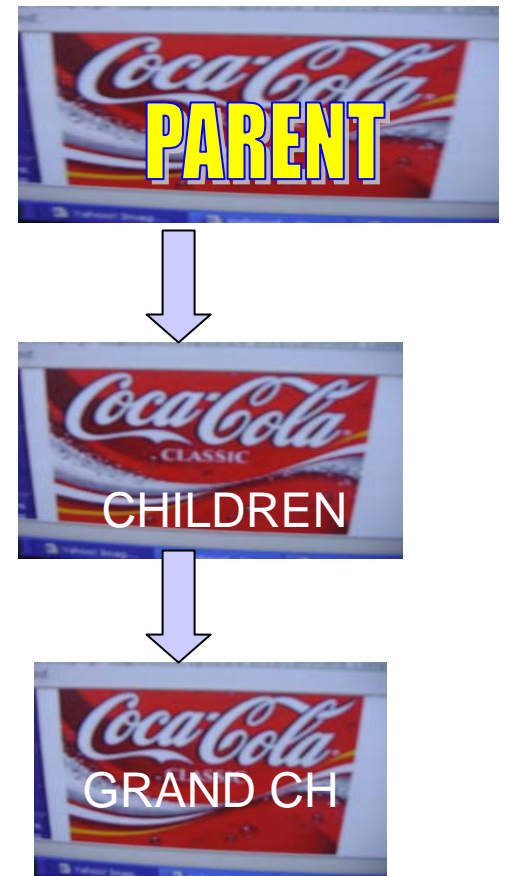
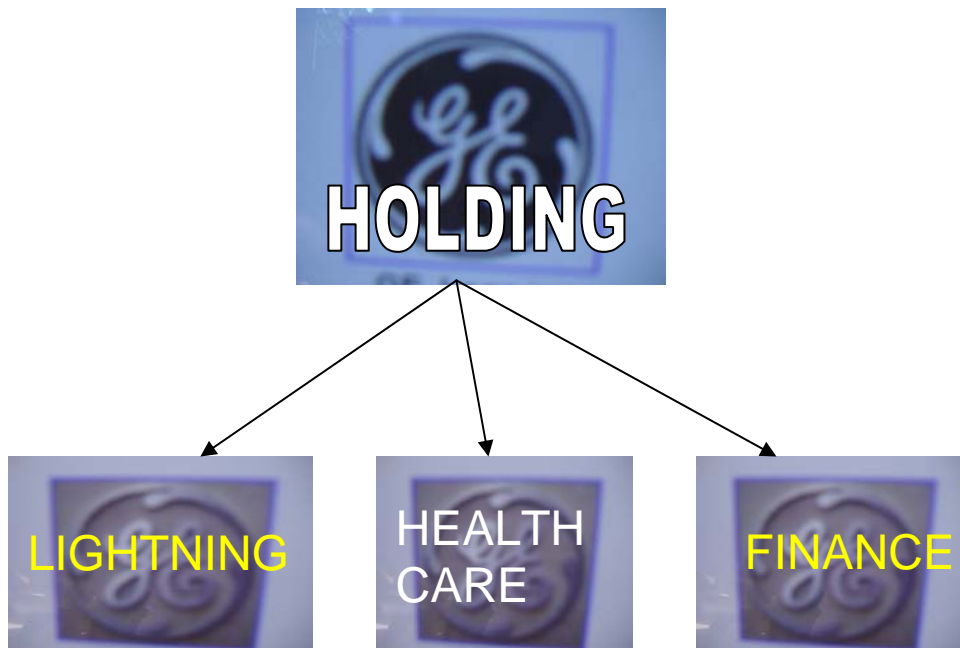


TYPE OF GROUP OF COMPANIES



THE PROBLEMS OF GOVERNANCE

- WHEN HOLDING COMPANIES CONTAINING BANKS:
 - LESSON FROM 1988 CRISIS
 - IRRESPONSIBLE LOAN TO THE GROUP
 - MARK UP
 - LACK OF TRANSPARENCY:
 - OFF BALANCE SHEET
 - LIMITED DISCLOSURES

THE CHALLENGES



- THE QUALITY OF ASSETS
- THE DIFFICULT FOR FINANCIAL STATEMENTS CONSOLIDATION:
 - POSSIBLE TO DO EARNING MANAGEMENT
 - OFF BALANCE SHEET TRANSACTION
- NEED STRONG INDEPENDENT DIRECTORS
- NEED EFFECTIVE AUDIT COMMITTEE



THE OTHER PROBLEMS

- FINANCING DECISION
- DIVIDEND ISSUE
- INVESTMENT ISSUE
- REPRESENTATION AND OWNERSHIP STRUCTURE ISSUES
- MANAGERIAL COMPENSATION AND TAX ISSUES

FINANCING ISSUE-AND **GCG**

- LOAN vs EQUITY
 - LEVERAGE
 - COST OF CAPITAL
 - SWAP
- STOCKHOLDERS-MANAGER CONFLICT
 - INSIDE TRADING
 - MINORITY INTEREST ABUSE
 - INTERNAL ACQUISITION
- THE CHALLENGE OF *TRANSPARENCY*

DIVIDEND ISSUE IN **GCG**

- FREE CASH FLOW AND SPECIAL DESIGNATED DIVIDEND:
 - COEFFICIENT OF DIVIDEND AND FREE CASHFLOWS
 - SHAKING THE MARKET
- STOCK vs CASH DIVIDEND
 - MARKET REACTION
 - COMPOSITION OF OWNERSHIP
- THE CHALLENGE OF **ACCOUNTABILITY**

INVESTMENT ISSUE

- MORAL HAZARD IN INVESTMENT
 - INVESTMENT WITH NEGATIVE NPV
 - INVESTMENT NON-ARMLENGTH
- INVESTMENT OPPORTUNITY SET (IOS)
 - PECKING ORDER THEORY
- CONFLICT OF INTEREST IN GROUP COMPANY
- THE CHALLENGE FOR *FAIRNESS*

REPRESENTATION AND OWNERSHIP STRUCTURE ISSUES

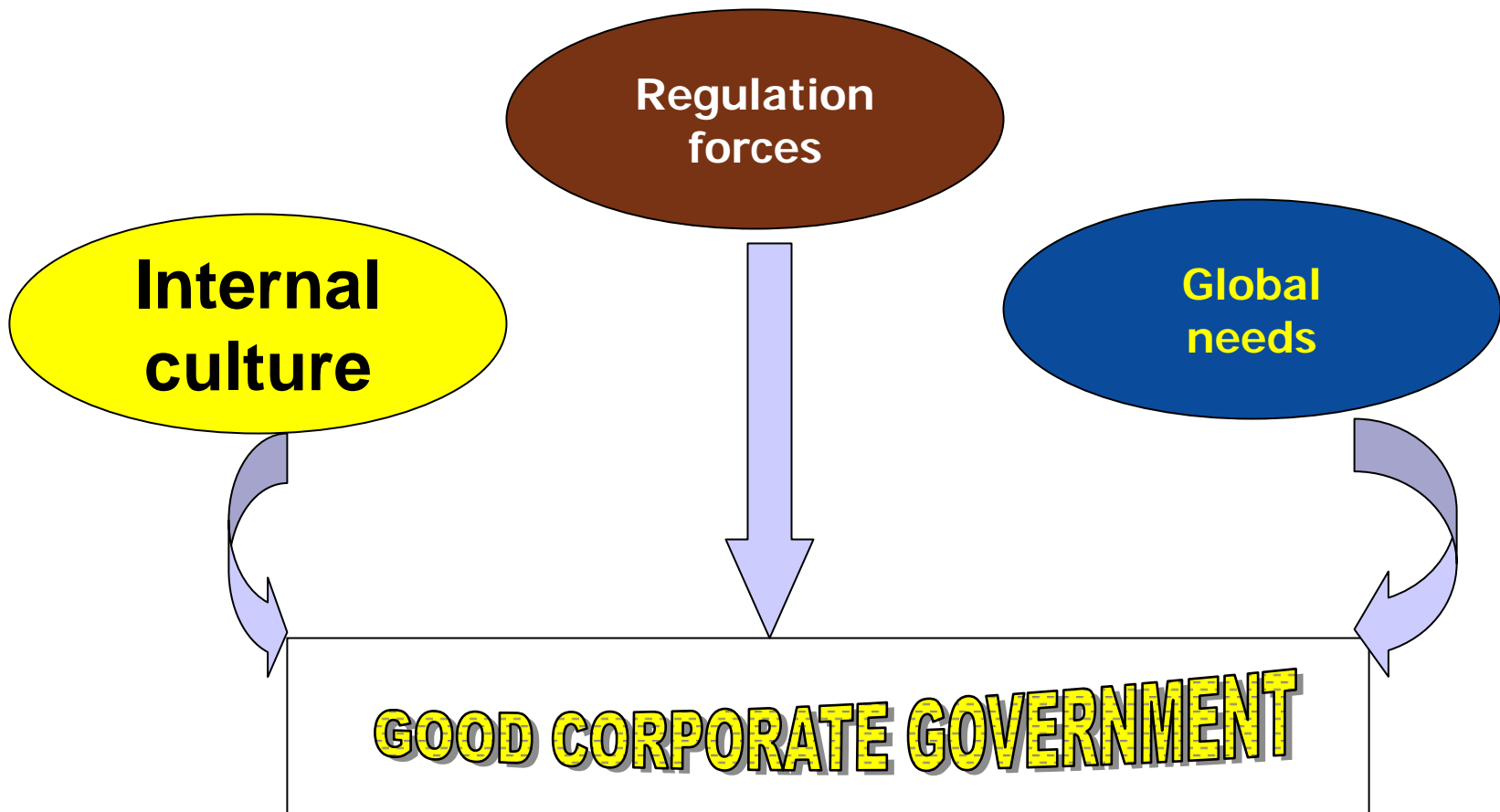
- RESEARCH SAYS THAT OWNERSHIP STRUCTURE INFLUENCE THE MARKET
- FOR EMERGING COUNTRIES THE FOREIGN OWNERSHIP IMPACT TO THE MARKET VALUE THRU BETTER IMPLEMENTATION OF *GCG*
- *THE CHALLENGES TO THE INDEPENDENCY IS RAISED WHEN THE HOLDING INVOLVED IN POLICY MAKING EXCESSIVELY*

MANAGEMENT COMPENSATION AND TAX ISSUES

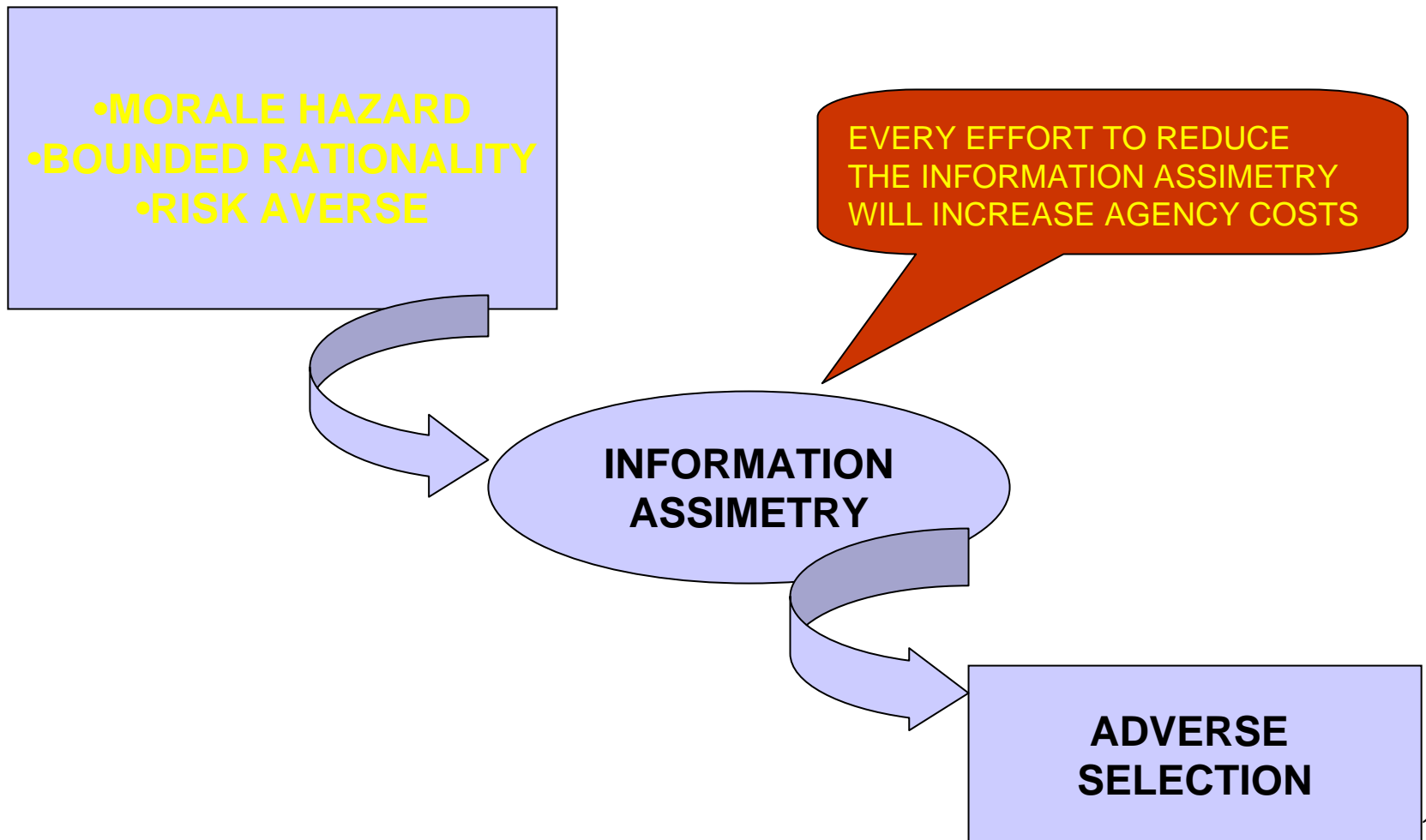
- MANAGEMENT COMPENSATION IS THE HOT ISSUES LATELY, IN INDONESIA THERE IS NO WELL ESTABLISHED REMUNERATION STANDARDS OR MARKET
- THE TAX FOR TRANSFER PRICING AMONG CORPORATE FAMILY IS ALSO AN ISSUE
- CHALLENGE FOR *FAIRNESS*



GOOD CORPORATE GOVERNANCE



AGENCY THEORY



SISTEM GOVERNANCE

MARKET

PUBLIC POLICY

**ECONOMIC
GOVERNANCE**

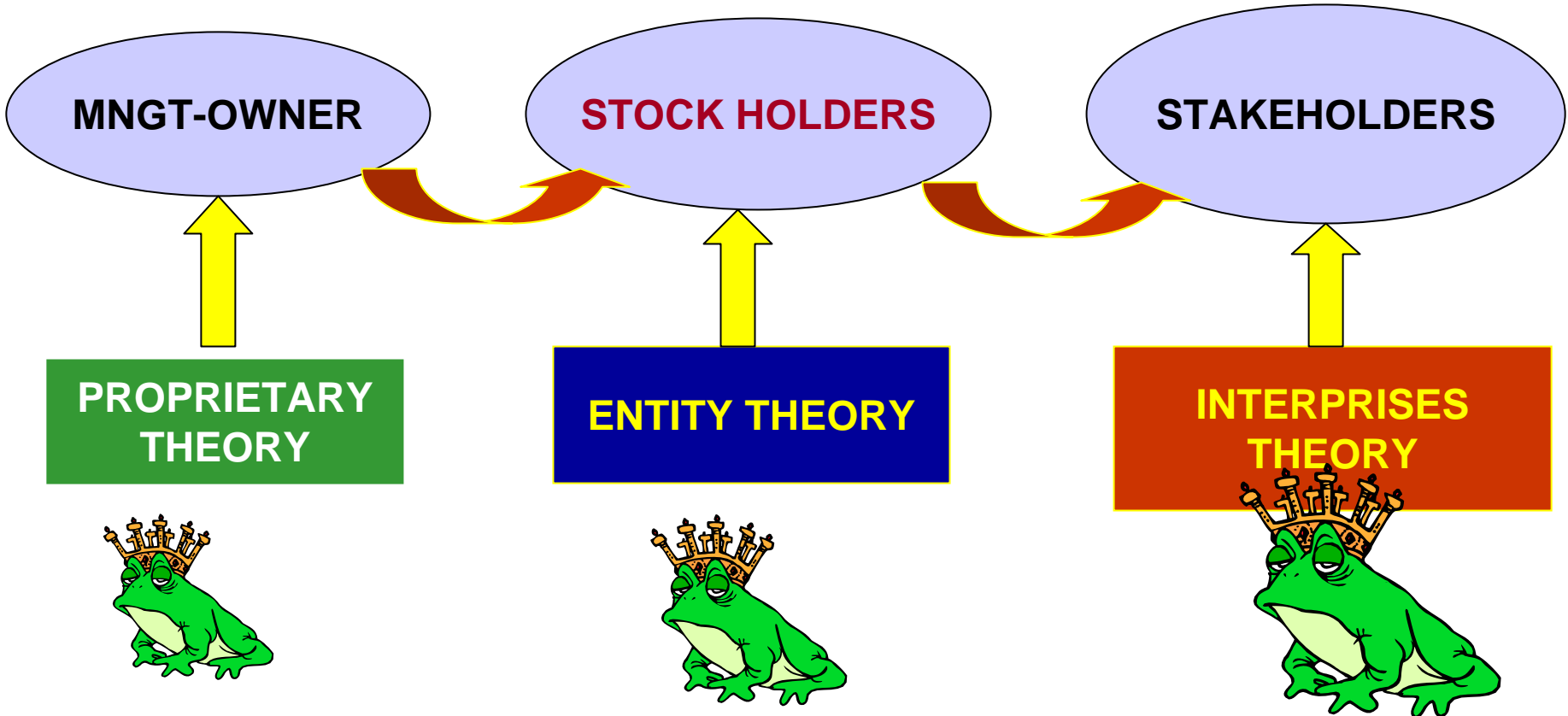
**POLITICAL
GOVERNANCE**

CORPORATE GOVERNANCE

**ADMINISTRATIVE
GOVERNANCE**

POLICY IMPLEMENTATION

PARADIGM SHIFTING IN REPORTING



STAKEHOLDERS ENFORCE MORE INFORMATION TO REDUCE INFORMATION ASSIMETRY AND TO AVOID ADVERSE SELECTION