

KHAZANAH
NASIONAL

Transparency Requirements for Non-listed Companies

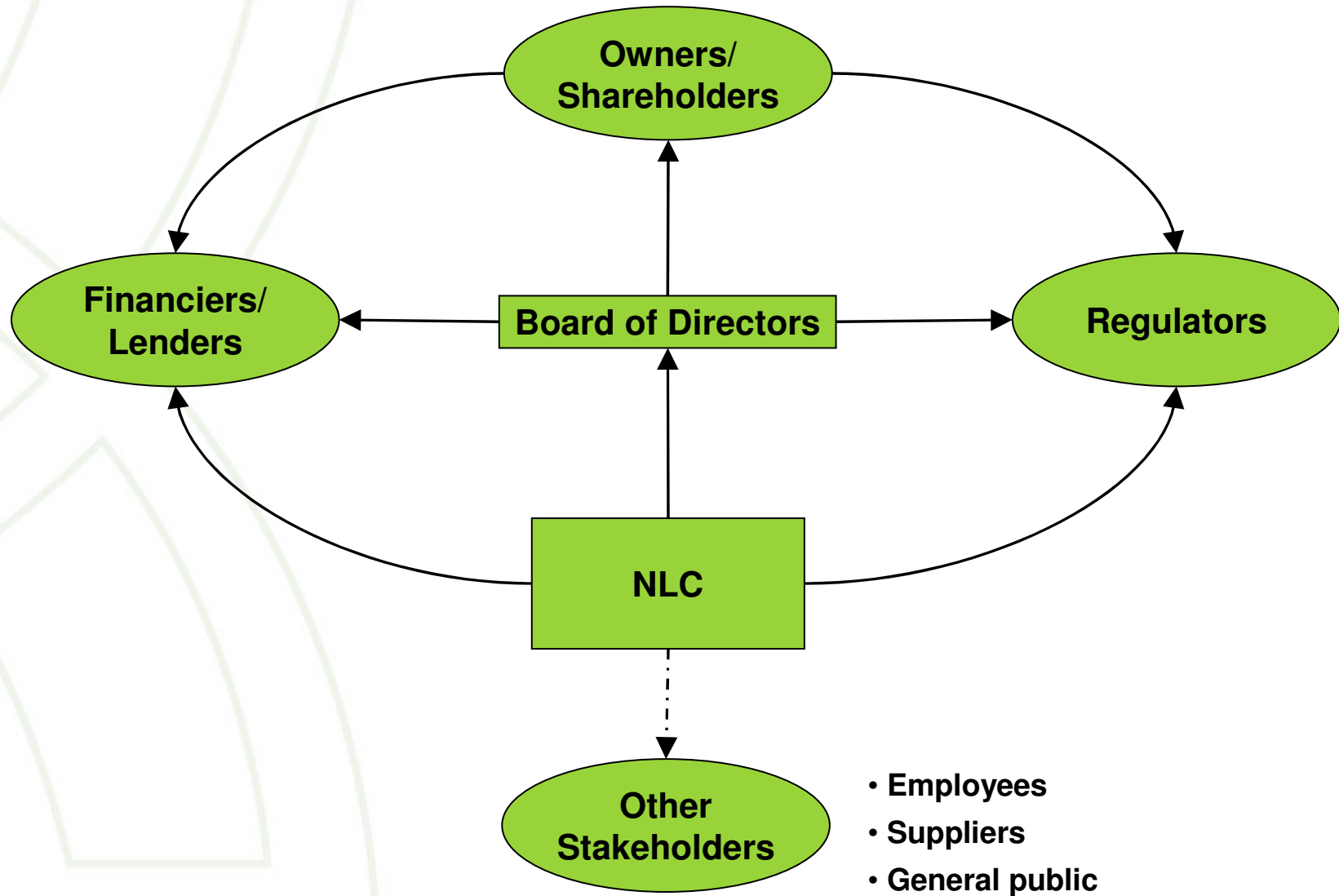
**OECD – International Meeting on
Corporate Governance on Non-Listed
Companies**

Istanbul, 19 April 2005



-
- Private vs. Public Companies
 - Transparency Requirements
 - Malaysian Context
 - Khazanah Context
 - Conclusion
-

- Transparency requirements are necessarily different between non-listed or private companies (“NLCs”) compared to listed or public companies (“PLCs”)
- Ownership of NLCs are typically closely held and are not usually freely traded on public markets
- NLCs span the spectrum in terms of size, ranging from small individual or family owned business to large international corporations which remain privately held
- Requirement of disclosures required is greater on PLCs given participation by public shareholders and providers of financing through the capital markets
- Nonetheless transparency requirements for NLCs should adhere to minimum disclosure standards to facilitate efficient commercial decisions and allow for best corporate governance practices
- Requirements need not be costly nor onerous if systematically implemented and evenly applied to all NLCs





- Malaysian NLCs are under the jurisdiction of the Companies Commission of Malaysia (“CCM”) through requirements of the Companies Act 1965
- Similar to the United Kingdom model for disclosures for limited liability companies
- Currently there are over 30,000 NLCs (excluding sole proprietorships & partnerships)
- The minimum requirement of an NLC is for 2 shareholders, 2 directors and paid up capital of RM2
- All NLCs are required to have Articles & Memorandum, disclosures on type of business , original share subscribers, business limitations and other information
- Mandatory submission of annual returns and submission of financial accounts annually
- Holding of Annual General Meetings and Extraordinary General Meetings if required

- Khazanah is the strategic investment holding company of Malaysia, wholly owned by the Government
- Khazanah itself is an NLC, incorporated as a company, and therefore subject to the Companies Act 1965
- Khazanah's investment holdings consist of both NLCs and PLCs, with some large NLCs such as Silterra
- Overall approach is driven by corporate governance framework, but level of transparency is determined by degree of ownership and control
- Information flows to allow management & monitoring by shareholders is important if company is run by professional managers. Typically done via the Board of Directors
- Greater the control, the less requirement for disclosures at a public level but all within minimum prescribed by the Companies Act framework
- Need to disclose also driven by need for external funding by banks, lenders and debt capital markets

- NLCs by definition should have less onerous disclosure requirements which allow for greater flexibility on transparency
- Large business organisations may indeed opt for NLC status for strategic purposes, as it typically allows for lower regulatory costs and fewer disclosure requirements, hence numerous instances of owners of PLCs opting to take companies private
- Nonetheless minimum disclosures as institutionalised by the regulatory framework is important to facilitate efficient commercial decisions and allow for best corporate governance practices as demanded by other stakeholders
- Requirements need not be costly nor onerous if systematically implemented and evenly applied to all NLCs, as shown by the Malaysian framework
- Transparency generally driven by the extent of external/public participation in the funding of the NLC
- Information flows to allow management & monitoring by shareholders is also important if company is run by professional managers



Thank You

www.khazanah.com.my

© All Rights Reserved.

This material is confidential and property to Khazanah. No part of this material should be reproduced or published in any form by any means, nor should the material be disclosed to third parties without the consent of Khazanah.