements of SSM's core ICT operational activities.

## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

Other projects and strategic initiatives undertaken by SSM were related to the enhancement of quality of human capital development of dynamic corporate laws, development of new products and services, *Balanced Enforcement* initiatives and strategic branding activities. In 2008, the majority of the projects initiated were able to achieve their respective targeted KPI's and KPT's set for the year.

### Risk management

In 2008, the Risk Management Unit (RMU) had further fine tuned the SSM Enterprise Risk Management Policy rolled out in 2007 by reviewing the various identified risks. The review was based on the availability of the official historical data to support the analysis of SSM's identified risks rather than pure reliance on potential occurrence of the identified risks without any support of official data. This project was completed during the third quarter of 2008 with the engagement of the respective Divisions, relevant Sections and State Offices. At the conclusion of this exercise, the risks identified were classified into (2) two categories, namely:

- (a) Category 1 risks:  
The existing identified risks which have the backing of the official historical data to support their existence.
- (b) Category 2 risks:  
Risks which are not substantiated by SSM's official historical data. However, these risks are still recognized to enable the necessary preventive measure to be taken.

The above is in addition to the categorization of risks which SSM acknowledges on the basis of its likelihood of occurrence, consequence and effectiveness of existing measures. With the completion of the review process, the earlier number of 99 identified risks were reduced to 38. The various risk mitigation processes carried out in 2008 had managed to reduce the likelihood of 8 risks which include the following:

No.	Risk profile	Initial status	Improved status
1	Internal and external financial fraud <ul style="list-style-type: none"> <li>• SSM had earlier detected the risk of usage of counterfeit notes by its stakeholders in July and August 2008. The event occurred in SSM's Shah Alam branch. To mitigate this risk, SSM had installed counterfeit note detectors at all SSM offices and branches nationwide. The installation of the detectors has minimized the risk of SSM receiving counterfeit notes.</li> </ul>	<b>L:</b> Likely <b>C:</b> Major <b>Control:</b> ME	<b>L:</b> Unlikely <b>C:</b> Major <b>Control:</b> ME
2	Hardware failure <ul style="list-style-type: none"> <li>• The RMU had found that the failures of ICT hardware were due to extended hours of usage and old equipments being used. Hardware failure has occurred especially at SSM state offices. The risk was mitigated with the procurement and upgrade of SSM ICT equipments nationwide.</li> </ul>	<b>L:</b> Possible <b>C:</b> Major <b>Control:</b> ME	<b>L:</b> Likely <b>C:</b> Major <b>Control:</b> ME
3	Data inaccuracy <ul style="list-style-type: none"> <li>• This risk relates to inaccurate/outdated companies' information stored in SSM's database. Stringent risk mitigating measures were undertaken in 2008 to validate all data and documents lodged with SSM. Simultaneously, updating of data is done more frequently.</li> </ul>	<b>L:</b> Possible <b>C:</b> Major <b>Control:</b> ME	<b>L:</b> Likely <b>C:</b> Major <b>Control:</b> ME

\* Note -  
 L : Likelihood Assessment Rating  
 C : Consequence Assessment Rating  
 Control : HE - Highly Effective  
           ME - Moderately Effective  
           IE - Ineffective

**Formulation of 2008 Strategic Thrusts and Action Plans**

Since 2004, SSM has been formulating its strategies on an annual basis. The annual strategies formulated have enabled the formulation of action plans to accommodate the strategic initiatives and projects to be carried out in a given year. In addition, the annual strategies have also enabled SSM to stay focused and ensure that such projects and strategic initiatives undertaken by each division and section within SSM are relevant and consistent with SSM's Vision. For the purpose of the formulation of 2008 Annual Strategies and Action Plans, SSM has undertaken a more detailed assessment which includes the economic projection for 2008. The formulation of 2008 Strategic Thrusts and Action Plans took into consideration the following parameters:

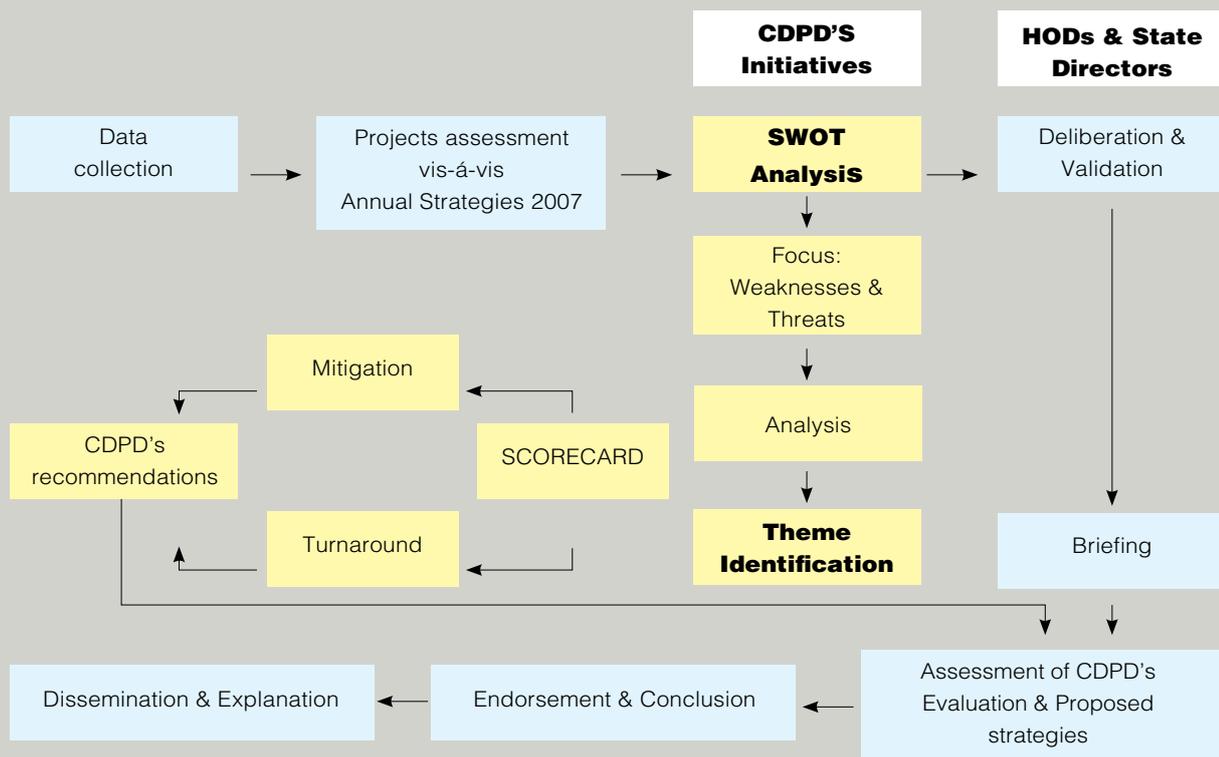
- (i) The 2008 forecast analysis on global, regional and domestic economic and business growth;
- (ii) The 2008 forecast analysis on global and domestic business and social trends;
- (iii) SSM's First Strategic Direction Plan; and
- (iv) The PMO analysis on the projects and strategic initiatives undertaken in 2007.

Based on the above parameters, the formulation of SSM's 2008 Strategic Thrusts and Action Plans comprised the following steps:

- (i) Information gathering comprising of historical and projected data from each Division, Section and State Offices projects and strategic initiatives;
- (ii) Data verification and evaluation;
- (iii) Challenging stage;
- (iv) SWOT analysis and deliberation;
- (v) Identification of themes; and
- (vi) Formulation of the 2008 Strategic Thrusts.

The intricate process involved based on the steps above is depicted in the following diagram:

**2008 STRATEGIC THRUSTS FORMULATION PROCESS**



## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

The 2007 PMO analysis undertaken during the formulation of 2008 Annual Strategies proved to be a valuable tool as it gave an insight to SSM's Executive Management on the areas that would require attention in 2008. The analysis managed to identify that in 2008, the focus should be on ICT, 'Balanced Enforcement' initiatives and human capital development. A snapshot of the PMO's analysis on 2007 success rate is as follows:

**PMO Analysis on Projects and Strategic Initiatives according to Annual Strategies 2007**

<b>2007 Annual Strategy</b>	<b>Marks</b>
<b>Strategy 1:</b> Development of SSM's IT Master Plan to enhance the overall ICT infrastructure in ensuring an efficient delivery system.	70%
<b>Strategy 2:</b> Enhancement of SSM's Balanced Enforcement approach by concurrent pursuit of legal enforcement & creating awareness through continuous education.	83%
<b>Strategy 3:</b> Development and modernization of the corporate regulatory framework towards creating a conducive regulatory environment for the nation	100%
<b>Strategy 4:</b> Increasing SSM's revenue through product and service innovation towards achieving sustainable financial performance	88%
<b>Strategy 5:</b> Improvement of SSM's internal business process for an effective & timely delivery system	100%
<b>Strategy 6:</b> Formulation and implementation of effective human resource policies focusing on human capital development	83%
<b>Strategy 7:</b> Improvement of SSM's corporate branding to reflect an efficient and dynamic organization	91%
<b>Average Pmo Analysis Score</b>	<b>88%</b>

Pursuant to the above, the following themes and deliberations were deduced:

<b>Theme</b>	<b>Subject matter</b>
1. Information and communications technology	<ul style="list-style-type: none"> <li>• Good internal ICT support system is required to facilitate and ensure staff's smooth functions.</li> <li>• Good ICT system is required to ensure efficient public service delivery.</li> <li>• Requirement for software and hardware.</li> <li>• Augmenting human capital capacities and capabilities.</li> </ul>
2. Human capital development	<ul style="list-style-type: none"> <li>• Strategic approach in training towards human capital development.</li> <li>• Enhanced recruitment.</li> <li>• Structured human capital policies.</li> </ul>
3. Business process	<ul style="list-style-type: none"> <li>• Requirements for effective standard operating procedures (SOPs) and enhanced internal work policies.</li> <li>• Continuity of business re-engineering process.</li> <li>• Inter-divisions streamlining.</li> </ul>
4. Corporate legal framework	<ul style="list-style-type: none"> <li>• Enhancement of awareness programs.</li> <li>• Planning and strategizing prior to making amendments/ introducing new laws.</li> <li>• Constant and comprehensive review of the corporate legal framework.</li> </ul>

Theme	Subject matter
5. Financial performance	<ul style="list-style-type: none"> <li>• Enhancement of marketing strategies.</li> <li>• Dynamic products and services.</li> <li>• Product awareness and publicity.</li> <li>• Cost efficiency.</li> <li>• Prudent financial management.</li> <li>• Expenditures.</li> </ul>
6. Enforcement	<ul style="list-style-type: none"> <li>• Enhancement of awareness amongst stakeholders</li> <li>• Enhancement of conventional enforcement methodologies – inspection, surveillance, investigation and prosecution.</li> <li>• Understanding and due implementation of the concept of <i>'Balanced Enforcement'</i></li> </ul>
7. Corporate branding	<ul style="list-style-type: none"> <li>• Holistic corporate re-branding – process, culture, role etc.</li> <li>• Media relationship.</li> </ul>

Pursuant to the themes identified as well as the issues deliberated in relation to such themes, SSM had formulated the following 2008 Strategic Thrusts and Action Plans:

**Strategic Thrust 1: Streamlining ICT operations towards ensuring efficient operational performance**

**Action Plans**

- Undertaking of an organization-centric understudy, strategic planning and effective implementation of ICT projects and activities;
- Enhancement of ICT enabled public delivery system; and
- Enhancement of domestic ICT framework to facilitate and enhance internal operations.

**Benefits**

- Achieving coordination and integration of SSM's ICT initiatives.
- Meeting of stakeholders' expectations.
- Ensure efficiency and facilitates staff functions in the workplace.

**Strategic Thrust 2: Enhancement of SSM's human capital quality through capacity and capability building**

**Action Plans**

- Strategic human capital competency assessment and trainings; and
- Development of a comprehensive succession plan for future organizational requirements.

**Benefits**

- Enhancing of SSM's human capital capabilities, competencies and efficiencies.
- Development of the next generation of capable SSM employees.

**Strategic Thrust 3: Continuous engineering of SSM's internal business processes towards achieving greater efficiency in service delivery**

**Action Plans**

- Strengthening the internal control and counterchecking mechanisms towards achieving efficiency and successful project implementations;
- Innovative work concepts to enhance internal functions and stakeholders delivery obligations; and
- Development, re-assessment and implementation of effective internal work processes, SOPs and manuals.

**Benefits**

- Facilitating the successful implementation of projects and activities.
- Enhancing internal operations and ensures public service delivery.

## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

**Strategic Thrust 4: Development and implementation of dynamic corporate laws towards conducive regulatory environment.****Action Plans**

- Amending the existing laws and introducing new regulatory framework towards achieving a modern and conducive business environment; and
- Assessment of the legal framework of areas of concern or development.

**Benefits**

- Enabling the corporate legal framework to be contemporaneous with the needs and developments both locally and internationally

**Strategic Thrust 5: Maximizing financial growth through prudent financial management, dynamic products, services and marketing strategies.****Action Plans**

- Development of marketing of dynamic products and services; and
- Exercising prudent financial management towards maximizing benefits and eliminating wastage.

**Benefits**

- Achievement of Value Innovation in products and services offered and enhanced financial sustainability.

**Strategic Thrust 6: Facilitating compliance of regulatory requirements through balanced enforcement in ensuring good corporate governance.****Action Plans**

- Effective and efficient traditional enforcement methodologies through surveillance, inspections, investigations and prosecutions; and
- Creating awareness through continuous education.

**Benefits**

- Facilitating the business community with a conducive legal corporate regulatory framework.
- Enhancing Malaysia's international standing as a preferred business destination.

**Strategic Thrust 7: Strengthening corporate stature focusing on effective and aggressive strategic branding.****Action Plans**

- Working towards establishing a noteworthy and prominent physical landmark to match SSM's transformed work culture, improved business process, dynamic laws and balanced enforcement;
- Proactive and effective dissemination of SSM's roles, functions, projects, activities and successes; and
- To undertake active stakeholders' engagements towards explaining the corporate legal framework, policies, and products as well as conveying the message that SSM is ever willing to assist the business community in Malaysia.

**Benefits**

- Enhancing SSM's stature as a respectable and renowned corporate regulator.

### Executive Management meetings

The Executive Management of SSM met 20 times in 2008 to discuss various management and operational issues. The Management Meetings were chaired by the CEO or alternatively, the Deputy Chief Executive Officers. Apart from resolving problems and highlighting various issues, the meetings served as a platform to update the management on the various activities undertaken by the respective components of SSM.

### Quarterly meetings with state directors

During the year under review, a total of (4) four quarterly meetings with SSM state directors were held. The meetings were chaired by the CEO and attended by the Executive Management, state directors and branch managers. The quarterly meetings enabled the congregation of state directors and Executive Management to discuss issues pertaining to state operations. In addition, the matters and activities undertaken during the quarterly meetings include:

- Presentation by state directors on activities carried out by the state offices;
- Analysis on the state performances and achievements (customer service, client's charter, compliance and registration processes) vis-à-vis the targets being set out;
- Discussion and resolution of issues raised by the state offices;
- Formulation of strategies to overcome weaknesses in state operations; and
- Disseminate of new information, development and policies.

### Employees Engagement Council - Majlis Bersama Jabatan (MBJ)

Joint Departmental Council or Majlis Bersama Jabatan (MBJ) is an avenue for the employees and Executive Management to discuss on the welfare of SSM employees, work environment and staff related activities. During the year under review, four meetings were held where many issues such as staff benefits, medical coverage and the overall working environment in SSM were solved. In addition, the rationales for implementing the various policies were also communicated to the representatives of employees. Among the initiatives undertaken by the respective Divisions throughout the year were:

- Compassionate Leave (policy improvement)
- SSM Scholarship Scheme
- Motivational Talks
- Flexible working Hours during the fasting month
- Facilities such as nurseries and cafeteria at the new building
- Sharing of Information with staff prior to press release
- E-Medical Centre of Medical Balance Information

The Council comprises of two groups of employees which represents the Executive Management as well as the employees. Generally in 2008, human resource issues topped the list as a few policies were implemented, such as new salary scheme, performance management understanding, benefits and office work procedures. All in all, the Council managed to respond positively by providing statistical analyses on technical issues as well as ensuring an accurate understanding of the highlighted matters.

## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

### **Committee for the Strengthening of Governance and Management - Jawatankuasa Keutuhan Pengurusan (JKP)**

JKP was established to facilitate the various improvement processes undertaken by SSM. Issues pertaining to integrity, work values and ethics, financial management, business processes and organizational administration were discussed.

The committee consists of the CEO, members of the Executive Management and state directors. During the year in review, the committee held four meetings. Among the decisions achieved were pertaining to the revision of the Registration of Businesses Act 1956, the establishment of e-Lodgement services and other improvements involving the business processes.

### **Procurement Committee B - Jawatankuasa Perolehan B (JPB)**

JPB was established to approve all procurement of works, services and properties below RM20 million. The committee member consists of the Chief Executive Officer as the chairman and six other members. In 2008, the committee held nine meetings to discuss and approve the procurements of the following:

- (i) Tender 1/2008 – to supply, install, test and commission as well as to provide warranty for the ICT infrastructure and facilities for SSM New 31 storey corporate office building at KL Sentral, Kuala Lumpur – structured cabling system (SCS) inclusive of all horizontal communication and control cabling together with its associated works.
- (ii) Tender 2/2008 – Request for Proposal (RFP) for the Consultancy Services related to the formulation of SSM's Strategic Plan 2009-2013.
- (iii) Tender 3/2008 – Maintenance & Support Services for SSM's Corporate Systems, Hardware, Software, Networking Infrastructure and Peripherals, Databases, Operating Systems, Data Centre Facilities, UPS, Air-condition, Fire Suppression System at SSM Head Office and SSM Branches.
- (iv) SSM Quotation No. 3/2008 – Body Shop Services
- (v) SSM Quotation No. 7/2008 – Electronic Record Management System (ERMS)
- (vi) SSM Quotation SSM No. 8/2008 – Loan Management System (LMS)

### **Establishment of the ICT Governance Council**

SSM views ICT as an important enabler towards ensuring the smooth operations of the organization. As such, SSM had established the ICT Governance Council (IGC) in March 2008 to oversee and coordinate all ICT-related activities undertaken by the organization. The mandate given to the IGC is as follows:

- Provide guidance on the application of information technology resources to meet the objectives of SSM's Strategic Directions and business functions;
- Review and participate in the development of SSM's strategic and functional plans regarding information technology;
- Identify technological opportunities and prioritize initiatives and ICT proposals;
- Oversee the development of quality assurance mechanisms and monitor feedback on the quality of ICT services within SSM;
- Review and provide feedback on ICT policies as they are developed or amended.;

- Recommend draft ICT policies to the Executive Management for adoption as SSM ICT policies;
- Review proposed or draft SSM policies that may cast an impact upon the provision of the ICT services;
- Monitor and review the ICT Resource Impact Assessment process to determine its effectiveness in identifying the impact of SSM's initiatives on the ICT services; and
- Monitor to ensure that all significant ICT initiatives are driven to completion within time, budget and scope.

The IGC comprises of 13 members with the DCEO (Operations) serving as Chairman. The members are representatives from ICT Division, Marketing and Business Development Division, Compliance Division, Investigation Division, Registration Services Division, Branch Office and COMTRAC. The committee was assisted by a secretariat which comprised of 4 individuals.

During the year in review, the IGC had proposed for the completion of 33 critical ICT-related projects. The IGC had conducted a feasibility study and took into consideration the shortage of funds and manpower allocated in 2008. Of the 33 projects, 13 projects were completed, 8 were set for implementation in 2009, while 7 projects were delayed and had to be rescheduled. The lists of projects completed in 2008 as well as those which are set for implementation in 2009 are as follows:

No.	Project	Status
1	Company Financial Comparison	Completed
2	Certification of Termination of Business	Completed
3	Company's Charge Information	Completed
4	Company Monitor	Completed
5	Shareholdings of a Person	Completed
6	Ownership of a Business	Completed
7	Dissolution/Winding up of Company	Completed
8	Provide facility for scanning documents – Selangor, Perlis & Negeri Sembilan	Project implementation in 2009
9	e-Lodgement Upgrade	Completed
10	Corporate Sector Equity Data 2007	Project implementation in 2009
11	Rationalising Reports	Completed
12	Tendering of Company Number System	Project KIV
13	Establish call centre	Project implementation in 2009
14	System audit CBS	Project implementation in 2009
15	Disaster Recovery Project	Project implementation in 2009
16	IDAMAN Upgrade	Project implementation in 2009
17	ICT requirements for new building	On-going project until 2010.
18	Data extraction and data warehousing	Project implementation in 2009
19	CBS ROC enhancement	Completed
20	CBS ROB enhancement	Completed
21	Delinquent Directors Registrar (DDR)	Completed
22	Staff loan system	Project implementation in 2009
23	COMTRAC Training Management System	Completed

## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

**Integrity and discipline**

SSM is committed towards ensuring that its personnel perform their duties with the utmost integrity as well as in compliance with rules and regulations set by the Commission. The Integrity and Discipline Unit which was established in 2007 had played an important role in educating and enhancing the level of awareness on the importance of integrity and discipline amongst SSM staff. In 2008, the unit organized various programmes including road shows, seminars and briefings on various integrity and discipline related issues.

The unit also serves as the secretariat to the five disciplinary committees earlier described.

**Issuance of Internal Circulars, Policies and Guidelines**

In 2008, SSM introduced the following circulars, policies and guidelines for its employees:

- (i) **Human Resource Circular SSM No 1 Year 2008**  
This circular was introduced to serve as a guideline for the application of overtime by eligible SSM staff.
- (ii) **Administrative Instruction SSM No 2 Year 2008 - Flexible Working Hours During Ramadhan**  
The circular was introduced to provide guidelines on the implementation of flexible working hours during the fasting month of Ramadhan.
- (iii) **Administrative Instruction SSM No 3 Year 2008 - Compassionate Leave**  
This circular explained the terms and conditions required when applying for compassionate leave.
- (iv) **Administrative Instruction SSM No 4 Year 2008 - Annual Salary Increment**  
This circular standardised the issuance of salary increment for all employees to one common date i.e. 1st January each year.
- (v) **Prohibition Acceptance Gift or Donation from or to SSM Staff**  
This circular was issued to prohibit acceptance or giving of gifts and presents as provided under Section 7(1) of the Statutory Bodies (Discipline and Surcharge) Act 2000.
- (vi) **General Administration Instruction No.1/2008**  
This circular was issued to ensure uniformity and consistency on the keeping of all records and files.
- (vii) **Discipline Manual**  
This manual provides guidelines on the initiation of disciplinary proceedings against SSM staff and is consistent with the Statutory Bodies (Discipline and Surcharge) Act 2000.
- (viii) **Rules on Taking Part in Politics**  
The guideline was issued to prevent SSM employees from taking part in politics without prior approval.
- (ix) **SSM Financial Circular No 2 Year 2004 (Amendment 1 Year 2008)**  
The circular contained guidelines on the usage of mobile phones provided by SSM for official use.

**HUMAN CAPITAL MANAGEMENT**

SSM recognizes that proper management of its human capital is crucial to enable the organization to carry out its functions effectively and efficiently. During the year under review, SSM implemented various programmes with the objective of increasing staff competencies and efficiency.

### Development of competency dictionary

SSM had last year identified core and technical competencies through the development of a comprehensive competency dictionary for all staff at the officer's level. It contains the description of the competency levels expected and required for each designation and job function. The SSM competency dictionary has a multitude of applications. It can be used for recruitment purposes, performance assessment, training needs analysis and promotion exercises.

### Career development

SSM had allocated a significant amount of its budget for staff training purposes in 2008. A total of 138 external, in-house and overseas training courses were attended by 778 SSM staff. Details of the training programs are as follows:

Type of Programmes	Number of Programmes	Total Course Fee (RM)	Attendance				
			Exec Mgt	Senior Mgt	Middle Mgt	Exec	Non-Exec
Overseas	6	37,437	3	3	5	1	-
Public	108	248,066	3	5	32	154	18
In-House	24	839,556	3	10	95	312	133
<b>Total</b>	<b>138</b>	<b>1,125,059</b>	<b>9</b>	<b>18</b>	<b>132</b>	<b>467</b>	<b>151</b>

The training programmes, amongst others, placed emphasis on leading strategic change, strategic media relationship, Islamic financial products, products management, understanding financial information, fraud prevention, marketing management and forensic accounting.

### Employee Relations

SSM had in 2008 introduced the e-Newsletter and further improved the SSM e-Portal. The e-Newsletter and e-Portal disseminate information regarding employee relations activities, employment benefits, internal processes and procedures, circulars, promotions and new recruitment. In addition, they also contain various articles to inspire and motivate SSM staff. In addition, the SSM e-Portal was re-vamped to make it more user-friendly and provide better management of information for the users of such portal. The portal's layouts were changed to enable more features to be included in the future. The server which hosts the portal was also upgraded. This is to ensure that the portal is more reliable and stable.

### INTERNAL AUDIT

SSM's Internal Audit assists the Audit Committee in discharging its duties and responsibilities. The Internal Audit also undertook regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily. The Internal Audit function adopts a risk-based auditing methodology. The activities carried out include the review of the internal control system focusing on effectiveness and efficiency, compliance with rules, guidelines, laws and regulations, reliability and integrity of information as well as the safeguarding of SSM's assets.

## PRUDENT ORGANIZATIONAL MANAGEMENT AND INTERNAL GOVERNANCE (cont'd)

**Highlight of Activities**

During the financial year in review, the Audit Committee convened 6 meetings throughout 2008. The major activities carried out by Internal Audit and the Audit Committee were:

- Review of SSM's audit plan for the financial year end 31 December 2008 to ensure principal risk areas (identified by Enterprise Risk Management) are adequately identified and covered in the plan;
- Evaluated the overall effectiveness of the system of internal controls through the review of the results of work performed by internal auditors and discussions with the Executive Management;
- Review of the corrective actions taken by the Executive Management in addressing and resolving issues raised;
- Review of SSM financial statements prior to the recommendation of the same to the Commission Members for their approval and subsequent submission to Treasury;
- Review of the adequacy of resources and competencies of employees within the Internal Audit;
- Review of the adequacy of the terms of reference of Internal Audit and the Audit Committee; and
- Carried out self-assessment to monitor the Audit Committee's overall effectiveness in meeting their responsibilities.



Corporate  
responsibility

» CORPORATE  
RESPONSIBILITY

responsibility

# CORPORATE RESPONSIBILITY



SSM subscribes to the notion of Corporate Responsibility (CR) and in 2008, had undertaken various CR-related activities for the benefit of the internal staff and external stakeholders through intrinsic and extrinsic activities.

## **Intrinsic activities**

SSM's Corporate Resource Division (CRD) and SSM Club had carried out various CR-centric programmes for the benefits of its employees and its stakeholders. Among the programmes conducted were sports events, charitable drive, religious activities as well as motivational and social activities. The details of such intrinsic activities are as follows:

- (i) A total sum of RM94,309.94 was spent on specialist treatment for 126 SSM staff requiring additional and further treatments of cancer, kidney related diseases, asthma and pediatric specialist cases.
- (ii) A total of 48 applications for unrecorded leave by SSM employees to attend various examinations were approved.
- (iii) The provision of flexi time for Muslim employees during fasting month was fully implemented in 2008. The move has provided Muslim employees much convenience and flexibility in their preparation for breaking fast as well as carrying out the *tarawikh* prayer.
- (iv) A total of 24 employees were rewarded for their children's excellent performance in examinations. A sum of RM150 and RM200 were awarded for excellent performances in UPSR and PMR examinations respectively.
- (v) SSM Sports Day was held on 23 & 24 August 2008 at FRIM, Kepong, Kuala Lumpur. A total of 500 employees participated in the event which aims at establishing rapport and promoting good working relationship among SSM employees.



### Extrinsic activities

The external CR-related activities carried out in 2008 were as follows:

- (i) Participation in Federal Territory Day Parade on 1 February 2008 together with 55 other contingents. SSM team emerged as the third place winner in the parade competition held at the Cheras Football Stadium, Kuala Lumpur.
- (ii) SSM has sent 50 employees to join the "*Perhimpunan Perpaduan Sempena Hari Pekerja 2008*" (Workers Solidarity Gathering) on 3 May 2008 at Putra Stadium, National Sports Complex, Bukit Jalil, Kuala Lumpur.
- (iii) A Golf Tournament with SSM's stakeholders was held on 16 August 2008 at Berjaya Golf Resort, Bukit Jalil, Kuala Lumpur. The tournament aims at promoting understanding and rapport with SSM's stakeholders.
- (iv) SSM has made contribution to 30 orphans from the Baitul Rahmah, Setapak.
- (v) Further, a sum of RM1000 was given to SSM employees or their next of kin for funereal expenses.

### Stakeholders Motivation and Training Programmes by SSM Training Academy (COMTRAC)

COMTRAC had provided free trainings amongst the fresh and unemployed towards encouraging entrepreneurship. A module entitled '*Start Your Own Business: Registration of Business and Incorporation of Companies*' was incorporated into entrepreneurship programmes conducted by various institutions as set out in the table below:

## CORPORATE RESPONSIBILITY (cont'd)

## Module on 'Start Your Own Business: Registration of Business and Incorporation of Companies'

Date	Organizing Institutions	Venue	Participants
11 Jul 2008	Malaysian Entrepreneurship Development Centre (MEDEC)	Port Dickson	29
31 Jul 2008		Kuching	40
28 Aug 2008		Kota Kinabalu	50
16 Oct 2008		Port Dickson	30
3 Nov 2008		Shah Alam	30
6 Nov 2008		Kuala Lumpur	30
26 Nov 2008		Ampang	30
4 Dec 2008		Port Dickson	50
5 Dec 2008		Sg Besar, Sgor	50
12 Jul 2008		SME Bank	Kuala Lumpur
25 Jun 2008	Dept of Agriculture Malaysia	Kuala Lumpur	100
21 Jul 2008	Institut Keusahawanan Negara (INSKEN)	Port Dickson	100
16 Aug 2008	Putrajaya Malay Chamber of Commerce Malaysia	Bangi	100
14 Jun 2008	Dewan Perniagaan Melayu Malaysia	Putrajaya	100
22 Aug 2008	Universiti Utara Malaysia	Sintok, Kedah	100
27 Aug 2008	Institut Tadbiran Awam Negara (INTAN)	Kuala Lumpur	32
29 Aug 2008	Universiti Teknologi MARA (UiTM)	Shah Alam	100
16 Nov 2008	Universiti Putra Malaysia (UPM)	Cameron Highland	75
21 Dec 2008		Serdang	150
8 Oct 2008	Universiti Kebangsaan Malaysia (UKM)	Kuala Lumpur	30
11 Sep 2008	Universiti Kuala Lumpur (UniKL) - British Malaysia Institute (BMI)	Gombak, KL	30
30 Oct 2008		Kuantan	40
5 Dec 2008		Pulau Pangkor	80
5 Dec 2008		Port Dickson	80
18 Dec 2008		Kuching	80
29 Jun 2008	Dewan Bandaraya Kuala Lumpur	Kuala Lumpur	70
<b>Total</b>		<b>26</b>	<b>1,624</b>

COMTRAC and the Registration Services Division had also carried out free e-Services training programs nationwide towards educating members of the public on the usage of SSM's e-Lodgement and e-Info services.

**SSM CR AGENDA 2009**

Moving forward, SSM is planning to launch its CR Agenda by the end of second quarter of 2009. The SSM CR Agenda is a strategic framework which outlines SSM's approach on the subject of corporate responsibility CR. The SSM CR Agenda will be an initiative by SSM to elevate the standard of CR practices and initiatives in the country to a global level.

training



>> COMPANIES COMMISSION  
OF MALAYSIA TRAINING  
ACADEMY <CONTRAC>



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cademy

## COMPANIES COMMISSION OF MALAYSIA TRAINING ACADEMY <COMTRAC>



The Companies Commission of Malaysia Training Academy [COMTRAC] was established on 1 April 2007. COMTRAC's vision is to be the premier business and corporate learning centre. COMTRAC consists of four (4) major departments:

- **Corporate Development**
- **Staff Development**
- **Centre for International Programmes**
- **Administration and Resource Centre.**

These departments are supported by four schools to plan, develop and conduct training programmes in the related area of specialization. They are:

- **the School of Civil Litigation, Prosecution and Investigation**
- **the School of Staff Development**
- **the School of Business and Corporate Law and**
- **the School of Corporate Finance.**

Apart from providing training to enhance SSM's employees competencies, COMTRAC believes that through education, it will instill good corporate governance practices among the corporate and business community.

### **COMTRAC'S ADVISORY PANEL**

The Commission Members have appointed eight advisory panel members under Section 19 of the Companies Commission of Malaysia Act 2001 to undertake the following terms of reference:

- (i) Advising the Academy on the formulation of strategic direction and curriculum development;
- (ii) Monitoring the activities and progress of the Academy;
- (iii) Sharing their experiences with the Academy; and
- (iv) Advising or assisting the Academy in forming its external or international programmes or collaborations.



Members of the Advisory Panel comprise of:

**Mr. Wong Wing Seong**

Chairman

Head of Advisory of BDO Binder Malaysia and specialises in Corporate Finance and Restructuring

**Datuk Dr. Zainal  
Aznam Mohd Yusof**

A Member of the Economic Council and a Distinguished Fellow of the Institute of Strategic and International Studies, (ISIS) Malaysia

**Datuk Dr. Abdul  
Samad Hj. Alias**

Board member of Lembaga Tabung Haji, Perbadanan Kemajuan Iktisad Negeri Kelantan, Malaysian Communications and Multimedia Commission, Felda Holdings Bhd. and is the Chairman of Malaysian Venture Capital Management Bhd, Malaysia Debt Ventures Bhd as well as Bank Pembangunan Malaysia Berhad

**Datuk Idris Abdullah**

Senior partner of Idris & Co. Advocates, an advisor to several companies in Sarawak, which are engaged in building and construction and motor trading, as well as recreational clubs, and educational institution sectors

**Mr. Tee Geok Hock**

A solicitor, founder and Managing Partner of law firm GH Tee & Co, a fellow Chartered Institute of Arbitrators (U.K.) and the Panel of the Kuala Lumpur Regional Centre for Arbitration and of *Pertubuhan Arkitek Malaysia*

**Prof. Dr. Aishah Bidin**

(Effective 17 September 2008)

A Professor of Corporate and Insolvency Law at the Faculty of Law, Universiti Kebangsaan Malaysia (UKM). Currently heads as a research team researching on Corporate Social Responsibilities (CSR) of SMEs companies in Malaysia

## COMPANIES COMMISSION OF MALAYSIA TRAINING ACADEMY (COMTRAC) (cont'd)

<b>Y.M. Raja Arshad</b> (Until 17 September 2008)	<b>Encik Mohd Arif bin Md Yusof</b> (Until 17 September 2008)	<b>Datuk Abdul Karim Abdul Jalil</b> (Ex-Officio)
A fellow of the Institute of Chartered Accountants in England and Wales and member of the Malaysian Institute of Accountants. The former Executive Chairman and Senior Partner of Pricewaterhouse Coopers (PWC) Malaysia	An Advocate and Solicitor (High Court of Malaya) and a partner at Cheang and Ariff. Currently the Judicial Commissioner at Appellate & Special Powers Division at High Court, Kuala Lumpur	CEO of the Companies Commission of Malaysia, 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

The Advisory Panel Members met (3) three times last year on 21 February 2008, 21 May 2008 and 29 August 2008 to discuss on the various activities undertaken by COMTRAC.

### CORPORATE DEVELOPMENT

With the *'Balanced Enforcement'* approach, SSM believes that education complements the effectiveness of enforcement initiatives undertaken. Training modules on regulatory developments, compliance, principles of corporate governance, accountability and best boardroom practices have been encapsulated in the training programmes to educate stakeholders towards ensuring voluntary compliance.

In 2008, COMTRAC continued to offer the one-day Corporate Directors Training Programme (CDTP) and the Licensed Secretaries Training Programmes (LSTP) (Levels 1-3). The main objectives of these two programmes were to create awareness amongst SSM's stakeholders in particular, the understanding company law and corporate governance. Effective 1 April 2008, SSM terminated all external training providers who were previously engaged to conduct the CDTP on behalf of SSM. All CDTP programmes are now fully conducted by COMTRAC.

Year 2008 also saw the launch of the *'Directors' Series'* and *'Company Secretarial Series'* which aimed at catering for the training needs of directors and company secretaries. In the same year, COMTRAC successfully conducted a total of 20 in-house training programmes. These in-house programmes were customized to meet the training needs of the stakeholders. The participants to COMTRAC's programmes also comprised of Government departments/agencies and commercial organizations.

In its continuing effort to foster stronger ties with professional bodies and in the spirit of co-operation to mutually benefit both parties and serve the interest of the accountancy profession, COMTRAC entered into two Memorandums of Understanding with the Malaysian Institute of Accountants (MIA) and the the Association of Chartered Certified Accountants (ACCA). COMTRAC also collaborated with the Malaysian Institute of Chartered Secretaries (MAICSA) and The Institute of Internal Auditors Malaysia (IIAM) to organize a total of three training programmes. During the year, SSM supported three conferences organized by professional bodies i.e. *'The MAICSA Annual Conference – Corporate and Regulatory Updates 2008'*, *'The ACCA SME Conference 2008 – The Next Battleground'* and *'Company Secretaries Conference 2008 by MICG'*. A series of 18 briefing sessions on 'SSM e-Lodgement' were conducted in collaboration with professional bodies from the month of February to October 2008 to provide better understanding on the features, process and usage of the SSM e-Lodgement service.

### PERFORMANCE ACHIEVEMENTS FOR 2008

In 2008, a total of 109 training programmes were organized for external stakeholders and attended by **4,049** participants. In addition, COMTRAC participated actively in providing free training to educate, and create awareness amongst the newly graduated students, unemployed graduates of higher learning institutions and would be

entrepreneurs to encourage them to venture into business. Modules such as 'Start Your Own Business: Registration of Business and Incorporation of Companies' seminar were incorporated into the entrepreneurship programmes conducted by the relevant institutions. In total, COMTRAC sent its representatives to speak on this subject at 26 events, attended by 1,624 participants. These events were organized by the Malaysian Entrepreneurship Development Centre (MEDEC), SME Bank, Department of Agriculture Malaysia, Institut Keusahawanan Negara (INSKEN), Putrajaya Malay Chamber of Commerce Malaysia, Dewan Perniagaan Melayu Malaysia, Universiti Teknologi Mara (UiTM), Universiti Kuala Lumpur (Uni KL) - British Malaysia Institute, Universiti Kebangsaan Malaysia (UKM), Universiti Putra Malaysia (UPM) and Dewan Bandaraya Kuala Lumpur. COMTRAC was also invited to speak at events organized by Maktab Polis DiRaja Malaysia, Suruhanjaya Koperasi Malaysia, Institut Latihan Kehakiman Dan Perundangan (ILKAP) and Malaysian Institute of Corporate Governance (MICG).

### **Corporate Directors Training Programme (CDTP)**

The CDTP was updated and enhanced following the enactment of the Companies (Amendment) Act 2007 which introduced new responsibilities and liabilities upon directors. The programme contents were developed and constantly enhanced to cover the core duties and responsibilities of directors, power and authority, good boardroom practices, corporate governance and business management skills. It is imperative that every company directors undergo this training programme to equip themselves with the required knowledge. The (1) one day CDTP programme comprises of the following modules:

#### **MODULE 1 : The Roles and Responsibilities of the Company Directors**

*To provide essential knowledge on the understanding and acceptance of roles and responsibilities of a director.*

#### **MODULE 2 : The Law and Practices for Company Meetings**

*To provide knowledge on the rights and limitations of directors in respect of proper conduct of board and general meetings.*

#### **MODULE 3 : The Common Offences Committed by Company Directors Under The Companies Act 1965**

*To provide an understanding of corporate laws and regulations and common offences committed by directors and their penalties.*

#### **MODULE 4 : Understanding and Application of Good Corporate Governance**

*To instil upon the directors moral and ethical obligations to ensure good corporate governance.*

Year 2008 saw the introduction of 'Two-Day Corporate Directors Training Programme' in Kuala Lumpur. In addition to the earlier (4) four modules previously described, (3) three new modules were incorporated in this two-day programme:

#### **Module 5 : What Directors Need to Know About Corporate Taxation**

*To provide understanding of taxation of companies and SMEs, directors' responsibilities in respect of tax payments and employees as well as maintenance of documents, records, and accounts.*

#### **Module 6 : What Directors Need to Know About Labour Legislations**

*To provide a basic overview on the understanding of human resource management, the relevant labour laws in Malaysia and the obligations of directors.*

#### **Module 7 : What Directors Need to Know about Analyzing and Interpreting the Financial Statements**

*To impart knowledge on basic interpretation and management skills through the use of financial tools.*

## COMPANIES COMMISSION OF MALAYSIA TRAINING ACADEMY (COMTRAC) (cont'd)

The details of the CDTP programmes conducted throughout 2008 are as follows:

**One-Day Corporate Directors Training Programme (CDTP) in 2008**

Date	Venue	Number of Programme	Number of Participants
3 Jan 2008	Kuala Terengganu	1	60
9 Jan 2008	Kuching	1	41
28 Jan 2008	Petaling Jaya	4	289
16 Feb 2008	SSM KL	1	30
23 Feb 2008	Petaling Jaya	1	171
15 Mar 2008	Kota Kinabalu	1	40
18 Mar 2008	SSM KL	1	27
8 Apr 2008	SSM KL	1	45
22 April 2008	Seberang Jaya	1	15
14 May 2008	Labuan	1	35
21 May 2008	SSM KL	1	45
17 Jun 2008	SSM KL	1	20
29 July 2008	SSM KL	1	35
19 Aug 2008	Johor Bahru	1	13
25 Aug 2008	SSM KL	1	12
9 Sep 2008	SSM KL	1	7
20 Oct 2008	SSM KL	1	18
11 Nov 2008	SSM KL	1	20
4 Dec 2008	Kota Kinabalu	1	21
15 Dec 2008	SSM KL	1	18
<b>Total</b>		<b>23</b>	<b>962</b>

**Two-Day Corporate Directors Training Programme (CDTP) in 2008**

Date	Venue	Number of Programme	Number of Participants
23 - 24 Sept 2008	SSM KL	1	9
24 - 25 Nov 2008	SSM KL	1	24
<b>Total</b>		<b>2</b>	<b>33</b>

COMTRAC had customized (7) seven sessions of CDTP with wide ranging modules for the purpose of in-house training of various organizations:

**In-House Corporate Directors Training Programme (CDTP) in 2008**

Date	Organization	Venue	Number of Programme	Number of Participants
7 May 2008	Rubber Industry Smallholders Development Authority (RISDA)	Ampang, Selangor	1	28
26 Jun 2008	Kemuncak Group of Companies	Subang Jaya, Selangor	1	25
16 Oct 2008	Yayasan Sabah	Kota Kinabalu	1	33

Date	Organization	Venue	Number of Programme	Number of Participants
5 - 6 Nov 2008	Institut Pengurusan dan Integriti Negeri Kedah (INSPIN)	Alor Setar, Kedah	1	28
30 Nov - 2 Dec	Perbadanan Kemajuan Negeri Kedah (PKNK)	Sungai Petani	1	80
13 Dec 2008	Astronautic Technology (M) Sdn Bhd	Langkawi	1	25
22 - 23 Dec 2008	Kementerian Kemajuan Luar Bandar & Wilayah (KKLW)	Kajang	1	19
<b>Total</b>			<b>7</b>	<b>238</b>

### LICENSED SECRETARIES TRAINING PROGRAMME

The Licensed Secretaries Training Programme (LSTP) is a programme especially designed by COMTRAC with the objective to instill pertinent knowledge in aspects of secretarial practices. A total of 51 LSTP (Levels 1 to 3) were conducted in 2008 attended by 1,612 participants. Feedback from past participants revealed that these programmes were practical and the knowledge gained can be implemented in their daily employment. The course also gave in-depth insight into the role and responsibilities of a company secretary and many participants found this to be a good refresher course on Companies Act 1965.

#### Licensed Secretaries Training Programme (LSTP) in 2008 (Comprising Level 1 to 3)

Date	Venue	Number of Participants
29 - 31 Jan 2008	SSM KL	142
26 - 28 Feb 2008	SSM KL	94
25 - 27 Mar 2008	SSM KL	98
15 - 17 Apr 2008	SSM KL	101
22 - 24 Apr 2008	Johor Bahru	109
6 - 8 May 2008	Seberang Jaya, Penang	103
27 - 29 May 2008	SSM KL	69
10 - 12 Jun 2008	SSM KL	54
24 - 26 Jun 2008	Kuala Terengganu	61
8 - 10 Jul 2008	SSM KL	69
22 - 24 Jul 2008	Kuching, Sarawak	79
26 - 28 Aug 2008	SSM KL	118
16 - 18 Sep 2008	SSM KL	53
28 - 30 Oct 2008	SSM KL	96
18 - 20 Nov 2008	SSM KL	122
25 - 27 Nov 2008	Kota Kinabalu, Sabah	122
15 - 17 Dec 2008	SSM KL	122
<b>Total</b>		<b>1,612</b>

### CUSTOMIZED IN-HOUSE TRAINING PROGRAMMES

The 'Companies (Amendment) Act 2007' seminar continued to receive requests as in-house programme for organizations in 2008. A total of **13 programmes** which were customized based on this syllabus and also Company Secretarial modules, were conducted for the following organizations and attended by **694 participants**.

## COMPANIES COMMISSION OF MALAYSIA TRAINING ACADEMY (COMTRAC) (cont'd)

## Customized In-house Training Programmes for 2008

Date	Organization	Topic	No of Participants
22 Jan 2008	Federation of Malaysian Manufacturers (FMM)	Latest Updates of CA 1965	20
26 Jan 2008	International Institute of Accountants (IIA)	Latest Updates of CA 1965	30
17 Mar 2008	Syarikat Perumahan Negara Berhad	Latest Updates of CA 1965	25
17 Mar 2008	Construction Industry Development Board Malaysia (CIDB)	Latest Updates of CA 1965	29
17 Mar 2008	Ministry of Finance (MOF)	Duties & responsibilities of Company Directors & Common Offences By Company Directors	250
28 Mar 2008	Road Transport Department	Latest Updates of CA 1965	60
3-4 Apr 2008	Ministry of Finance	Pemahaman Pematuhan Akta Syarikat 1965 & Akta Perniagaan 1956	45
17 Apr 2008	UMW Holdings Berhad	Latest Updates of CA 1965	53
29 Apr 2008	Ministry of Domestic Trade and Consumer Affairs	Latest Updates of CA 1965 & The Implication on Directors' Duties and Responsibilities	40
3 June 2008	Petronas	Latest Changes in the CA 1965 Affecting Duties & Responsibilities of Directors (This is a sub session)	69
11 June 2008	Malaysia Smelting Berhad	Latest Updates of CA 1965	10
20-21 Aug 2008	Petronas	Workshop on 'Introduction to Company Secretarial Practice'	33
21 Oct 2008	Ministry of Higher Education	Role and responsibilities of Directors and Company Secretaries & Understanding Statutory Forms and Annual Returns	30
<b>Total</b>			<b>694</b>

## PUBLIC PROGRAMMES

## Directors Series

This series offered topics such as '*Analyzing and Interpreting Financial Statements*', '*Corporate Taxation*' and '*Labour Legislations*'. These programmes aim to equip directors with the necessary skills to navigate through financial reports confidently and successfully, understand basic tax principles and procedures following the introduction of Self Assessment and the understanding of directors' obligations in relation to relevant labour laws in Malaysia.

## Directors Series Training Programmes for 2008

Date	Programme	Venue	Participants
31 Jul 2008	Analyzing and Interpreting Financial Statements	SSM KL	13
22 Sep 2008			14
18 Aug 2008			9
10 Nov 2008	Corporate Taxation		17
8 Sep 2008	Labour Legislations		10
1 Dec 2008			8
<b>Total</b>			<b>71</b>

### Company Secretarial Series

COMTRAC embarked on commencing secretarial practices courses which aimed to further enhanced knowledge, skills and competencies of company secretaries. The topics introduced were *'The Law and Practical Guide on Transactions by Directors'*, *'Year End Regulatory and Compliance Matters- AGM, Audited Accounts & Annual Returns'*, *'What Directors and Company Secretaries Need to Understand About Shares & Related Issues'* and *'Insights on Voluntary Winding-Up, Striking-Off Application and Its Procedures'*.

The details of the programmes conducted are as follows:

### Company Secretarial Series Training Programmes

Date	Programme	Venue	Participants
4 Sep 2008	The Law & Practical Guide on Transaction by Directors	SSM KL	17
4 Nov 2008	AGM Audited Accounts & Annual Returns		68
13 Nov 2008	Winding Up & Striking-Off		67
3 Dec 2008	Shares and Related Issues		39
<b>Total</b>			<b>191</b>

### COLLABORATIONS WITH PROFESSIONAL BODIES

In 2008, COMTRAC had collaborated with the Institute of Internal Auditors Malaysia (IIAM) and the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) in conducting the following training programmes:

### Collaboration Programmes with Professional Bodies in 2008

Date	Programme	Venue	Participants
4 Aug 2008	SSM-IIAM on 'Implementing an effective system of internal control for SMEs and public companies'	Kuala Lumpur	85
28 Nov 2008	SSM-MAICSA on 'Transaction by Directors and Implications of S131 to S135, CA 1965	Penang	70
11 Dec 2008	SSM-MAICSA on 'Transaction by Directors and Implications of S131 to S135, CA 1965	Kuala Lumpur	93
<b>Total</b>			<b>248</b>

### SSM STAFF DEVELOPMENT

Throughout 2008, COMTRAC had conducted a total of 55 internal training programmes which were attended by **1,631** SSM's staff. The programmes comprised of the newly introduced Knowledge Enhancement For Employee Programmes (KEEP) and other technical competency training programmes consisting of programmes ranging from areas pertaining to enforcement, investigation, legislative drafting, ICT, specific areas of company law, the English language and business writing skills, on-the-job training (SOPs and work manual familiarization for various Divisions), train the trainers (TOT), call centre awareness programmes, annual budgeting and planning, financial accounting and contract management.

## COMPANIES COMMISSION OF MALAYSIA TRAINING ACADEMY (COMTRAC) (cont'd)

**Knowledge Enhancement for Employee Programme (KEEP)**

KEEP was introduced in July 2008 with the objective to instill pertinent knowledge to all SSM staff on subjects such as company law, all aspects of Companies Act 1965, ROBA 1956 other related legislations, understanding of Malaysian Legal System, Constitutional Law, the ROC and ROB operations processes, basic, Intermediate and advanced financial accounting as well on matters pertaining to all administrative and financial circulars.

A total of 22 modules have been developed by SSM internal experts consisting of executives from various divisions. The lists of the modules developed for KEEP were LEVEL 1 and 2 as follows:

- 1 SSM Act 2001 & Malaysian Legal System & Constitutional Law
- 2 Registration of Businesses Act 1956
- 3 Company Law and the Companies Act 1965
- 4 ROC Process & Procedures
- 5 ROB Process & Procedures
- 6 Interest Scheme Process & Procedures
- 7 Insolvency Process & Procedures
- 8 Corporate Admin Process & Procedures
- 9 SSM Policies on HR
- 10 SSM Policies on Admin
- 11 SSM Policies on Finance

KEEP utilizes internal resources in developing the modules so as to nurture SSM internal experts as well as speakers and also to identify, develop and maintain pool of trainers and experts.

**KEEP Financial Accounting Modules**

Due to overwhelming feedback from the employees that there is need for COMTRAC to develop structured training programmes for Financial Accounting, three new modules under the KEEP programme were introduced. The new modules are as follows:

- Basic Financial Accounting;
- Intermediate Financial Accounting; and
- Advanced Financial Accounting.

The basic, intermediate and advanced modules were developed and successfully implemented in October 2008 and will run for a duration of 8 weeks.

KEEP has received encouraging response from SSM's employees and this can be gleaned from the attendance, whereby as at December 2008, a total of 1,011 employees have attended various modules of the KEEP compared to 625 employees as targeted by the Staff Development Section.

**Other technical competencies training programmes**

Apart from KEEP, COMTRAC in collaboration with the Corporate Resources Division (CRD) had also developed various modules to ensure a high level of technical competency amongst SSM staff. In 2008, 30 technical competencies programmes were conducted involving 620 SSM staff nationwide. The training modules developed include:

- (i) Effective Business Writing Skill for Manager

- (ii) Writing Quality Official Letters & Memos
- (iii) English (Basic and Advanced Writing Skills)
- (iv) Call Center Development Programme
- (v) Legislative Drafting Training Programme
- (vi) Corporate Annual Budget Planning & Preparation
- (vii) Interest Scheme Process & Procedures
- (viii) Investigating Officers' Workshop

### TRAINING EFFECTIVENESS AND TRAINING GAPS ANALYSIS

In July 2008, the Corporate Resources Division (CRD) had developed a Technical Competency Directory with descriptions of technical skills required by an employee relevant to their job function. Each technical skill has been categorized from Levels 1 to 5. Subsequent to CRD's initiative, COMTRAC has adopted the Kirkpatrick's Training Evaluation Model. Based on this model, COMTRAC has embarked on an initiative to formulate and implement the Training Gaps Analysis Forms (TGAF) to assist in identifying internal staffs' technical competency gaps and training requirement needs. The TGAF compiles a technical competency directory for each staff together with training records of the respective staff for their supervisors' assessment on the existing gap as well as to ascertain the effectiveness of the training programmes attended by the staff. This is also done to identify the relevant future training or development programmes necessary to close the gaps or shortcomings that have been identified. The TGAF enables Supervisors to effectively measure the skill performance of an employee in identifying the technical competency gaps and to propose relevant development activity for improvement.

The TGAF form consists of (5) five main components namely:

No.	Details
1	<b>Personal Information</b> This section contains the employee's personal details such as name, grade, etc.
2	<b>Training Programmes Attended From January - December 2008</b> This section contains the training programmes that an employee has attended during the year.
3	<b>Technical Competency Assessment</b> In this section, the supervisor will be required to fill up the Proposed Development Activities (that includes training or other development activities e.g. attachment with other organizations) and Comment Column based on the technical competency assessment conducted by CRD.
4	<b>English Communication Competencies</b> This section is the newly introduced competency assessment on employees' proficiency level in the English language. Supervisors will be required to fill up the Required Level, Assessed, Proposed Development Activities and Comment Columns for two types of English Communication Competencies (speaking and writing skills).
5	<b>Appraiser Information</b> The supervisor who makes the assessment is required to fill up their details. The data obtained from this analysis will form the basis for Training & Development Programme to be conducted by COMTRAC and those external training/development programmes to be selected by CRD for attendance of specific employees for the related year. This method will ensure the training plan be structured based on the organizations and employees requirement.

The development of the TGAF was successfully completed in 31 December 2008.

## COMPANIES COMMISSION OF MALAYSIA TRAINING ACADEMY (COMTRAC) (cont'd)

### SSM'S RESOURCE CENTRE

In 2008, SSM's Resource Centre (RC) had focused on the development of collections to further increase the number of books and materials available at the RC and expanding the RC services to provide research facilities as well as encourage reading habits. A sum RM555,388.56 (against the budgetary allocation of RM573,600.00) was invested to procure books, materials, e-Libraries subscriptions and other service expenses.

#### Collection development

In 2008, a total of 1,489 new reading materials were procured, making the total number of RC's collection to 3,354. They comprise of various subjects such as company and corporation law, commercial and business related law, the Malaysian legal system, Administrative and Constitutional law, training materials, Human resource materials, accounting and finance, IT, motivation, executive skills, politics, annual reports, etc. They are categorized into three types of materials which are Reference, General and Special Collections.

#### RC Awareness Services

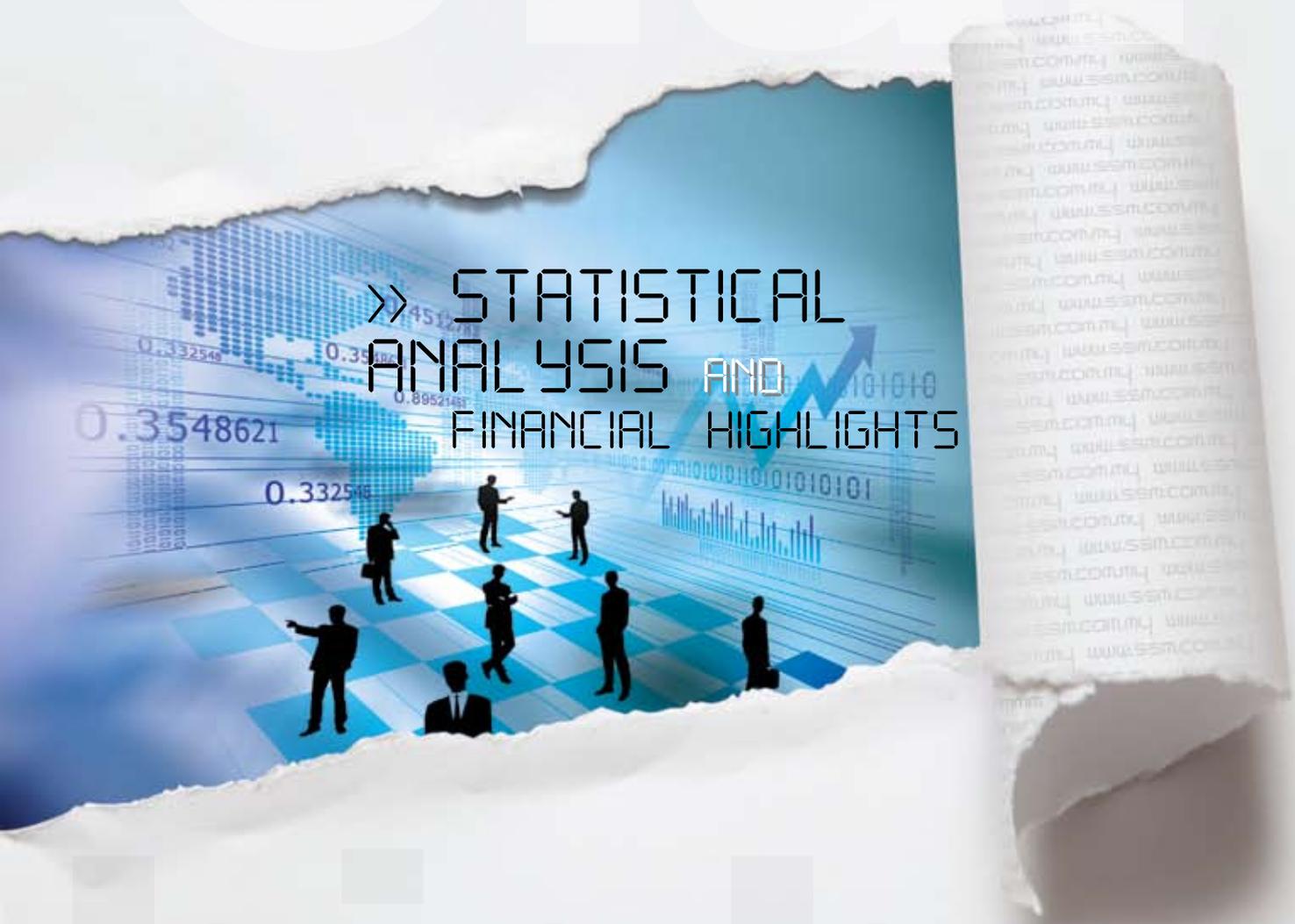
To create staff awareness, the highlights and summary on the new titles purchased had been distributed and advertised in the SSM e-portal.

#### RC Open Day

The RC had organized a Library Open Day on 22 August 2008 with the objective to inculcate reading habit and learning culture amongst SSM staff. In addition, the event also informed SSM staff on the services and materials available at the RC. The Open Day featured activities such as book exhibition, V-Lib and online system demo, and LexisNexis legal research briefing session.

# financial

## » STATISTICAL ANALYSIS AND FINANCIAL HIGHLIGHTS

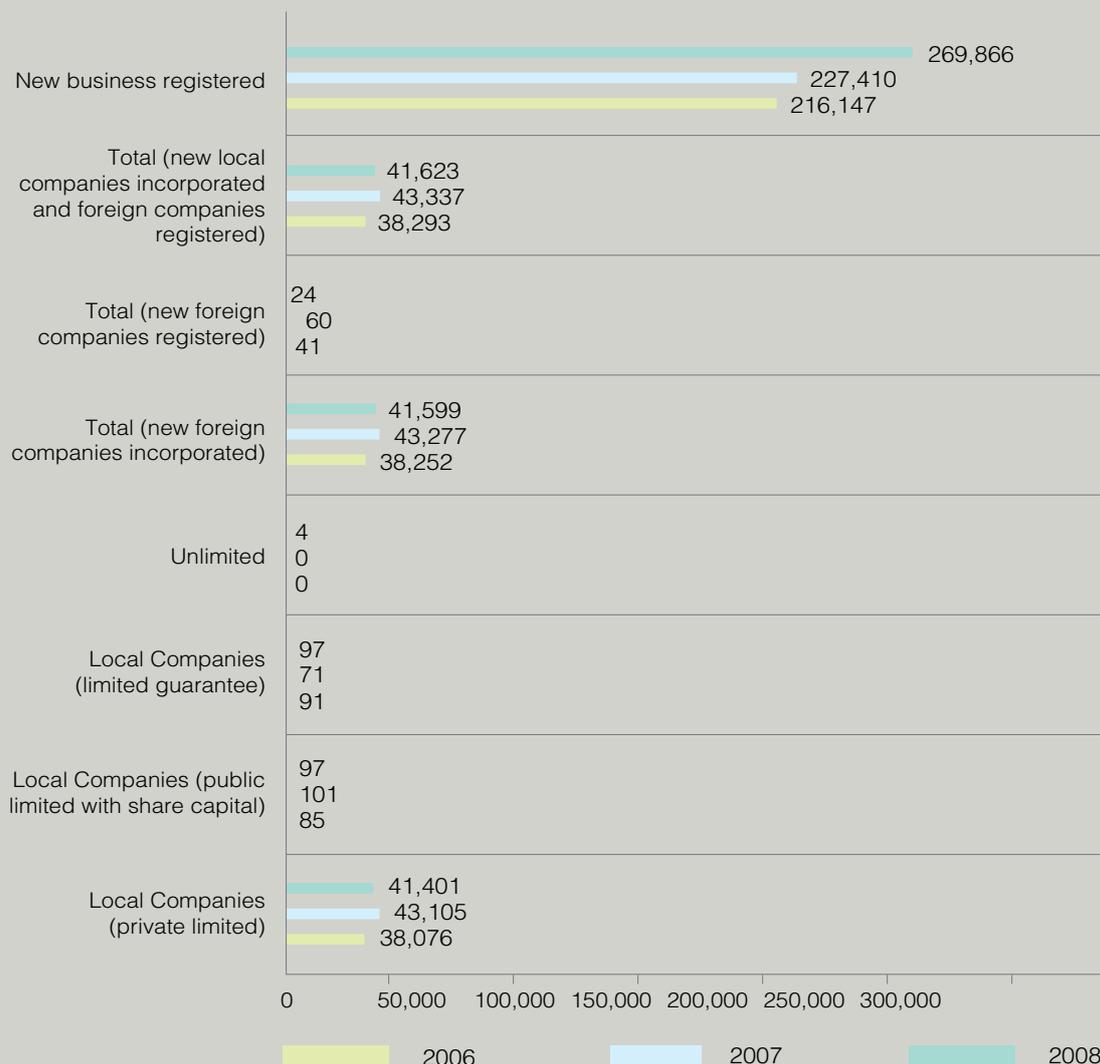


# highlights

STATISTICAL ANALYSIS AND FINANCIAL HIGHLIGHTS (cont'd)

**INCORPORATIONS OF NEW COMPANIES AND REGISTRATION OF NEW BUSINESSES**

**Incorporation/Registration of New Companies & Businesses**



In 2008, the incorporation of new local companies had declined by 3.9% compared with the previous year. The slight drop was recorded in the second half of 2008 in tandem with the contraction in economic growth due to deterioration in the global economic and international financial environment. In the first half of 2008, new registration of companies rose by 4.9% year-on-year when the economy grew by 6.7%. However, it declined by 12.3% in the second half when the second quarter economic growth was recorded at 2.4%.

The registration of new businesses (i.e. sole proprietorships and partnerships) witnessed a double digit growth of 18.7 % compared to 2007. SSM's robust outreach programs in the form of Business Registration Mobile Counters, Circuit Counters and the e-Lodgement had contributed positively towards the significant rise of the number of new registrations achieved last year.



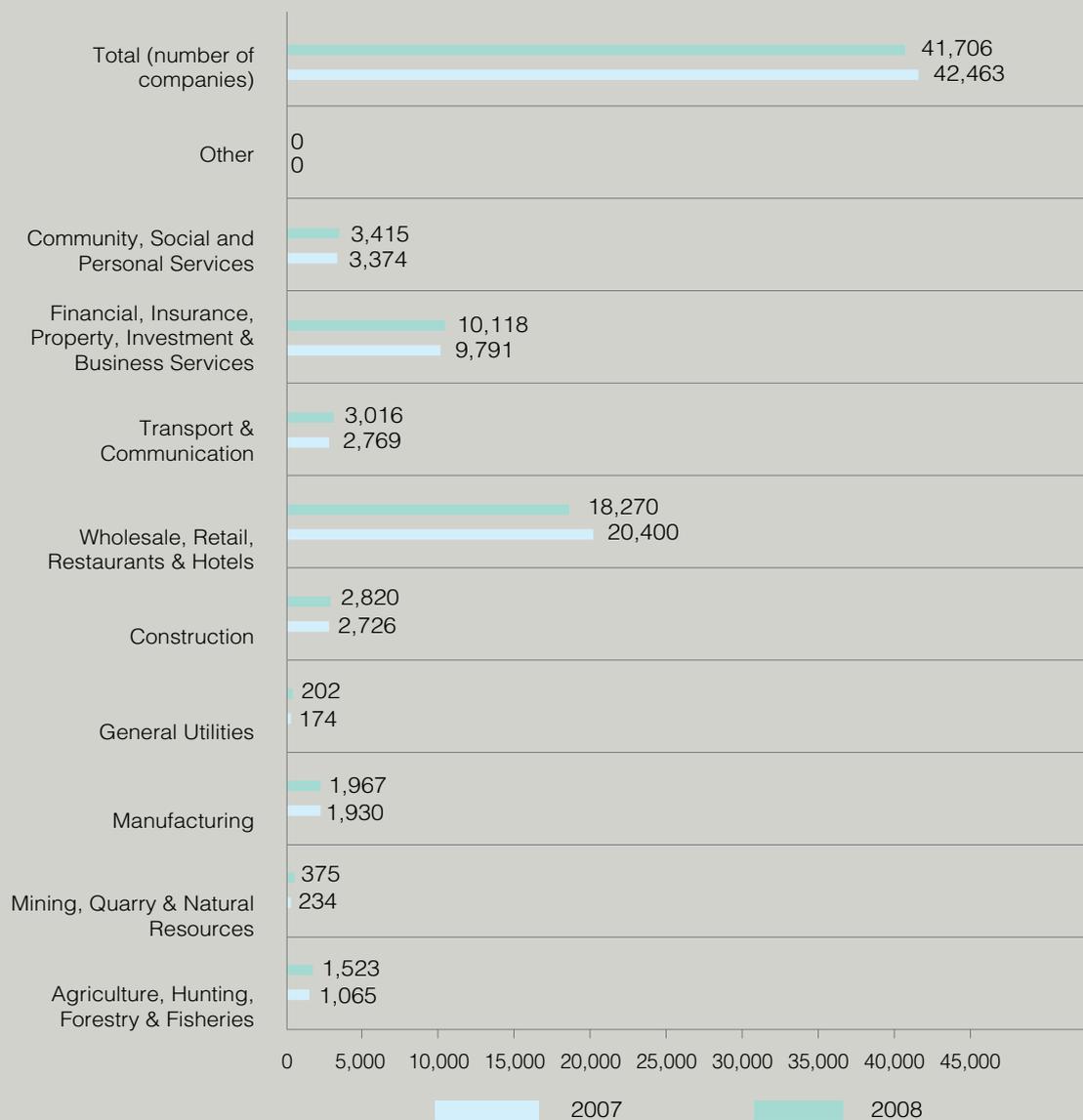
The total number of companies registered at 31 December 2008 was 841,205 compared with 799,582 a year ago, which constituted a growth of 5.2%. The total number of new businesses registered at 31 December 2008 was 3,768,129, representing an increase of 7.4% from 3,508,263 in the previous year. Despite the challenging global economic environment during the second half of 2008, the growth rate of total companies and businesses registered with SSM exceeded 5%.

Between 2000 and 2006, SSM registered an average of 35,000 new companies annually. However, in 2007 and 2008, an average of 41,000 new incorporations per year was recorded.

STATISTICAL ANALYSIS AND FINANCIAL HIGHLIGHTS (cont'd)

SECTORAL ANALYSIS

Companies Registered According to Category of Business



In 2008, companies registered in the wholesale, retail, restaurant and hotel sector constituted the highest number (43.8%), followed by financial, insurance, property, investment and business services sector (24.3%)

The distributable trade sector as well as the financial services sector continued to be the key contributors towards the growth of the nation's economy and employment. They were supported by robust domestic demand, particularly sustained by private consumption due to expansion in hypermarkets, increased tourist arrivals pursuant to the extension of Visit Malaysia campaign and launching of Malaysian Mega sales events. In addition, strong public spending as well as new growth areas in financial and business services also contributed to the growth in these two sectors.

**WINDING UPS AND STRIKING-OFF OF DORMANT COMPANIES**

Year	2006	2007	2008
Companies wound up	955	1,276	1,450
Companies struck off (S.308)	7,804	13,668	26,542

The number of companies liquidated in 2008 rose 14% year-on-year after a significant 34% increase in companies wound up in 2007. In view of the challenging economic conditions in the year ahead, more are expected to be wound up in 2009 as many companies are taking steps to liquidate unprofitable businesses in an effort to restructure and rationalise their operations in order to enhance efficiency and competitiveness so as to enable them to be well prepared to meet domestic and global demand when the economy recovers.

Last year witnessed a significant increase of 94% in numbers of companies struck-off under section 308 of the Companies Act 1965. This increase was pursuant to the introduction of a moratorium period by SSM in 2006-2007 and the issuance of guideline in 2007 for application to strike-off from the register. The process to strike-off a company takes a minimum of 6-8 months from the receipt of application. During the 3 months moratorium period, over 30,000 directors had applied for their companies to be struck-off. The overwhelming response showed that the directors had long been burdened with the costs of maintaining the inactive companies and the moratorium period provided an excellent opportunity for them to get rid off such companies so that they could concentrate on their more viable businesses.

Apart from applications received for the striking-off of dormant companies, SSM also took a proactive action by initiating the striking-off process on 129,574 companies which were believed to be defunct. Apart from relieving the directors of the costs of maintaining dormant companies, the move has resulted in a better reflected measurement of compliance rate as only active companies are now in the register of SSM.

**TERMINATION OF BUSINESSES**

**Termination of Businesses**

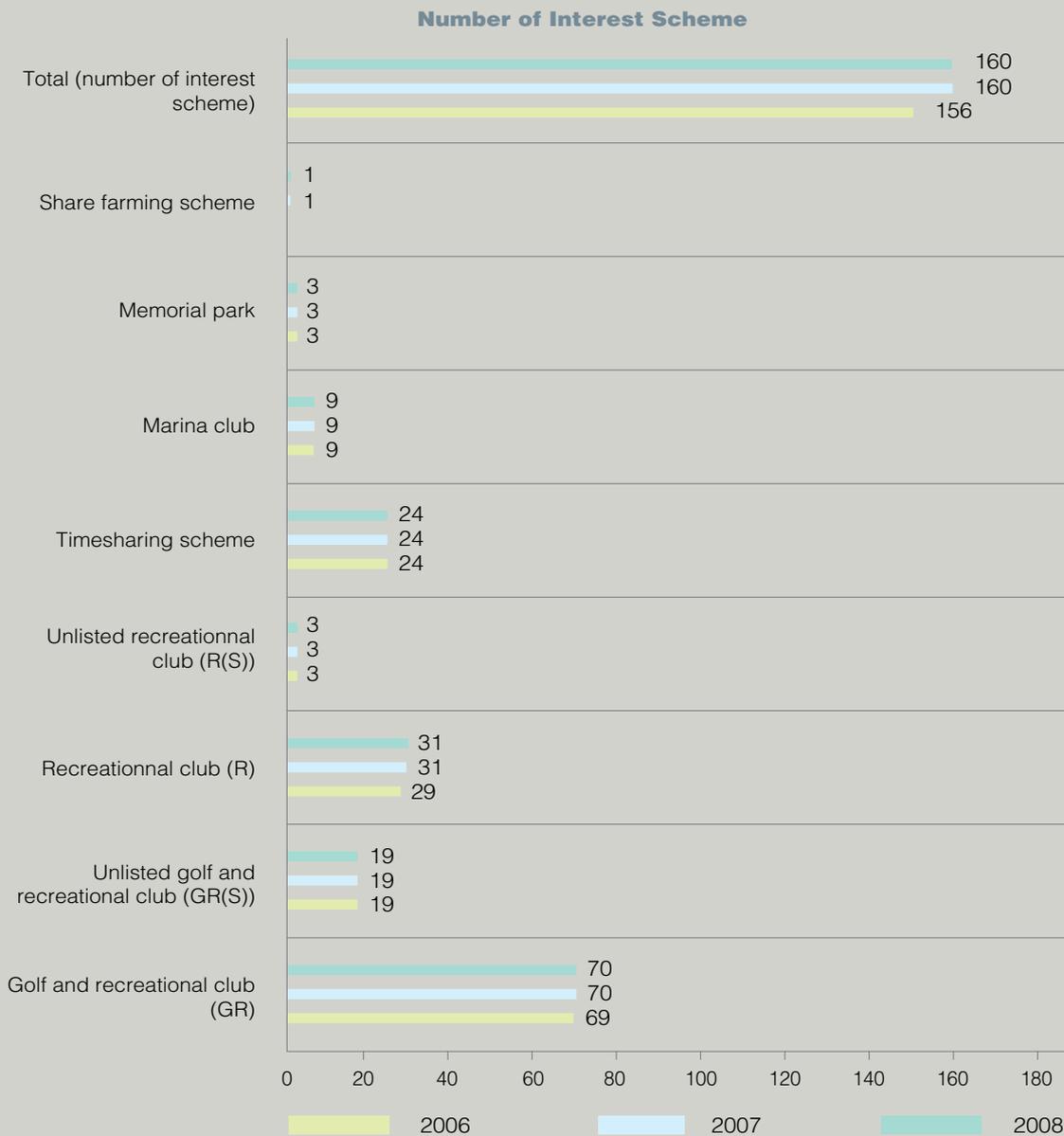


## STATISTICAL ANALYSIS AND FINANCIAL HIGHLIGHTS (cont'd)

There were fewer businesses terminated in 2008 compared to 2007. During the year in review, the total number of businesses being was 18,885, down by 7.6% from 20,431 in 2007. The reduction indicates the sustainability of the business of the petty trades as well as small businesses due to robust domestic demand during the year.

### INTEREST SCHEMES

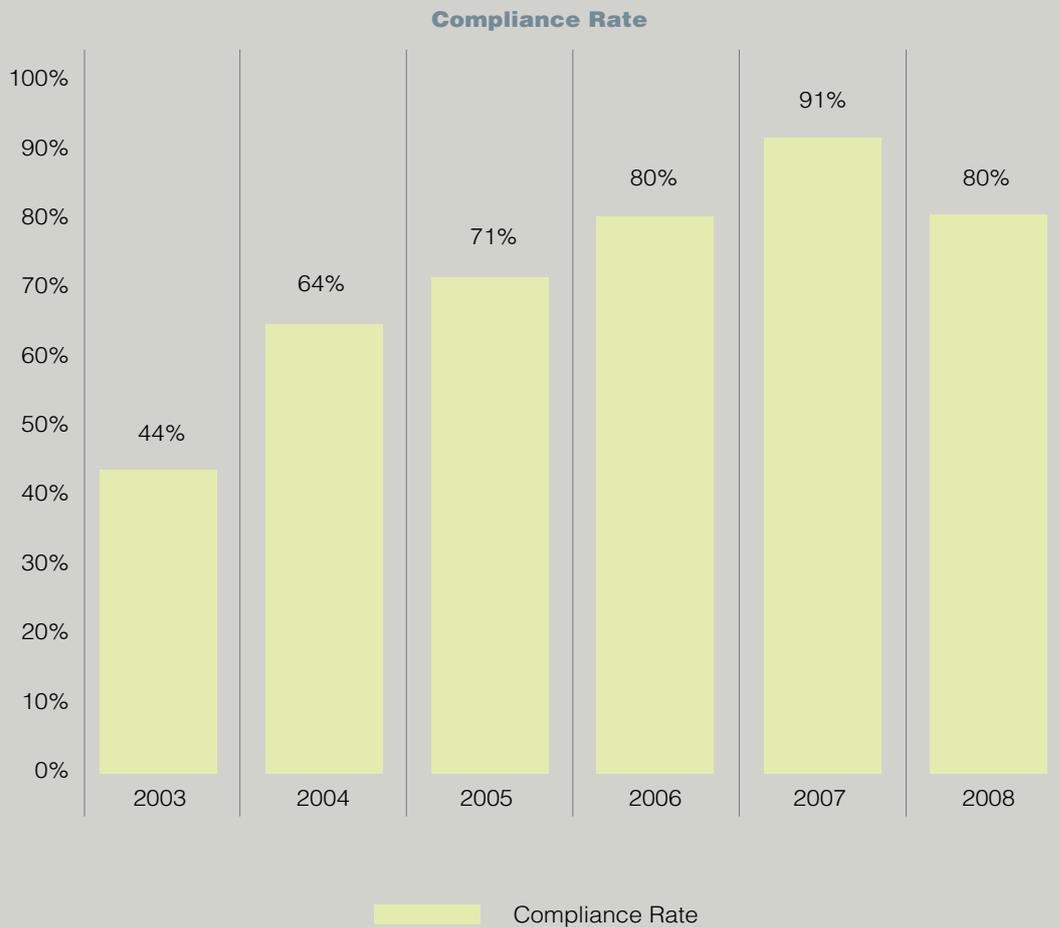
Type of Interest Scheme		2006	2007	2008
Golf & Recreational Club	GR	69	70	70
	GR(S)	19	19	19
Recreational Club	R	29	31	31
	R(S)	3	3	3
Marina		9	9	9
Memorial Park		3	3	3
Timesharing Scheme		24	24	24
Share farming Scheme		1	1	1
<b>Total</b>		156	160	160



As at 31 December 2008, there were 160 interest schemes registered with SSM, confined to six activities, namely the golf and recreational club, recreational clubs, time-share, marina clubs, sharefarming scheme and memorial park. Of the total, 77% comprised golf and recreational clubs, while 15% were timesharing schemes. The potential for interest scheme industry is basically untapped as seen from the low number of companies involved in such interest scheme business. This is due to the lack of awareness of the immense business and investment potentials of the interest scheme industry to both big and small investors.

In the next and coming years, the registration of interest schemes is expected to rise significantly as SSM would aggressively promote the interest scheme business module nationwide through the distribution of brochures, road shows, seminars, media engagement and the introduction of new policy guidelines for new schemes. The success of the interest industry will provide further impetus for the nation's prosperity and economic growth.

**The 2008 Compliance Rate**



In 2008, SSM went a step further in tightening the submission requirement through the issuance of Practice Note 1 of 2008 (PN1/2008) which required the submission of annual return together with the company's audited account. In doing so, SSM is emphasizing on the quality of submission and reiterating the compliance to basic corporate governance requirements, namely:

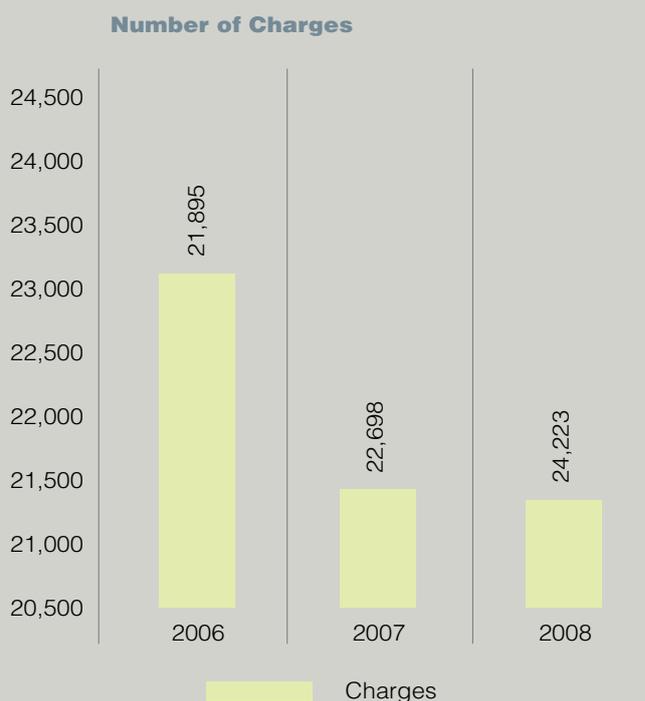
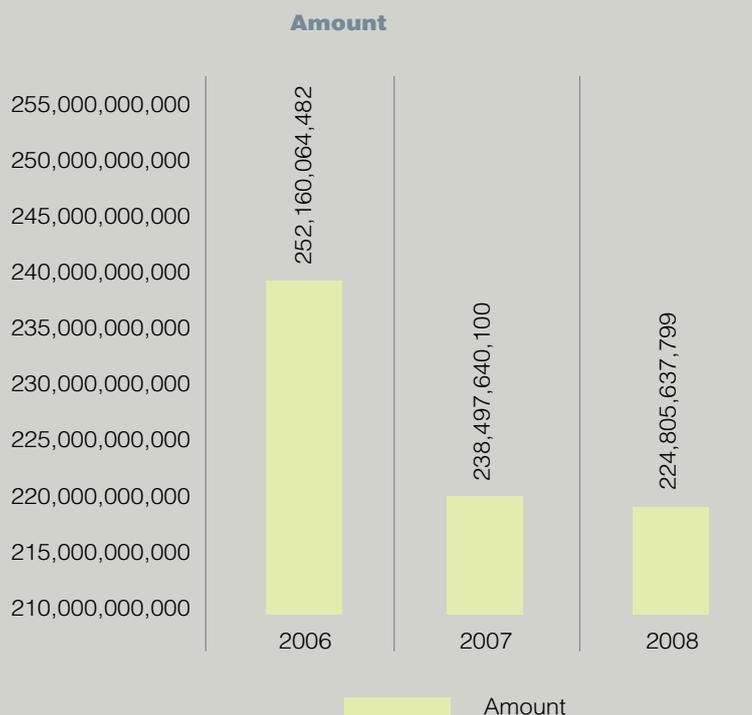
- the auditing of the accounts of companies;
- the convening of AGM and the tabling of such audited accounts during the AGM; and
- the lodgement of annual return after the holding of AGM attaching together the company's audited accounts.

## STATISTICAL ANALYSIS AND FINANCIAL HIGHLIGHTS (cont'd)

Such move is also consistent with the objective of enhancing companies' transparency and accountability for the benefits of shareholders, investors and members of the public.

The issuance of PN1/2008 had resulted in the drop of SSM's compliance rate by 11% to 80%. However, the percentage of the quality of submission of annual return (which now comes together with the audited accounts) of a company has increased by 11% since 2007 (79% in 2007 and 75% in 2006). The reduction of SSM's compliance rate experienced in 2008 was anticipated and constituted the effect of an adjustment for the corporate community to subscribe to a higher level of corporate governance. The lodgement of annual returns together with audited accounts will also enable SSM to provide useful financial data on companies, hence significantly enhancing the quality of data supplied to the public.

### Charges in 2008



The total value of charges created from 2006 to 2008 declined by 10.8% despite an increase of 11% in the number of charges being created over the same period. This is attributed to the fact that more loan were provided by banks and financial institutions to small and medium enterprises (SME) to finance their business operations rather than large loan granted to conglomerate and multinationals for financing of big projects and ventures. This also shows that banks and financial institutions, which constitutes the largest provider of financing for the nation's economy, are more incline to provide small loans to reduce credit risk, especially in the face of current economic uncertainties caused by the external environment.

The registration of charges is expected to rise next year in tandem with the increase in financing for SME in view of the various initiatives by the Government to encourage the issue of loan to small enterprises and industries. These include the implementation of the a guarantee scheme for small businesses by the Credit Guarantee Corporation under the charge of Bank Negara, which will guarantee 80% of the loans approved to SME to improve productivity and competitiveness.

**Supply of information**

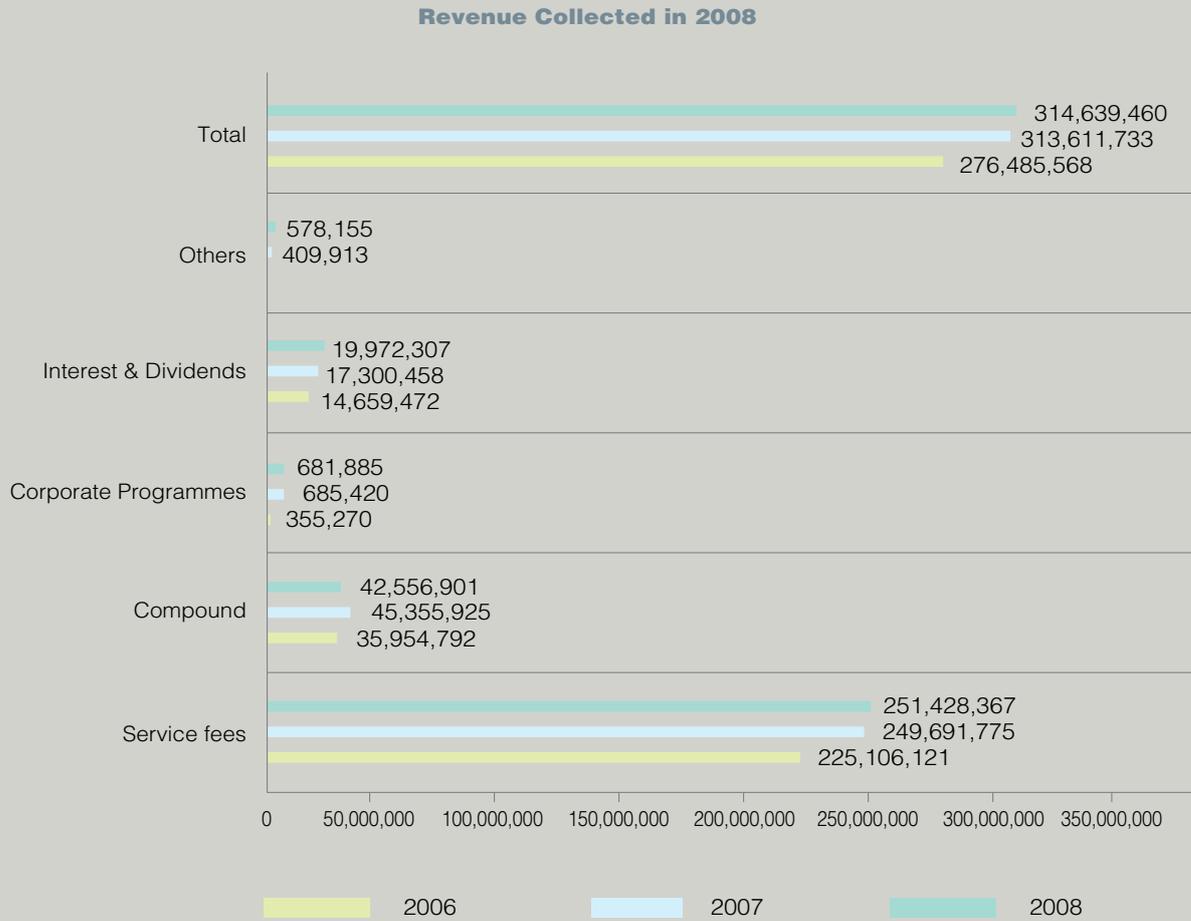
**Revenue from Supply of Business and Corporate Information (RM)**



Revenue from the supply of corporate and business information declined slightly by 2.6% year-on-year after a marked increase of 12.8% in 2007. This shows that SSM continues to be relied upon by the business and corporate sectors to provide useful and timely information for making of informed decisions. The high compliance rate for the annual returns as well as the timely lodgement of other statutory documents due to the effective enforcement of the Companies Act 1965 and Registration of Businesses Act 1956 has enabled SSM to provide timely and reliable information to the public.

STATISTICAL ANALYSIS AND FINANCIAL HIGHLIGHTS (cont'd)

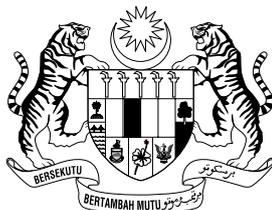
SSM TOTAL REVENUE IN 2008



Despite the global economic slowdown taking effect during the second half of the year, SSM's total revenue increased by RM1.028 million or 0.3% compared to the previous year. Service income accounted for 80.2% of the total revenue, followed by compound (13.5%), and followed by interest & dividends (6.3%). Income from services recorded a marginally increases of 0.7%, whilst investment recorded a significant increase 15.4 per cent. The revenue from compound declined marginally by 6.2%

>> FINANCIAL  
STATEMENTS





CERTIFICATE OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE  
COMPANIES COMMISSION OF MALAYSIA  
FOR THE YEAR ENDED 31 DECEMBER 2008

The financial statements of Companies Commission of Malaysia for the year ended 31 December 2008 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.

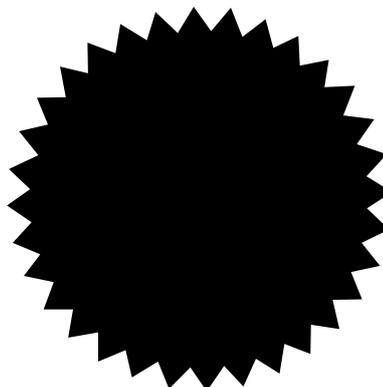
2. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing. Those standards require an audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes examining 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 2008 and of the results of its operations and its cash flow for the year ended based on the approved accounting standards.

**(HJH. ZAINUN BINTI TAIB)**

b.p. KETUA AUDIT NEGARA  
MALAYSIA

PUTRAJAYA  
26 MAC 2009



STATEMENT BY CHAIRMAN AND A MEMBER  
OF THE COMPANIES COMMISSION OF MALAYSIA

We, **DATO' MOHD ZAIN BIN MOHD DOM** and **DATUK ABDUL KARIM BIN ABDUL JALIL**, being the Chairman and a member of the **COMPANIES COMMISSION OF MALAYSIA**, do hereby state that in the opinion of the Members of the Commission, the Financial Statements consisting of Balance Sheet, Income Statement, Statement of Changes in Equity and Cash Flow Statement together with the notes to the Financial Statements, are drawn up so as to give a true and fair view of the state of affairs of the **COMPANIES COMMISSION OF MALAYSIA** as at 31 December 2008 and of the results of its operations and of its cash flows for the year ended on that date.

On behalf of the Commission,

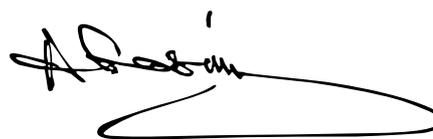
On behalf of the Commission,



**DATO' MOHD ZAIN BIN MOHD DOM**

Chairman

Dated : 26 Mar 2009  
Kuala Lumpur



**DATUK ABDUL KARIM BIN ABDUL JALIL**

Member of the Commission

Dated : 26 Mar 2009  
Kuala Lumpur

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 **COMPANIES COMMISSION OF MALAYSIA** do solemnly and sincerely declare that the Balance Sheet, Income Statement, Statement of Changes in Equity and Cash Flow Statement together with the notes to the Financial Statements 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 the above named at Kuala  
Lumpur in the Federal Territory on  
28 January 2009



Before me,



COMMISSIONER FOR OATHS

ZULKIFLY B. ABDULLAH KMN, BCK.  
PESURUHJAYA SUMPAH  
(COMMISSIONER FOR OATHS)  
LOT 3.59, TINGKAT 3, THE MALL.  
100, JALAN PUTRA,  
50350 KUALA LUMPUR.

BALANCE SHEET  
AS AT 31 DECEMBER 2008

	Note	2008 RM	2007 RM
<b>Non Current Assets</b>			
Property, fittings and equipment	3	13,886,953	25,103,783
Long term investments	4	60,399,936	30,009,974
Work in progress	5	103,514,827	57,688,816
Staff financing	6	16,148,485	11,300,646
		193,950,201	124,103,219
<b>Current Assets</b>			
Trade debtors	7	446,076	18,572
Other debtors, deposits and prepayments	8	7,374,612	7,075,499
Staff financing	6	1,405,108	1,147,422
Short term investments	9	99,992,249	112,755,510
Cash and cash equivalents	10	297,701,815	290,166,141
		406,919,860	411,163,144
<b>TOTAL ASSETS</b>		<b>600,870,061</b>	<b>535,266,363</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital grants	11	57,813,241	46,992,895
Retained earnings		318,267,225	268,768,844
Staff financing funds	12	56,000,000	56,000,000
		432,080,466	371,761,739
<b>Non Current Liabilities</b>			
Provision for employee benefits	13	687,400	791,003
		687,400	791,003
<b>Current Liabilities</b>			
Federal Consolidated Fund	14	157,441,274	156,797,992
Other creditors	15	5,347,482	4,830,884
Short term project creditors	16	5,313,439	1,084,745
		168,102,195	162,713,621
<b>Total Liabilities</b>		168,789,595	163,504,624
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>600,870,061</b>	<b>535,266,363</b>

Notes on pages 165 to 181 form an integral part of these financial statements.

INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008

	<b>Note</b>	<b>2008</b> <b>RM</b>	<b>2007</b> <b>RM</b>
Income	17	314,882,550	313,595,984
Federal Consolidated Fund	14	(157,441,275)	(156,797,992)
		157,441,275	156,797,992
<b>Operating Expenses</b>			
Staff costs	18	(61,616,943)	(55,483,826)
Administration costs	19	(35,826,568)	(34,618,012)
Depreciation	3	(13,018,989)	(14,446,164)
Amortisation of vested benefits and long term investments		2,519,606	410,516
Surplus before taxation	20	49,498,381	52,660,506
Taxation	21	-	6,396,000
<b>Surplus after taxation</b>		<b>49,498,381</b>	<b>59,056,506</b>

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008

	← Capital Grants →				
	Government Grant RM	Vested Benefits RM	Accumulated Surplus RM	Staff Financing Funds RM	Total RM
Balance as at 1 January 2007	43,600,000	3,811,837	209,712,338	56,000,000	313,124,175
<u>Net gains not recognised in the income statement</u>					
Amortisation of vested benefits	-	(418,942)	-	-	(418,942)
	-	(418,942)	-	-	(418,942)
Surplus after taxation	-	-	59,056,506	-	59,056,506
Balance as at 31 December 2007 / 1 January 2008	43,600,000	3,392,895	268,768,844	56,000,000	371,761,739
<u>Net gains not recognised in income statement</u>					
Amortization of vested benefits	-	(2,554,644)	-	-	(2,554,644)
	-	(2,554,644)	-	-	(2,554,644)
Development grant	13,374,990	-	-	-	13,374,990
Surplus after taxation	-	-	49,498,381	-	49,498,381
<b>Balance as at 31 December 2008</b>	<b>56,974,990</b>	<b>838,251</b>	<b>318,267,225</b>	<b>56,000,000</b>	<b>432,080,466</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
<b><u>Operating activities</u></b>		
Surplus before taxation	49,498,381	52,660,506
Adjustments for:		
Depreciation	13,018,989	14,446,164
Amortisation of vested benefits	(2,554,644)	(418,942)
Amortisation on long term investments	35,038	8,425
Profit from disposal of property, fittings and equipment	(8,588)	(151,919)
Profit and dividend from investment	(19,396,389)	(17,310,149)
<b>Operating profit before changes in working capital</b>	<b>40,592,787</b>	<b>49,234,085</b>
(Increase)/Decrease in trade debtors	(427,504)	123,403
Increase in other debtors, deposits and prepayments	(299,113)	(211,731)
Increase in Federal Consolidated Fund	643,283	18,555,208
Increase/(Decrease) in other creditors	461,097	(974,797)
Increase/(Decrease) in work in progress creditors	4,228,693	(228,111)
Decrease in provision for employee benefits	(48,101)	(213,291)
<b>Net cash generated from operating activities</b>	<b>45,151,142</b>	<b>66,284,766</b>
<b><u>Cash flow from investing activities</u></b>		
Acquisition of property, fittings and equipment	(1,807,858)	(13,837,336)
Proceeds from disposal of property, fittings and equipment	14,286	174,628
Work in progress	(45,826,011)	(36,172,479)
Placements in short term investments	12,763,261	(49,271,169)
Placements in long term investments	(30,425,000)	(4,996,300)
Profit and dividend received	19,396,389	17,310,149
Staff financing	(6,623,927)	(3,276,632)
Repayment received from staff financing	1,518,402	916,346
<b>Net cash from/(used for) investing activities</b>	<b>(50,990,458)</b>	<b>(89,152,793)</b>
<b><u>Cash flows from financing activities</u></b>		
Development grant	13,374,990	-
<b>Net cash generated from financing activities</b>	<b>13,374,990</b>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>7,535,674</b>	<b>(22,868,027)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>290,166,141</b>	<b>313,034,168</b>
<b>Cash and cash equivalents at end of year</b>	<b>297,701,815</b>	<b>290,166,141</b>

Notes on pages 165 to 181 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

### 1. PRINCIPAL ACTIVITIES

The Companies Commission of Malaysia (Commission) is a statutory body established under the Companies Commission of Malaysia Act 2001 (Act 614). The principal activities of the Commission are regulation of corporations, companies and businesses under the Companies Act 1965, Registration of Business Act 1956, Trust Companies Act 1949, Kootu Funds (Prohibition) Act 1971 and any subsidiary legislation made under the above Acts.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Commission to all previous years presented in these financial statements, unless otherwise stated.

#### (a) Basis of Preparation

The financial statements of the Commission have been prepared in accordance with the Malaysian Accounting Standards Board (MASB) approved accounting standards in Malaysia for private entities (Private Entities Reporting Standards).

The financial statements of the Commission have been prepared using the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these judgements, estimates and assumptions are based on the management's best knowledge of current events and actions, actual results may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

#### (b) 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 recognized in the balance sheet upon the vesting date.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Property, Fittings and Equipment

Property, fittings and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the assets.

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

Property, fittings and equipment are depreciated on the straight-line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives. The annual depreciation rates used are summarized as follows:

Building	2%
Motor Vehicles	20%
Furniture and Fittings	20%
Computer and Peripherals	20%-33 <sup>1</sup> / <sub>3</sub> %
Office Equipment	20%
Renovation	20%

Depreciation on property, fittings and equipment under construction commences when the above are delivered and ready for their intended use.

Residual values and useful lives of property, fittings and equipment are reviewed, and adjusted if appropriate, at the reporting date.

At each reporting date, the Commission assesses whether there is any indication of impairment. If such indicator exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(d) on impairment of assets.

Gains or losses arising from disposal of property, fittings and equipment is the difference between the net disposal proceeds and the carrying amounts of the property, fittings and equipment, and is disclosed in the income statement.

#### (d) Impairment of Assets

The carrying amount of property, fittings and equipment are reviewed to determine whether there are any indications of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is recognized immediately as expenditure in the income statement.

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

**(d) Impairment of Assets (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 have been determined (net of amortization and depreciation) if no impairment loss had been recognized. All reversals are recognized immediately in the income statement.

**(e) Long Term Investments**

Long term investments are stated at cost and held to maturity. Provisions for diminution in value are made if permanent diminution exists.

**(f) Work In Progress**

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

**(g) Staff Financing**

Staff financing are stated at cost less any allowance for bad and doubtful debts.

**(h) Trade Debtors**

Trade debtors are stated at invoiced amount less allowance for doubtful debts. The allowance is made when there is evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables.

**(i) Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short terms and highly liquid investments with original maturity period of three months or less.

**(j) Government Grants**

Government grants are recognized at their fair value when there is a reasonable assurance that the grants will be received and the Commission will comply with all the stipulated conditions.

Government grants relating to expenses are recognized as income in the income statement based on a systematic approach over the period necessary to match them with the costs that they are intended to compensate.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

#### **(j) Government Grants (continued)**

The government grants relating to the purchase of assets are included as deferred income at fair value and recognized in the income statement based on the estimated useful lives of the related assets via equivalent installment amount.

#### **(k) Employee Benefits**

##### *Short Term Employee Benefits*

Salaries, paid annual leave and sick leave, bonuses and non monetary benefits are recognized as an expense in the period in which the associated services are rendered by the employees of the Commission.

##### *Defined Contribution Plans*

The Commission made contributions to Employees Provident Fund (EPF) for employees who have opted for EPF scheme and the Pension Trust Fund for employees who are in the Government pensionable scheme. These contributions are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Commission has no further payment obligations.

##### *Long Term Employee Benefits*

Payment for long term benefits to employees after retirement and / or after the completion of contractual services is recognized 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 contractual services upon completion of services.

The computation of cash in lieu of annual leave payable to retirees as well as gratuity payment to contract staff that has completed 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 by the Commission. Current salary rate is used to compute these liabilities.

#### **(l) Contributions to Federal Consolidated Fund**

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

The computation of contributions payable to the Government is based on total gross income received during the period less any provision for doubtful debts. The contributions are accrued in the year where income is recognized.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

**(m) Other Creditors**

Other creditors are stated at their nominal values which are the fair value of the considerations to be paid in the future for goods and services received.

**(n) Taxation**

Income tax on the surplus or deficit for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of 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 principle, 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 future taxable profits will be available against which the deductible temporary differences can be utilized.

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

**(o) Provisions**

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Commission expects a provision to be reimbursed (for example under the insurance contract), the reimbursement is recognized as a separate asset but only when the reimbursement can be ascertained. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(o) Provisions (continued)**

Provisions are measured as the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specified to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**(p) Income Recognition**

Income comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Commission's activities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Commission recognized its income when the amount can be measured reliably and, it is probable that future economic benefits associated with the item will flow to the Commission and that specific criteria have been met for each of the Commission's activities as described below:

(i) *Services Income*

Services income comprise the collection of fees related to registration of companies and businesses and supply of corporate information as prescribed under the Companies Act 1965 and the Registration of Businesses Act 1956 respectively. These income are recognized upon completion of services rendered.

(ii) *Compounds*

Compounds are recognized upon payment received 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 the Companies Act 1965 and Registration of Businesses Act 1956.

However, fines imposed by the Court following prosecution actions are revenue of the Government and not the Commission's.

(iii) *Corporate Training Programs*

Income arising from Corporate Training Programs is recognized upon confirmation of registration by participants.

(iv) *Interests, Dividends and Profits*

Interests, dividends and profits are recognized on a time proportion basis, taking into account the principle outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Commission.

#### **(q) Financial Instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any assets in term of cash, contractual rights to receive cash or any other financial assets from other enterprise, contractual rights to change financial instruments with other enterprise under profitable terms or equity instruments of other enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or other financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

The particular recognition method adopted for financial instruments recognized on the balance sheet is disclosed in the individual accounting policy statements associated with each financial instruments.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**3. PROPERTY, FITTINGS AND EQUIPMENT**

	<b>Computer</b>					<b>Total</b>
	<b>Furniture and Fittings</b>	<b>Office Equipment</b>	<b>Hardwares and Softwares</b>	<b>Motor Vehicles</b>	<b>Renovation</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cost</b>						
At 1 January 2008	4,296,113	3,126,328	40,036,367	6,489,378	15,744,524	69,692,710
Additions	115,170	378,868	817,168	56,653	440,000	1,807,859
Disposals	-	(8,230)	(14,617)	(108,027)	-	(130,874)
Impairment	-	-	(3,150,981)	-	-	(3,150,981)
<b>At 31 December 2008</b>	<b>4,411,283</b>	<b>3,496,966</b>	<b>37,687,937</b>	<b>6,438,004</b>	<b>16,184,524</b>	<b>68,218,714</b>
<b>Accumulated Depreciation</b>						
At 1 January 2008	1,872,625	1,213,854	24,744,805	2,886,320	10,720,342	41,437,946
Depreciation for the year	869,117	654,184	6,982,186	1,291,304	3,222,198	13,018,989
Disposals	-	(6,310)	(10,838)	(108,026)	-	(125,174)
<b>At 31 December 2008</b>	<b>2,741,742</b>	<b>1,861,728</b>	<b>31,716,153</b>	<b>4,069,598</b>	<b>13,942,540</b>	<b>54,331,761</b>
<b>Net Book Value</b>						
At 31 December 2008	1,669,541	1,635,238	5,971,784	2,368,406	2,241,984	13,886,953
At 31 December 2007	2,423,488	1,912,474	12,140,581	3,603,058	5,024,182	25,103,783
Depreciation charge for the year ended 31 December 2007	699,133	580,285	8,747,230	1,300,751	3,118,765	14,446,164

Assets for the Migration Project were vested in the Commission by way of a Novation Agreement dated 23 April 2004. This equipment is stated at fair value on the vesting date with a remaining useful life of two (2) years.

Impairment is measured by comparing the asset carrying value with its recoverable amount. There was a delay in the roll out and due to the technology obsolescence resulting in impairment estimated at RM 3,150,981 compared to cost of development of the system in year 2005. The impairment loss was recognized immediately as expenditure in the income statement.

**4. LONG TERM INVESTMENTS**

Long term investments comprise placements in Government Investment Issue and Cagamas Berhad which generates coupon rate ranged from 3.9% to 5.0% for tenure of two (2) to ten (10) years respectively, less amortization of premium.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

### 4. LONG TERM INVESTMENTS (continued)

The maturity structures of long term investments as at the end of the financial year were as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
More than one year and up to five years	55,403,081	30,009,974
More than five years	4,996,855	-
	<u>60,399,936</u>	<u>30,009,974</u>

### 5. WORK IN PROGRESS

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	57,688,816	21,516,337
Additional work in progress during the financial year	45,961,802	46,779,701
Capitalization to property, fittings and equipment	(135,791)	(10,607,222)
Balance as at 31 December	<u>103,514,827</u>	<u>57,688,816</u>

The work in progress includes the Commission's building and information and communication technology projects awarded in the current year as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Building in progress	103,514,827	57,553,025
Information and communication technology development in progress	-	135,791
Balance as at 31 December	<u>103,514,827</u>	<u>57,688,816</u>

#### *Construction of Commission's Office Building*

On 11 December 2006, the Commission has entered into a sale and purchase agreement with KL Sentral Sdn Bhd and Malaysian Resources Corporation Berhad (MRCB) to purchase an office building identified as Tower C together with its accessory parcels amounting to RM 147,500,000. As stipulated in the sale and purchase agreement, the construction of the said building will be completed within thirty six (36) months from the date of fulfillment of the Condition Precedents.

Apart from the construction of the main building, the Commission has also signed an agreement with MRCB on 11 June 2008 for interior design works which includes audio visual and mechanical and electrical works amounting to RM 25,208,320.

As at the reporting date, several progress payments were made to the developer for the construction of the main building and interior design works and these payments are classified as work in progress in the current year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**6. STAFF FINANCING**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Housing financing	18,853,420	12,975,111
Motor vehicle financing	1,554,984	1,538,191
Computer financing	104,516	138,217
Gross investment in financing	20,512,920	14,651,519
Unearned profits from financing	(2,959,327)	(2,203,451)
Present value of minimum payments receivable	<u>17,553,593</u>	<u>12,448,068</u>

The maturity structures of staff financing as at the end of the financial year were as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
<i>Gross investment in financing:</i>		
Within one year	1,468,900	1,202,405
More than one year and up to five years	6,253,272	4,874,161
More than five years	12,790,748	8,574,953
	<u>20,512,920</u>	<u>14,651,519</u>

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
<i>Present value of minimum payments receivable:</i>		
Within one year	1,405,108	1,147,422
More than one year and up to five years	6,072,437	4,989,454
More than five years	10,076,048	6,311,192
	<u>17,553,593</u>	<u>12,448,068</u>

Staff financing relates to Islamic housing, motor vehicle and computer financings approved to the employees of the Commission. The motor vehicle and computer financings are repayable over a maximum period of eight (8) years and four (4) years respectively with a profit rate of 4% per annum (2007: 4% per annum). The housing financing is repayable over a maximum period of twenty five (25) years with a profit rate of 2% per annum (2007: 2% per annum).

The effective profit rates for these staff financing is ranged between 7% to 9% per annum (2007: 7% to 9% per annum).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

### 7. TRADE DEBTORS

Trade debtors consist of service fees receivable, which include fees from e-info services made through an appointed agent, e-lodgement services and fees from Corporate Training Programs.

Credit period granted to trade debtors is thirty (30) days from the date of invoice issued or as stated in the related agreements with appointed agents.

### 8. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Profit and dividend receivables	5,356,983	5,161,194
Deposits and prepayments	1,947,903	1,712,656
Advances to employees	35,521	184,929
Other receivables	34,205	16,720
	<u>7,374,612</u>	<u>7,075,499</u>

### 9. SHORT TERM INVESTMENTS

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Institutional Trust Account	53,699,960	51,164,735
Islamic Commercial Papers	30,691,919	26,620,495
Negotiable Instrument Debts Certificate	15,600,370	24,970,280
Sell Buy Back Agreements	-	10,000,000
	<u>99,992,249</u>	<u>112,755,510</u>

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 gross dividend receivable by the Commission is 5% per annum (2007: 5% per annum) and the tenure of the placement is less than one year.

The Commission has purchased *Islamic Commercial Papers*, *Negotiable Instrument Debts Certificate* and *Sell Buy Back Agreement* through various licensed financial institutions. The effective profit rate receivable by the Commission for these securities ranged from 3.4% to 3.6% per annum (2007: 3.4% to 3.7% per annum) and their tenure is up to twelve (12) months.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**10. CASH AND CASH EQUIVALENTS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Cash and bank balances	31,496,331	29,961,262
Deposits placements with :		
Licensed local banks and financial institutions	266,205,484	260,204,879
	297,701,815	290,166,141

The effective profit rate for Al-Mudharabah general investments and Al-Mudharabah special investment with banks and financial institutions ranged from 3.17% to 4.08% per annum (2007: 3.08% to 4.0% per annum).

The tenure of the Al-Mudharabah general investment is thirty (30) days to a year (2007: thirty (30) days to a year), and for the Al-Mudharabah special investment is 1 night to ninety (90) days (2007: 1 night to ninety (90) days).

**11. CAPITAL GRANTS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Launching grant	43,600,000	43,600,000
Development grant	13,374,990	-
Vested benefits	13,946,207	13,946,207
Accumulated amortization	(10,553,312)	(10,134,370)
Amortization for the year	(2,554,644)	(418,942)
	838,251	3,392,895
Balance as at 31 December	57,813,241	46,992,895

Capital grants include initial grant provided by the Government to cover for financial liabilities and capital expenditure of the Commission. During the financial year, the Commission received a development grant under the Ninth Malaysian Plan (RMKe-9) amounting to RM 13,374,990 to finance part of the interior design works and development of information communication and technology infrastructure for the Commission's new building.

Vested benefits at the beginning of the financial year are assets vested in the Commission from 2002 until 2004. These include property, fittings and equipment, all monies received from Corporate Directors Training Program and novation of the Migration Project. The assets of the Migration Project are categorized as vested benefits and 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 2,554,644 (2007: RM 418,942). This amount is stated as amortization benefits in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**12. STAFF FINANCING FUNDS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Housing financing fund	50,000,000	50,000,000
Motor vehicle financing fund	5,000,000	5,000,000
Computer financing fund	1,000,000	1,000,000
	<u>56,000,000</u>	<u>56,000,000</u>

The Commission has approved the allocation of RM 50.0 million, RM 5.0 million and RM 1.0 million for housing, motor vehicle and computer financing funds for employees of the Commission respectively. The financing fund for housing has been allocated from the accumulated surplus on yearly basis from 2002 to 2006.

**13. PROVISION FOR EMPLOYEE BENEFITS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	848,936	1,062,227
Payments made to employees in current year	(48,102)	(115,330)
Over provisions for gratuity payments	-	(97,961)
Balance as at 31 December	<u>800,834</u>	<u>848,936</u>

With effect from October 2004, all contractual employees who have completed their duration of contract will no longer be entitled for gratuity payment. This was pursuant to the decision of the Commission to increase the employer's contribution rate for EPF from 12.5% to 17.5% with effect from the said month.

The maturity structures of provision for employee benefits as at the end of the financial year were as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Within one year	113,434	57,933
More than one year and up to five years	418,575	458,202
More than five years	268,825	332,801
	<u>800,834</u>	<u>848,936</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**14. FEDERAL CONSOLIDATED FUND**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	156,797,992	138,242,784
Provision for revenue payable to Federal Consolidated Fund	157,441,274	156,797,992
Payments made during the year to the Federal Consolidated Fund	(156,797,992)	(138,242,784)
Balance as at 31 December	<u>157,441,274</u>	<u>156,797,992</u>

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

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 2,554,644 (2007: RM 418,942). This amount is stated as amortization benefits in the statement of changes in equity.

**15. OTHER CREDITORS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Payables and accruals	4,040,220	4,145,767
Statutory payables	1,038,915	476,992
Trustee accounts	65,224	140,026
Other creditors	203,123	68,099
	<u>5,347,482</u>	<u>4,830,884</u>

The credit period granted by other creditors ranges from thirty (30) to sixty (60) days from the date of invoice received.

**16. SHORT TERM PROJECT CREDITORS**

Short term project creditors are costs incurred for the construction of the Commission's office building which were outstanding at the reporting date.

The credit period granted by short term project creditors ranged from thirty (30) to sixty (60) days from the date of invoice received.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**17. INCOME**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Income from operating activities:		
Services income	251,654,144	249,648,287
Compounds	42,570,671	45,337,410
Corporate Training Programs	673,003	712,450
Other income:		
Profit and dividend	19,396,389	17,310,149
Other income	579,755	435,769
Profit on disposals of property, fittings and equipment	8,588	151,919
	<u>314,882,550</u>	<u>313,595,984</u>

**18. STAFF COSTS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Salaries	36,877,788	33,680,745
Fixed allowances	4,374,607	3,006,497
Statutory contributions	8,627,231	7,505,324
Overtime allowances	494,733	976,576
Bonus and other benefits	8,854,288	8,324,527
Medical benefits	2,105,204	1,693,264
Members' allowances	140,400	122,800
Subsidies to staff on Government loan	142,692	174,093
	<u>61,616,943</u>	<u>55,483,826</u>

**19. ADMINISTRATION EXPENSES**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Travelling and accommodation	3,339,773	3,063,117
Communication and utilities	2,079,628	2,104,706
Rental	10,996,213	10,764,478
Printing and stationeries	6,119,307	5,794,192
Upkeep of equipment	7,258,721	7,450,765
Office maintenance and security	1,099,728	1,034,276
Professional fees	827,918	863,716
Entertainment and hospitalities	3,802,359	3,212,666
Other administrative costs	302,921	330,096
	<u>35,826,568</u>	<u>34,618,012</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**20. SURPLUS BEFORE TAXATION**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Surplus for the year before taxation is derived after crediting: -		
Profit and dividend	19,396,389	17,310,149
Other income	579,755	435,769
Profit on disposals of property, fittings and equipment	8,588	151,919
	<hr/>	<hr/>
And charging: -		
Members' allowance	140,400	122,800
Auditors' remuneration	51,300	48,400
Bonus	8,854,288	8,194,527
Depreciation	13,018,989	14,446,164
Amortization on vested benefit	(2,554,644)	(418,942)
Amortization on long term investments	35,038	8,426
	<hr/>	<hr/>

**21. TAXATION**

The Ministry of Finance on 13 December 2007 had granted exemption from payment of income tax on all statutory income of the Commission for a period of ten (10) years from year 2002 until year 2011.

**22. CAPITAL COMMITMENTS**

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Capital expenditure commitments :		
Approved and contracted for	75,175,000	90,712,500
Approved but not contracted for	400,000	25,280,100
	<hr/>	<hr/>
	75,575,000	115,992,600

**23. FINANCIAL RISK MANAGEMENT**

The Commission's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse affects on the financial performance of the Commission. Financial risk management is carried out through risks review, internal control systems, insurance programme and adherence to Commission's financial risk management policies. The Members regularly review these risks and approve the treasury policies, which covers the management of these risks.

The main risks arising from the Commission's financial assets and liabilities are liquidity risk, cash flow risk and interest rate risk.

(a) *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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**23) FINANCIAL RISK MANAGEMENT (continued)**

(b) *Cash Flow Risk*

The cash flow positions are reviewed on regular basis to manage its exposure to fluctuations in future cash flows.

(c) *Interest Rate Risk*

The Commission has cash, bank balances and deposits placed with creditworthy licensed banks and financial institutions. The Commission manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

**Financial Instruments**

**Effective interest rates analysis**

	<b>Effective Interest Rates per Annum %</b>	<b>Within 1 Year RM</b>	<b>1-5 Years RM</b>	<b>More Than 5 Years RM</b>	<b>Total RM</b>
<b>As at 31 December 2008</b>					
<b>Financial Assets</b>					
Deposits placements:					
Local banks and financial institutions	3.17 - 4.08	297,701,815	-	-	297,701,815
Amanah Raya Berhad	5.0	53,699,960	-	-	53,699,960
Debts securities held to maturity:					
Government Investment Issues	3.03 - 3.95	-	25,008,123	4,996,855	30,004,978
Cagamas Berhad	3.70 - 4.05	-	30,394,958	-	30,394,958
Islamic Commercial Papers	3.4 - 3.6	30,691,919	-	-	30,691,919
Negotiable Instrument Debts	3.4 - 3.6	15,600,370	-	-	15,600,370
Sell Buy Back Agreement	3.4 - 3.6	-	-	-	-
Staff financing	7.0 - 9.0	1,405,108	6,072,437	10,076,048	17,553,593
		<b>399,099,172</b>	<b>61,475,518</b>	<b>15,072,903</b>	<b>475,647,593</b>
<b>As at 31 December 2007</b>					
<b>Financial Assets</b>					
Deposits placements:					
Local banks and financial institutions	3.08 - 4.0	290,166,141	-	-	290,166,141
Amanah Raya Berhad	5.0	51,164,735	-	-	51,164,735
Debts securities held to maturity:					
Government Investment Issues	3.03 - 3.95	-	30,009,974	-	30,009,974
Cagamas Berhad	-	-	-	-	-
Islamic Commercial Papers	3.4 - 3.7	26,620,495	-	-	26,620,495
Negotiable Instrument Debts	3.4 - 3.7	24,970,280	-	-	24,970,280
Sell Buy Back Agreement	3.4 - 3.7	10,000,000	-	-	10,000,000
Staff financing	7.0 - 9.0	1,147,422	4,989,454	6,311,192	12,448,068
		<b>404,069,073</b>	<b>34,999,428</b>	<b>6,311,192</b>	<b>445,379,693</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**23. FINANCIAL RISK MANAGEMENT (continued)**

(d) *Fair Values*

In respect of cash and cash equivalents, short term investments, trade and other debtors, deposits and prepayments, contributions to Federal Consolidated Fund, other payables and short terms project creditors, the carrying amounts approximate their fair value due to the relatively short-term nature of these financial instruments.

The fair values of the other financial assets stated in the balance sheet date on 31 December 2008 are shown below:

	<b>2008</b>		<b>2007</b>	
	<b>Carrying Amount RM</b>	<b>Fair Value RM</b>	<b>Carrying Amount RM</b>	<b>Fair Value RM</b>
<b>Financial assets</b>				
Long Term Investments	60,443,400	61,399,500	30,009,974	30,454,500
Staff Financing	17,569,350	34,414,229	12,448,067	24,068,139

**24. EMPLOYEES**

The number of employees of the Commission as at 31 December 2008 was 1,161 inclusive of 43 temporary staff (2007: 1,090 inclusive of 33 temporary staff).

**25. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements for the financial year ended 31 December 2008 was duly approved by the Members of the Companies Commission of Malaysia on 22 January 2009.

**26. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation of the current year financial statements.

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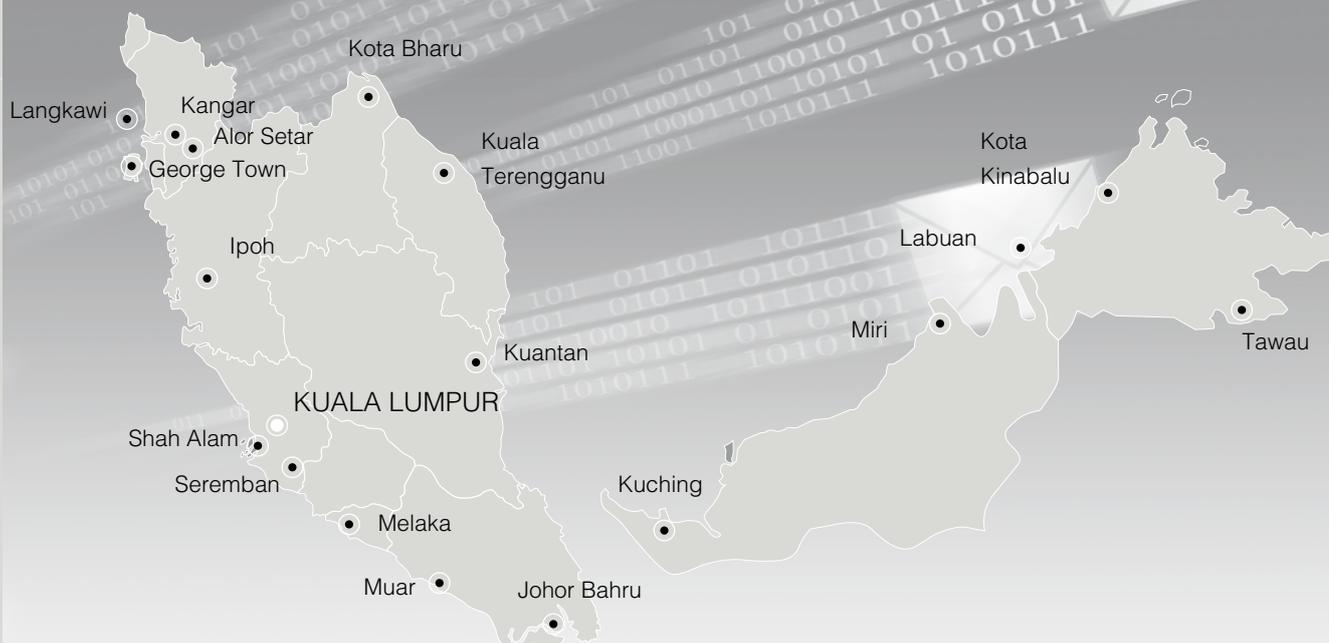
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