RISK MANAGEMENT COMMITTEE, OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE

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By

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ABSTRACT

The role of risk management committee (RMC) under the corporate governance consist of monitoring the risk strategies, policies and risk tolerance level as well as reviewing the sufficiency of risk management policies and framework. Risk management committee performs a very important function in the monitoring of the risk and internal control. Thus, the main objective of the study is to examine the effect of the existence of risk management committee on firm performance of companies listed in the Main Market of Bursa Malaysia. In addition, the study also examines the effect of ownership structure of director and family ownership on firm performance. ROA and ROE are used as proxy to measure the firm performance. Sample of the study is based on 20% companies in each industry excluding finance companies. Data were collected from 154companies in the financial year 2015.The study uses agency theory to predict the relationship. Descriptive analysis shows that only 18% of the sample companies have stand-alone risk management committee and 28% of the sample companies have joining risk management committee with other committees such as audit committee. The mean of family ownership is 21.93% and the mean of director ownership is 36.81%. The regression analysis revealed that there is no significant relationship between the existence of risk management committee, family ownership and director ownership with firm performance. In addition, the result indicates that only board composition, the control variable has significant negative relationship with firm performance.

Keywords: risk management committee, family ownership, director ownership, board composition, firm performance, Malaysia

ABSTRAK

Peranan jawatankuasa pengurusan risiko (RMC) tertakluk kepada tataurus korporat meliputi pengawalan strategi risiko, polisi risiko dan paras toleransi risiko di samping mengkaji samada polisi dan rangka kerja pengurusan risiko sesebuah syarikat adalah mencukupi. Jawatankuasa pengurusan risiko memainkan peranan yang penting dalam mengawal selia kawalan dalaman dan risiko syarikat. Oleh itu, objektif utama kajian ini adalah untuk mengkaji kesan kewujudan jawatankuasa pengurusan risiko ke atas prestasi kewangan syarikat-syarikat yang tersenarai di Pasaran Utama Bursa Malaysia. Di samping itu, kajian ini juga mengkaji kesan struktur pemilikan oleh pengarah dan keluarga ke atas prestasi syarikat. ROA dan ROE digunakan sebagai proksi untuk prestasi syarikat. Sampel kajian adalah berdasarkan kepada 20% syarikat bagi setiap kategori industri tidak termasuk syarikat kewangan. Data telah dikumpul daripada 154 buah syarikat pada tahun kewangan 2015. Kajian ini menggunakan teori agensi dalam membuat ramalan tentang hubungan tersebut. Analisa deskriptif menunjukkan hanya 18% daripada sampel syarikat mempunyai jawatankuasa pengurusan risiko sendiri dan sebanyak 28% daripada sampel syarikat mempunyai jawatankuasa pengurusan risiko yang bergabung dengan jawatankuasa lain seperti jawatankuasa audit. Purata bagi saham pemilikan keluarga adalah 21.93% manakala purata saham yang dimiliki oleh pengarah syarikat adalah sebanyak 36.81%.Analisa regresi juga menunjukkan tiada hubungan yang signifikan di antara kewujudan jawatankuasa pengurusan risiko, saham pemilikan pengarah dan saham pemilikan keluarga dengan prestasi syarikat. Di samping itu, kajian ini menunjukkan komposisi lembaga pengarah sebagai pembolehubah kawalan mempunyai hubungan yang positif dan signifikan dengan prestasi syarikat.

Kata kunci:jawatankuasa pengurusan risiko, saham pemilikan keluarga, saham pemilikan pengarah, komposisi lembaga pengarah, prestasi syarikat, Malaysia.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Every listed company in Malaysia needs to disclose about the way they manage risk in their annual report every year. The consequence, in the public listed annual report, there is a part called a statement about risk management and internal control that disclose about directors responsibility in managing risk and risk management framework of the company. Risk management is defined as the way and procedure used by firms to control risk or grab an opportunities consistent to the achievement of their objectives (Amran & Hassan, 2008). The important of risk management was highlighted due to the uncertainty of world economic growth that gives a major impact on the business performance worldwide. Investopedia (www.investopedia.com) states that risk management becomes one of the factors looked by the investors besides other factors for examples business model, competitive advantage, management and corporate governance before making a decision to invest in a company.

The person who is responsible for managing risk in a company is directors. Corporate Governance Guideline issued by Bank Negara Malaysia stated that, a member of Risk Management Committee (RMC) must be at least three non-executive directors and the chairman must be an independent director (Kallamu, 2015). It is because directors' have an important role in making a decision on behalf of the company before entering into a business agreement or make an investment. So, directors of the companies should have a knowledge and experience about risk management to drive the company's performance. The previous research made by Kallamu in the year 2015 had proven that the existence of majority independent directors that have financial background education positively enhance accounting returns as well as market valuation. This study supported the majority of independent directors to have a financial background. The study also recommended that risk management committee must be served by directors that have previous experience in related industries for finance companies (Kallamu, 2015).

The role of RMC under the corporate governance consists of:

1. Controlling the risk tolerance level, policies and the strategies in managing risk.
2. Checking the policies and framework of risk management regarding the sufficiency of controlling mechanism.
3. Recognizing, calculating, managing and controlling risk and the effectiveness of the policies and framework.
4. Ensures that the person who is responsible for monitoring risk is not liable of any activity handling by the person.

The function of risk and internal control monitoring in finance companies was perform by risk management committee (Ng et al., 2013). RMC is responsible for managing risk before entering into a new project or makes an investment. The committee also responsible for calculating or forecasting the amount of profit of the organization and also to make the decision to accept any project, make an investment or enter into a business agreement. The important of separate risk management committee in the public listed companies is seen as a solution to reduce the financial crisis in the companies hence, to enhance company's performance.

The establishment of risk management committee in public listed company in Malaysia except finance company is only voluntary. Under the principle C practices number 11 Malaysian Code on Corporate Governance 2016, stated that board can establish a board-level committee which is responsible for monitoring the company's framework and policies regarding risk management. The board also can establish a framework about risk management that reviewed periodically and disclosed in the report yearly. Thus, does the establishment of a separate RMC public listed company have a positive relationship with performance?

The ownership structure in Malaysian companies is derived from a state, family, and individual. Report on the Observance of Standards and Codes (ROSC) by the World Bank stated that 67.2% of the shares in Malaysia were owned by the family, 37.4% by controlling shareholders and 13.4% were controlled by the state as cited by Amran and Ahmad (2010).Over a half of Malaysian Gross Domestic Product was contributed by family businesses which create an important element in Malaysian economy (Ngui, 2002). Examples of public listed companies that have family ownership are MK Land, Poh Kong Group, Genting, Kamdar, Melewar Group, and Berjaya Group. There is some evidence claims that family businesses have a better performance compare to non-family businesses. A family control business has a higher firm value than non-family control businesses (Amran & Ahmad, 2010).Thus, the current study considers director ownership and family ownership and its relation to performance.

1.2 Problem Statement

Risks management committee (RMC) becomes one of contributing factors to the new evolution of financial crisis because RMC was saddled with the responsibility to manage risk in the company (Kallamu, 2015). Lack of monitoring activities by the subcommittee becomes highlighted issues that contribute to the performance of the companies. It is aligned with the finding by the previous researchers that the inadequate monitoring function by the RMC lead to the weaknesses of corporate governance mechanism and become one of the factors that contribute to the company's performance (Solomon, 2007; Mohamad & Sulong, 2010; Erkens et al., 2012; Kallamu, 2015).

Under the principle C practices number 11 Malaysian Code on Corporate Governance 2016, board level committee can be established by the board to oversee the company's policy and the management of risk's framework. A risk management framework must be periodically reviewed and the report must be disclose in the annual report. The establishment of a stand-alone risk management committee in non-financial companies is only voluntary. Awareness about the importance of stand-alone RMC in public listed companies and its relation with performance should be revealed because most of the companies that were affected by the financial crisis were found unaware of monitoring risk that leads to underperformance of their income (Kashyap et al., 2008).

Ownership structure in Malaysian companies mostly concentrated and most shares were owned by the families and owners. According to Ngui (2002) almost half of Malaysian Gross Domestics Product is from family businesses. The growing number of family business in Malaysia is due to a positive economic growth (Amran & Ahmad, 2010). As we know, most of the shareholders from family business have relation with each other. The business is inherited from generation to generation. With a significant amount of family ownership, the family shareholders or major shareholders tend to expropriate shares from the minority shareholders in order to have more power and control on the company. Having significant power makes them, easy to make decisions that benefit them (Amran & Ahmad, 2010). On another perspective, previous studies had reported that family firm has higher firm value compared to non-family firms (Amran & Ahmad, 2010; Kamardin, 2014). The latest revision of Code of Corporate Governance in April 2017 provides the avenue for, examining the effectiveness of the revised code to enhance firm performance. So, the current study also examines whether the director and family ownerships do enhance firm performance.

1.3 Research Questions

This study examines the relationship of corporate governance mechanism (risk management committee and ownership structure) with the company financial performance among public listed companies in Malaysia. Two research questions were developed from this study to serve its purpose. The research questions are:

1) What is the relationship between the existences of risk management committee with financial performance in public listed companies in Malaysia?

2) What is the relationship between ownership structures (director ownership and family ownership) with financial performance in public listed companies in Malaysia?

1.4 Research Objectives

The main objective of the study is to examine the relationship of corporate governance mechanism (risk management committee and ownership structure) with the company financial performance among public listed companies in Malaysia. The following research objectives have been identified:

1) To examine the relationship between the existences of risks management committee with financial performance of public listed companies in Malaysia.
2) To examine the relationship between ownership structures (director ownership and family ownership) with financial performance of public listed companies in Malaysia.

1.5 Significance of the Study

1.5.1 Theoretical Significance

This study's goal is to examine the existence of the risk management committee in an organization. This study aims to reveal the relationship between the existence of risk management committee and types of ownership with performance. The study also can create awareness among the directors about the importance of RMC in helping the companies to enhance their performance. The study of the relationship between RMC, ownership structure and performance of public listed companies in Malaysia is significant because the function of the subcommittees in enhancing performance was highlighted. The study also helps the management to increase the monitoring activities in various aspects. Only a few studies regarding RMC had been made by the prior studies worldwide even though, the topic plays an important role in maintaining companies performance (Liebenberg & Hoyt, 2003; Beasley, Clune, & Hermanson, 2005; Subramaniam, McManus, & Zhang, 2009; Kallamu, 2015) and studies in Malaysia (Yatim, 2009; Ng et al., 2013; Kallamu 2015).

Previous research in Malaysian companies had been made on factors that verify the establishment of RMC (Yatim, 2009) and also on characteristics of RMC in the insurance division for finance sector (Ng et al., 2013). So far, the study on the relationship of RMC and ownership structure with performance in other sector has not been widely explored. Along these lines, the current study broadens the understanding of the connection between RMC, ownership structure and performance of public listed companies in Malaysia. This would lead to the awareness of the importance of the existence of RMC in the public listed companies in Malaysia. In addition, this study would serve as a reference material to individuals who wish to further research in the same area of study.

1.5.2 Practical Significance

For practical contribution, this study will help the investor and stakeholder to make a decision on investment by looking at the firm that has lower risks with higher profitability. The study also can provide regulatory authority information explaining the importance of the existence of RMC among public listed companies that can improves confidence level of the investors as well as enhancing firm performance. The study also can be used by the regulators in formulating the future policy by creating new rules about the RMC existence that have a significant effect on the performance of the firm. The new rules can be applied to amplify monitoring and safeguard and also increased confidence level of the investors in the area. The study can create awareness among the director about the important of RMC to company's performance as well as helping them improving their monitoring functions. It can be done by enhancing the risk function listed under the corporate governance act. The coordination and communication among the subcommittee also can be improved by enhancing the risk function.

1.6 Scope and Limitation of the Study

This study focuses on examining the relationship between corporate governance mechanism (existence of risks management committee and ownership structures) with companies performance for public listed companies in Malaysia. The study sample was randomly chosen comprising 20% of each industry/sector category excluding finance and distressed companies under categories of PN17, in Bursa Malaysia main market for the year 2015. 20% of each category represents a number of 154 companies. This study used secondary data available from the annual report, Thompson database and Bursa Malaysia database.

In term of risk management, the variables tested in the study is the existence of RMC in the companies and for ownership structure, this study examines two types of ownership structure which are director ownership and family ownership. For the financial performance, Return on Assets (ROA) and Return on Equity (ROE) was used to measure firm performance. ROA is used to measure the performance because it shows how efficient is the assets was used to generate earnings by management. In other words, it is shows how profitable a company is relative to its total assets. ROE is used to measure a company's profitability. ROE shows the amount of net income a company generates with its shareholder's equity (www.investopedia.com).

1.7 The Organization of the Study

This thesis is divided into five chapters. Chapter one provides an introduction and background of the research. It provides introduction on risk management committee and ownership structure hence issues related. Other issues discussed in this chapter are the problem statement, research objective, research questions, problem statement and significance of the study. Followed by chapter two that summarizes the literature about risk management committee and ownership structure and how its influence the firm financial performance. Chapter three provides the theoretical framework, hypotheses development, variables measurement, data collection technique and data analysis technique used in this study. Expectations of the result, and model specification used also explained in this chapter. Then, chapter four shows the results of the study. Lastly, chapter five summarizes the findings and suggests issues for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents relevant reviews related to firm financial performance, risk management committee (RMC) and ownership structure that focuses on director ownership and family ownership. The first section focuses on studies conducted to investigate the governance aspect that affect firm performance. The second section presents the issue of corporate governance in Malaysian context by focusing on the new code of corporate governance 2012. The third section provides the theoretical framework that relies on agency theory which explained how these theories will contribute to enhancing firm performance. Finally, the fourth section highlights the literature related to the existence of RMC, director ownership and family ownership as well as empirical evidence on how these factors contributed to firm performance.

2.2 Determinants of Financial Performance

Firm performance is defined as a level of success of the firm. Each firm has a goal to enhance its yearly performance in order to increase its level of success. Firm performance can be calculated by variables which involved profitability, productivity, growth and also customer's satisfaction. In calculating firm performance, financial measurement is used to identify the firm strength, weaknesses, opportunity and threat. Financial measurement that normally used in calculating performance are residual income (RI), return on asset (ROA), dividend yield , return on equity (ROE), earnings per share (EPS), return on investment (ROI), price-earnings ratio, market capitalization, growth in sales, and etc (Barbosa & Louri, 2005) . The earlier studies were identified the number of factors that could influence the firm performance.

Drukeriv (1992) claims that firm with a larger board size possessed more knowledge and information compared to a firm with a smaller board size, hence firm performance can be improve. The study stated that board with a larger size have better monitoring on firm performance and also can manipulate another member.

Daily and Dalton (1998) examined the connection between financial performance with board composition, board leadership structure and the result revealed that both variables have consistently linked to firm performance.

In contrast, earlier studies in some other countries found a negative association between firm performances with board size. Eisenberg et al. (1998) had done a study in Finland covering small and medum size firms found a negative relationship between profitability and board size. It is consistent with the study by Mishra et al. (2001) that focused on corporate governance of family firms in Norway. In addition, Mak and Yuanto (2002) had done a study in Singapore and Malaysia about the association between size of the board and firm performance as measured by Tobin's Q and found a negative relationship.

Meanwhile, the study made by Wan Fauziah and Idris Adamu Alhaji (2012) focused on corporate governance components for example board size, proportion of non-executive directors (INED) and board leadership structure with firm performance as calculated by earning per share (EPS) and ROE from the year 2009 to 2011. The result is align with the prior study that discovered a number of corporate governance components such as board meeting, percentage of independent directors, board attributes, board leadership structure, audit committee and also board size (Abdullah, 2004; Cosken & Sayiliar, 2012; Shukeri et al., 2012) do influence firm performance.

Shukeri et al. (2012) had studied on performance using ROE with the board of director's characteristics including CEO duality, ethnic diversity, managerial ownership, gender diversity, board size and board independence by using ROE for 300 public listed companies in Malaysia. The result revealed a positive relationship between performance with ethnic diversity and board size while negative relationship between board independence and performance appeared. For others characteristics such as CEO duality, managerial ownership and gender diversity had found no significant relationship on firm performance.

In contrast, Ali, Salleh, and Hassan (2008) revealed a positive association between performance and director ownership based on a sample of 1000 companies in Bursa Malaysia in year 2000 to 2003.

Kallamu (2015) investigated the collision of RMC attributes with firm performance. The study covered a number of 37 samples of finance companies that was listed on Bursa Malaysian from the year 2007 to the year 2011. The result revealed a significant negative relationship between ROA and existence of independent directors on RMC. It can be concluded that, committee consists of majority independent directors positively can boost valuation of market but negatively affects a returns on accounting. The result also shows that a positive action in enhancing accounting returns with appearance of independent committee chair in the companies while director's prior executive experience appear can enhance both market valuation and accounting returns of the companies.

2.3 Corporate Governance in Malaysia

A corporate governance issues in Malaysia were brought to the glare of publicity due to the financial crisis that smack Asian countries including Malaysia in 1997. From time to time after the forming of Malaysian Institute of Corporate Governance (MICG) in 1998, the code of corporate governance facing with a few revolution. The code was used as a guideline to improvement corporate governance implementation in Malaysia after being hit by Financial Crisis in 1997. It was first being issued in March 2000. The aim of the Malaysian Code of Corporate Governance (MCCG) is to create attentiveness among corporate sector, public and investor on the finest practice of corporate governance in Malaysia. The code highlighted on four dimensions in governance which are a directors' remuneration, board of directors, audit and shareholders accountability. Part 1 in MCCG briefly sets out extensive principles of the best practice governance that can be practical with flexibility and multiplicity, part 2 focuses on asset of guideline which could assists companies in preparing their own approach to corporate governance.

The Codes was first revised in the year 2007 in order to ensure that its principles and suggestion were allied with business practices and market growth. MCCG (Revised, 2007) works on improving corporate governance structures and internal processes hence identifying and explaining the best values and best practices of excellent governance in Malaysia. The code integrated the board of director's responsibilities with obligation in influencing firm performance, by monitoring and controling internal control systems of the companies as well as confronting with company's strategic plan.

In July 2011, the MCCG has revised again in order to achieve superiority in corporate governance in the course of toughening self and market control and encouraging good conformity and corporate governance culture. The MCCG 2012 focuses on illuminating the role of the board in given that leadership, boosting board efficiency through modifying its composition and reinforcing its independence. The codes also give confidence to the companies to set in place corporate disclosure policies that symbolize principles of the high-quality disclosure.

A latest new code of MCCG was released on 26 April 2017 by Security Commission (SC) aimed to strengthen corporate culture anchored on accountability and transparency. The new codes have 36 practices to support three principles. The first principle is focused on board leadership and effectiveness, the second principle is to strengthen the effectiveness of audit and risk management, and the third principle is focused on the internal control and corporate reporting and relationship with stakeholders. The new MCCG code is emphasis on the internalisation of corporate governance culture not only for public listed companies but also encourage non-listed companies including state-owned enterprises, small and medium enterprises (SMEs) and licensed intermediaries to embrace the code.

2.4 Existence of Risk Management Committee (RMC)

Risk management is defined as the technique and procedure used by organizations to deal with risks or grab an opportunities connected to the reaching of their objectives (Amran & Hassan, 2008). Due to the uncertainty of world economic growth that gives a huge impact on the business performance worldwide, the role of the audit committee in monitoring risk can be a delegate to the risk management committee. The committee will more focus on managing risk for the companies. In finance companies, RMC plays an essential role in order to monitor firm performances (Kallamu, 2015).

Until now, only a small number of studies conducted in RMC (Liebenberg & Hoyt, 2003; Beasley, Clune, & Hermanson, 2005; Subramaniam, McManus, & Zhang, 2009; Kallamu, 2015) especially a study had done in Malaysia (Yatim, 2009; Ng et al., 2013; Kallamu, 2015). All the research had done in Malaysian paying attention on the establishment of RMC (Yatim, 2009) and in finance sector, the study on RMC focusing on insurance division (Ng et al., 2013) and the impact of RMC attributes on firm performance for finance companies (Kallamu, 2015).

Liebenberg and Hoyt (2003) investigate the determinant of Enterprise Risk Management (ERM) adoption for the sample of the firm that has signaled the used of ERM in the firm. The investigation was carried out by appointing a chief risks Officer (CRO) who is charged with the task of implementing and organizing the ERM program. The result shows that firm with larger financial leverage is more probable to assign a CRO. The finding is constant with the hypothesis that firms employ CROs in order to minimize information asymmetry concerning the firm present and projected risk profile.

Beasley, Clune, and Hermanson (2005) examine factors connected with the phase of ERM execution for 123 organizations in the US. The result revealed that the phase of ERM execution is positively connected to the occurrence of board independence, chief risk officer, CEO and CFO apparent support for ERM, the existence of a big four auditor, entities in the education, banking and insurance industries and entity size.

Subramaniam, McManus, and Zhang (2009) examine how RMC function as a key governance support instrument as the omission of organization's policies, risk management strategies and process after the evolving sub-committee board of the directors, on 300 Australian Stock Exchange listed companies. The study applies the agencies theory that examines the connection between board factor including chief executive officer duality, the proportion of non-executive directors, auditor type, board size, industry, complexity, leverage, and the existence of RMC. The result shows that RMC tends to subsist in the companies with appearance of independent board as a chairman and larger board. The result also shows that companies with split RMC more likely to have a larger board, higher financial reporting risk, and lower organization complexity.

In Malaysia, a study by Yatim (2009) examines the connection of audit committee characteristics with the RMC establishment of 690 firms for the year 2003. The result shows a strapping support for the connection between the establishment of RMC and audit committee independence, audit committee size, and audit committee diligence. The establishment of a RMC also shows a positively and significantly related with firm-specific variables such as the complexity of a firm's operations, firm size and the use of Big Four audit firms.

Ng et al. (2013) investigated the relationship between RMC characteristics known as size, independence and number of meeting and risks taking by the Malaysian insurance companies in the range of the year 2003 to 2011. The result shows that all the characteristics appear to be negatively associated with underwriting risks.

Kallamu (2015) investigated the collision of RMC attributes on firm financial performance. The study was done in the range of year 2007 to 2011 covering the number of 37 companies listed in Bursa Malaysian for finance sector. The result revealed that an existence of independent directors in RMC represent a significant negative relationship with ROA. Majority independent directors in the committee can positively increase market valuation of the firm and negatively give effects on accounting returns. The result also shows that appearance independent committee chair was found positively can increase accounting return while the former executive experience of directors will increase both accounting returns and valuation of the market.

2.5 Ownership Structure

A study on ownership structure highlighted since 1932 by Berle and Means. The study on ownership structure is noteworthy in formative firms' objectives, shareholders prosperity and the disciplined of the manager (Jensen, 2000). Every managers and shareholders aim is to maximize firm value. The ownership structure consists of extensively held firms and concentrated ownership or firms with controlling owners. An extensively held corporation does not have a significant control power. Firms with controlling power are alienated into widely held corporations, widely held financial institutions, families and state categories (Claessens, Djankov, & Lang, 2000; La Porta, Lopez-De-Silanes, & Shleifer, 1999). A study by La Porta et al. (1999) was highlighted family ownership as important corporations. The study had done on 20 largest publicly traded companies in the 27 countries worldwide. The result shows that most company is confidential and had highly concentrated ownership structure.

2.5.1 Director Ownership

Director ownership is defined as a number of shares held by directors over a total number of share issued. Conflicts between managers and owners can be lighten through agency theory where the decreased of conflict can enhance performance. The bulky portion of the company shares owned by the manager shows that the owner has additional incentives to maximize performance hence can increased performance. Theory predicted that the existence of director ownership tends to diminish agency costs and increase performance (Han & Suk, 1998; Filatotchev et al., 2005; Krivogorsky, 2006).

Prior literature has argued that there is a positive and negative relationship between director ownership and firm performance. A study done by Mehran (1995) examine the supervisory of compensation structure of 153 sample randomly selected from manufacturing firms for the year 1979 to 1980. The result revealed that the proportion of equity detained by managers and the proportion of their compensation that is equity-based are positively linked to firm performance.

Ali, Salleh, and Hassan (2008) revealed a positive relationship between firm performance and managerial ownership after analyzing 1000 companies in Bursa Malaysia in year 2000 to 2003.

In contrast Shukeri et al. (2012) had studied on performance using ROE with the board of director's characteristics including CEO duality, ethnic diversity, managerial ownership, gender diversity, board size and board independence by using ROE for 300 public listed companies in Malaysia. The result revealed a positive relationship between performance with ethnic diversity and board size while negative relationship between board independence and performance appeared. For others characteristics such as CEO duality, managerial ownership and gender diversity had found no significant relationship on firm performance.

Kamardin et al. (2016) examines the consequence of different type of ownership structure on firm performance based on companies registered on Bursa Malaysia for 2006 to 2010. In this study, firm performance is proxies by market computation (market to book value, MTBV). The result indicates that director ownership and foreign ownership have a non-linear relationship with MTBV using the quadratic function. Hence, director ownership has a negative relationship which indicates the entrenchment effect at the lower stake. However, director ownership has positive relationship meaning the alignment effect occurs at the higher stake.

2.5.2 Family Ownership

Family Ownership or family controlled firm is the most frequent structure of business organization worldwide. In the US, family owned represent more than 80% of all firms, presented one-third of S&P 500 and hold almost 80% of firms' equity stake (Anderson & Reeb, 2003). In Malaysia, a Report on the Observance of Standards and Codes (ROSC) by the World Bank state that 67.2% of the share in Malaysia owned by the family, 37.4%

by controlling shareholders and 13.4% were state controlled (Amran & Ahmad, 2010). Family businesses form an important element in Malaysian economy that contributes more than partially of Malaysian Gross Domestic Product (Ngui, 2002).

Previous studies about family ownership and performance reported a mixed result. A study by La Porta et al. (1999) on 20 largest publicly traded companies in the richest 27 countries worldwide was highlighted family ownership as important corporations. The result shows that most companies are confidential and ownership structure of listed firms is highly concentrated.

Mishra et al. (2001) examined about non-founding family controlled and founding family controlled in Norway. The study for four options of definitions for founding family control reported a positive connection between founding family control with firm value. The study revealed that the higher connection appear between founding family CEOs and firm value with smaller boards, younger firms and firms with a single class of shares. The study also initiate that the association between founding family ownership and firm value is bigger among firms with larger boards, older firms and mostly when these firms have multiple classes of shares.

The study by Wiwattanakantang (2001) examines the controlling shareholders effects on performance via unique database collected from Thai firms. The study found that the existence of controlling shareholders is related with higher performance when calculated by accounting measures such as the sales-asset ratio, and ROA. In contrast, a controlling shareholders' involvement, however, has a negative outcome on the performance. Hence, the evidence also proved that family-controlled firms exhibit significantly higher performance. Firm with have extra than one controller’s shareholder as well as foreign-controlled firms, also reported higher ROA, relative to firms with no controlling shareholder.

Anderson and Reeb (2003) examined whether founding families, undiversified block holder look for to diminish firm-specific risk by influencing the firm's diversification and capital structure decisions in US firms. The study revealed that family firms truly experience less diversification, and use related levels of debt compare to non-family firms. The study also revealed that founding-family ownership is not linked with direct measures of equity risk, which suggests that family holdings are not limited to low-risk businesses. Although the influence of founding-family ownership is widespread and noteworthy in U.S. industrial firms, the results do not support the hypothesis that continuous founding-family ownership in public firm’s leads to minority-shareholder prosperity expropriation. The results show that minority shareholders in large U.S. firms received a benefit from the existence of founding families.

Chen et al. (2005), investigates a sample Hong Kong companies amounting 412 firms that are listed in public market during 1995-1998 aiming to examine family ownership influence to the firm performance and value, dividend policy and the collision of corporate governance, value, and dividend payouts with performance. The results do not demonstrate a positive association between ROE, ROA and the market-to-book ratio with performance. Hence, negative association between CEO duality and performance also was found. The study also revealed small relationship between family ownership and dividend policy. Dividend payouts in small firms also show little sensitivity to performance. Finally, the composition of the board of directors has little collision on firm performance and dividend policy, predominantly for small market capitalization firms.

Villalonga and Amit (2006) had completed a study using proxy data collected from Fortune-500 firms during 1994-2000, proved that family ownership creates value only when the founder have contribution to the firm as CEO or chairman with a hired CEO. The findings propose that the traditional owner-manager argument in non-family firms is pricier than the argument between family and non-family shareholders in founder-CEO firms. However, the argument between family and non-family shareholders in descendant-CEO firms is pricier than the owner-manager argument in non-family firms.

Gama and Rodrigues (2013) provide an integrated analysis of the governance roles of corporate boards, various block-holders and institutional investors in firm performance in the perspective of publicly-listed family-controlled firms by using a multi-industry data set collected from 208 firms listed in Milan Stock Exchange (MSE) over the period 2000-2006. The results show that family firms have improved accounting performance than non-family firms. Hence, active family contribution in management positions seems to trim down managerial opportunism. The results also provide an alliance motivation between a coalition of large shareholders and firm value.

In Malaysia, Saleh, Rahman, and Hassan (2009) investigates whether ownership structure can clarify the difference in a company's IC performance using the data of all listed companies in Malaysian Exchange of Securities Dealing and Automated Quotation Market (MESDAQ) between 2005 and 2007. Family ownership is seen to have a negative effect on IC performance. The results are essential for capital market regulators in monitoring the proficiency of value formation investments.

Amran and Ahmad (2010) examine the effect of corporate governance mechanisms and succession attributes with company performance amongst 420 Malaysian listed companies. The results revealed that family-controlled companies have essential firm value than non-family controlled companies. The results revealed that firm value can be enhanced with firm that has bigger board size and professional directors. Advance analysis revealed that dual leadership applied by companies can demonstrate a higher company performance. Managerial and family ownership provide a non-linear pattern with performance by looking from ownership structure dimension. Findings also indicate that family CEO, young CEO, CEO with a higher education background and second generation CEO's do enhance better company performance.

Ibrahim and Samad (2011) examines the connection between corporate governance characteristics and performance for family and non-family ownership of public-listed firm in Malaysia from 1999 through 2005 using ROE, Tobin's Q and ROA measurement.

The result shows that, family ownership experiences a higher value than non-family ownership based on ROE. Conversely, based on Tobin's Q and ROA, the study revealed that firm value is lesser in the family than non-family ownership. In addition, the corporate governance characteristics such as independent director, board size, and duality for family and non-family ownership have a huge significant power on the firm.

Kamardin et al. (2016) examines the effect of different type of ownership structure on firm performance proxies by market measure (market to book value, MTBV) based on companies listed on Bursa Malaysia in the year 2006 to 2010. In the study, firm performance is proxies by market measure (market to book value, MTBV). The result indicates that family ownership and ownership by government-linked investment companies have a linear relationship.

2.6 Agency Theory

Agency relationship is explained as a deal under which one or more principals fit into place to a different person (the agent) in order to carry out tasks on behalf of the principals. The agent will be delegate an authority to make a decision on behalf a principal in order to make the contract perform (Jensen & Meckling, 1976). Under the agency theory, severance of ownership and corporate management is suggested due to the management (agent) may have a different agenda from their shareholders (principle) that may lead to the conflict of interest (Fama & Jensen, 1983; Jensen & Meckling, 1976).

The controlling power delegate to the agent sometimes wrongly used due partially to moral hazard and adverse selection that arise through information asymmetry.

The main focuses of agency theory is to overcome the problems arise from the agency affiliation. According to Heinrich (2002), there are three parties that would make an agency problem arise which are 1) between shareholders and top management, 2) between controlling and minority shareholders and 3) between shareholders and creditors. To control the problem associated with information asymmetry, both principal and agent need to increase investment in information systems and control mechanism (Jensen & Meckling, 1976; Fama & Jensen, 1983). These control mechanisms are the win-win situation for both parties while the agent would put up with agency cost that occurs when the value of the firm is reduced by the principals based on the chances of adverse selection, moral hazard and shirking occurs (Alchian & Demsetz, 1972; Jensen & Meckling, 1976). Hence, agency theory is the main theory refers by researchers to watch over the management of public listed companies and the foundation for daily corporate governance implementation mechanism in public listed companies. Roles of the board of directors as a monitoring instrument was discussed by Fama and Jensen (1983) in their article title “Separation and Ownership and Control”. The main role of the directors is to make an arrangement with the problem and to oversight the role of managers in monitoring activities. In order to make a monitoring function effective, the board delegates some of their duties to its committee, especially audit committee and risk management committee. The delegation of responsibilities in risk controlling to RMC aimed to enhance the internal control of risk for the companies. The increased of internal control mechanism that delegated to RMC is one of the solution to reduce agency problem derived from information asymmetry.

2.7 Summary

This chapter mainly focuses on the previous studies that had investigated factors affecting financial performance. The studies provide evidence on factors influencing firm financial performance (e.g. firm size, board composition, leverage and board size, the percentage of independence director, family ownership, director ownership, risk management committee, board diversity, and ethnic diversity). From this study, it can be inferred that limited study employed risk management committee variables as explanatory variables of firm financial performance.

Moreover, it also focused on ownership structure literature that considers ownership structure as part of the important mechanism of corporate governance after the revision on Corporate Governance Code 2012. Agency perspective provides more insight on variables that should be considered to ensure RMC and ownership structure work effectively to enhance firm financial performance. It is revealed that RMC, director ownership and family ownership as main factors to measure firm performance. The reviewing of empirical studies on director ownership and family ownership had found a positive relationship and negative relationship with firm financial performance. A study on risk management committee (RMC) has found a positive relationship with firm performance in finance companies. Therefore, this study expects that firm financial performance will have a positive relationship with RMC, director ownership and family ownership after the revision of Corporate Governance Code 2012.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Research design and methodology are presented in chapter three. This chapter explains about the theoretical framework in section 3.2, section 3.3 explains about the hypotheses development, section 3.4 discusses variables measurement followed by section 3.5 about data collection. Then, section 3.6 summarizes about the data analysis. Lastly, section 3.7 summarizes the whole chapter.

3.2 Theoretical Framework

The Theoretical Framework shown in Figure 3.1 explains the relationship between independent variables and dependent variable. This study proposed that existence of risk management committee and ownership structure variables (director ownership and family ownership) influence the firm performance. Each of the variables and the development of hypotheses will be discussed in the following section.

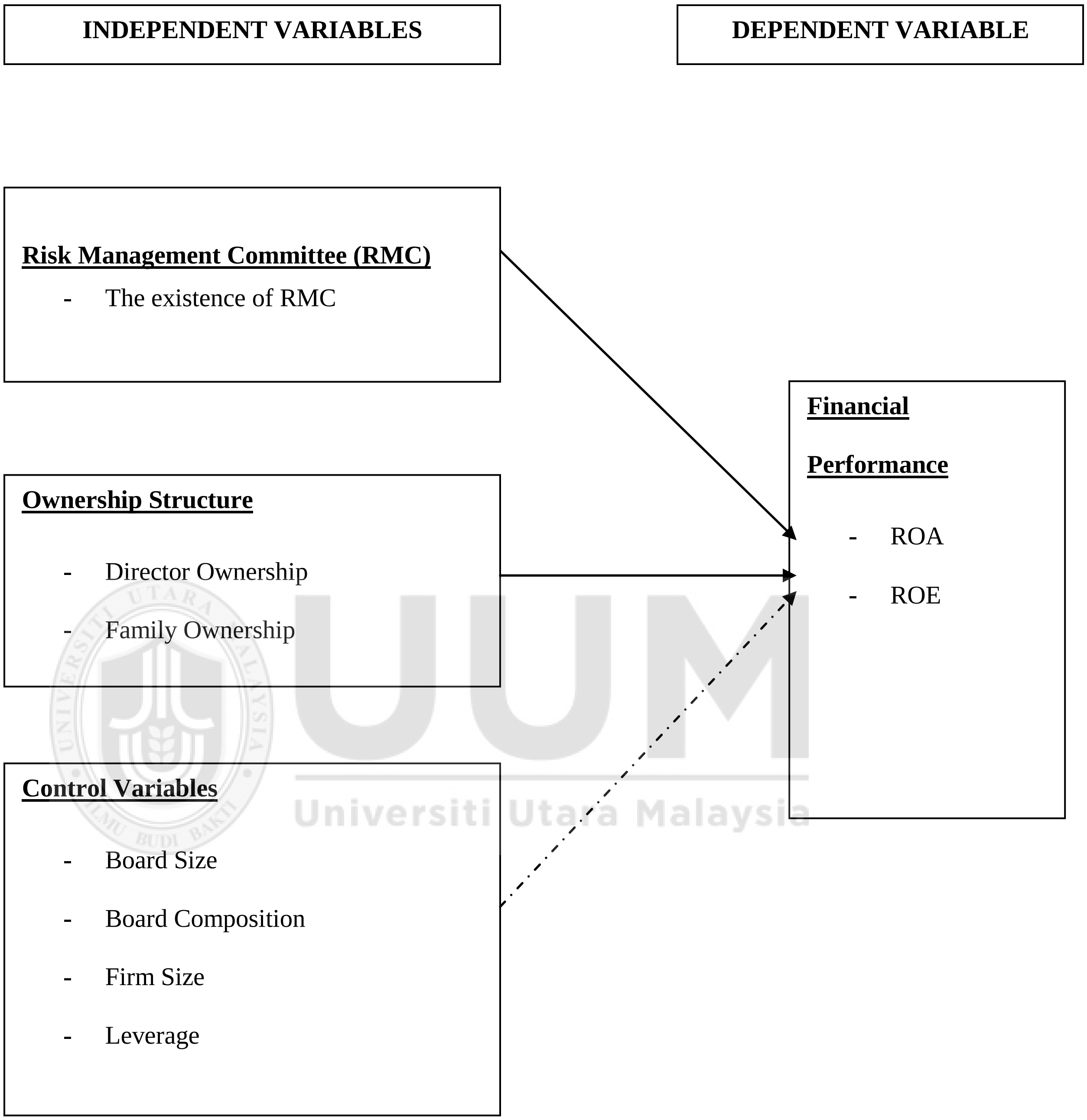

Figure 3.1: Research Framework

3.3 Hypotheses Development

Three hypotheses are developed to examine three independent variables that would give an impact to the dependent variable. Previous study on risk management committee revealed that the existence of risk management committee in public listed company have a positive relation with audit committee independence, audit committee size and audit committee diligence and firms with specific variables such as firm size, complexity of firm operations and the used of Big Four audit firms tend to established a stand-alone risk management committee (Yatim, 2009). An analysis on the existence of RMC have been done for the sample collected and the result only 43 from 154 companies have a stand-alone RMC which represent 28%. Based on this analysis following hypotheses were developed to test the variables.

3.3.1 Existence of Risk Management Committee

Risk Management Committee (RMC) is the one of the board committee requisite for finance companies refers to the corporate governance guidelines issued by Bank Negara for licensed financial institutions. For finance companies, the existence of RMC is mandatory which required at least three non-executive directors and to be chaired by independence directors. For non-financial companies, the establishment of RMC is not mandatory. Under the principle C practices, number 11 Malaysian Code on Corporate Governance 2016 stated that the company can establish RMC which is responsible for managing the company policies and risk management framework. Due to the voluntary establishment of RMC in non-finance public listed companies in Malaysia, the roles of RMC to monitor the risk in use by management (Tao & Hutchinson, 2013) normally was done by the audit committee. Because of the raise in the responsibilities compulsory on the audit committee by the regulatory bodies, the need for stand- alone RMC is necessary to overlook the risks control activities of the companies (Yatim, 2009). The awareness about the important of RMC establishment in public listed companies was still deficient. It is because only 43 over 154 samples of public listed companies have their stand-alone RMC which represent 28%. The numbers of companies that have their own stand-alone RMC are not exceeding 30% of the total sample showing that the important of RMC to look over the company's risks couldn't be aware by public listed companies. It is because there are no studies relating the linkage of RMC with performance. There is no urge of having stand-alone RMC in public listed companies due to the responsible in monitoring risk were taken by the audit committee.

Previously, audit committee is responsible in managing risk but with the new evolution and innovations of financial products and the change of concept from traditional financial institutions to newly brand financial institutions, there is an increased need to manage risks which are the need of RMC to look over the risks (Merton, 1995). Is the risk are well taken if there is a stand- alone RMC in the companies. Thus, the following hypothesis was constructed:

H1: There is a significant relationship between the existence of RMC and performance of public listed companies in Malaysia.

3.3.2 Ownership Structure (Director Ownership)

Director ownership is defined as the amount of shares (direct and indirect shareholdings) owned by the directors divided the total amount of shares issued. Directors Ownership is the amount of the shares claim by CEO and executives and with the holdings of shares it incorporates their deemed interest. The shares owned by the directors may work as direct incentives and motivation for directors to have common interests with the shareholders, as the firm performance will also affect their wealth in the company (Jensen & Meckling, 1976). Jensen and Meckling (1976) suggest agency conflicts between managers and owners can be reducing through managerial ownership. A good performance can be guaranteed through managerial ownership owned by directors who have a large portion of company share where this situation will give an incentive to the directors to maximize firm performance. Theory predicted that the presence of director tends to reduce agency costs and increase performance (Han & Suk, 1998; Ang, Cole, & Lin, 2000; Filatotchev et al., 2005; Krivogorsky, 2006).

Empirical evidence regarding the relationship between director ownership and corporate performance is mixed. Agrawal and Knoeber (1996), Filatotchev et al. (2005), and Krivogorsky (2006) found results dependable with agency prediction that presence of director ownership tends to reduce agency costs and increase performance meanwhile, Shukeri et al. (2012) revealed that director shareholding was statistically not significant and have negative relationship with performance. Kamardin et al. (2016) revealed that director ownership is negatively related with performance. In contrast, Mehran (1995), Han and Suk (1998), Ali, Salleh, and Hassan (2008) documented a positive relationship where increased in director ownership led to better corporate performance.

In the Malaysian perspective, Mak and Kusnadi (2005) had used data from 1999 to 2000 in examining the collision between corporate values and corporate governance mechanisms. The study had found no significant relationship between corporate values with insider ownership. To sustain in the long term survival, all directors have to be more responsible in decision making after the implementation of the Code in 2001, directors are expected to be more aware of their responsibilities to ensure the long-term survival of their companies. Fauzias et al. (1999), Ruhani and Sanda (2001), and Kamardin (2014) also found the non-linearity relationship. Ruhani and Sanda (2001) recorded a curvilinear relationship with concave shaped: positive relationship for ownership less than 36.7%; negative relationship for ownership exceed 36.7%. However, Kamardin (2014) found a curvilinear relationship (U-shaped) with Tobin's Q and a linear relationship with ROA which supports the convergence-of-interest hypothesis. A positive association between director ownership and corporate performance is hypothesized as follow:

H2: There is a significant relationship between director ownership and performance of public listed companies in Malaysia.

3.3.3 Ownership Structure (Family Ownership)

Family ownership is defined as the amount of shares (direct and indirect shareholdings) owned by the directors who have family ties to the total amount of shares issued. In order to gain control over firm members, the share held by the family must exceed a certain threshold (Anderson & Reeb, 2003; Villalonga & Amit, 2006). Indirect controlling by the family members also can be gain through the pyramidal structure (La Porta et al., 1999). Family-controlled firms have a positive influence where the directors who have family ties would supervise the firm performance and reduce agency costs (Jensen & Meckling, 1976; Fama & Jensen, 1983; Demsetz & Lehn, 1985; James, 1999; Joh, 2003). Family owners, for example, expert in firm's activities and performance since its inception can contribute to the better performance (Kets de Vries, 1993). In addition, a conducive working environment can be created through trust build between the family members (Chami, 1999). In contrast, the higher share hold by family members will lead to expropriate firms' assets for themselves through various ways such as excessive compensation, related party transactions, special dividends, and non-pecuniary benefits (Shleifer & Vishny, 1997; DeAngelo & DeAngelo, 2000).

Previous research had reported a mixed findings where some studies report positive association with firm value (Mishra et al., 2001; Wiwattanakantang, 2001; Anderson & Reeb, 2003; Villalonga & Amit, 2006; Amran & Ahmad, 2010; Gama & Rodrigues, 2013; Kamardin et al., 2016).Other studies found negative association with firm performance (Saleh, Rahman, & Hassan, 2009; Ibrahim & Abdul Samad, 2011).

After the revision of Corporate Governance Code 2012, it is predicted that a positive association between family ownership and corporate performance is hypothesized:

H3: There is a significant relationship between family ownership and performance of public listed companies in Malaysia.

3.4 Variables Measurement

3.4.1 Dependent Variable

The study is focusing on financial performance. The measurement used to calculate dependent variables are Return on Assets (ROA) and Return on Equity (ROE). ROA is described by net income divided by book value of total assets (Yeh et al., 2001; Anderson & Reeb, 2003; Chen et al., 2005; Amran & Ahmad, 2010). ROE is described as net income divided by shareholders' equity (Anderson & Reeb, 2003; Amran & Ahmad, 2010). This measure is mostly used in a study on financial performance literature (Amran & Ahmad, 2010).

3.4.2 Independent Variables

3.4.2.1 Existence of RMC

This study measures the existence of RMC by identifying the information in company annual report. The information can be extracted in the Corporate Information section or Statement of Corporate Governance section. The existence of RMC is divided into two which are stand-alone RMC and RMC joining with the audit committee. For stand-alone RMC and RMC joining with audit committee, will be coded "1", and non-existence of RMC will be coded "0".

3.4.2.2 Ownership Structure (Director Ownership)

This study measures director ownership by retrieving the name of directors with shareholdings from the annual report in the Corporate Information section. Then, the director's names were listed down in the worksheet. All the directors were identified their number of shareholdings directors hold by referring to the Directors Profile section and Analysis of Shareholdings section. Directors with no connection to the largest family shareholder were categorized as director ownership.

Director ownership stand for the number of shares (direct and indirect shareholdings) owned by the directors over the total amount of shares issued. This measurement had been apply by many researchers in previous study on measuring managerial ownership (Han & Suk, 1998; Ruhani & Sanda, 2001; Mohd Sehat & Abdul Raman, 2005; Mak & Kusnadi, 2005; Kamardin, 2014)

3.4.2.3 Ownership Structure (Family Ownership)

This study measures family ownership by retrieving the name of directors with shareholdings from the annual report in the Corporate Information section. Then, the director's names were listed down in the worksheet. All the directors were identified whether they have family ties or not and the number of shareholdings directors hold by referring to the Directors Profile section and Analysis of Shareholdings section. Directors with have a family relationship to the largest family shareholder were classified as family ownership. Their direct and indirect shareholdings were totaled up to derive the shareholdings for each director.

This measurement had been apply by many researchers in previous study on measuring family ownership (Mishra et al., 2001; Yeh et al., 2001; Anderson et al., 2003; Villalonga & Amit, 2006; Saleh, Rahman, & Hassan, 2009; Ibrahim & Abdul Samad, 2011; Kamardin et al., 2016)

3.4.3 Control Variables

3.4.3.1 Board Size

Board Size is measured by identifying the number of directors in the company. The number of director includes the independent director, non-independent director, executive director, non-executive director, managing director, retired director and alternate director. The information about board size can be extracted from Corporate Information section and Directors Profile section in company's' annual report. The study on board size found mixed result where some researchers argue that board size have positive relation with firm performance (Drukeriv, 1992; Shukeri et al., 2012) and some argue that board size have negative relation with firm performance (Eisenberg et al., 1998; Mishra et al., 2001; Mak & Yuanto, 2002). For this study will expect that board size will have a positive relation with performance.

3.4.3.2 Board Composition

Board Composition is calculated by identifying the number of independent directors divided by a total number of directors in the company. The information was extracted from an annual report in Directors Profile section.

The previous study had found that the power of independent directors which can balance the different stakeholder's interest (Kallamu, 2015) and a good performance can be measured by calculating a number independent directors served on RMC during the financial crisis compared with those who have less independent directors (Yeh at al., 2011). Daily and Dalton (1998) found a positive association between board composition and firm performance. This study expected to have a positive association between board composition and financial performance.

3.4.3.3 Firm Size

Firm size is one of the variables to establish an internal control mechanism in a firm that could influence a firm decision making (Wallace & Kreutsfeldt, 1991). Firm size was calculated by using natural log of total assets. Total assets are considered to be the best measurement for the firm size because it reflects the total amount of wealth at risks (Abdel-Khalik, 1993). A study by Sufian and Habibullah (2010) revealed that firm size have a negative relation with performance of finance companies and this study will expect that firm size will have a negative relationship with financial performance.

3.4.3.4 Leverage

Leverage is one of the control variables that used in the study of performance. A level of leverage is reflected the firm risks exposure where high level of leverage reported by the firm shows a good commitment among the firms and their creditors (Yatim, 2009). The leverage is measured by the ratio of total debts to total assets where the cause of leverage can be control using the ratio. The information was extracted from the Data Stream and Financial Statement section in the annual report.

Table 3.1: Summary of Measures of Variables

Variables Definition	**Variable Name**	**Measurement**	**Expected Relation**
ROA	FP	Net income divided by book value of total assets	**-**
ROE	FP	Net income divided by shareholders' equity	**-**
Existence of RMC	EXISTRMC	Dummy variable, "1" for existence of RMC, and "0" otherwise	**Positive**
Director Ownership	DIRECTOROW	Proportion of director ownership. Total number of direct and indirect shareholdings.	**Positive**
Family Ownership	FAMILYOW	Proportion of family ownership. Total number of direct and indirect shareholdings.	**Positive**
Board Composition	BOARDCOM	Proportion of independent director in the company	**Positive**
Board Size	BOARDSIZE	Number of directors served in the company	**Positive**
Firm Size	FIRMSIZE	Natural log of total assets	**Negative**
Leverage	LEVERAGE	Ratio of total debt to total assets	**Positive**

3.4.4 Model Specification and Analysis

The variables used in this study are derived from the review of the literature (Kallamu 2015, Yatim 2009, Amran & Ahmad, 2010). The following regression model is used to estimate the relationship between financial performance and existence of RMC and ownership structure and control variables.

$$\mathbf{FP = \alpha + \beta_1 EXISTRMC + \beta_2 DIRECTOROW + \beta_3 FAMILYOW + \beta_4 BOARDCOM + \beta_5 BOARDSIZE + \beta_6 FIRMSIZE + \beta_7 LEVERAGE + \varepsilon}$$

The variables in the research model are measured as follows:

FP	=	Return on Assets (ROA) and Return on Equity (ROE)
EXISTRMC	=	Existence of RMC "1", "0" otherwise
DIRECTOROW	=	Proportion of Director Ownership
FAMILYOW	=	Proportion of Family Ownership
BOARDCOM	=	Proportion of Independent Director in the company
BOARDSIZE	=	Number of directors served in the company
FIRMSIZE	=	Natural Log of total Assets
LEVERAGE	=	Ratio of total debt to total assets
ε	=	Error term

3.5 Data Collection

The population of this study includes all listed companies in Bursa Malaysia Market (www. bursamalaysia.com/market). In the year 2015, there are 810 companies listed on Bursa Malaysia. From 810 companies, there are 33 finance companies and 13 distressed companies. A number of 46 companies were excluded which bring the total number of population is 764 companies. The companies were categorized by the consumer, industrial, construction, trading and services, technology, infrastructure, hotel, properties and plantation. This study used secondary data available from annual report, Thompson database and Bursa Malaysia database.

3.5.1 Sample Selection

As mention above, there are 810 companies listed in Bursa Malaysia main market in the year 2015. The number of companies listed including finance companies and distressed companies. After deducting 33 finance companies and 13 distressed companies, the total population listed in Bursa Malaysia is 764 companies categorized by the consumer, industrial, construction, trading and services, technology, infrastructure, hotel, properties and plantation. The sample of the study was chosen by randomly choosing or selecting 20% of each category excluded finance and distressed companies under categories of PN17, in the main listing board of Bursa Malaysia for the year 2015. 20% of each category represents numbers of 154 companies as a sample of the study.Therefore, the results obtained are able to be generalized to Malaysian listed companies.

Table 3.2

Number of companies on Bursa Malaysia with websites according to respective categories

Code	Category	Number of Companies	20% from Number of Companies
IP	Industrial Products	218	43
TS	Trading and Services	187	37
CP	Consumer Products	123	25
P	Properties	105	21
C	Constructions	53	12
Pl	Plantations	35	7
T	Technology	34	7
I	Infrastructure	5	1
H	Hotel	4	1
	Total	764	154

3.5.2 Data Collection Procedures

This study used companies' annual reports (secondary data) that were mainly downloaded from Bursa Malaysia website. Data on dependent variable was extracted from datastream and balance sheet, while data on independent variables and control variables were gathered from corporate governance report, balance sheet and income statement. A total number of 154 companies were selected after calculating 20% of each category of companies listed in Bursa Malaysia. The technique is used because it can provide a lot of information that can help for problem-solving (Sekaran, 2003).

3.6 Data Analysis

The study uses different statistical tests to examine the hypothesized relationship including first, the characteristic of the sample will be described by using descriptive statistics (mean, minimum, maximum and standard deviation). Next, the normality of the data will be tested. Then, correlations analysis was used to check which variable have a strong and weak correlation with the dependent variable. Correlation analysis also was applied to check the multicollinearity among independent variables and control variables. Lastly, multiple regressions were applied to analyze the effect of these variables on firm financial performance.

3.7 Summary

In this chapter, a theoretical framework was developed based on the argument that existence of risk management committee (RMC), director ownership and family ownership will contribute to company performance. Also, this study provides hypotheses that tried to answer the questions arise. This hypothesis predicted a positive relationship between the existence of RMC, director ownership and family ownership.

Based on prior studies, this study employed the same measurement of the hypotheses variables. It also extended prior studies by using performance model with some additional variables that were expected to have an impact on performance. This chapter also discussed the model and procedures used to collect data about hypothesis variables.

The main source of data comes from Tompson datastream and annual report 2015, retrieved from Bursa Malaysia. During the year, there are 810 companies listed on Bursa Malaysia derived from 10 industries. After elimination of 33 finance companies and 13 distress companies, the final populations of companies are 764. 20% of each category was calculated and the final sample of analysis involved 154 companies. Finally, short descriptions on the type of analysis that was used to examine the hypotheses were presented.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

Through this chapter, the result of the statistical analysis is presented and discussed. The first section provides descriptive analysis for study sample which includes mean, maximum, minimum and standard deviation. The second section presents assumption tests that include normality, heteroscedasticity, and multicollinearity tests. The third section discusses correlation analysis which includes discussion about which variables have a high correlation with independent and dependent variables. It provides a view about the presence of multicollinearity between the independent variables and control variables that may affect regression analysis. Finally, regression analysis is conducted to provide evidence on the ability of the model to explain the variances in performance and which variables have a significant impact on firm performance.

4.2 Descriptive Statistics

Table 4.1 presents descriptive analysis for the variables in this study. From this table, the mean for ROA is 3.82 with minimum value is -55.36 and the maximum value is 37.91 which means the total income can generate in an average of 3.82 times of total assets. The mean for ROE represent 6.11 with the minimum value is -142 and the maximum value is 89.72 which mean the firm can generate 6.11 profits on average from their shareholder's investment.

The result for EXISTRMC1 is represent the number of companies that have stand-alone RMC and EXISTRMC2 is represent the number of companies that have stand-alone and joining RMC. The mean for EXISTRMC1 is 0.18 or 18% of the sample have stand-alone RMC. For EXISTRMC2, the mean show is 0.28 or 28% represent a total of companies that have RMC joining with other committees. The mean for family ownership represents 21.93% with minimum 0% and maximum 79.28% which means the percentage of share own by directors which have family ties in the sample of 154 companies. The mean for director ownership is 36.81% with minimum 0% and maximum 79.3% which represent a total amount of shares held by directors in the sample companies.

Table 4.1:Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
ROA	154	-55.36	37.91	3.82	9.32	-1.28
ROE	154	-142.00	89.72	6.11	21.71	-1.27
EXISTRMC1 (%)	154	0	1	0.18	0.38	1.73
EXISTRMC2 (%)	154	0	1	0.28	0.45	0.99
FAMILYOW (%)	154	0.00	79.28	21.93	25.15	0.61
DIRECTOROW (%)	154	0.00	79.30	36.81	24.25	-0.19
BOARDCOM	154	0.23	0.80	0.47	0.13	0.49
BOARDSIZE	154	4	13	7.60	2.01	0.62
LNFIRMSIZE	154	7.65	21.92	16.23	3.16	-0.07
LEVERAGE	154	0.005	5.42	0.44	0.45	8.93

For the control variables, it reveals that the mean of board composition as calculated by the number of independent directors divided by a total number of directors is 0.47 with a minimum number of independent directors in the company is 0.2 and the maximum number of independent directors is 0.8. For board size as calculated by the total number of directors, the mean represents 7.6 with the minimum number of directors is 4 and a maximum number of directors is 13. Firm size is calculated by a natural log of total assets has a mean value of 16.23 with minimum value is 7.65 and the maximum value is 21.92.

Finally, leverage is measured as total debt to total assets of the company, and the descriptive result shows a mean of 0.44 for leverage with the minimum value 0.005 and the maximum value is 5.42.

4.3 Assumption Test in Regression Analysis

Linear regression analysis is important in checking whether the analysis of normality, homoscedasticity and multicollinearity are met (Hair et al., 2006). For the first assumption, normality is checked through a histogram of the distribution of residual and scatter plot diagrams of standardized residual. At first, a total of 154 sample of companies were tested its normality for ROA and ROE and the analysis result revealed the outliers problem. Then, 4 companies were eliminated due to the outliers found that made a total number of 150 companies was tested for ROA. Finally, the result is shown in Figure 4.1 and 4.2 for ROA dependent variable. For ROE, 8 companies were eliminated due to the outliers problem that made a total number of 146 companies was tested for the normality, homoscedasticity and multicollinearity analysis. Figure 4.4 and 4.5 for ROE dependent variable indicates that the distribution approximated a normal curve, indicating that the data conforms to the normality assumption.

The second assumption, the test of homoscedasticity is evaluated from the scatter plot diagrams. The result in Figure 4.3 and 4.6 suggests that the variance of a dependent variable is the same for all values of independent variables as no different pattern in the data point is discovered. For the final assumption, multicollinearity is evaluated by examining the correlation analysis and Variance Inflation Factors (VIF) which are presented in the next section. On the whole, the results prove that the assumptions of normality, homogeneity, and multicollinearity of data are met.

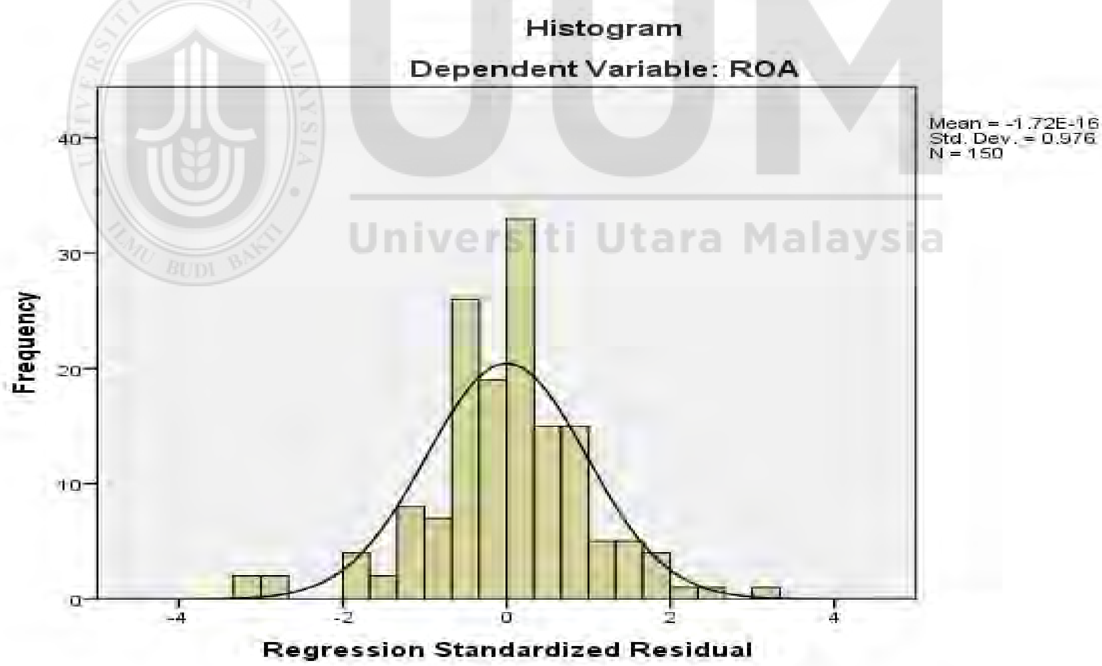

Figure 4.1: Normality Test for ROA

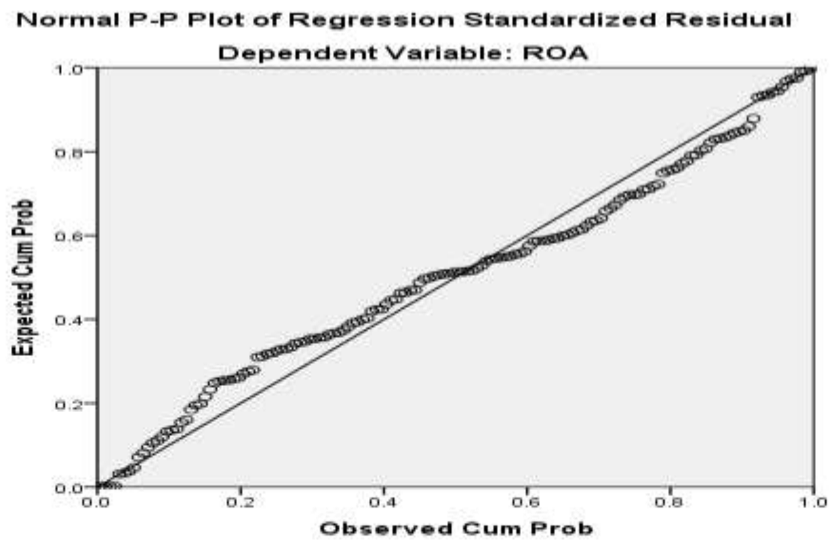

Figure 4.2: Linearity Test for ROA

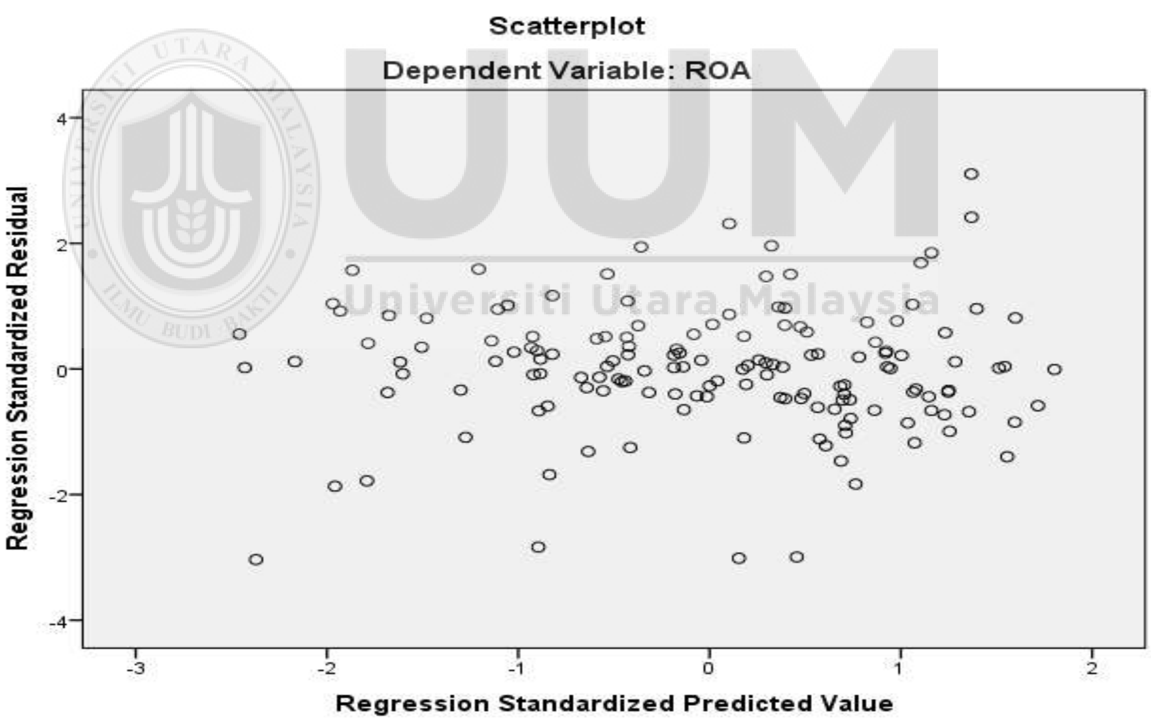

Figure 4.3: Homoscedasticity Test for ROA

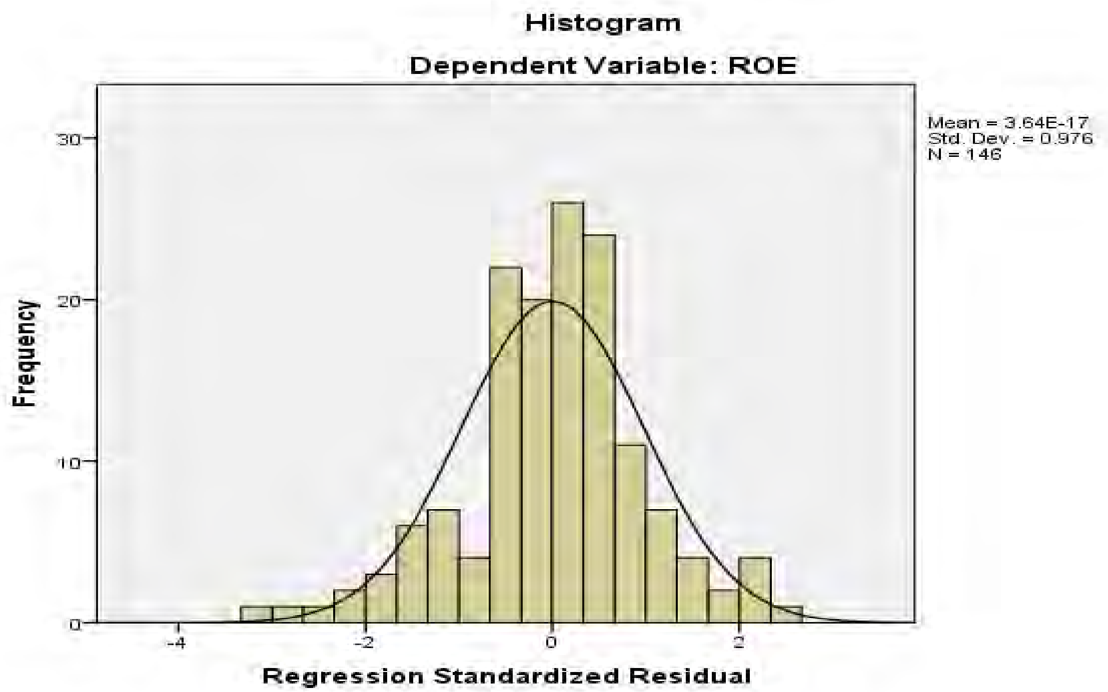

Figure 4.4: Normality Test for ROE

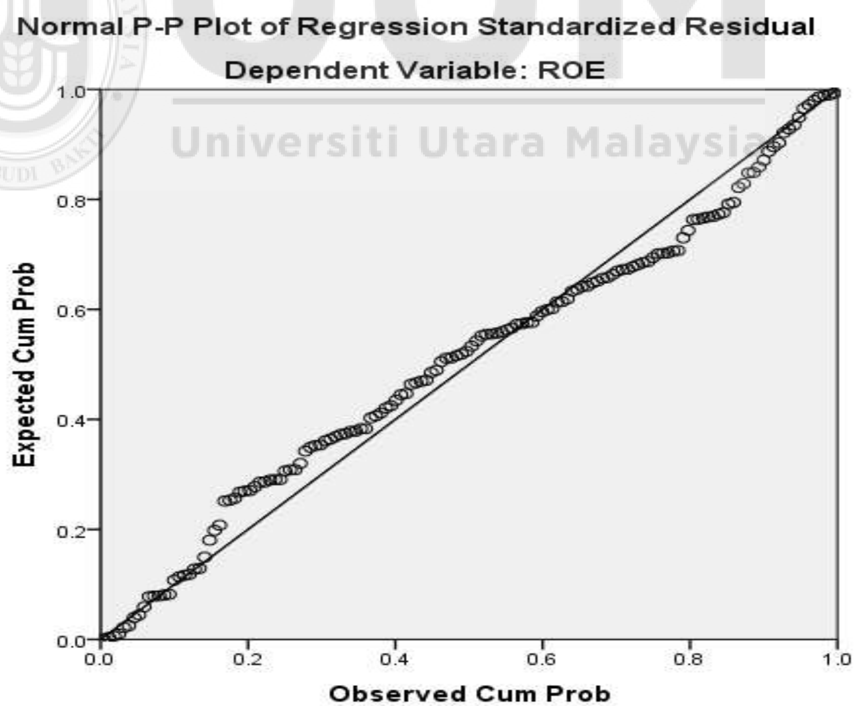

Figure 4.5: Linearity Test for ROE

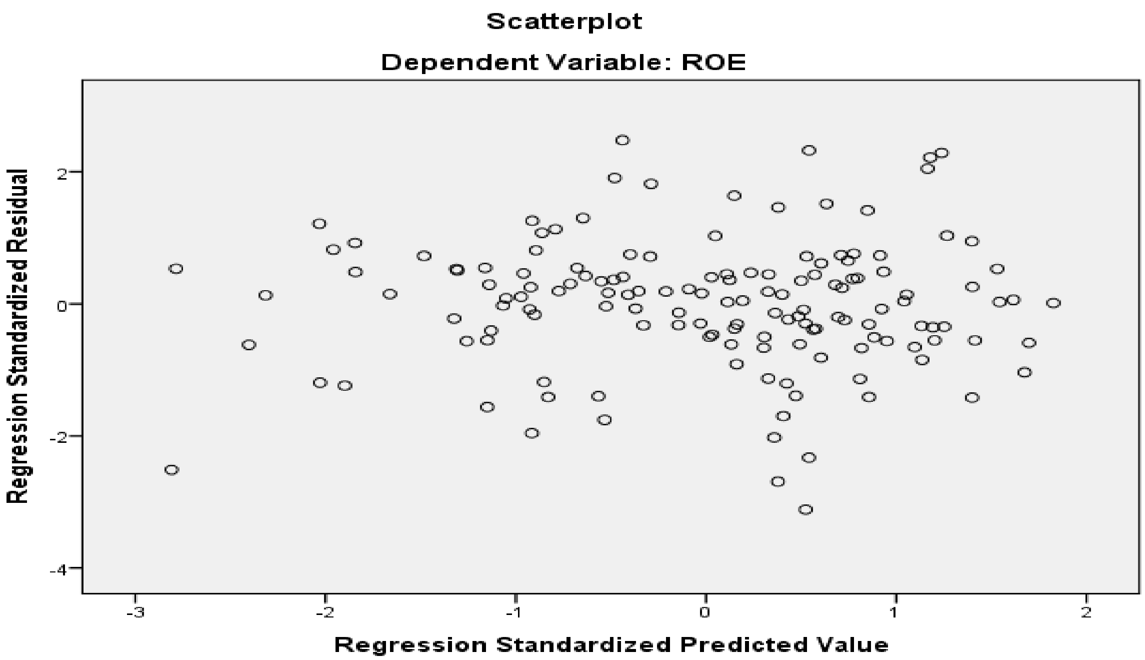

Figure 4.6: Homoscedasticity Test for ROE

4.4 Correlation Analysis

Correlation analysis shows the correlation between two variables. It is used to explain the level of which one variable is related to another (Asteriou & Hall, 2007). It is also used to check the existence of multicollinearity problem among independent variables. This study begins by measuring the relationship between independent variables to dependent. If the result shows the correlation of ± 1.0 means perfectly negative or positive relationship. Zero (0) stand for no relationship and one (1) means a perfect relationship. In addition, the relationship is seen as small where $r = \pm 0.30$ to ± 0.49 and where $r \geq 0.50$ the relationship strength is thought to be substantial.

Table 4.2 : Correlation Coefficient between Variables

	EXISTRMC1	EXISTRMC2	FAMILYOW	DIRECTOROW	BOARDCOM	BOARDSIZE	LNFIRMSIZE	LEVERAGE	ROA	ROE
EXISTRMC1	1									
EXISTRMC2	0.741**	1								
FAMILYOW	-0.089	-0.111	1							
DIRECTOROW	-0.071	-0.167*	0.632**	1						
BOARDCOM	-0.018	0.091	-0.177*	-0.219**	1					
BOARDSIZE	0.219**	0.159*	-0.080	-0.148	-0.328**	1				
LNFIRMSIZE	0.014	-0.096	0.179*	0.220**	0.050	-0.093	1			
LEVERAGE	0.025	0.005	-0.137	-0.206*	0.182*	0.144	-0.043	1		
ROA	-0.038	-0.052	0.132	0.066	-0.176*	0.049	-0.019	0.041	1	
ROE	-0.023	-0.036	0.031	-0.023	-0.185*	0.058	-0.081	0.082	0.730**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

From table 4.2, it shows that four variables have a positive significant correlation with ROA which are family ownership, director's ownership and the other two are the control variables which are board size and leverage. Board composition has a negative significant correlation at 5% with ROA and firm size also has a negative significant with ROA which means the number of independent directors in the company and size of the company have no relation with company's performance.

For ROE analysis, the result shows that only three variables have positive significant correlations which are family ownership, board size and leverage. It means that the company that has a family ownership of a share, a big board size and a higher return of leverage has a positive relationship with performance. Board composition has a negative significant correlation at 5% with ROE and ROA has a positive significant correlation with ROE at 1% which means the number of independent directors in the company have a correlation with company's performance.

The above mentioned is the description for the correlation between independent variables and dependent variable. For the correlation between independent variables and control variables, it appears that EXISTRMC1 have a positive significant correlation with EXISTRMC2 and board size at 5% which means that size of the board have a relation with existence of stand-alone RMC in the company. EXISTRMC2 have a positive significant correlation with board size at 5% and also have a negative significant correlation with director ownership at 5% which means the size of the board have a relation with the existence of joining RMC with other committee in the company. Family ownership has a positive significant correlation with director ownership and firm size at 1% and 5% respectively and has a negative significant correlation with board composition at 5% respectively. For director ownership, the result shows that there is a negative significant correlation with board composition and leverage at 1% and 5%

respectively. The result also shows that director ownership has a positive significant correlation with firm size at 1% respectively.

A positive significant correlation also appears between board composition and leverage at 5% which means the more independent directors in board composition will increase a high level of leverage. Moreover, a negative significant correlation appears between board composition and board size at 1% which means a higher number of independent directors in the company have no relation to the size of the board directors in the company.

The above discussion provided evidence that the highest correlation between independent and control variables are between firm size and director ownership at 0.220. This suggests that the multicollinearity problem does not exist since the correlation between the variables is less than 0.70.

4.5 Regression Analysis Result

By using multiple regression techniques, this section presents an analysis and discussion of the relationship between the existence of RMC in public listed company in Malaysia, director ownership and family ownership and performance (measured by ROA and ROE). It also discusses the relationship between control variables which are board size, board composition, firm size and leverage with company's performance (measured by ROA and ROE).

In Table 4.3, regression analysis reports that the R^2 for the model is 0.098 and the adjusted R^2 is 0.047. This indicates that the model is able of explaining 9.8 percent of the variability in the company's performance in the sample of this study. It also indicates that only 4.7 percent of the total variance in company's performance is explained by independent variable and control variables, while the other 95.3 percent is explained by other factors. Moreover, the model is significant (F-statistic = 1.917, $p<0.062$). This suggests that the model significantly explains the variations in performance of public listed companies in Malaysia.

Table 4.3 : Summaryof Regression Model for ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.313[a]	0.098	0.047	6.88603	0.098	1.917	8	141	0.062

a. Predictors: (Constant), LEVERAGE, EXISTRMC2, LNFIRMSIZE, BOARDCOM, FAMILYOW, BOARDSIZE, DIRECTOROW, EXISTRMC1

b. Dependent Variable: ROA

In Table 4.4, regression analysis reports that the R^2 for the model is 0.077 and the adjusted R^2 is 0.024. This indicates that the model is capable of explaining 7.7 percent of the variability in the company's performance in the sample of this study. It also indicates that only 2.4 percent of the total variance in company's performance is explained by independent variable and control variables, while the other 97.6 percent is explained by other factors. Moreover, the model is significant (F-statistic = 1.438, $p<0.186$). This suggests that the model significantly explains the variations in performance of public listed companies in Malaysia.

Table 4.4: Summary of the Regression Model for ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.278[a]	0.077	0.024	11.12338	0.077	1.438	8	137	0.186

a. Predictors: (Constant), LEVERAGE, EXISTRMC2, LNFIRMSIZE, BOARDCOM, FAMILYOW, BOARDSIZE, DIRECTOROW, EXISTRMC1

b. Dependent Variable: ROE

The results of linear regression using ROA as dependent variable and existence of RMC, director ownership and family ownership as test variables are presented in Table 4.5. The variable of EXISTRMC1 is positively found but insignificant, $p > 10\%$ and EXISTRMC2 is negatively found but insignificant, $p > 10\%$ indicating that there is no association between RMC existence and performance. In other words, the existence of RMC in public listed companies in Malaysia is not associated with firm performance. Hence, the hypothesis 1 of this variable is not supported. A positive explanation for this result is most of the public listed companies in Malaysia have a good financial performance without RMC in their companies and the responsible in risk controlling was done by Audit Committee.

Table 4.5 : Regression Analysis for ROA (N = 150)

Variables	Coefficients	t-value	Significant Value
EXISTRMC1	0.857	0.375	0.708
EXISTRMC2	-1.594	-0.804	0.423
FAMILYOW	0.039	1.358	0.177
DIRECTOROW	0.009	0.279	0.780
BOARDCOM	-12.234	-2.313	0.022
BOARDSIZE	0.022	0.069	0.945
LNFIRMSIZE	0.066	0.358	0.721
LEVERAGE	0.902	0.690	0.492

The variable of family ownership is positively found but insignificant, p > 10% indicating that there is no connection between family ownership and performance. In other words, family ownership in public listed companies in Malaysia is not associated with firm performance. The result is consistent with other studies that found a negative association with firm performance (Saleh, Rahman, & Hassan, 2009; Ibrahim & Abdul Samad, 2011). Hence, the hypothesis 3 of this variable is not supported. The result shows a contrast result from agency theory where family controlled firms have a positive influence on firm performance where the directors who have family ties better in monitoring firm performance and reducing agency costs (Jensen & Meckling, 1976; Fama & Jensen, 1983; Demsetz & Lehn, 1985; James, 1999; Joh, 2003).

The result also shows that there is no support for hypothesis 2 concerning an association between director ownership and performance. The variable of director ownership is positively found but insignificant, p > 10%. In other words, director ownership in public listed companies in Malaysia is not associated with firm performance. Hence, the hypothesis of this variable also is not supported. The result is inconsistent with theory predicted that the presence of director ownership tends to reduce agency costs and increase performance (Han & Suk, 1998; Ang, Cole, & Lin, 2000; Filatotchev et al., 2005; Krivogorsky, 2006).

Table 4.5 also shows an insignificant positive association between firm performance and firm size (p-value 0.721), board size (p-value 0.945) and leverage (p-value 0.492) and a significant negative association between firm performance and board composition at 1%

where a p-value 0.022. This result is consistent with the previous study that found significant negative association between firm performance and board composition (Agrawal & Knoeber, 1996).

The results of linear regression using ROE as dependent variable and existence of RMC, director ownership and family ownership as test variables are presented in Table 4.6. The variable of EXISTRMC1 is positively found but insignificant, p > 10% and EXISTRMC2 negatively found but insignificant, p > 10% indicating that there is no association between RMC existence and performance.

In other words, the existence of RMC in public listed companies in Malaysia is not associated with firm performance. Hence, the hypothesis 1 of this variable is not supported. A positive explanation for this result is most of the public listed companies in Malaysia have a good financial performance without RMC in their companies because the responsible in managing risk is taken by Audit Committee.

Table 4.6 : Regression Analysis for ROE (N = 146)

Variables	Coefficients	t-value	Significant Value
EXISTRMC1	2.596	0.702	0.484
EXISTRMC2	-2.699	-0.838	0.404
FAMILYOW	0.028	0.599	0.550
DIRECTOROW	0.042	0.802	0.424
BOARDCOM	-16.928	-1.919	0.057
BOARDSIZE	0.166	0.316	0.753
LNFIRMSIZE	0.008	0.028	0.978
LEVERAGE	1.466	0.688	0.493

The variable of family ownership is positively found but insignificant, p > 10% indicating that there is no association between family ownership and performance. In other words, family ownership in public listed companies in Malaysia is not associated with firm performance. Hence, the hypothesis 3 of this variable is not supported. The result shows a contrast result from agency theory where family controlled firms have a positive influence on firm performance where the directors who have family ties is better in monitoring firm performance and reducing agency costs (Jensen & Meckling, 1976; Fama & Jensen, 1983; Demsetz & Lehn, 1985; James, 1999; Joh, 2003).

The result also shows that there is no support for hypothesis 2 concerning an association between director ownership and performance. The variable of director ownership is positively found but insignificant, p > 10%. In other words, director ownership in public listed companies in Malaysia is not associated with firm performance. The result is consistent with Shukeri et al. (2012) and Kamardin et al. (2016) found that director shareholding was statistically not significant and have negative relationship with performance. Hence, the hypothesis of this variable is also not supported.

Table 4.6 also shows an insignificant positive association between firm performance and firm size (p-value 0.978), board size (p-value 0.753) and leverage (p-value 0.493) and a significant negative association between firm performance and board composition at 5% where a p-value 0.057. This result is consistent with the previous study that found significant negative association between firm performance and board composition (Agrawal & Knoeber, 1996).

4.6 Summary

In this chapter, descriptive, assumption, correlation and regression analysis were presented and discussed.

Assumption test was performed to check normality, homoscedasticity, and multicollinearity of the data. Histogram, scatter plot diagram, scatter plot diagram of standardized residua, correlation analysis and variance inflate factors (VIF) reports that assumptions are met.

Correlation analysis was also conducted to provide insight into the correlation among the variables. It reports that director ownership, family ownership, board size, and leverage have a significant correlation with ROA meanwhile RMC existence, board composition and firm size have a negative significant correlation with ROA at 5% respectively. For ROE, only three variables have a significant correlation which is family ownership, board size and leverage. Meanwhile, RMC existence, and director ownership, board composition and firm size have a negative significant correlation with ROE.

Finally, regression analysis was carried out to determine which variables have a significant impact on firm performance. It reports that the study variables explain only 9.7% of the variances in firm performance of public listed companies in Malaysia with significant at 5.3% for ROA and 7.3% of the variances in firm performance of public listed companies in Malaysia with significant at 2.6% for ROE. The result shows that firm performance have a positive relationship with EXISTRMC1, director ownership and family ownership and negative relationship with EXISTRMC2 by using ROA and ROE measurement. It also revealed that only one control variable i.e. board composition have a significant negative association between firm performance and the others been found insignificant. It means that the entire hypotheses were rejected and the study expectation did not meet.

CHAPTER FIVE

CONCLUSION AND FUTURE RESEARCH

5.1 Introduction

In this chapter, the summary of research finding was presented. It is followed by the suggestion for future research related to firm performance.

5.2 Conclusion

The purpose of the study is to identify the relationship of corporate governance mechanism (risk management committee and ownership structure) with the company financial performance among public listed companies in Malaysia. The corporate government attributes consist of the existence of risk management committee and the ownership structure divided into director ownership and family ownership. Board size, board composition, firm size and leverage are the control variables for this study. The previous study on financial performance investigated about corporate governance characteristics such as managerial ownership, family ownership, board size, board independence, CEO duality, gender diversity and ethnic diversity, board composition, firm size, leverage and only a few studies focuses on risk management committee (RMC). Due to the mixed result for these corporate governance characteristics and the revision of Corporate Governance Code 2012, the corporate governance characteristics such as director ownership, family ownership and the existence of RMC was investigated.

Descriptive analysis showed that only 18% of the sample companies have stand-alone risk management committee and 28% of the sample companies have joining risk management committee with other committee. The average of family ownership is 21.93% and the mean of director ownership is 36.81%.

Correlation analysis was also conducted to provide insight into the correlation among the variables. It reports that director ownership, family ownership, board size, and leverage have a significant correlation with ROA meanwhile RMC existence, board composition and firm size have a negative significant correlation with ROA at 5% respectively. For ROE, only three variables have a significant correlation which is family ownership, board size and leverage. Meanwhile, RMC existence, and director ownership, board composition and firm size have a negative significant correlation with ROE.

Finally, regression analysis was carried out to determine which variables have a significant impact on firm performance. It reports that the study variables explain only 9.8% of the variances in firm performance of public listed companies in Malaysia with significant at 4.7 % for ROA and 7.7% of the variances in firm performance of public listed companies in Malaysia with significant at 2.4% for ROE. The analysis of a sample of Bursa Malaysia companies shows that firm performance have a positive relationship with EXISTRMC1, director ownership and family ownership and negative relationship with EXISTRMC2 by using ROA and ROE measurement but the result is insignificant.

It also revealed that only one control variable i.e. board composition have a significant negative association between firm performance and the others been found insignificant. It means that the entire hypotheses were rejected and the study expectation did not meet.

5.3 Future Research

Based on the study limitations and findings, this study suggests future research to conquer the limitations of the study and provides more view into the firm financial performance. The current study uses existence of risk management committee, directors ownership and family ownership part of corporate governance characteristics as an independent variables; hence the future study is suggested to focus more on existence of risk management committee in public listed companies in Malaysia in different dimensions such as using a different financial performance analysis for example market to book value analysis, return on investment analysis and others.

The data uses of this study is based on an annual report for the year 2015 which is 3 years after the revision of Code of Corporate Governance 2012, hence future study can be extended by using data from another year or two consecutive years. The study is limited only 20% of each category that brings the sum of 154 public listed companies in Malaysia; the future study also could enhance the percentage of companies study for each category that can make more samples of data. Finally, risk management has become an issues discuss by the management, and majority of the committee members are generally from management. A future study also can investigate the independence of risks management committee and how the board and the audit committee may have to act to avoid managerial manipulations.

5.4 Summary

This thesis has examined three hypotheses concerning the relationship between corporate governance characteristics (existence of risk management committee, director ownership and family ownership) with financial performance. By using multiple regressions, the result shows that all three hypotheses are not supported while only board composition has a negative relation with financial performance. The thesis findings have made an important contribution by providing empirical evidence on how corporate governance characteristics (existence of RMC, director ownership and family ownership) contribute to reduce agency problem by enhancing firm performance.

Moreover, it provides more insight into firm performance by involving variables that have received little attention thus far. This thesis confronts a variety of limitations such as time constraints, firm financial performance measurement and limited sample size. Therefore, future research is suggested to be conducted to overcome the limitations.

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APPENDIX 1 : LIST OF COMPANIES

NO	COMPANIES	CATEGORY
1	APPOLLO FOOD HOLDINGS BERHAD	CONSUMER
2	BONIA CORPORATION BERHAD	CONSUMER
3	BIO OSMO BERHAD	CONSUMER
4	CHEE WAH CRPORATION BERHAD	CONSUMER
5	CAELY HOLDINGS BERHAD	CONSUMER
6	CCM DUOPHARMA BIOTECH BERHAD	CONSUMER
7	COCOALAND HOLDINGS BERHAD	CONSUMER
8	DUTCH LADY MILK INDSTRY BERHAD	CONSUMER
9	EMICO HOLDINGS BERHAD	CONSUMER
10	ENG KAH CORPORATION BERHAD	CONSUMER
11	FARM'S BEST BERHAD	CONSUMER
12	GOLDIS BERHAD	CONSUMER
13	HOMERITZ CORPORATION BERHAD	CONSUMER
14	HOVID BERHAD	CONSUMER
15	HUP SENG INDUSTRIES BERHAD	CONSUMER
16	HWA TAI INDUSTRIES BERHAD	CONSUMER
17	KHIND HOLDINGS BERHAD	CONSUMER
18	LAY HONG BERHAD	CONSUMER
19	LONDON BISCUITS BERHAD	CONSUMER
20	MINTYE INDUSTRIES BERHAD	CONSUMER
21	NESTLE (MALAYSIA) BERHAD	CONSUMER
22	PADINI HOLDINGS BERHAD	CONSUMER
23	PARAGON UNION BERHAD	CONSUMER
24	POH KONG HOLDINGS BERHAD	CONSUMER
25	SPRITZER BERHAD	CONSUMER
26	ABLEGROUP BERHAD	INDUSTRIALS
27	ABM FUJIYA BERHAD	INDUSTRIALS
28	ANZO HOLDINGS BERHAD	INDUSTRIALS
29	ANCOM BERHAD	INDUSTRIALS
30	ATURMAJU RESOURCES BERHAD	INDUSTRIALS
31	BOILERMECH HOLDINGS BERHAD	INDUSTRIALS
32	BSL CORPORATION BERHAD	INDUSTRIALS
33	CENTURY BOND BERHAD	INDUSTRIALS
34	CHIN WELL HOLDINGS BERHAD	INDUSTRIALS
35	COMINTEL CORPORATION BERHAD	INDUSTRIALS
36	COMFORT GLOVES BERHAD	INDUSTRIALS
37	DOLPHIN INTERNATIONAL BERHAD	INDUSTRIALS
38	EVERGREEN FIBREBOARD BERHAD	INDUSTRIALS

39	FIMA CORPORATION BERHAD	INDUSTRIALS
40	GOODWAY INTERGRATED INDUSTRIES BERHAD	INDUSTRIALS
41	HARTALEGA HOLDINGS BERHAD	INDUSTRIALS
42	HIBISCUS PETROLEUM BERHAD	INDUSTRIALS
43	HUME INDUSTRIES BERHAD	INDUSTRIALS
44	IRE-TEX CORPORATION BERHAD	INDUSTRIALS
45	JOHORE TIN BERHAD	INDUSTRIALS
46	KIAN JOO CAN FACTORY BERHAD	INDUSTRIALS
47	KOBAY TECHNOLOGY BERHAD	INDUSTRIALS
48	LION INDUSTIES CORPORATION BERHAD	INDUSTRIALS
49	MELEWAR INDUSTRIAL GROUP BERHAD	INDUSTRIALS
50	MIECO CHIPBOARD BERHAD	INDUSTRIALS
51	MUDA HOLDINGS BERHAD	INDUSTRIALS
52	MINHO (MALAYSIA) BERHAD	INDUSTRIALS
53	PERUSAHAAN SADUR TIMAH MALAYSIA	INDUSTRIALS
54	PREMIER NALFIN BERHAD	INDUSTRIALS
55	RAPID SYNERGY BERHAD	INDUSTRIALS
56	SCIENTEX BERHAD	INDUSTRIALS
57	SEALINK INTERNATIONAL BERHAD	INDUSTRIALS
58	SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD	INDUSTRIALS
59	SUBUR TIASA HOLDINGS BERHAD	INDUSTRIALS
60	TASEK CORPORATION BERHAD	INDUSTRIALS
61	TEKALA CORPORATION BERHAD	INDUSTRIALS
62	TONG HERR RESOURCES BERHAD	INDUSTRIALS
63	UCHI TECHNOLOGIES BERHAD	INDUSTRIALS
64	VERSATILE CREATIVE BERHAD	INDUSTRIALS
65	WAH SEONG CORPORATION BERHAD	INDUSTRIALS
66	WHITE HORSE BERHAD	INDUSTRIALS
67	WOODLANDOR HOLDINGS BERHAD	INDUSTRIALS
68	YI-LAI BERHAD	INDUSTRIALS
69	BINA DARULAMAN BERHAD	CONSTRUCTION
70	BENALEC HOLDINGS BERHAD	CONSTRUCTION
71	BINA PURI HOLDINGS BERHAD	CONSTRUCTION
72	FAJARBARU BUILDER GROUP BERHAD	CONSTRUCTION
73	GAMUDA BERHAD	CONSTRUCTION
74	IREKA CORPORATION BERHAD	CONSTRUCTION
75	MELATI EHSAN HOLDINGS BERHAD	CONSTRUCTION
76	MUDAJAYA GROUP BERHAD	CONSTRUCTION
77	PESONA METRO HOLDINGS BERHAD	CONSTRUCTION
78	PINTARAS JAYA BERHAD	CONSTRUCTION

79	PUNCAK NIAGA HOLDINGS BERHAD	CONSTRUCTION
80	SUNWAY CONSTRUCTION GROUP BERHAD	CONSTRUCTION
81	AEON CO (M) BERHAD	TRADING/SERVICES
82	AIRASIA BERHAD	TRADING/SERVICES
83	AMWAY (MALAYSIA) HOLDINGS BERHAD	TRADING/SERVICES
84	ASTRO MALAYSIA HOLDINGS BERHAD	TRADING/SERVICES
85	AXIATA GROUP BERHAD	TRADING/SERVICES
86	BARAKAH OFFSHORE PETROLEUM BERHAD	TRADING/SERVICES
87	BRAHIM'S HOLDINGS BERHAD	TRADING/SERVICES
88	CARIMIN PETROLEUM BERHAD	TRADING/SERVICES
89	CHEETAH HOLDINGS BERHAD	TRADING/SERVICES
90	DAYANG ENTERPRISE HOLDINGS BERHAD	TRADING/SERVICES
91	DESTINI BERHAD	TRADING/SERVICES
92	EASTLAND EQUITY BERHAD	TRADING/SERVICES
93	EDARAN BERHAD	TRADING/SERVICES
94	EITA RESOURCES BERHAD	TRADING/SERVICES
95	FREIGHT MANAGEMENT HOLDINGS BERHAD	TRADING/SERVICES
96	GAS MALAYSIA BERHAD	TRADING/SERVICES
97	GENTING MALAYSIA BERHAD	TRADING/SERVICES
98	HARBOUR LINK GROUP BERHAD	TRADING/SERVICES
99	HUBLINE BERHAD	TRADING/SERVICES
100	IPMUDA BERHAD	TRADING/SERVICES
101	KAMDAR GROUP (M) BERHAD	TRADING/SERVICES
102	MAGNUM BERHAD	TRADING/SERVICES
103	MALAKOFF CORPORATION BERHAD	TRADING/SERVICES
104	MEDIA PRIMA BERHAD	TRADING/SERVICES
105	OLDTOWN BERHAD	TRADING/SERVICES
106	OLYMPIA INDUSTRIES BERHAD	TRADING/SERVICES
107	PARKSON HOLDINGS BERHAD	TRADING/SERVICES
108	PERDANA PETROLEUM BERHAD	TRADING/SERVICES
109	PERMAJU INDUSTRIES BERHAD	TRADING/SERVICES
110	PHARMANIAGA BERHAD	TRADING/SERVICES
111	SANBUMI HOLDINGS BERHAD	TRADING/SERVICES
112	SIME DARBY BERHAD	TRADING/SERVICES
113	SUIWAH CORPORATION BERHAD	TRADING/SERVICES
114	SYMPHONY LIFE BERHAD	TRADING/SERVICES
115	TEXCHEM RESOURCES BERHAD	TRADING/SERVICES
116	UZMA BERHAD	TRADING/SERVICES
117	WARISAN TC HOLDINGS BERHAD	TRADING/SERVICES
118	CENSOF HOLDINGS BERHAD	TECHNOLOGY

119	DIGISTAR CORPORATION BERHAD	TECHNOLOGY
120	ELSOFT RESEARCH BERHAD	TECHNOLOGY
121	INDUSTRONICS BERHAD	TECHNOLOGY
122	MESINIAGA BERHAD	TECHNOLOGY
123	PENTAMASTER CORPORATION	TECHNOLOGY
124	UNISEM (MALAYSIA) BERHAD	TECHNOLOGY
125	TIME DOT COM BERHAD	INFRASTRUCTURE
126	LANDMARKS BERHAD	HOTEL
127	ASIAN PAC HOLDINGS BERHAD	PROPERTIES
128	BERTAM ALLIANCE BERHAD	PROPERTIES
129	CRESCENDO CORPORATION BERHAD	PROPERTIES
130	DAIMAN DEVELOPMENT BERHAD	PROPERTIES
131	ECOFIRST CONSOLIDATED BERHAD	PROPERTIES
132	ECO WORLD DEVELOPMENT GROUP BERHAD	PROPERTIES
133	ENCORP BERHAD	PROPERTIES
134	GLOMAC BERHAD	PROPERTIES
135	IVORY PROPERTIES GROUP BERHAD	PROPERTIES
136	KARAMBUNAI CORP BERHAD	PROPERTIES
137	LIEN HOE CORPORATION BERHAD	PROPERTIES
138	MAH SING GROUP BERHAD	PROPERTIES
139	MENANG CORPORATION (M) BERHAD	PROPERTIES
140	MK LAND HOLDINGS BERHAD	PROPERTIES
141	NAIM HOLDINGS BERHAD	PROPERTIES
142	OSK HOLDINGS BERHAD	PROPERTIES
143	SAPURA RESOURCES BERHAD	PROPERTIES
144	SP SETIA BERHAD	PROPERTIES
145	SUNWAY BERHAD	PROPERTIES
146	TAMBUN INDAH LAND BERHAD	PROPERTIES
147	YTL LAND & DEVELOPMENT BERHAD	PROPERTIES
148	BATU KAWAN BERHAD	PLANTATION
149	FAR EAST HOLDINGS BERHAD	PLANTATION
150	GOPENG BERHAD	PLANTATION
151	IOI CORPORATION BERHAD	PLANTATION
152	KRETAM HOLDINGS BERHAD	PLANTATION
153	PINEHILL PACIFIC BERHAD	PLANTATION
154	RIMBUNAN SAWIT BERHAD	PLANTATION