

## Summary

### **CORPORATE EQUITY DISTRIBUTION: PAST TRENDS AND FUTURE POLICY**

In November 2005, Prime Minister Datuk Seri Abdullah Ahmad Badawi informed Parliament that his government would introduce a policy similar to the New Economic Policy (NEP) to help promote social cohesion by redistributing wealth more equitably. The Prime Minister went on to add that the criticisms directed at the NEP were focused on its pattern of implementation, not the fact that this was a policy based on affirmative action.

The main contention in this Centre for Public Policy Studies report, however, is that a policy like the NEP, while important when introduced in 1970 to rectify social injustices, no longer plays a vital role in promoting national unity or an equitable form of economic development. As one of the primary goals of the NEP was to redistribute wealth more evenly among all ethnic communities, specifically by ensuring that Bumiputera secured ownership of at least 30% of total business equity, this report will provide an assessment of the impact of the NEP on Corporate Malaysia.

This report is divided into three main sections. It first provides an appraisal of the delivery mechanisms adopted by the government to redistribute wealth more equitably among ethnic communities. The report then presents detailed information about ownership and control patterns of Corporate Malaysia, to argue that the volume of business equity owned by Bumiputera is in all probability much higher than the official figure of 18.7% in 2004. The report ends with a review of the outcome of NEP implementation on Malaysian business and society, before offering some recommendations on how the government can promote social cohesion as well as ensure sustainable economic development.

The major findings of this report are, first, that the government has played an effective role in creating delivery mechanisms to help redistribute wealth more equitably among all Malaysians. Currently, government-linked companies (GLCs) are among the major holders of equity in Corporate Malaysia. The prominent role of the GLCs in the corporate sector, in terms of ownership and control of business equity, brings into question the argument that the wealth attributable to the Bumiputera is less than 20%.

The second key argument in this report is that the government's endeavour to help promote large privately-owned Malay enterprises has not been very successful. Through the practice of selective distribution of government concessions to private individuals, who were also privy to bank loans on very favourable terms, the government initially managed to create a breed of new Bumiputera businessmen in control of large conglomerates. The 1997 currency crisis, however, had a dire impact on these enterprises, indicating corporate growth through debt was not a sustainable form of enterprise development.

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While the currency crisis has undermined the development of private Malay capital, this report's third main contribution is to provide evidence of one important new development in Corporate Malaysia, that is, the emergence of business partnerships forged along inter-ethnic lines. A number of these partnerships comprise Bumiputera from the new middle class, created through the access provided to them to sound education and other human development opportunities that has provided them with skills to hold their own in the corporate sector.

The emergence of such inter-ethnic partnerships, most of which started as small and medium-scale enterprises (SMEs), was not fostered through government directive. These partnerships were based on the coming together of business people in endeavours where each of them contributed collectively to the development of the new enterprise. The rise of such inter-ethnic partnerships augurs well for the promotion of national unity in Malaysia.

The Centre for Public Policy Studies concludes that the focus of the government on affirmative action as a means to redistribute wealth more equitably may be misplaced, possibly even jeopardising economic growth. There is increasing evidence that selective patronage has resulted in serious intra-ethnic Malay cleavages, while also undermining inter-ethnic social cohesion and an equitable form of economic development. The focus of the government has to be on policies that transcend a racial dimension and that address issues from a structural perspective. The Centre proposes that for the Ninth Malaysia Plan, the Government should focus on promoting the development of SMEs, where genuine entrepreneurial capacity is to be found and encouraged.

## **CORPORATE EQUITY DISTRIBUTION: PAST TRENDS AND FUTURE POLICY**

### **I. INTRODUCTION**

The primary goal of the New Economic Policy (NEP), to attain national unity, was to be achieved by eradicating poverty and restructuring the economy. Apart from eliminating the identification of race with economic function, another target of the NEP was to remedy the economic ownership ratio of 2.4:33:63 for the Bumiputera, other Malaysians and foreigners respectively in 1970 to a more equitable distribution rate of 30:40:30 by 1990.

While the government was explicit about its objective that Bumiputera own 30% of the national wealth, it was, however, not specific about the manner of distribution of this equity among members of this community. The government has never outlined how it hopes to ensure that all Bumiputera would come to have a fairly equal share of this 30% portion of total national corporate equity. This would suggest that if just one Bumiputera came to own most of this corporate equity, with all the rest holding little or nothing, the 30% target would still have been achieved. The NEP was similarly silent on the form of assistance, if any, to Malaysian Chinese and Indians to help them achieve the 40% goal, nor did it outline how this wealth would be equitably distributed among members of these communities.

Following implementation of the NEP, the wealth attributable to Bumiputera, government trust agencies and government-linked firms increased appreciably, from 2.4% in 1970 to about 18.7% in 2004. The disparity in wealth distribution among ethnic communities in Malaysia is no longer one where the Bumiputera find themselves at a severe disadvantage.

UMNO members contend, however, that the corporate equity attributed to Bumiputera individuals and government-linked organisations is still far short of the 30% goal set by the NEP. UMNO also argues that the ratio of wealth owned by Bumiputera had not increased in any appreciable manner during the period 1985 to the turn of the century (see **Table 1**). On the other hand, local and international academics and analysts of corporate wealth distribution contend that this figure of 18.7% in 2004 is an inaccurate reflection of the actual volume of equity owned by Bumiputera.

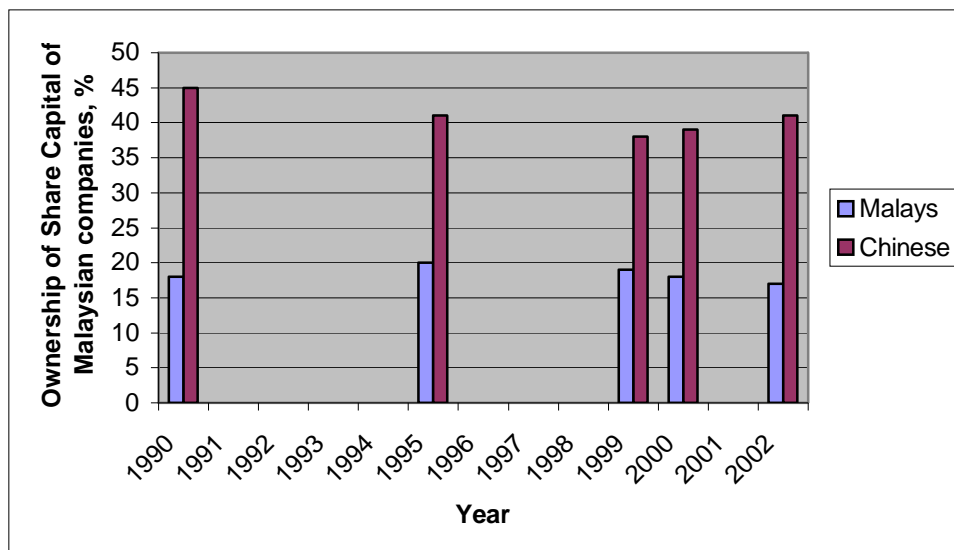
### **II. OBJECTIVE**

This report provides an assessment of the NEP, specifically its goal of ensuring that Bumiputera secure 30% equity ownership of Corporate Malaysia. To determine if this objective has been met, this report will provide the following:

- i) an analysis of the government's delivery platforms, the role of enforcement authorities and listing statistics provided by the local stock exchange;
- ii) an assessment of the equity owned by government-linked companies (GLCs); and
- iii) a review of the NEP's achievements.

Arising from the key findings, the report will propose various recommendations that can bring about a more resilient and competitive Malaysian corporate community.

**Table 1: Equity Ownership Patterns Among Ethnic Communities**



Source: Economic Planning Unit, Prime Minister’s Department

### III. DELIVERY PLATFORMS, ENFORCEMENT AUTHORITIES, LISTING STATISTICS

The Malaysian government established and mobilised various delivery platforms or mechanisms to ensure that the NEP objectives were attained at ‘all cost and resources’. Government trust agencies and a growing number of GLCs began participating in business activities as a means to increase Bumiputera share of corporate equity. With increased public expenditure, trust agencies and GLCs went on an acquisition drive, aided by a 1975 government ruling that each quoted firm had to ensure a minimum 30% of its equity was allocated to Bumiputera agencies or individuals. Government-linked organisations usually acquired about 20% to 50% of equity in companies for investment purposes. A number of these government-linked organisations have now become major equity shareholders, including Khazanah Nasional, Permodalan Nasional Bhd (PNB), the Ministry of Finance Inc., Bank Negara, Petroliam Nasional (Petronas), the Employees Provident Fund (EPF), Lembaga Tabung Haji and Kumpulan Wang Amanah Pencen. The various state governments, through their State Economic Development Corporations (SEDCs), also own corporate equity. Some state governments, like those in Johor and Sarawak, are shareholders of major quoted firms through their investment arms.

One of the key delivery platforms deployed by the government to help increase Bumiputera equity holding was the Kuala Lumpur Stock Exchange (KLSE), now called Bursa Malaysia (BM). From the early 1980s, the government began to use the BM as one key avenue to help create Bumiputera businessmen. The growth trend of Bumiputera ownership of corporate equity is best mirrored through the development of the BM. The listing statistics in **Tables 2 and 3** provide a register of

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the number of companies quoted on the BM from 1973 to 2005. These companies were successfully accepted and placed on the BM's 1<sup>st</sup> and 2<sup>nd</sup> Boards as well as the Mesdaq.

**Table 2: Growth of Bursa Malaysia, 1973-2005 (Number of firms)**

Number of New Listings (as at 20 Oct 2005)					Total Number of Listed Companies (as at 20 Oct 2005)				
YEAR	MAIN BOARD	SECOND BOARD	MESDAQ MARKET	TOTAL	YEAR	MAIN BOARD	SECOND BOARD	MESDAQ MARKET	TOTAL
2005	14	16	35	65	2005	644	269	98	1011
2004	15	26	31	72	2004	622	278	63	963
2003	16	22	20	58	2003	598	276	32	906
2002	22	22	7	51	2002	562	294	12	868
2001	6	14		20	2001	520	292		812
2000	12	26		38	2000	498	297		795
1999	10	11		21	1999	474	283		757
1998	6	22		28	1998	454	282		736
1997	25	63		88	1997	444	264		708
1996	40	52		92	1996	413	208		621
1995	18	33		51	1995	369	160		529
1994	19	47		66	1994	347	131		478
1993	12	32		44	1993	329	84		413
1992	25	20		45	1992	317	52		369
1991	21	18		39	1991	292	32		324
1990	19	12		31	1990	271	14		285
1989	11	2		13	1989	305	2		307
1988	6	-		6	1988	295	-		295
1987	5	-		5	1987	291	-		291
1986	5	-		5	1986	288	-		288
1985	4	-		4	1985	284	-		284
1984	14	-		14	1984	282	-		282
1983	10	-		10	1983	271	-		271
1982	8	-		8	1982	261	-		261
1981	5	-		5	1981	253	-		253
1980	-	-		-	1980	250	-		250
1979	5	-		5	1979	253	-		253
1978	3	-		3	1978	253	-		253
1977	4	-		4	1977	256	-		256
1976	6	-		6	1976	264	-		264
1975	4	-		4	1975	268	-		268
1974	8	-		8	1974	264	-		264
1973	-	-		-	1973	262	-		262

Source: Bursa Malaysia Berhad (2005).

**Table 3: Growth of Bursa Malaysia, 1973-2005 (Market Capitalisation)****BURSA MALAYSIA MARKET INFORMATION**

AS AT YEAR	MARKET VALUATION (RM billion)				
	MAIN BOARD	SECOND BOARD	CALL WARRANTS	MESDAQ MARKET	TOTAL
1973	13.3	-	-	-	13.3
1974	8.1	-	-	-	8.1
1975	11.7	-	-	-	11.7
1976	12.7	-	-	-	12.7
1977	13.7	-	-	-	13.7
1978	18.3	-	-	-	18.3
1979	24.6	-	-	-	24.6
1980	43.1	-	-	-	43.1
1981	55.4	-	-	-	55.4
1982	52.9	-	-	-	52.9
1983	80.3	-	-	-	80.3
1984	69.3	-	-	-	69.3
1985	58.3	-	-	-	58.3
1986	64.5	-	-	-	64.5
1987	73.9	-	-	-	73.9
1988	98.7	-	-	-	98.7
1989	156.0	0.1	-	-	156.1
1990	131.1	0.6	-	-	131.7
1991	159.9	1.5	-	-	161.4
1992	242.9	2.9	-	-	245.8
1993	604.8	13.6	-	-	618.4
1994	492.8	15.9	-	-	508.7
1995	541.9	22.7	0.12	-	564.8
1996	746.0	60.8	0.01	-	806.8
1997	354.1	21.6	0.00	-	375.8
1998	353.4	21.2	0.00	-	374.5
1999	527.6	25.1	0.00	0.06	552.7
2000	423.9	20.5	0.00	0.14	444.4
2001	444.3	20.7	0.00	0.18	465.0
2002	464.5	16.4	0.00	0.77	481.6
2003	610.3	25.1	0.98	3.87	640.3
2004	692.5	21.3	1.57	6.70	722.1
As at 9/30/05	689.8	16.5	1.22	7.87	715.4

Wef 18.03.2002, MESDAQ's statistics have been added to the total.

Source: Bursa Malaysia Berhad (2005).

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In 1981, after Tun Dr Mahathir Mohamad was appointed Prime Minister, he voiced his intention to create an ensemble of dynamic, entrepreneurial Malay businessmen. Mahathir's argument for the need to develop Malay capital was that, in 1981, more than ten years after the NEP was introduced, although the government had managed to increase the amount of corporate holdings held in the name Bumiputera to 12.5%, very few Malays had control of large firms. Mahathir was of the opinion that the stock market was one avenue to help create domestic enterprises, preferably owned by Bumiputera. Mahathir argued for the need to selectively distribute government-created concessions to a small group of businessmen who would inject these assets into the stock market as a means to help them swiftly develop their corporate interests.

Along with the use of the BM to transfer wealth to Bumiputera, another mechanism utilised from the early 1980s was privatisation, frequently involving the sale of government assets to private individuals or the listing of government-owned corporations on the stock exchange. The active promotion of the BM and privatisation to help promote the rise of domestic firms, preferably owned by Bumiputera, resulted in a massive increase of market capitalisation, especially during the early 1990s (see **Table 3**). Between 1989 and 1993, equity market capitalisation as a percentage of gross domestic product (GDP) increased from 105% to 342%. By the mid-1990s, the BM's market capitalisation relative to GDP was the highest among Southeast Asian countries. The BM had also emerged as the fourth largest bourse in Asia and the 15<sup>th</sup> largest in the world in terms of market capitalisation.

New legislation and enforcement agencies were introduced to aid the smooth implementation of the NEP. Through the enactment of legislation like the Industrial Co-ordination Act (ICA) 1975 and the establishment of regulatory bodies, such as the Capital Issues Committee (CIC) and the Foreign Investment Committee (FIC), the government was equipped with the mechanisms to enforce equity redistribution among ethnic communities.

From the regulatory perspective, for the purpose of listing a company on the Main Board, the Second Board or the Mesdaq, approval had to be obtained from the following authorities:

- Securities Commission (SC);
- Foreign Investment Committee (FIC);
- Ministry of International Trade and Industry (MITI); and
- Bursa Malaysia (BM)

The enforcement authority overseeing the BM's operations is the Securities Commission (SC). Besides the SC, there are other – approval and licensing – authorities that are responsible for ensuring all companies adhere to the listing regulations to remain quoted on the BM, including that they comply with the minimum 30% Bumiputera equity participation rule. This regulation has been tightly enforced to ensure that Bumiputera shareholding of quoted corporate equity remained in place and was protected.

In practice, a company seeking listing on the BM would need to have Bumiputera shareholders in place, preferably a year before submission of its application for quotation. Bumiputera shareholders had to own 30% of the paid-up capital of this firm when it was listed on the BM.

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Alternatively, the 30% Bumiputera block could be issued as part of the Initial Public Offer (IPO) to persons identified by MITI to acquire this equity.

A firm requires MITI's approval before its listing as the ministry is responsible for ensuring that it complies with the requirements of the Industrial Co-ordination Act. MITI is also responsible for the allocation of shares of a company to approved Bumiputera parties, before it is quoted on the stock exchange.

The BM's performance between 1973 and 2005, as shown in **Tables 2 and 3**, indicates its phenomenal growth in terms of number of firms listed and market capitalisation. The number of listed companies grew from 262 in 1973 to 1,011 in October 2005; total market capitalisation correspondingly grew from RM13.3 billion to RM715.4 billion.

Through these delivery mechanisms, government statistics, as shown in Tables 4(a) and 4(b), indicate that equity held by Bumiputera individuals and government-linked agencies increased from 2.4% in 1970 to its peak of 20.6% in 1995, before falling to 18.7% in 2004. Chinese equity ownership continued to rise during the NEP decades, from 27.2% to 45.5%, though the volume of their equity ownership declined to 40.9% in 2004. The most significant change in corporate ownership patterns was the appreciable decline in foreign ownership of Malaysian corporate equity – from 63.4% in 1970 to a low of 25.4 per cent in 1990, though it increased appreciably to 32.7% in 1999; in 2004, the figure fell back to 28.8%. In terms of value of corporate equity attributable to Bumiputera, the amount increased from RM447 million in 1970 to RM73.2 billion in 2004, though a major portion of this stock remains in the hands of the GLCs (**see Appendix I**).

**Table 4(a): Ownership of Share Capital (at par value) of Limited Companies, 1969-2004 (in percentages)**

	<u>1969</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>1999</u>	<u>2004</u>
Bumiputera Individuals and Trust Agencies	1.5	2.4	9.2	12.5	19.1	19.2	20.6	19.1	18.7
Chinese	22.8	27.2	n.a	n.a	33.4	45.5	40.9	37.9	40.9
Indians	0.9	1.1	n.a	n.a	1.2	1.0	1.5	1.5	1.5
Others	-	-	-	-	-	-	-	0.9	0.8
Nominee Companies	2.1	6.0	n.a	n.a	1.3	8.5	8.3	7.9	9.2
Locally-Controlled Firms	10.1	-	-	-	7.2	0.3	1.0	-	-
Foreigners	62.1	63.4	53.3	42.9	26.0	25.4	27.7	32.7	28.8

n.a.: Not available

Sources: *Seventh Malaysia Plan, 1996-2000; Eighth Malaysia Plan, 2001-2005*

**Table 4(b): Market Value of Bumiputera Equity**

<b>NEP Benchmarks</b>	<b>1970</b>	<b>1990</b>	<b>2004</b>
Bumiputera Equity	2.4% (RM477m)	19.3% (RM20.9b)	18.7% (RM73.2b)

Since the NEP was introduced, a number of Bumiputera have emerged as owners leading publicly-listed corporations. These Bumiputera included Tunku Abdullah, Azman Hashim, Daim Zainuddin, Halim Saad, Tajudin Ramli, Wan Azmi Wan Hamzah, Samsudin Abu Hassan, Hassan Abas, Rashid Hussain, Shamsuddin Abdul Kadir, Ahmad Sebi Abu Bakar, Ishak Ismail, Mohamad Sarit Yusoh, Kamaruddin Jaafar, Kamaruddin Mohd Nor, Mirzan Mahathir, Mokhzani Mahathir, Amin Shah Omar Shah, Syed Mokhtar Syed Nor, Mustapha Kamal and the late Yahya Ahmad. A number of these businessmen were badly affected by the 1997 currency crisis leading to their loss of the firms that had come under their control.

However, another dimension to the issue of individual Bumiputera corporate shareholding was that many recipients of share equity during IPOs or rights and bonus issues divested their holdings, usually for a huge profit. Even in such cases, publicly-listed firms were required to ensure that the Bumiputera portion of their equity was maintained at 30%. For example, a case study by Associate Professor Malcolm Tull and Dr. James Revely of Murdoch University January 2001 noted the sale of shares in Klang Container Terminal (KCT) led to a dilution of Bumiputera equity holding. Between 1983 and 1990, Bumiputera ownership of KCT equity declined from 65% to 38% of total paid-up capital.

Much of the proceeds from the sell-out of this equity by Bumiputera holders were perhaps re-channelled to government-managed trust agencies and funds designed specifically for Bumiputera such as the Amanah Saham Nasional (ASN, or National Unit Trust). The dividends paid by the ASN – and later the Amanah Saham Bumiputera (ASB) – have been in the range of 12% to 18% per annum. The average annual returns on investments offered by the ASN and ASB have been extremely high compared to the commercial bank's average fixed deposit rate of 3.5% per annum over the corresponding period, that is during the NEP decades.

A good portion of the proceeds from the divestment of equity channelled to individual Bumiputera has found its way into the property sector, by way of their acquisition of new houses in urban areas. The value of investments in real estate, particularly properties located in prime areas in the cities where middle class Bumiputera now reside, would have appreciated considerably. The special discount given to Bumiputera for the purchase of a house from property developers still holds as a special privilege accorded to them, another reason for their investment in such assets. Inevitably, the decline in private Bumiputera holding of corporate equity need not necessarily mean that the volume of wealth they hold is not on par or is smaller than that held by non-Bumiputera.

#### IV. GOVERNMENT-LINKED COMPANIES

By first managing to secure majority control of a number of large firms owned by foreigners, primarily those involved in the plantations and mining sectors, the GLCs now have ownership of a considerable amount of equity, all of which is attributed to Bumiputera (see **Appendix I**). Given the massive total market capitalisation of firms under the ownership of the GLCs, Bumiputera ownership of equity, cannot but have exceeded the 30% NEP target. However, the Bumiputera ownership rate, as presented in official statistics, has consistently remained at about the 20% mark since the early 1990s (see **Table 1**). One need not have to look too far to raise doubts about this 20% figure, as the GLCs have become a major shareholder of equity in Corporate Malaysia. A review the list of the top 10 publicly-listed BM companies in 2000, in terms of market capitalisation, would indicate that seven of them are under majority ownership of the GLCs (see **Table 5**).

**Table 5: Malaysia: Top 10 Listed Companies, 2000**

Ranking	Company	Majority Share Owner
1	Telekom Malaysia	Government
2	Malayan Banking	Government
3	Tenaga Nasional	Government
4	Petronas Gas	Government
5	Resorts World	Chinese
6	MISC	Government
7	Sime Darby	Government
8	Commerce Asset Holdings	Government
9	Genting	Chinese
10	YTL Corp	Chinese

Source: KLSE Annual Companies' Handbook

On the other hand, there is little evidence of wealth concentration in the hands of an elite. In 2001, a list compiled by *Malaysian Business* (2 January 2001) of the country's 20 wealthiest business people indicated that their combined wealth amounted to RM41.7 billion, only about 10% of the BM's market capitalisation. A look at the top 10 – or even the top 100 – BM firms in 2000 would indicate no evidence of the emergence of a corporate elite where stock is concentrated. No group of companies under the control of one family or individual seems to dominate the top 100 listed corporations (see Appendix II).

As early as 1993, Tan Tat Wai's survey on the market capitalisation of the top BM companies, in terms of ownership, revealed that 40.5% of this equity was held by the government. *Malaysian Business* (16-30 August 2005) reported that the GLC's market capitalisation in 2005 amounted to RM260 billion, or 36% of total market capitalisation (RM260b/RM715b) (see **Table 6**).

Apart from the significant ownership of corporate equity by the GLCs, other important features of the top quoted firms in Appendix II should be noted. First, the considerable decline of foreign ownership of Corporate Malaysia between 1970 and 2000 – only one of the top 20 firms was

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owned by a foreign enterprise. Second, among the top 100 BM companies, barely 20 firms list manufacturing as their primary activity. Most of these firms are foreign-owned – Rothmans, Nestle, Malayan Cement, Carlsberg, Guinness Anchor, RJ Reynolds, Malaysian Oxygen, Kedah Cement and Shell Refining Company. Third, the Chinese own most of the domestic manufacturing firms in the top 100 list, indicating that they remain an important avenue through which the government can promote the rise of an independent domestic manufacturing base, if the government hopes to reduce its dependency of foreign firms in this sector.

**Table 6: Market Capitalisation of the Top KLSE Companies by Ownership Category**

Nationality or Ethnicity	Percent Share 1974	Percent Share 1993
Foreign controlled*	49.11	10.70
Malaysian Controlled		
Government A**	6.30	40.50
Government C	17.70	
Chinese (Private Local)***		
	27.00	13.90
Bumiputera (Private Local)		6.30
Indian (Private Local)		0.10
Institutions		10.40
Unit Trusts		17.60
Nominees		0.70
Total	100.00	100.00

\* Foreign controlled in 1974 excludes Singapore controlled companies. If Singapore companies were included, the foreign share would be 61.1% of a larger total. Singapore companies were excluded because of complications connected with the way Singapore (and Malaysian) companies were cross-listed in the early years in both Singapore and Kuala Lumpur.

\*\* Government A companies were those under government control in 1974. Government C companies were those under foreign control in 1974 but taken over by the government in 1977.

\*\*\* Private local ownership in 1974 was almost entirely Chinese.

Sources: The 1974 data was derived from Tan Tat Wai (1982). Veena Loh, under the supervision of Tan, constructed the data for 1993.

The shareholding patterns of the firms listed in Appendix II provides no evidence of intra-ethnic business cooperation involving Chinese firms, even though it is widely believed that they cooperate in business to protect their common economic interests. Chinese business people have had a history of intra-ethnic business cooperation, evident notably during the colonial period among migrants. The shareholding pattern among Chinese-owned firms in 2000, however, indicates that they tend to function rather independently of one another. An in-depth study of the largest quoted Chinese enterprises in Malaysia revealed that the owners of most of these firms had established inter-ethnic ties, especially with influential Bumiputera, to help them protect and expand their interests (see Gomez 1999). This means that even though the non-Bumiputera own about 40% of corporate equity in Malaysia, they do not have enormous control over the economy as widely speculated.

## V. KEY ISSUES ARISING FROM NEP IMPLEMENTATION

### *Corporate Equity Alone Is Not Representative of the National Wealth*

Publicly traded shares constitute only a fraction of the national wealth. Such equity does not, for instance, include privately held assets. Moreover, the BM's total market capitalisation is derived from share prices in the open market at the end of the trading day. This means that market capitalisation varies, depending on the trading trends of the stock market. Since share prices are generally driven by sentiment, based on expected future income or profit potential of the listed company, these firms can be above or below, but seldom at, their actual Net Tangible Assets (NTA) value.

For these reasons, market capitalisation should not be taken as the key indicator of wealth distribution. Market capitalisation serves only as a practical – not a reliable and the main – benchmark of wealth ownership by ethnic communities in Malaysia. The appropriateness of using share market capitalisation as means to indicate wealth distribution patterns should be re-evaluated.

### *Dispute In NEP Benchmark Figures*

Even if one were to use market capitalisation of equity as a means to determine ethnic ownership patterns, the government's figures have been subject to dispute. The current breakdown of share capital ownership by ethnic group is Bumiputera 18.7%, Chinese 40.9%, Indian 1.5%, other 0.8%, foreigners 28.8% and nominee companies 9.2%. For some odd reason, shareholder groups like foreigners and nominee companies are listed even though it can be safely assumed that foreigners and nominee companies are not ethnic groups. If foreigners and nominees were not included in the tabulation, the equity distribution figures would look more like this: Bumiputera 30.2%, Chinese 66.0%, Indian 2.5% and other 1.3.

The government's figures are also in dispute because a tabulation of the market capitalisation of equity owned by the GLCs, which are recognised as Bumiputera private sector investments, would indicate a substantial increase in this community's ownership of share capital than the reported 18.7%. In fact, Ramon Navaratnam, a former senior bureaucrat in the Ministry of Finance, was quoted as saying that recent studies indicate that Bumiputera now own about 50% of the corporate sector (see *The Star*, 6 November 2005). A study published in 1990 of corporate equity owned by politicians and political parties, including UMNO, revealed that they have resorted to using nominee companies to conceal their ownership of corporate equity from public scrutiny (see Gomez, 1990).

### ***Sell Down of Corporate Equity by Bumiputera***

During the public balloting of newly listed stock, Bumiputera get a double bite, so to speak, of such equity. This would mean that Bumiputera would end up with more than 30% of a firm's equity during its IPO. Most of this Bumiputera apportioned stock is immediately sold off for a quick profit and the management of these new quoted companies are required to top up their Bumiputera equity shareholding if they want to participate in a subsequent corporate exercises or a government-related projects.

The sale of equity by Bumiputera post-IPO, or after a rights or bonus issue, constantly leads to a dilution of this community's ownership of equity. This is definitely a 'leakage' that would suggest that Bumiputera shareholding of stock is not high, but this by no means suggests a drop in the volume of wealth of the Bumiputera. One can safely assume that the proceeds from the sale of their share allotments were subsequently channelled to investment in other assets.

### ***Equitable Wealth Distribution should be based on Income and Assets Tests***

Incentives and privileges have been provided to Bumiputera, regardless of their level of income or volume of assets owned. This flaw in the system has historically been prone to abuse, with the educated and informed middle and upper class Bumiputera being the primary recipients of IPOs. It would appear that the government's wealth redistribution measures are targeted at middle and upper class Bumiputera. This type of targeting, even if it was not the intention of the government, has meant that the government has failed to use this delivery mechanism to address and alleviate the plight of the most disadvantaged Bumiputera, a factor that has now also contributed to serious intra-Bumiputera wealth disparities.

Economic policies based on race do not serve as an incentive to disadvantaged segments of society (middle to lower classes non-Bumiputera and Bumiputera) to participate in the economy. Equitable wealth distribution can only be achieved if the recipients are subjected to income and assets tests, regardless of race, a mechanism employed in countries that have adopted affirmative action. Disadvantaged individuals should be given incentives to participate in the economy. If the government hopes to get a more objective picture of wealth distribution among ethnic groups, a better measure than the distribution of publicly-traded share capital would be volume of assets owned or income.

### ***Hindering Foreign and Domestic Investment***

The performance of the share market is based on financial and economic factors, such as company valuation and sectoral growth rates, not on the ethnicity of shareholders of listed equity. The introduction of a 30% ownership criterion for Bumiputera has created an artificial, even unnecessary, impediment to companies and investors. For instance, new or existing publicly-listed companies intending to raise additional share capital in Malaysia must offer 30% of this equity to Bumiputera. This regulation imposes non-economic restrictions on the ability of companies to raise capital and deters investment in the country.

## Corporate Equity Distribution: Past Trends and Future Policy

The government's 30% guideline is not just confined to the issue of share capital ownership. This formula of 30% Bumiputera participation is applied across the whole spectrum of business enterprises in Malaysia. For example, the Guidelines on Foreign Participation in Distributive Trade Services requires supermarkets to sell at least 30% of goods or products manufactured by Bumiputera SMEs in their premises as well as allocate at least 30% of their shelf-space to goods or products manufactured or supplied by Bumiputera. In this case, the spirit of providing an avenue for Bumiputera participation in commerce and industry appears sound, but the form may not be so well-received by the foreign investors for one reason or another.

Among domestic investors, Bumiputera dominance is now clearly visible in the banking, finance and insurance sectors, as well as in new growth sectors such as oil & gas, education, plantations, etc. This dominance is not, however, confined only to equity ownership, but is also obvious in terms of number of Bumiputera recruited to staff and manage these huge private enterprises, the GLCs and the national regulatory and administrative agencies.

A number of large firms originally owned by foreigners and non-Bumiputera have come under Bumiputera or government control, including the banks United Malaysian Banking Corporation (UMBC), D&C Bank, Bian Chiang Bank, United Asian Bank (UAB) and Pacific Bank, the leading shipping firm, Malaysian International Shipping Corp (MISC), the auto-motor giant, United Motor Works (UMW), the prominent newspaper company, New Straits Times Press (NSTP), the leading mining firm, Malaysia Mining Corp (MMC), major plantation firms Sime Darby, Golden Hope, Island & Peninsular and Kumpulan Guthrie, construction giant United Engineers (UEM) and manufacturing enterprises like Cement Industries of Malaysia (CIMA), Malayawata Steel and United Malaysian Flour Mills. All these firms are now managed almost exclusively by Bumiputera.

Bumiputera presence, even dominance, in senior executive positions of Malaysia's leading enterprises is indisputable. For example, 99% of the directors of Petronas, the national oil corporation, are Bumiputera. The national air carrier, Malaysia Airlines (MAS), as well as the major utilities, Telekom Malaysia and Tenaga Nasional, are led by Bumiputera. The leading banks in the country, Malayan Banking and Bumiputra Commerce Bank, as well as the plantation companies Sime Darby, Kumpulan Guthrie and Golden Hope are led primarily by Bumiputera.

One key sector where the influence of non-Bumiputeras has diminished and the role of GLCs and Bumiputera individuals has increased is in banking. The decline in non-Bumiputera participation in this sector is a result of the government's enforced bank consolidation exercise, in spite of much public outcry. In 1999, the government proposed to merge Malaysia's 58 financial institutions into ten – originally it was six – anchor banks. One key protest about this consolidation exercise was that Malaysia's most dynamic banks were being brought under the control of less entrepreneurial institutions. When the original proposal of just six anchor banks was presented, there was open discontent among non-Bumiputera bankers about this consolidation exercise as the merger of some of their most enterprising banks would diminish their presence in this sector. The number of Chinese-owned banks was subsequently increased from a mere two (Public Bank and Southern Bank) to three, when Hong Leong Bank was also given anchor bank status.

**Table 7: Bank Consolidation Anchor Banks and their Partners**

<b>Anchor bank</b>	<b>Merger Partners</b>	<b>New Owner</b>
Malayan Banking	Mayban Finance, Aseambankers Malaysia, PhileoAllied Bank, Pacific Bank, Sime Finance Bank, Kewangan Bersatu	Malaysian government
Bumiputra-Commerce Bank	Bumiputra-Commerce Finance, Commerce International Merchant Bankers	Malaysian government
RHB Bank	RHB Sakura Merchant Bankers, Delta Finance, Interfinance	Taib Mahmud family*
Public Bank	Public Finance, Hock Hua Bank, Advance Finance, Sime Merchant Bankers	Teh Hong Piow
Arab-Malaysian Bank	Arab-Malaysian Finance, Arab-Malaysian Merchant Bank, Bank Utama, Utama Merchant Bankers	Azman Hashim
Hong Leong Bank	Hong Leong Finance, Wah Tat Bank, Credit Corporation Malaysia	Quek Leng Chan
Perwira Affin Bank	Affin Finance, Perwira Affin Merchant Bankers, BSN Commercial Bank, BSN Finance, BSN Merchant Bank	Malaysian government
Multi-Purpose Bank	International Bank Malaysia, Sabah Bank, MBf Finance, Bolton Finance, Sabah Finance, Bumiputra Merchant Bankers, Amanah Merchant Bank	
Southern Bank	Ban Hin Lee Bank, Cempaka Finance, United Merchant Finance, Perdana Finance, Perdana Merchant Bankers	Tan Teong Hean
EON Bank	EON Finance, Oriental Bank, City Finance, Malaysian International Merchant Bankers, Perkasa Finance	Malaysian government

As **Table 7** indicates, once thriving non-Bumiputera-owned banks like PhileoAllied Bank, which was quickly gaining a reputation for innovative and efficient financial services, was merged with the government's Malayan Banking, a larger enterprise but not renowned for its entrepreneurial capacity. Hong Leong Bank, the product of the Hong Leong group's expensive takeover of MUI Bank just six years earlier, was originally to be consumed by government-owned Bumiputra Commerce Bank. RHB Bank, once developed and led by Rashid Hussain, a competent businessman with expertise in the financial sector, has come under the control of a well-connected

family, with little or inadequate experience in this sector. The Arab-Malaysian Bank, built up the entrepreneurial Azman Hashim, was not included in the original proposal of six anchor banks. The over-zealous implementation of government policies, like this bank consolidation exercise, serves only to undermine entrepreneurs from investing in and developing new enterprises.

Of these ten anchor banks, the government has majority ownership of four of them. Another two are owned by Bumiputera. The non-Bumiputera' prominent – even arguably entrepreneurial – presence in banking and finance has been diminished considerably through government directive. It is probable that over-zealous implementation of policies to achieve certain goals, like the creation of anchor banks, can be of detriment to the development of enterprises, specifically those owned by Malaysian businessmen, while also undermining investor confidence.

### ***Pattern of Growth and Decline of Individual Bumiputera Capital***

The diversified pattern of corporate growth had been a popular business strategy among large enterprises, mainly due to the desire of business people to venture into any field that promises quick profits or has a strong potential for growth. One major problem with some enterprises adopting this pattern of growth is that their diversification of their corporate base is through acquisitions funded by bank loans. A number of businessmen who had adopted this style of growth when developing their corporate base, including Halim Saad, Tajudin Ramli, Wan Azmi Wan Hamzah, Ishak Ismail, Mirzan Mahathir, Vincent Tan and William Cheng, were severely affected by the 1997 currency crisis. Some of these businessmen were also privy to government concessions as part of its endeavour to promote the rise of Malaysian conglomerates.

The decline of a number of large enterprises suggests that selective intervention to promote Bumiputera capital has failed, though not because these firms did not get enough support from the government. The strategies adopted by these companies can be brought into question, particularly extensive diversification through acquisitions, because of relatively easy access to bank loans, as opposed to long-term growth plans based on product development and market penetration. Growth through debt, rather than through equity and reinvestment of profits, is evidently not the basis on which to develop modern industry.

### ***Growth of Inter-Ethnic Partnerships***

The NEP has evidently managed to uplift the status of the Bumiputera, through the creation of a new well-educated middle class that is actively engaged in nearly all sectors of the economy (see Abdul Rahman 2001 and Sloane 1999). This new professional and entrepreneurial Bumiputera community is on par with non-Bumiputera in terms of competence and capacity to compete.

The now wealthier and educated Bumiputera middle class is also emerging as a new entrepreneurial community, playing a prominent role in the development of new enterprises. A number of these new enterprises involving Bumiputera are based on partnerships with non-Bumiputera. These business ties that are becoming increasingly inter-ethnic in nature have been

established on the basis of equal competency among the partners, with both contributing to the productive development of the firm.

During the 1990s, among smaller firms, including those that were quoted on the BM, there was growing evidence of new inter-ethnic business ties. A review of the 28 companies listed on the BM in 1998 indicated that:

- a) 8 (or 29%) of them could be classified as Chinese-Bumiputera partnerships;
- b) only 2 were intra-ethnic Chinese partnerships;
- c) there was no evidence of Bumiputera in partnership;
- d) only one was wholly Bumiputera-owned, the family firm Habib Corp;
- e) 12 firms (or 43%) were owned by Chinese families and individuals; and
- f) a number of the other firms were owned by government corporations.

Ownership of nearly 30% of the companies quoted on the local bourse in 1998 was based on a partnership between Bumiputera and non-Bumiputera. In terms of intra-ethnic business linkages, only two firms were partnerships among members from the Chinese community. None of the companies quoted that year involved a partnership between Bumiputera. Partners in these business enterprises appeared to be equally competent, implying a decline in 'Ali-Baba' alliances.

To determine if the features of the firms listed on the KLSE in 1998 were replicated among companies quoted on the local bourse, a study was undertaken of enterprises that could be classified as inter-ethnic partnerships. A review of ownership patterns of all 757 firms trading equity on the BM in the year 2000 revealed that about 18 (or 2.4%) of these companies had Bumiputera and non-Bumiputera owners (See Appendix III). These 18 companies share some interesting features. All 18 firms were quoted on in the 1990s. Nearly 50% of them were incorporated or began operating as inter-ethnically-owned firms during the 1980s and 1990s. 12 of these 18 firms are involved in manufacturing, indicating a productive economic dimension to their business activities and the possible emergence of a new breed of entrepreneurs. Five of them are involved in the construction sector, which suggests some element of an 'Ali-Baba' relationship may still prevail among these newly-listed enterprises, though this is to be expected.

These partnerships indicate that the emergence of this new Bumiputera middle-class is contributing to changes in social relations among Malaysians, specifically improved inter-ethnic ties. Among middle-class Bumiputera, it reflected a feeling of confidence and ability to hold their own in business, given the skills they have acquired through government support under the NEP. One academic, Professor Wazir Karim, commenting on this new trend of inter-ethnic business linkages among companies being quoted on the BM, attributed it to "significant structural shifts in partnerships or changes from traditional Chinese family-based organizations to Sino-Bumiputera alliances." Wazir went on to add:

There was a time when many of these alliances were linked to Ali-Baba enterprises, or sleeping partnerships, but it appears that the combination of sociopolitical patronage, business acumen and access to finance capital is not necessarily dichotomized in terms of what "Malays are best at" or "what the Chinese can do better". A subtle combination of factors, like access to foreign capital, negotiation for contracts or tenders, knowledge on strategic personal contacts and smart partnerships transcend ethnicity. Malay entrepreneurs have proven their prowess at this game just

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as purely Chinese business acumen in family-based companies appear limiting in the wake of global competitiveness.

These changing trends in inter-ethnic ownership ties that have emerged during the 1990s among smaller sized firms indicate that business ties are not cultivated on the basis of common ethnic identity. This growing evidence of inter-ethnic business ties among BM firms, without government intervention, raises important questions about the need to continue to implement affirmative action. The focus should be on encouraging an increase in the rate of new firm formation, especially of small companies, though there should be no compulsion for such enterprises to be developed on the basis on inter-ethnic partnerships. The government has tried to help forge business partnerships, primarily as a means to encourage entrepreneurship and the growth of dynamic domestic enterprises and partly to promote national unity. While these goals are undoubtedly noble, business partnerships cannot be government-driven as such partnerships are not sustainable or economically expedient. The pattern of evolution of companies in Malaysia since the early 1970s indicates that during policy planning, there should be no mixing of goals, for example, of trying to simultaneously develop domestic enterprise and inter-ethnic corporate ties as a means to unify the nation.

## VI. CONCLUSION

**Tables 8 (a and b)** provide some figures that unequivocally refutes the contention that Bumiputera equity ownership presently amounts to less than 20%. The tabulations in Tables 8 (a and b) indicate that the volume of equity attributable to Bumiputera is 45% of total stock quoted on the local stock exchange, that is RM325.08 billion against RM715.4 billion. This, of course, remains just as an approximate figure to support our argument that the NEP 30% Bumiputera target has been achieved. Moreover, diligent and effective policing by government agencies would have helped ensure compliance with regulations introduced to achieve the NEP targets in the area of corporate equity distribution.

The implementation of the NEP has also resulted in the emergence of a new crop of Bumiputera who have acquired wealth through the government's equity redistribution exercise and who are beginning to play a prominent role in the corporate sector. The rise of this new breed of competent Bumiputera gives further credence to the caution by former Prime Minister Mahathir that continued implementation of the NEP would only contribute to a 'crutch mentality' and undermine entrepreneurship that can only be promoted by exposing businessmen to competition.

**Table 8(a): Estimated Volume of Bumiputera Equity Ownership**

Total Market Valuation as at 30 Sept. 2005 (Bursa Malaysia Corporate Equity Table -3)	RM715.4 billion
30% Bumiputera Target for NEP purpose	RM214.6 billion

**Table 8(b): Estimated Volume of Bumiputera Equity Ownership**

EPU 20% Achievement Rate	RM715.4b x 0.2	RM143.08 billion
GLC 70% Contribution	RM260.0b x 0.7	RM182.00 billion
Total Bumiputera Ownership		RM325.08 billion

This statement by Mahathir, and similar ones by other past and present leaders, raises important questions that need to be addressed when formulating future policies, specifically those that involve affirmative action. The Centre for Public Policy Studies recommends that the following issues be urgently addressed. The first issue is whether the government has created an economically sustainable, independent Bumiputera business community through the NEP. The evidence provided here indicates that selective patronage through the NEP and privatisation to promote the rise of big Bumiputera business has not been successful. A number of large firms once owned by individual Bumiputera are now under the ownership of the GLCs, an outcome of the impact of the currency crisis on these business people. On the other hand, a potentially entrepreneurial community has emerged from among new middle class Bumiputera who are entering into business without government assistance. Among Malaysia's wealthiest business people include those who run enterprises in the form of an inter-ethnic partnership. Two major examples of such enterprises are the property developer MK Holdings, owned by Mustapa Kamal Abu Bakar and Kasi Palaniappan, and Air Asia, collectively owned by Tony Fernandes and Kamarudin Meranun. A number of the enterprises run by this new Bumiputera middle class function as SMEs, and a growing number of them have inter-ethnic business linkages, achieved without government intervention.

The second key issue that needs to be addressed, based on Tun Mahathir's statement, is whether the allocation of economic concessions by the government, through positive discrimination, helps encourage high levels of investment and assure investors that their property rights will be protected. Will continued implementation of the NEP help to promote the idea that there exists a level playing field where a competitive entrepreneurial spirit can lead to just rewards? Can non-Bumiputera and foreign investors be sure that the government will not expropriate their investments in Malaysia when enforcing affirmative action? Government endeavours like the bank consolidation exercise has not generated much comfort among investors, especially non-Bumiputera, that their right to private property will be protected.

These questions suggest that if affirmative action is to be implemented in the fashion of the past three decades, this can exacerbate Malaysia's economic vulnerability. It cannot, for example, be disputed that the Malaysian economy remains heavily dependent on foreign direct investment (FDI) to sustain economic growth. Domestic investments alone appear insufficient to generate high growth rates.

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This suggests that government's focus should be on the initiatives to promote Malaysia's domestic entrepreneurial capacity. As history has indicated, entrepreneurial capacity cannot be cultivated primarily through selective patronage and easy access to bank loans and government concessions. The need now is for the promotion of policies based on merit. Non-Bumiputera enterprises have thrived in the Malaysian economy, in spite of implementation of the NEP, because they have been exposed to competition. These non-Bumiputera firms have not, however, managed to develop brand names or move up the technological ladder because they have received inadequate support from this government, a situation that had only served to curb the rise of a domestic group of entrepreneurial business people that could have helped reduce Malaysia's dependence on foreign capital to generate growth and industrialize the economy.

If at all there is to be any attempt by the government to promote domestic enterprise, the evidence provided here indicates that SMEs should be targeted, regardless of the ethnic background of the company owner. The Centre for Public Policy Studies urges that government policies should focus on creating practical delivery mechanisms to channel support to small industries. For example, statutory powers could be vested with local authorities to enable them to support local firms. Government support could include grants for rent, improvement of premises and market research and loans at subsidised rates of interest.

The continued promotion of the NEP would only serve to raise antagonisms among Bumiputera, that some are more favoured than others, a problem that is now quite evident. This type of policy would serve to undermine genuine entrepreneurial spirit among Bumiputera. The 'Malay Agenda' has indeed put a majority of Bumiputera ahead of other Malaysians in more ways than one. For Malaysia to forge ahead in the future, a truly 'Malaysian Agenda' would be the more logical approach, especially if the local economy is to survive the challenges of globalisation.

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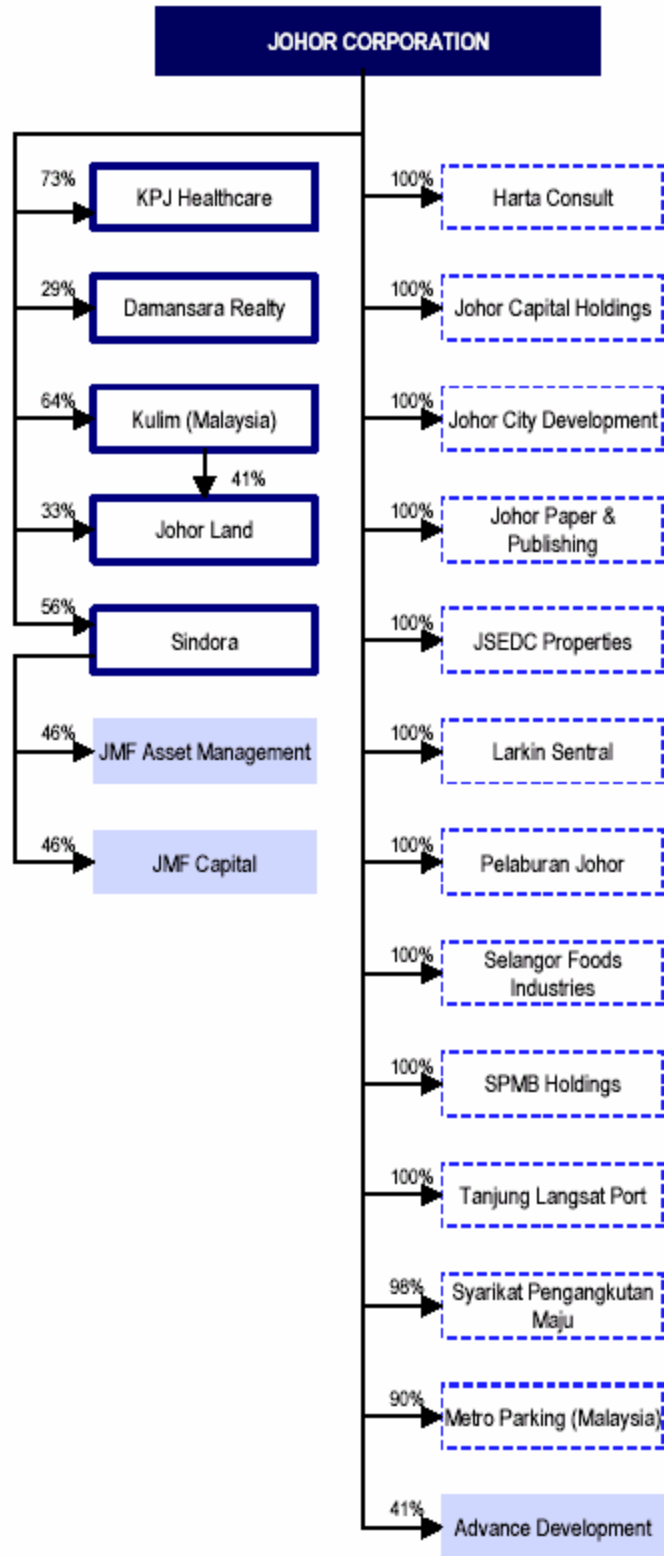
## **APPENDIX I**

### **LISTED COMPANIES THAT ARE CONTROLLED BY GOVERNMENT-LINKED ENTITIES**

**Source: "Malaysia Connections", UBS Equity Research Malaysia Sdn. Bhd., 15 September 2005**

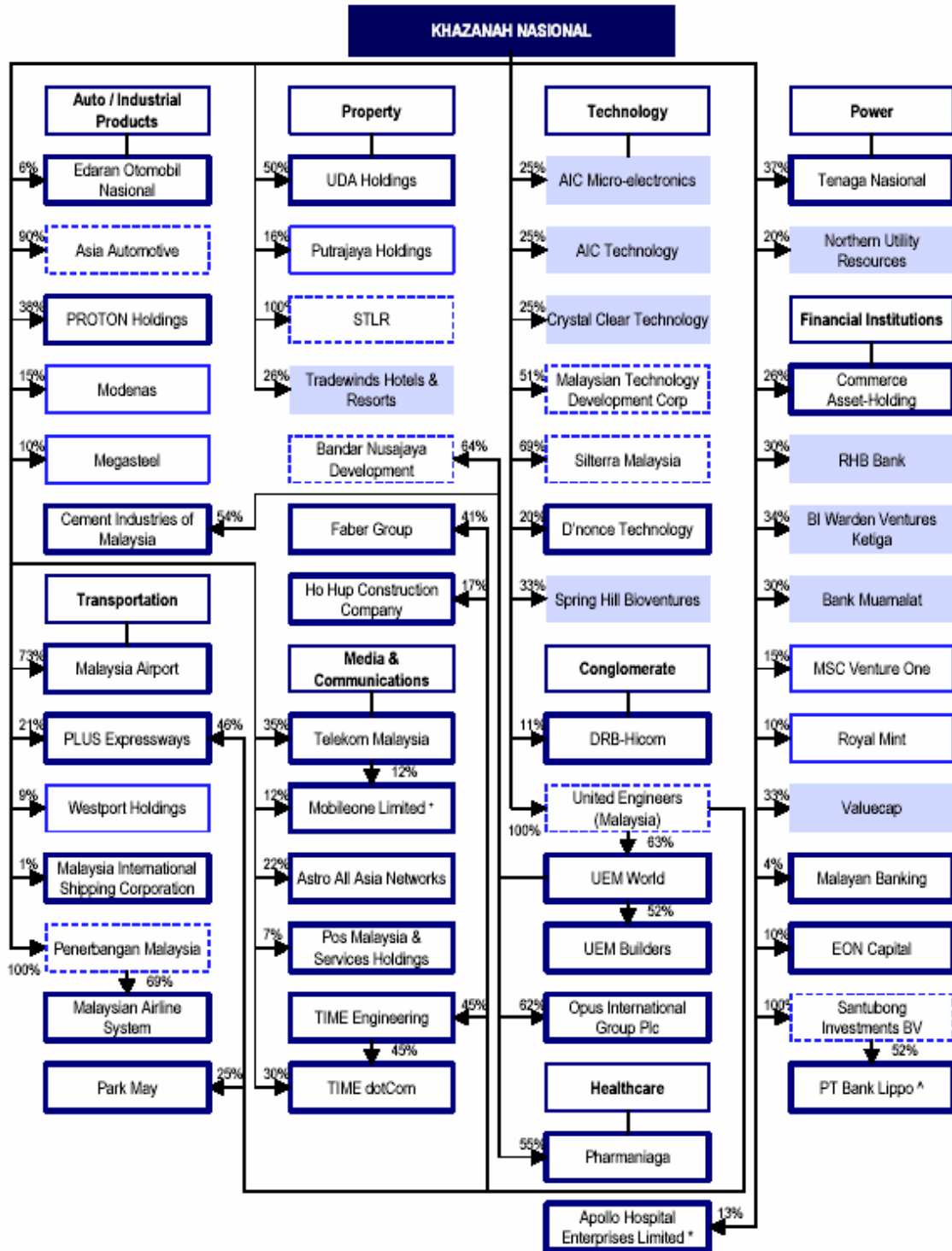
**Chart 1: Johor Corporation**

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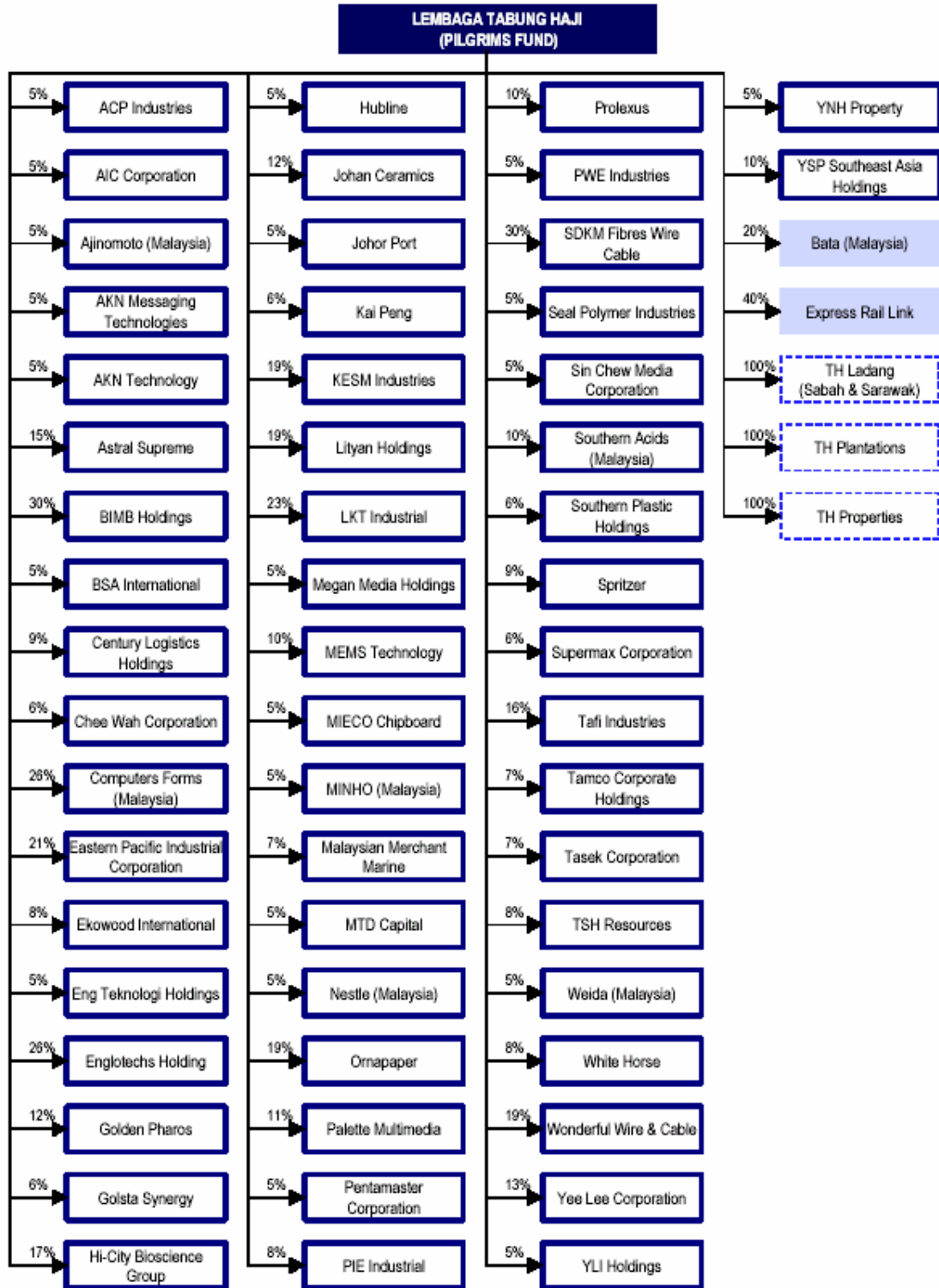
Source: Company data, UBS

Chart 2: Khazanah Nasional



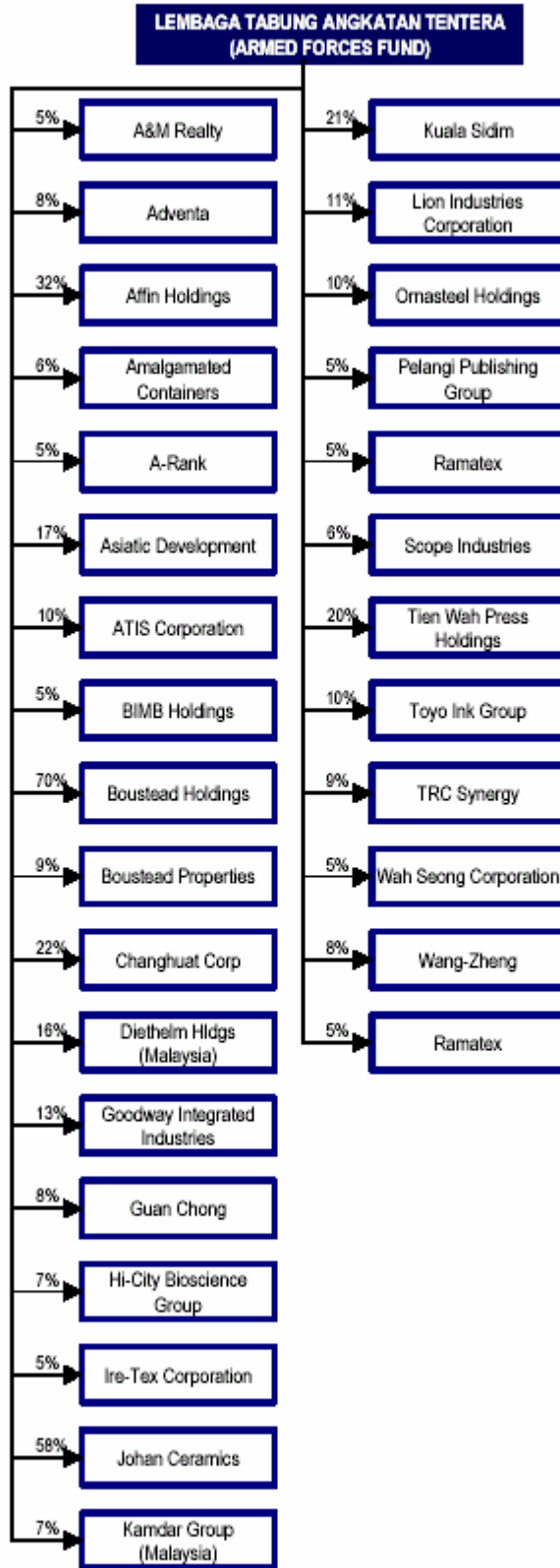
Source: Company data, UBS

Chart 3: Lembaga Tabung Haji (Pilgrims Fund)



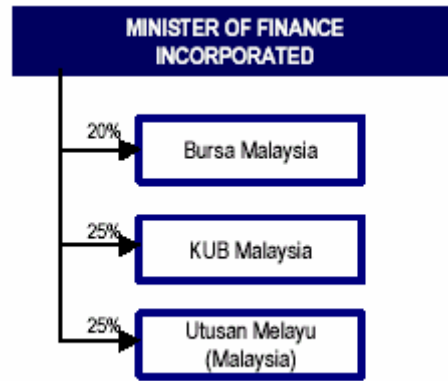
Source: Company data, UBS

**Chart 4: Lembaga Tabung Angkatan Tentera (Armed Forces Fund)**



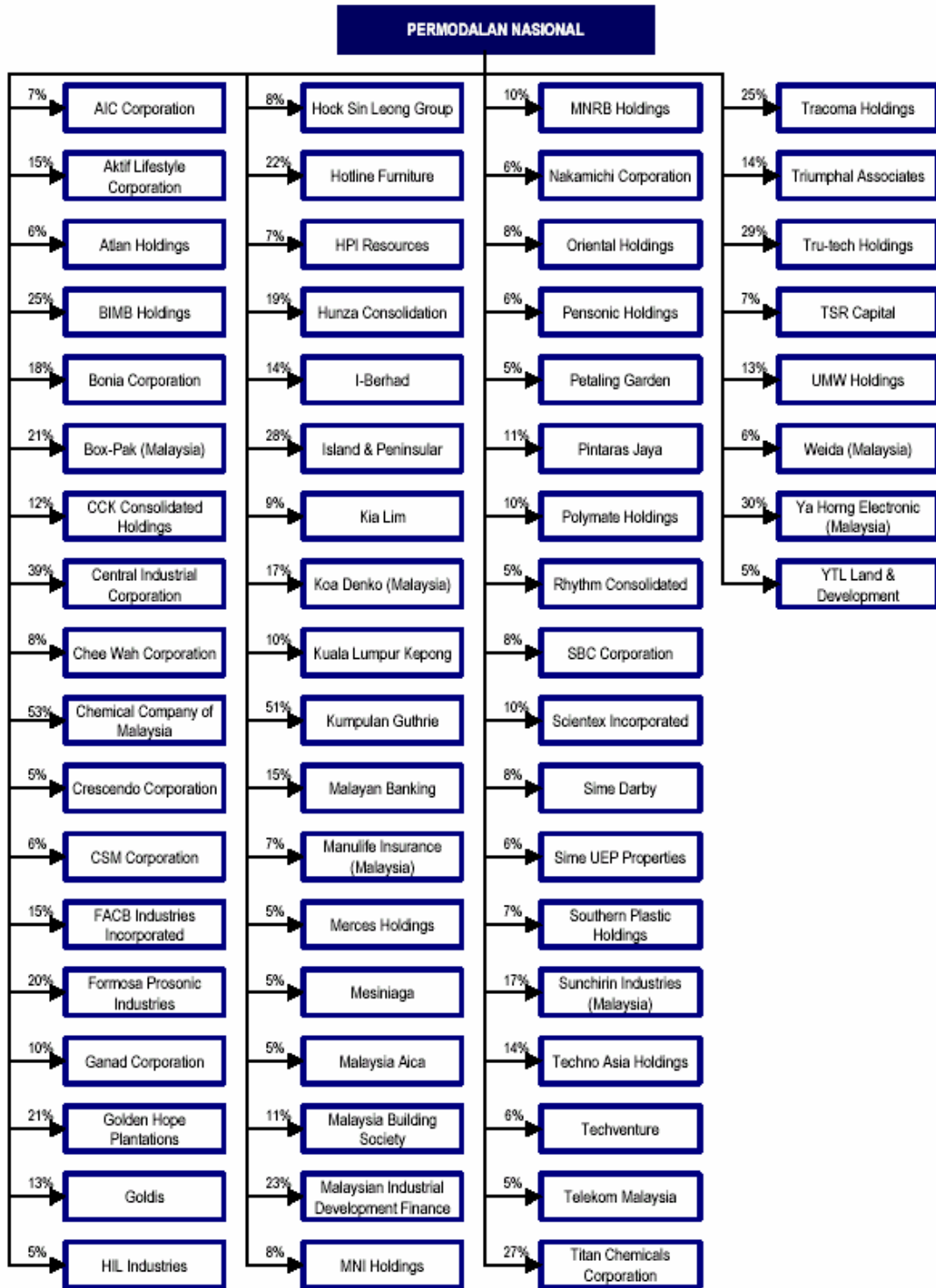
Source: Company data, UBS

**Chart 5: Minister of Finance Incorporated**



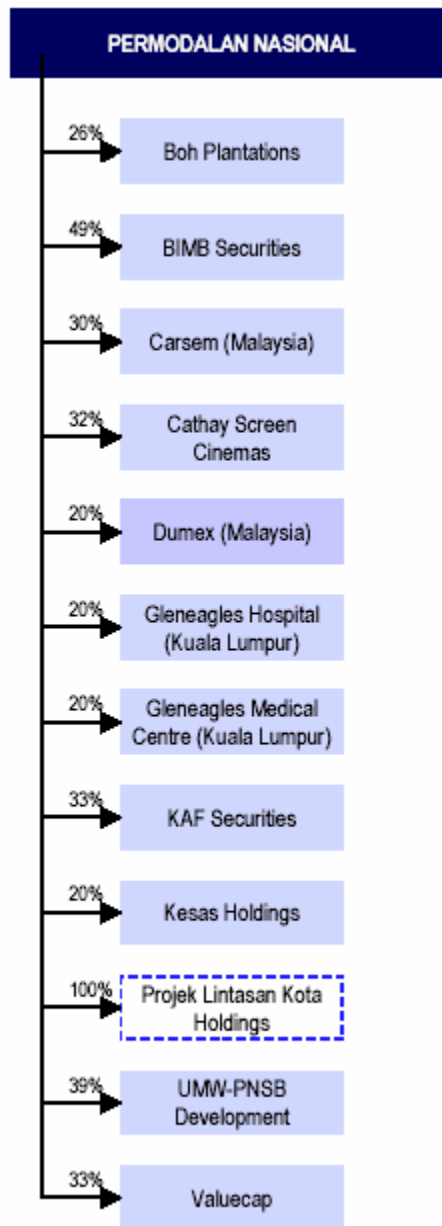
Source: Company data, UBS

**Chart 6: Directly held by Permodalan Nasional (1)**



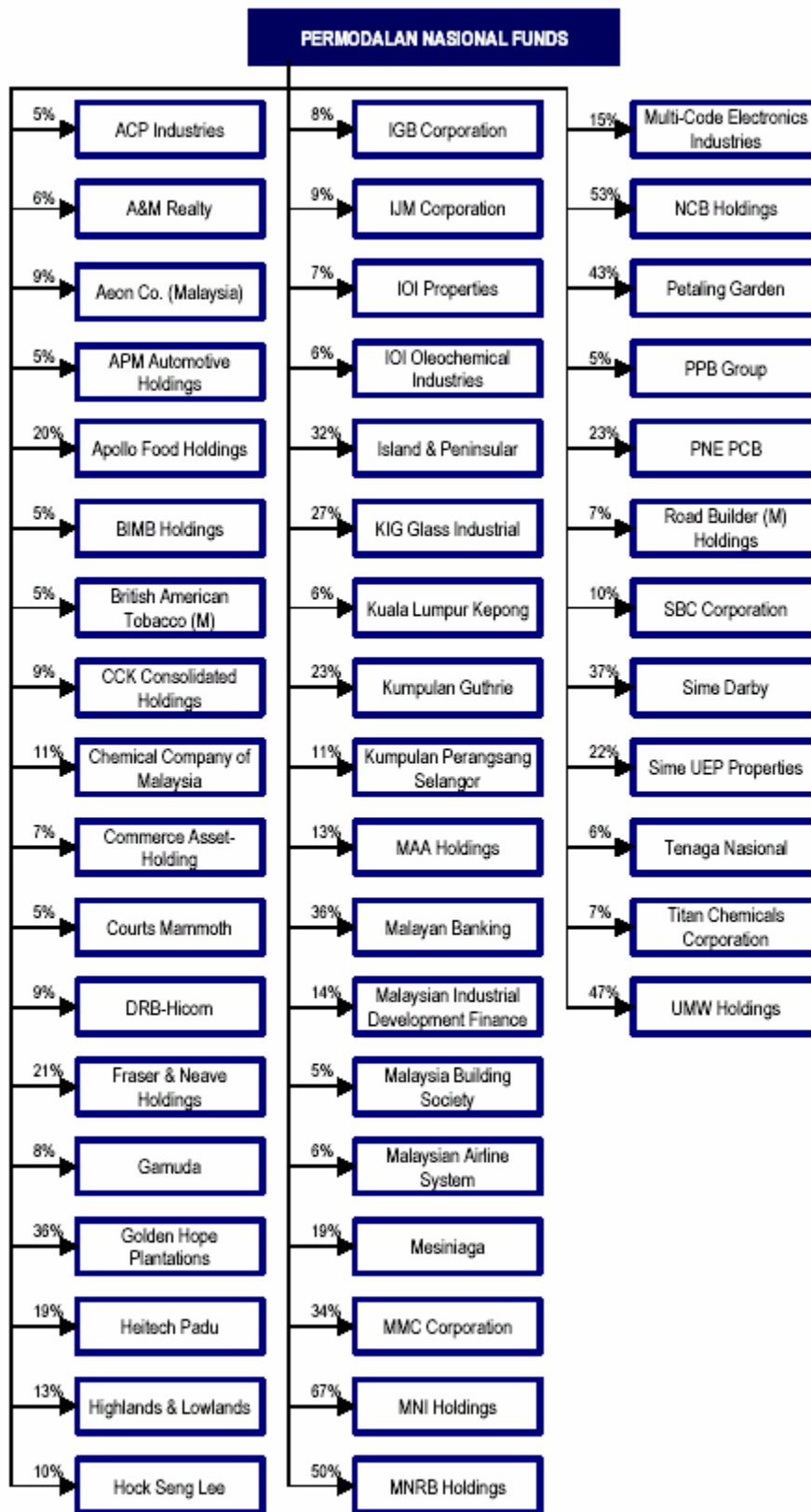
Source: Company data, UBS

**Chart 7: Directly held by Permodalan Nasional (2)**



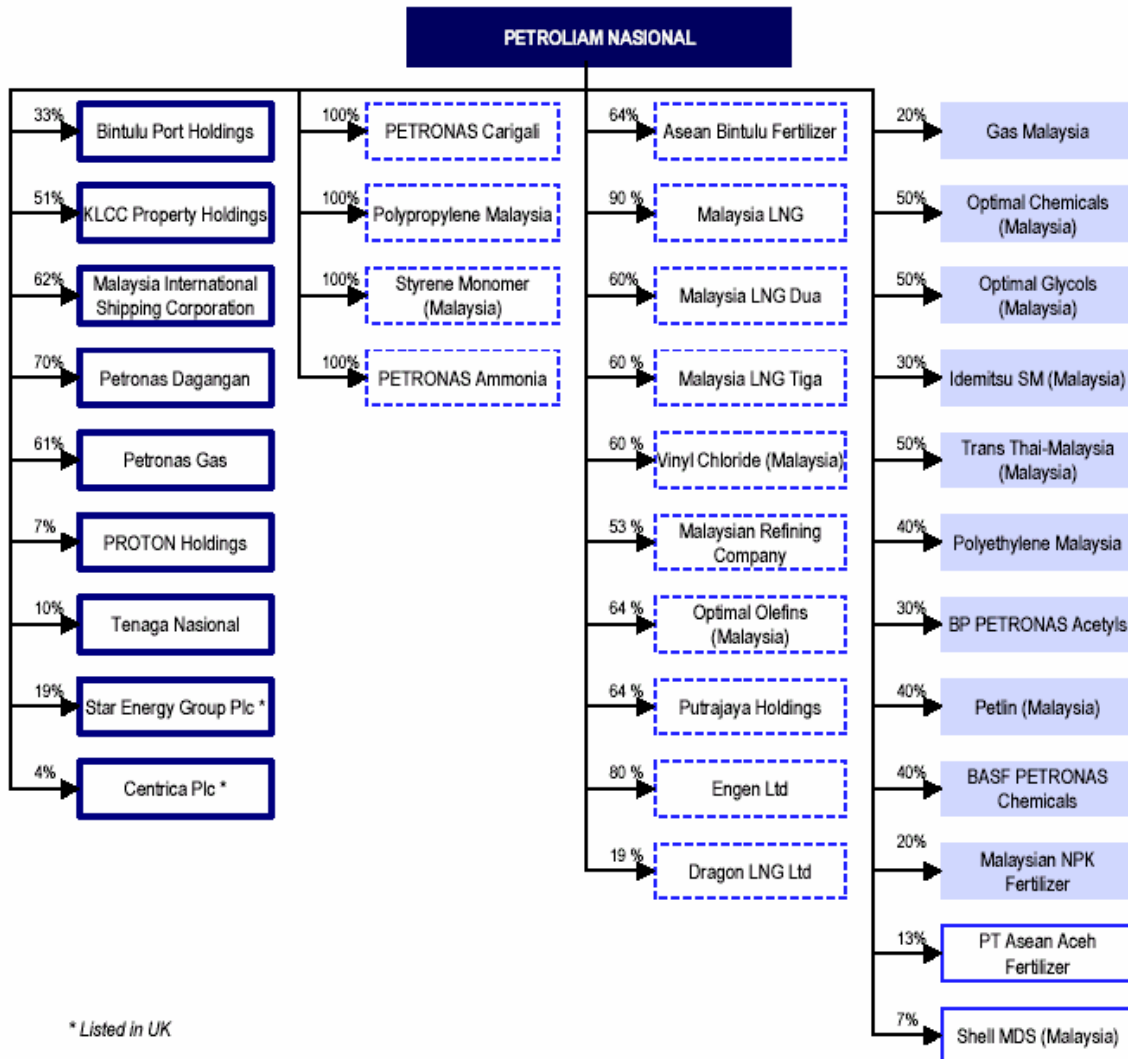
Source: Company data, UBS

**Chart 8: Held by funds managed by Permodalan Nasional**



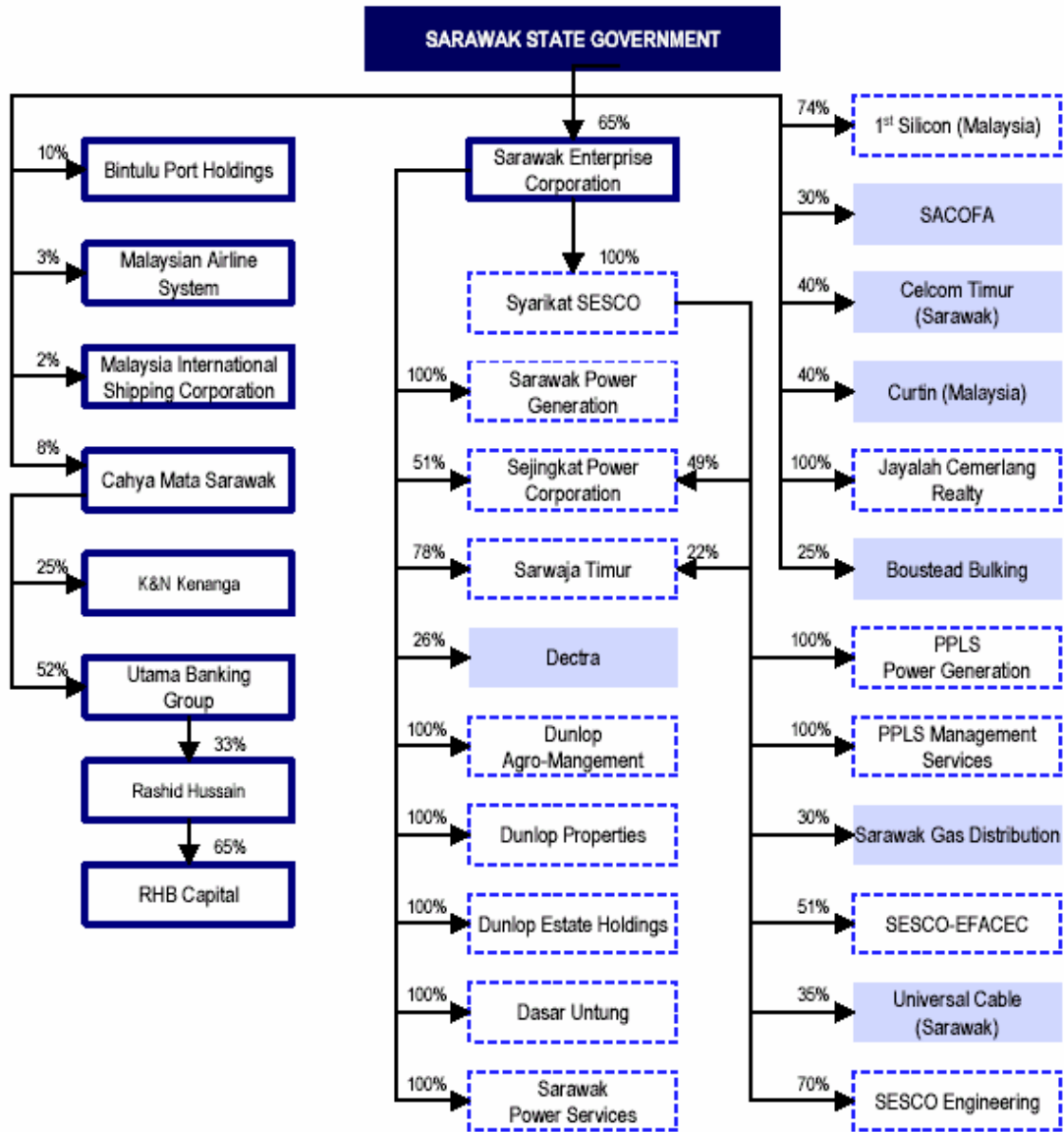
Source: Company data, UBS

**Chart 9: Petroliaam Nasional**



Source: Company data, UBS

Chart 10: Sarawak State Government



Source: Company data, UBS

**APPENDIX II**

**TOP 100 KLSE COMPANIES, 2000**

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1. Telekom Malaysia - telecommunications
2. Malayan Banking - banking
3. Tenaga Nasional – power generation and distribution
4. Petronas Gas – gas processing
5. Resorts World - gaming
6. Malaysia International Shipping Corporation (MISC) – shipping services
7. Sime Darby – diversified, but primarily in plantations
8. Commerce Asset-Holding - banking
9. Genting - gaming
10. YTL Corporation – construction, power generation, property development
11. Public Bank - banking
12. Rothmans of Pall Mall (M) - manufacture, import and sale of cigarettes
13. YTL Power International - operation of power stations
14. RHB Capital - banking
15. United Engineers (M) (UEM) - construction
16. Renong - diversified
17. Berjaya Sports Toto - gaming
18. Magnum Corporation - gaming
19. Perusahaan Otomobil Nasional (Proton)- manufacturing and assembling of motor vehicles
20. Kuala Lumpur Kepong – plantations, property development
21. Malaysian Pacific Industries - manufacturing
22. Nestle (M) – food production
23. AMMB Holdings – banking and financial services
24. Malayan Cement - manufacture and marketing of cement products
25. Golden Hope Plantations - plantations
26. Tanjong plc - gaming
27. Edaran Otomobil Nasional (EON) - marketing of Proton motor vehicles
28. Hong Leong Bank - banking
29. Sarawak Enterprise Corporation - diversified
30. Malaysian Airline System (MAS) - air transportation
31. Malaysian Resources Corporation (MRCB) - diversified
32. Oriental Holdings - motor assembly and distribution
33. Southern Bank - banking
34. HICOM Holdings - diversified
35. Malakoff - plantations
36. Gamuda - construction
37. Unisem (M) - manufacturing
38. Hong Leong Credit – financial services
39. TA Enterprise – share brokers
40. Sime UEP Properties – property development
41. Jaya Tiasa Holdings - manufacturing
42. Kumpulan Guthrie - plantations
43. Lingui Developments – timber logging, processing and marketing

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44. Petronas Dagangan - marketing of petroleum products
45. UMW Holdings – trading of motor vehicles
46. New Straits Times Press (M) (NSTP) - publishing and sale of newspaper
47. Malayan United Industries (MUI) – property development
48. Affin Holdings - banking
49. Arab-Malaysian Finance – financial services
50. IOI Corporation - plantations
51. Carlsberg Brewery (M) - production and marketing of beer
52. Malaysian National Reinsurance - insurance
53. Technology Resources Industries - telecommunications
54. Digi Swisscom - telecommunications
55. Ramatex – textile manufacturing
56. Malaysia Mining Corporation (MMC) - mining and mineral exploration
57. Perlis Plantations - cultivation of sugar cane
58. Tan Chong Motor Holdings - - assembly and distribution of motor vehicles
59. Hap Seng Consolidated - beer brewing and distribution
60. KUB - diversified
61. Utama Banking Group – banking and financial services
62. Multi-Purpose Holdings - diversified
63. PSC Industries – shipping services
64. Lingkar Trans Kota Holdings – operation of toll highway
65. Star Publications – publication of newspaper
66. Rashid Hussain - financial and management services
67. Public Finance - finance
68. Shell Refining Company - refining and manufacturing of petroleum products
69. Highlands & Lowlands - plantations
70. Berjaya Group - diversified
71. Berjaya Land – property development
72. Pacific Bank - banking
73. BIMB Holdings - banking
74. Guinness Anchor - production and distribution of beer
75. Road Builder (M) Holdings - construction
76. Ban Hin Lee Bank - banking
77. WTK Holdings - manufacture and sale of timber products
78. OYL Industries – manufacturing of air-conditioning products
79. Batu Kawan – property development
80. OSK Holdings - stokbroking services
81. Country Heights Holdings – property development
82. Powertek – power generation
83. Cahya Mata Sarawak - diversified
84. RJ Reynolds - manufacture and sale of tobacco products
85. Kedah Cement Holdings – cement manufacturing
86. Hong Leong Industries – manufacture and distribution ceramic tiles
87. Berjaya Capital – financial services
88. Malaysian Oxygen - manufacture and distribution of industrial gases
89. Sungei Way Holdings - diversified
90. IJM Corporation – construction and property development
91. Amway (Malaysia) Holdings - distribution of consumer products
92. Pan Malaysia Cement Works - diversified
93. IOI Properties – property development

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94. Kamunting Corporation – highway toll operator
95. Amsteel Corporation - diversified
96. Bandar Raya Developments – property developer
97. Phileo Allied – banking and financial services
98. KFC Holdings (M) - quick service restaurant
99. Land & General – property development
100. PPB Oil Palms – plantations

Sources: KLSE Annual Companies Handbook (Volume 23 Books 1-4)

### APPENDIX III

#### INTER-ETHNIC PARTNERSHIPS AMONG BM FIRMS, 2000

Company Name: Lingkaran Trans Kota Holdings Bhd	
Activities: investment holding and provision of management services, primarily engaged in the operation of a roll highway which has yet to commence operation	
Date of incorporation: 9.3.1995	Date of listing: 19.12.1996
Issued Capital: RM300,000,000	
Shareholdings:	
Bumiputera	42.93
Other Malaysians	47.21
Foreigners	9.86

Company Name: Kilang Papan Seribu Daya Bhd	
Activities: integrated timber activities consisting of the manufacturing and marketing of timber and timber related products	
Date of incorporation: 19.8.1988	Date of listing: 17.11.1994
Issued Capital: RM19,999,000	
Shareholdings:	
Bumiputera	38.08
Other Malaysians	56.02
Foreigners	5.90

Company Name: GrandHoover Bhd	
Activities: investment and property holding, construction, manufacturing, trading and distribution of	

## Corporate Equity Distribution: Past Trends and Future Policy

building materials, investment and property holding and provision of management consultancy services	
Date of incorporation: 12.3.1071	Date of listing: 22.8.1997
Issued Capital: RM30,000,000	
Shareholdings:	
Bumiputera	50.35
Other Malaysians	48.98
Foreigners	0.68

Company Name: Mercury Industries Bhd	
Activities: investment holding; property investment and development, manufacture and sale putty, underseal and lacquer and paints for automotive and housing industry	
Date of incorporation: 20.8.1983	Date of listing: 20.6.1991
Issued Capital: RM36,182,000	
Shareholdings:	
Bumiputera	44.36
Other Malaysians	44.01
Foreigners	11.63

Company Name: Perfect Food Industries Bhd	
Activities: investment holding, manufacture and marketing of biscuits	
Date of incorporation: 2.8.1978	Date of listing: 15.9.1993
Issued Capital: RM19,900,000	
Share holdings:	
Bumiputera	52.87
Other Malaysians	44.94
Foreigners	2.19

Company Name: Gamuda Bhd	
Activities: investment holding; civil engineering construction	
Date of incorporation: 6.10.1976	Date of listing: 10.8.1992
Issued Capital: RM289,696,409	
Shareholdings:	
Bumiputera	32.94
Other Malaysians	32.82
Foreigners	34.24

Company Name: TAP Resources Bhd	
Activities: investment holding; infrastructure earthworks; structural and architectural works; manufacturing of non-baked bricks and construction materials	
Date of incorporation: 1.11.1994	Date of listing: 12.12.1997
Issued Capital: RM39,999,999	
Shareholdings:	
Bumiputera	32.886
Other Malaysians	66.827

## Corporate Equity Distribution: Past Trends and Future Policy

Foreigners	0.287
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Company Name: Road Builder (M) Holdings Bhd	
Activities: investment holding; building and civil construction; property development; quarry operations; manufacturing of concrete products	
Date of incorporation: 27.3.1992	Date of listing: 18.2.1993
Issued Capital: RM129,980,207	
Share holdings:	
Bumiputera	43.331
Other Malaysians	24.935
Foreigners	31.734

Company Name: BTM Resources Bhd	
Activities: investment holding; logging, sawmilling and trading of sawntimber and logs	
Date of incorporation: 10.6.1994	Date of listing: 27.3.1996
Issued Capital: RM19,999,000	
Share holdings:	
Bumiputera	31.29
Other Malaysians	65.47
Foreigners	3.24

Company Name: MESB Bhd	
Activities: investment holding; supply of engineering equipment, spare parts and tools	
Date of incorporation: 28.3.1995	Date of listing: 8.5.1996
Issued Capital: RM19,999,000	
Share holdings:	
Bumiputera	50.89
Other Malaysians	44.90
Foreigners	4.21

Company Name: Nationwide Express Courier Services Bhd	
Activities: provides express courier services	
Date of incorporation: 9.1.1985	Date of listing: 25.5.1995
Issued Capital: RM19,082,000	
Shareholdings:	
Bumiputera	49.36
Other Malaysians	48.69
Foreigners	1.95

Company Name: Rohas-Euco Industries Bhd	
Activities: manufacture of pressed steel sectional water tank panels; design and fabrication of steel structures for high tension transmission towers	
Date of incorporation: 13.3.1961	Date of listing: 16.3.1995
Issued Capital: RM17,000,000	
Share holdings:	
Bumiputera	49.47
Other Malaysians	47.47
Foreigners	3.06

## Corporate Equity Distribution: Past Trends and Future Policy

Company Name: SP Setia Bhd	
Activities: building contractors and investment holding	
Date of incorporation: 8.8.1974	Date of listing: 2nd board on 12.4.1993; transferred to main board on 4.6.1996
Issued Capital: RM140,728,715	
Shareholdings:	
Bumiputera	44.42
Other Malaysians	42.84
Foreigners	12.74

Company Name: Kuala Lumpur City Corporation Bhd	
Activities: investment holding; manufacture, assembly, supply and installation of automotive air-conditioning systems, components and related products	
Date of incorporation: 10.1.1985	Date of listing: 2nd board on 21.8.1998; transferred to main board on 18.8.1999
Issued Capital: RM84,321,057	
Shareholdings:	
Bumiputera	52.16
Other Malaysians	43.31
Foreigners	4.53

Company Name: Rumpun Hijau Capital Bhd	
Activities: investment holding; manufacturer and dealer of footwear products	
Date of incorporation: 21.8.1978	Date of listing: 10.4.1992
Issued Capital: RM62,389,334	
Shareholdings:	
Bumiputera	49.89
Other Malaysians	46.71
Foreigners	3.40

Company Name: Syarikat Binaan Budi Sawmill Bhd	
Activities: trading, manufacture and sale moulded and sawn timber and other wood-based products	
Date of incorporation: 6.6.1978	Date of listing: 7.7.1997
Issued Capital: RM30,000,000	
Shareholdings:	
Bumiputera	49.41
Other Malaysians	49.46
Foreigners	1.13

Company Name: United Chemical Industries Bhd	
Activities: manufacture and sale of polypropylene and polyethylene woven bags and its ailed products	
Date of incorporation: 31.5.1965	Date of listing: 20.12.1990
Issued Capital: RM18,500,000	
Shareholdings:	
Bumiputera	44.71
Other Malaysians	49.29
Foreigners	6.00

## Corporate Equity Distribution: Past Trends and Future Policy

Company Name: Rumpun Hijau Capital Bhd	
Activities: investment holding; manufacturer and dealer of footwear products	
Date of incorporation: 21.8.1978	Date of listing: 10.4.1992
Issued Capital: RM62,389,334	
Shareholdings:	
Bumiputera	49.89
Other Malaysians	46.71
Foreigners	3.40