

THE IMPACT OF OWNERSHIP CONCENTRATION  
AND BOARD GOVERNANCE ON FIRM  
PERFORMANCE: MALAYSIAN PUBLIC LISTED  
PROPERTY COMPANIES

BY

CHOONG HONG HUAN  
EMILY HUANG YI LIN  
SAI SING TZEH  
WONG HUEY MIIN  
YEOW CHAI TING

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- (2) No portion of this paper research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
- (3) Equal contribution has been made by each group member in completing the research project.
- (4) The word count of this research report is 22,929 words.

Name of Student:	Student ID:	Signature
1. CHOONG HONG HUAN	10ABB05306	_____
2. EMILY HUANG YI LIN	11ABB02302	_____
3. SAI SING TZEH	10ABB04552	_____
4. WONG HUEY MIIN	10ABB06639	_____
5. YEOW CHAI TING	11ABB01739	_____

Date: 10 APRIL 2014

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## LIST OF ABBREVIATIONS

ACGA	Asian Corporate Governance Association
AMEX	American Stock Exchange
BI	Board Independence
BM	Bursa Malaysia
BS	Board Size
CEO	Chief Executive Officer
CLT	Central Limit Theorem
CMP	Capital Market Master Plan
EMU	European Monetary Union
FEC	Federated Electrical Contractors
FEM	Fixed Effect Model
FG	Firm Growth
FS	Firm Size
FSMP	Financial Sector Master Plan
IPO	Initial Public Offering
ISE	Istanbul Stock Exchange
KSE	Karachi Stock Exchange
LE	Leverage
MCCG	Malaysia Code on Corporate Governance
MICG	Malaysian Institute of Corporate Governance
MSWG	Minority Shareholders Watchdog Group
NASDAQ	National Association of Securities Dealers Automated Quotations
NSE	Nigerian Stock Exchange
NYSE	New York Stock Exchange
Obs	Observations
OC	Ownership Concentration
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
PM	Profit Margin
R&D	Research and Development

REM	Random Effects Model
ROA	Return on Asset
ROE	Return on Equity
ROS	Return on Sales
ROSC	Report on Observance of Standards and Codes
SC	Securities Commission
TQ	Tobin's Q
TSE	Tokyo Stock Exchange

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## **PREFACE**

This research project is submitted in partial fulfillment of the requirement for Bachelor of Business Administration (Hons) Banking and Finance. Cik Zuriawati Binti Zakaria is the supervisor for this research project. This final year project is made solely by the authors but it is based on the researches of others and the sources are quoted in references.

There are a lot of researches and studies conclude on this topic, yet, there are very few of them study about the variables in corporate governance which have impact on the firm performance in Malaysian public listed property companies. This research is interested to get more in depth understanding on the model of the variables in corporate governance that will influence the firm performance. Therefore, ‘the impact of ownership concentration and board governance on firm performance: Malaysian public listed property companies’ is chosen as the topic for this research.

Writing this report is difficult but the researchers have gained a lot of knowledge regarding the corporate governance in public listed companies which may be helpful for their future career.

## ABSTRACT

The aim of this paper is to analyze the impact of ownership concentration and board governance on firm performance. This paper has selected 94 out of 112 Malaysian public listed property companies as sample and the study period is from 2005 to 2010. The period of study is chosen based on the capability to obtain accurate data, in which, the period from 2011 to 2013 has been omitted due to the problem of missing data.

Ownership concentration, board size and board independence are employed as independent variables with firm growth, firm size and leverage as control variables. The characteristics, significances and relationships of each independent variable and control variable are examined in three regression models. Model 1 is based on full sample size which includes 94 companies (564 observations). This model further separated into two models which are Model 2 and Model 3. Model 2 represent high ownership concentration which is more than 40% shareholding (32 observations). While, Model 3 represent low ownership concentration which is less than 40% shareholding (532 observations). Model 1 and 3 are based on Fixed Effects Model (FEM), whereas, Model 2 is based on Pooled Ordinary Least Square Model (OLS).

The result obtained from Model 1 shows that board independence, board size, firm size and leverage have significant impact on firm performance, whereas, ownership concentration and firm growth have insignificant impact. The results for Model 1 and 3 are quite similar. The only difference is board independence has insignificant impact on firm performance in Model 3. However, the result for Model 2 is totally different from the results for Model 1 and 3. Board size, firm growth and firm size are significant to affect firm performance in Model 2, but, board independence and leverage are insignificant.

Contributions provided by this paper allow Malaysia property industry, policy maker, investor and academician to have better understanding on the influence of each independent variable on property firms' performance.



## **CHAPTER 1: RESEARCH OVERVIEW**

### **1.0 Introduction**

This study aim to investigate and analyze factors that might affect the performance of Malaysian public listed property firms, which includes ownership concentration (OC), board size (BS), board independence (BI), firm growth (FG), firm size (FS) and leverage (LE) of the companies. This chapter covers research background, problem statement, research objective, research questions, hypothesis that are to be tested, significant of this study and chapter layout.

### **1.1 Research Background**

Asian financial crisis, especially in July 1997, had proven that a company to have good corporate governance does matter. This issue has then attracted attention from many agencies in Asia countries, including in Malaysia (Ariff, Ibrahim & Othman, 2007). The reason is because bad corporate governance standard has been blamed to contribute to the Asian financial crisis happen in 1997 and 1998 (Liew, 2008). Furthermore, Liew (2008) argued the effectiveness of policy implemented for corporate governance reform in Malaysia, the policies has not accommodate in solving or focusing strictly on local problems in the country. The author further justify that corporate governance reforms in Malaysia have not been adequate in affecting the foreign investors' attention. Moreover, in Malaysia Code on Corporate Governance (MCCG), 2012 clearly state that Malaysia's investor confidence seriously affected by the Asian Financial Crisis. Thus, policy makers have now focusing on to enhance the corporate governance standard in Malaysia. This show that Malaysia agency recognize the value of implementing a sustainable corporate governance in support the economy and facing crisis in future.

The main resource in corporate governance policies development in Malaysia can be view in the Malaysian Code on Corporate Governance (MCCG), Financial Sector Master Plan (FSMP) and Capital Market Master Plan (CMP). Malaysia also established two institutions for the development of corporate governance which include the Minority Shareholders Watchdog Group (MSWG) and Malaysian Institute of Corporate Governance (MICG). MICG intention is to increase the recognition and implementation of good corporate governance in Malaysia corporate, whereas, MSWG is to protect the interests of minority shareholders through shareholders activism.

### **1.1.1 Ownership Concentration**

The blockholders can be defined as the parties who own large percentage shares and bonds in the company. In terms of shares, the company decisions are often being influenced significantly by the voting right of these owners. In the term of blockholder, different country will have different limit. For example, blockholders are those external stakeholder who holds at least ten percent of the outstanding equity in the countries such as United Kingdom, Arab and Pakistan (Beekes, Pope & Young, 2004; Javid & Iqbal, 2010; Omran, Bolbol & Fatheldin, 2008), while investors who own at least five percent of company shares are considered to be blockholders in Malaysia, which is supported by Barclay, Holderness and Sheehan (2008). Besides, Ibrahimy and Ahmad (2012) also claim that shareholders who owned at least five percent of company shares are blockholders.

Ownership concentration can be defined as the number of blockholders and the percentage of the blockholders owns the company shares. Ritcher and Weiss (2013) define ownership concentration as the allocation of ownership rights among different parties who own the firm collectively.

When ownership and control is separated, managerial investment decisions tend to focus on maximizing their personal benefits instead of maximizing the ownership's value (Aggarwal & Samwick, 2006; Jensen, 1986). For instance, over investment by the management may occur in this case as expansion in company size may allow the managers to gain more personal benefits (Hart & Moore, 1995). On the other hand, high concentrated ownership and strong legal shareholder protection can be effective governance mechanism to avoid poor investment decisions (La-Porta, Lopez-de-Silanes, Shleifer & Vishny, 1998). High ownership shareholder reduces the occurrence of managerial autonomy and it will increase the ability and willingness of shareholder to supervise the management (Shleifer & Vischny, 1986). High ownership concentration can serve as an alternate for shareholder legal protection (La Porta et al., 1998). If this statement is correct, then host country's shareholder legal protection should be less important in high concentrated firms. The shareholders' reliance on legal institutions of the country to protect their interests from managerial opportunism will then reduce. This negative relationship weakened as a result of increasing ownership concentration of the parent's firm. This also implies that home country's parent's ownership concentration can act as the substitute for the weak legal shareholder protection.

Many previous studies have reported high ownership concentration in Malaysia (e.g., Claessens, Djankov, & Lang, 2000; Tam & Tan, 2007; Zhuang, Edwards, & Capulong, 2001) and this continuously to present. Haniffa and Hudaib (2006) report the mean for a single largest shareholder, five largest shareholders, potential shareholding and potential independence shareholder are 31%, 62%, 53% and 31% respectively. The 31% mean for potential independence shareholder indicates that firms are closely held by their managers. According to Rachagan (2006), highly concentrated ownership structure makes traditional agency problem between managers and shareholders to be irrelevant in Malaysia firms (as cited in Yunos, Smitch & Ismail, 2010). The dominant role of shareholders

in firms enables the controlling shareholders to expropriate the minority shareholders' interest for their own private advantage (Fan & Wong, 2002). However, in Malaysia context, this problem almost non-exist because CEO or the top management is often affiliate with the large shareholder group of the company (Haniffa & Hudaib, 2006).

Based on Nor, Shariff and Ibrahim (2010), ownership concentration and firm performance has a significant relationship. During 1999, when the amount of total shares based on the five largest shareholdings is used, there is significantly related to market performance (Haniffa & Hudaib, 2006). Concentrated ownership in foreign investors is found to positively related to firm financial performance, whereas, employee concentrated ownership is negatively related (Omran, 2009). However, some researchers show a negative relation between blockholders and performance of firm (Ibrahimy & Ahmad, 2012). In the scenario of Malaysia institutions, blockholders has positive insignificant impact on firm performance when the market based measurement of performance, Tobin's Q (TQ), are taking into consideration. Yet, positive significant impact on Return on Equity (ROE) is found when considering industry effects.

**Table 1.1: Ownership Changes of Public Listed Companies in East Asia**

Country	Hong Kong	Japan	Korea	Malaysia	Singapore	East Asia Five
<b>10% cutoff (1996)</b>						
<b>Number of Corporations</b>	200	200	200	200	200	1000
<b>Widely held</b>	0.0	72.5	26.0	0.5	2.5	20.3
<b>Family</b>	65.5	6.8	51.8	56.9	53.3	46.9
<b>State</b>	4.0	2.5	6.8	19.4	21.8	10.9
<b>Widely held financial</b>	10.5	16.5	4.3	13.1	12.0	11.3
<b>Widely held corporation</b>	20.0	1.8	11.3	10.1	10.4	10.7
<b>Foreign state</b>	-	-	-	-	-	-
<b>10% cutoff (2008)</b>						
<b>Number of corporations</b>	158	136	159	154	131	738
<b>Widely held</b>	6.3	57.4	28.9	2.6	8.4	20.7
<b>Family</b>	60.6	9.6	54.5	51.5	60.2	47.3
<b>State</b>	28.0	6.3	6.9	39.7	20.5	20.3
<b>Widely held financial</b>	3.5	6.6	2.7	1.4	3.8	3.6
<b>Widely held corporation</b>	0.9	19.1	6.0	2.2	1.7	6.0
<b>Foreign state</b>	0.6	1.1	0.9	2.6	5.3	2.1

Sources: Carney, R. W., & Child, T. B. (2013). Changes to the ownership and control of East Asian corporation between 1996 and 2008: The primary of politics. *Journal of Financial Economics*.

Table 1.1 shows the controlled concentration from the East Asian countries of five for 1000 publicly traded corporations in 1996 and 738 in 2008. The cutoff level of 10% voting rights is examined in the research of Carney and Child (2013). Based on the table above, the family ownership has the highest average percentage for the year of 1996 and 2008 as compares to other type of ownership. The widely held ownership was dominated in Japan by 72.5% in 1996 and 37.4% in 2008. In Malaysia, the family ownership is dominated, but there was decreasing in percentage by 5.4% from 1996 to 2008, while the percentage of state ownership increased by 20.3% between the year of 1996 and 2008. There was the presence of the foreign state ownership during 2008 with the reason of the unavailable of data set during year 1996. Singapore has a highest percentage of foreign state ownership by 5.3% in 2008.

### **1.1.2 Corporate Governance**

Corporate governance implies the procedure and structure apply to give direction and monitor for a business and its operation in enhance the business wealth and corporate accountability with the aims of increase long-term shareholder value, at the same time takes into consideration the interests of other stakeholders (MCCG, 2012). According to Broni and Velentzas (2012) and the World Bank, corporate governance is the systems, processes, customs, policies and laws that will influence how a company or corporate is controlled and regulated. Organization of Economic Co-operation and Development (OECD) principles further explains that corporate governance entails a set of relationship between company's management level with all other board director, shareholders and also stakeholders that have interest in the company. It provides a guideline for deciding company objectives. The World Bank states that it is about building trust and confidence when the companies, owners, and regulators become more efficient and transparent. It helps a company to have well access to external finance and decrease the systematic risks from corporate

crisis and financial scandals. Corporate governance enables a country to control over the investments thus promote employment and economic growth. A better monitoring can detect corporate inefficiencies and reduces the corporate exposure to financial crisis. However, Shleifer and Vishny (1997) defines corporate governance as the way in which capital providers guard their invested capital and to get a return from its by ensuring that managers do not misuse the capital on unprofitable project or took the capital they supply. In other words, corporate governance is the way that the suppliers of finance control the act of managers.

Corporate governance is broadly view as the governance of the board. Corporate board of directors are the central aspect of the internal governance of a corporation which responsible to provide strategic direction (Lefort & Urzua, 2008). In addition, board of director also function as the separation of ownership and control which reponsible to control the agency problem between disperse shareholders and the management team in a corporation (Fama & Jensen, 1983). They are the control mechanism for monitoring the behavior of the top management. Corporate Governance Blue Print (2011) states that, the main responsibility of board is to create a corporate culture. Thus, the board's role in governance is very important. The elements of corporate governance usually measure as in the control board size as well as board independence.

### **1.1.2.1 Board Size**

Board size is referring to the number counted for number of directors sitting on a board (Heaney, 2007). According to Corporate Govenance Blue Print (2011), the best possible board size number needed to accommodate the necessary skill sets and competencies with flexibility, and effective contribution of the membership. An ultimate set of board member is a set with a collective of difference knowledge, background and expertise that

bring benefits in making the best result which then improves the firm performance. The number of board in Malaysia companies is different. The size is differ depends on the needs as due to the nature, size and board culture of a business. Based on the survey from Corporate Governance Blue Print (2011), it reveals that the average board size is six to seven. Taking examples from Bursa Malaysia, Keladi Maju Bhd, KSL Holdings Bhd and Petaling Tin Bhd, the company board consists of seven directors. Apart from that, Tenaga National Bhd, Maybank Bhd and YTL Land & Development Bhd are holding, more than average, twelve, twelve and thirteen members respectively. Linck, Netter and Yang (2008) reveal the trend of rapid decrease in board size in large US firms in 1990s. Moreover, Heaney (2007) finds the board size in East Asian firm from 1997 to 2002, on average, increase in Indonesia and decrease in Philippines and Singapore.

Conger and Lawler (2009) who study on the relationship between board size and corporate performance, argue that there is no one suitable size for all board as the right size for a particular board is driven by how effective the board can work as a team. They find that most of CEOs suggest that their company ideal board size is between eight to twelve directors. However, they suggest that a size of nine to thirteen board members is the most likely right size for the majority of corporate boards, although this number may be too small for a large corporation. Conger and Lawler (2009) further propose that board size ought to be more than thirteen in the case of the need for a broad area of knowledge and where there is a number of significant stakeholder grouping is need to be present on the board. The result is consistent with the findings of Bennedsen, Kongsted and Nielsen (2008), they separate the effect of large board size and small board size. First, no effect on performance is found when the board size at the level of below than six directors (small board size). Second, a significantly negative effect is found when the size of boards is from six to more members. This result show that board size need to be at the ultimate size as insufficient number of board will not result in firm performance and go beyond the ideal board size may reduce a firm performance. Negative



effect of large board size on firm performance may be caused by inability of the board to communicate effectively as the number increases (Guest, 2009).

### **1.1.2.2 Board Independence**

Board independence is referring to the board members that have no interest or ties to the company which could affect the independent or objective judgement. An independence board member shall put the interest of the company in priority above all other interests in making decision. A person who has been appointed as independent director should be not related with the management and not involve in any dealing or other relationship which could get in the way of practicing independent decision or act in the best interests of the company (Corporate Governance Blue Print, 2011). Linck, et al. (2008) find that there is a trend of increasing more independent board in the US firms in 1990s. This finding consistent with the Spencer Stuart Board Index (2011) which reports that the independent directors in US listing firms increase by 4% in 5 years where the increment is 77% in 2001, 81% in 2006 and 84% in 2011. For examples in Malaysia, Alliance financial Group Bhd has six independent directors out of thirteen board members and Genting Malaysia Bhd has six independent directors out of nine board members. In Malaysia property industry, Berjaya Assets Bhd has six independent directors out of ten board members and IJM Land Bhd comprise of three independent directors out of seven board members. All of the companies above are listed in Bursa Malaysia.

After the event of Asian Financial Crisis, many Asian countries have taken the initiative to establish rules and recommendations for the number of independent board directors as an effort to exercising corporate governance. The table below shows the rules and recommended set for the number of independent directors in a company board by corporate governance agency in Asian Countries.

**Table 1.2: Rules and Recommendations on The Number of Independent Directors on Boards in The Companies in Asian Countries**

<b>Countries</b>	<b>Rules</b>	<b>Recommendations</b>
China	Not less than one third of the board.	-
Hong Kong	Not less than three.	Not less than one third of the board.
India	Not less than one third of the board.	-
Indonesia	Newly listed company must have at least 30% independent commissioners and least one unaffiliated director.	-
Japan	Not less than one or one.	-
Korea	At least a quarter of the board.	Not less than half for large listed firm and a minimum of three.
Philippines	Not less than two or at least 20% of the board, whichever is lesser but not less than two.	-
Singapore	At least two.	At least one third of the board.

Countries	Rules	Recommendations
Taiwan	Newly listed firms must have not less than two independent directors and one independent supervisor.	At least two and not less than 20% of the board.
Thailand	Not less than one third of the board and no less than three.	-
Malaysia	Not less than two or one-third of the board, whichever is higher.	Not less than one third of the board.

Sources: Asian Corporate Governance Association (ACGA),( 2010). Hong Kong

Table 1.1 shows the rules and recommendations on corporate governance that implement by their government. It shows that most of the rules and recommendations from the country stated above require corporate to maintain at least two or one-third or up to 50% of the board of director to be independent.

## 1.2 Problem Statement

The forthcoming mega initial public offerings (IPO), approval for new rail lines and the award of government land project have made property sector a “new dawn” in Malaysia (New dawn property sector re-rated, 2013). In other words, Malaysia property sector has a good prospect. Hwang DBS Vickers Research (HDBSVR) has re-rated the property sector from neutral gearing to positive gearing and this would mean that the property investor will receive profits after considered all costs (Malaysian property sector upgraded to Positive, 2013). Moreover, Malaysia property market becomes a preferred place for foreign property investors after Hong Kong and Singapore imposed 15 percent levies to “cool” their overheated property market (Zurairi, 2013). With good corporate governance, the firm would probably benefit from this situation. However, threatening of financial crisis as

well as the expected property bubble has raised the concern about whether good corporate governance could prevent corporate collapse.

The evidences of the influence of corporate governance on firm performance particular in developing countries are still relatively rare and scarce (Mashayekhi & Bazaz, 2008). For example, Bauer, Frijns, Otten and Tourani-Rad (2008) and Claessens, Djankov & Lang (2013) report that corporate governance is significantly in explaining the firm performance, while Heracleous (2001) argue that the relationship between corporate governance and financial performance to be insignificant. Therefore, this paper attempts to examine and analyze the relationship between corporate governance and firm performance particulate in Malaysian public listed property (developing country).

Apart from that, in the assessment result of 2012 Corporate Governance Report on Observance of Standards and Codes (ROSC) by World Bank, report that Malaysia becomes a regional leader in corporate governance compare to the Indonesia, India, Thailand, Philippines and Vietnam (World Bank calls Malaysia a regional leader, 2013). Based on this report, the chairman of Securities Commission (SC), Datuk Ranjit Ajit Singh, realize that it is the time for Malaysia to apply strong corporate governance in order to maintain active investor interest and substantial growth in the economic and financial system (M'sia gets kudos from World Bank, 2013). However, until recently, the majority of researchers have focused on the study of the impact of ownership concentration and board governance on firm performance in particular countries, such as Chile (Lefort & Urzua, 2008), Hong Kong (Jaggi, Leung & Gul, 2009) and so on, but yet still remain rare conducting in Malaysian property industry. Therefore, there is a need to establish an overall relationship between corporate governance and firm performance through ownership concentration and board governance.

## **1.3 Research Objective**

The research objectives of this study are based on the problems statement.

### **1.3.1 General Objectives**

This study is conducted to examine ownership concentration and board governance that will influence the company financial performance in listed property industry in Malaysia

### **1.3.2 Specific objectives**

- a) To examine how the ownership concentration bring impact to the firm performance.
- b) To study how the board size bring impact to the firm performance.
- c) To determine how board independence bring impact the firm performance.

## **1.4 Research Question**

- a) Will ownership concentration bring impact to the firm performance?
- b) Will board size bring impact to the firm performance?
- c) Will board independence bring impact to the firm performance?

## **1.5 Hypothesis of the Study**

This study main concern is to find how the ownership concentration and board governance affect the firm financial performance in Malaysian public listed

property firms. The first hypothesis is to test whether the ownership concentration will have impact on the firm performance. Among several elements in corporate governance (e.g., board size, board independence, CEO duality), in which, board size and board independence are chosen in this study. So, the second hypothesis will be whether board size will affect the firm performance and the third hypothesis is to test whether there is an effect of board independence on the firm performance. In total, there will be three hypotheses in this research. Besides, there is three other variables act as control variables (e.g., firm growth, firm size and leverage) in the research which include firm growth, firm size and leverage. Whenever the final result show the significant level is more than 0.10, 0.05 or 0.01 the null hypothesis will be accepted, while rejecting null hypothesis if the significant level result less than 0.10, 0.05 or 0.01.

## **1.6 Significant of Study**

Principles of Corporate Governance as published by the Organization for Economic Cooperation and Developments (OECD) in 2004 has mentioned that a good corporate governance has major contribution in stimulating economic efficiency and enhancing investors' confidence (Organization for Economic Cooperation and Developments, 2004). This research is designed to help the policy makers, corporations, individual investors and academicians in raising their awareness of the contribution of corporate governance.

This study is to help Malaysia policy makers to understand the importance of good corporate governance in attracting investment and stabilizing market, which in turn promoting economic growth. Besides, this study is also beneficial to the policy makers in designing new policies that aid the Malaysia economy to achieve highest sustainable growth and hence raising the living standard of Malaysian (Bhagat & Bolton, 2008).

Moreover, this study will also help Malaysian public listed property firms to have a better understanding on the types of corporate governance as well as the

variables that will enhance firm's financial performance. Thus, the firm could apply proper corporate governance to enjoy the benefits that brought by good corporate governance (Mulili & Wong, 2011). With an increment in the firm's financial performance, the firm will continue to grow and may have the opportunity to expand its business. Thus, unemployment rate in Malaysia may decrease.

In addition, individual investors are also one of the beneficiaries of this study. Since the firm's financial performance might improve if the firm adheres to proper corporate governance, individual investors may take into consideration of the corporate governance of that particular firm while making their investment decision (Joel & Romuald, 2012). This study will give the individual investors insight on the types of corporate governance that is beneficial to the firm's financial performance and hence assist individual investors in making investment decision.

Last but not least, this study also brings benefits to academia. Since there are very few research regarding corporate governance has been done in Malaysia property sector, this research can act as guidance for students on their future research.

## **1.7 Chapter Layout**

### *Chapter One*

Corporate governance and firm performance is the scope of this study. In this chapter provides the overview and introduction regarding ownership concentration, corporate governance, board size and board independence from the general view narrow to the view of Malaysian public listed property firms. Besides that, problem statement, research objectives, research question, hypothesis of study and significant of the study are covered.

### *Chapter Two*

This research consists of three independent variable and three control variables which are ownership concentration, board size, board independence, firm growth, firm size and leverage. The literature reviews are carried out based on previous studies which cover the evidence of positive and negative relationship between all independents variables and firm performance. Moreover, three relevant theoretical models, proposed theoretical or conceptual framework, hypothesis developments have been reviewed in this chapter.

### *Chapter Three*

This chapter focuses on describing the designation of this research, data collection method, data analysis method and sampling design. Based on the secondary data collected proceed to data process through formulas suggested by previous researchers.

### *Chapter Four*

Based on the results produced by Electronic Views 6 (E- Views 6), this chapter provides further analysis and explanation on Malaysian public listed property firms.

### *Chapter Five*

This chapter provides a table for summarizing the regression analysis in chapter four. Besides that, it emphasizes on whether these findings are consistencies with previous studies and provide the reason for supporting each variables' results. Furthermore, the implications and limitations of the study and recommendations for future research are all covered in this chapter.



## **1.8 Conclusion**

This chapter had covered research background, problem statement, research objectives with general and specific objectives, research questions, hypothesis of study and significant of the study. However, the research questions will be answered in literature review in chapter two. Besides, the further elaboration on the relationship of independent variables (ownership concentration, board size and board independent) and control variables (firm growth, firm size and leverage) with dependent variable (firm performance) will also be discussed in chapter two.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

In this chapter emphasizes on the literature reviews from past researchers. All of the results concluded from all journals and articles will be clearly indicated in this chapter. In order to investigate the linkage exists between dependent variable (firm performance) and independent variables (ownership concentration, board size, board independence) and control variables (firm growth, firm size and leverage), the actual framework, theoretical framework and hypothesis are identified.

### **2.1 Review of Literature**

Based on Gujarati and Porter (2009), dependent variable is defined as the variable that being examined and it is depending on other factors, while independent variable, which also known as explanatory variable, is defined as the variable that used to explain the dependent variable. In a regression model, the dependent variable is identified as a linear function of at least one independent variable. Control variable is defined as the variable which of secondary interest but has effect on the relationship between dependent variable and independent variables.

Dependent variable for this research is firm performance. While, ownership concentration, board size and board independence are employed as independent variables. Firm growth, firm size and leverage represent as control variables.

## **2.1.1 Independent Variables**

### **2.1.1.1 Ownership Concentration and Firm Performance**

The measurement of the ownership concentration is calculated by the percentage of total shareholding by the firm's top five shareholders. A blockholder is the people that own more than five percent of the firm's equity or share (Javid & Iqbal, 2010).

In the research done by Barclay and Holderness (1989), they find a positive correlation between ownership shareholding and company performance by using a total of 394 sample selected randomly from National Association of Securities Dealers Automated Quotations (NASDAQ) listed, American Stock Exchange (AMEX) listed, or New York Stock Exchange (NYSE) listed corporations which have at least one shareholder with at least five percent of shareholdings in 1982 and it was continuously traded in 1986. Holderness & Sheehan (1988) also find that ownership shareholder have positive relation with firm performance by analyzing total 114 sample of corporations from NYSE-listed or AMEX-listed, with at least one investor owned more than ten percent (as cited in Haniffa & Hudaib, 2006). In conjunction of this, McConnell and Servaes (1990) find the positive result by using Tobin's Q method with blockholders who own at least five percent outstanding stock based on a sample of two years, 1976 and 1986 years, with 1173 and 1093 sample firms respectively. After the ownership endogeneity has been controlled, they indicate that concentrated ownership and firm performance has positive relationship (Omran, 2009). Based on Omran (2009), there will be positive relationship on firm performance when the board composition following privatization being changed and the outside directors in higher proportion occur. Javid and Iqbal (2010) reveal the result when 50 samples of different manufacturing firms of Pakistan's economy during 2003 to 2008 are used, the foreign and family concentrated ownership has positive and significant effect on firm performance. This is due to the control will

not be uncertain when acquire the major shareholdings and this will result in the ownership concentration might extract the resources of the corporate for self-benefits in a way that might bring the firm performance a negative effect.

Based on Haniffa and Hudaib (2006), the 'insider model' or the 'convergence-of-interest' of corporate governance claim that the existence of the relationship between ownership shareholding and firm performance. Shareholder that holding large share in the company has the right to monitor the management. Besides, since they are eligible to bear the proportion of managers' value-destroying actions, they have the essential power in influencing the policies of the company. This is due to the higher the financial risk, the higher the costs for unable to fulfill the shareholder wealth maximization. Many researchers (e.g., Hermalin & Weisbach, 1991; Javid & Iqbal, 2010; McConnell & Servaes, 1990; Nor, Shariff & Ibrahim, 2010; Omran, 2009) are using Tobin's Q to calculate the ownership concentration. McConnell and Servaes (1990) find that during the inflection point between forty and fifty percent of ownership, they find out a relation with inverted U-shaped between Tobin's Q and managerial ownership. Besides, Hermalin and Weisbach (1991) find that the Tobin's Q is positive relation with the ownership blockholder up to one percent and five to twenty percent, and negative relation between one to five percent and more than twenty percent, by using the sample firm size of 142.

Based on Nor, Shariff and Ibrahim (2010), they show that the concentrated ownership is positively related to the performance of the firm in the institution sector. The consumer product firm is dominated by the individual's equity holders, whereas, industrial product sector is dominated by the institutional shareholders. ROA regression is used in their findings. From the result, the effect is mainly concentrated from the government shareholdings in plantation industry and the government act as the legal institution monitors their performance. The director equity holding in their finding act as important ownership determinant to ensure the best result as

measured by Market Value Added, Market Book Value Ratio, and Tobin's Q. The regression of Tobin's Q shows that ownership concentration is dictated by the institutional shareholders in construction, industrial product and property industries, while dictated by the nominees, individuals, and the directors holding in the consumer product industry.

However, Omran et al. (2008) using the two-stage least squares regression, show that ownership concentration has insignificant effect on firms' profit and performance. The merger of ownership and managerial interest through the ownership concentration may enhance the firm performance. This means the fact that the raising of the firm's capital has slightly influence in public markets. However, through family ties or personal relationships-legal protection of creditors must be stress rather than improving other aspects of corporate governance since any significant expansion in external finance will end up to become debt.

From the result of the literature review mentioned above, most of the findings proved that the ownership concentration has positive influence on the firm performance. So, this study expects that the ownership concentration and the firm performance will be positive related. As the concentration of the ownership increase in percentage, the firm performance will also increase.

### **2.1.1.2 Board Size and Firm Performance**

Board size refers to the efficiency of board members which normally involve communication, coordination, control and decision making. Board effectiveness is based on two perspectives which are larger or smaller board size entitles to determine firm performance (Nicholson & Kiel, 2003).

Most empirical studies (e.g., Eisenberg, Sundgen & Wells, 1998; Mak & Kusnadi, 2005; Yermack, 1996) show significant negative results between

board size and firm performance, thereby decreasing the potentiality of agency problem. They also claims that agency problem is varies with organizational structure. Yermack (1996) is the first author who reports a negative relationship on 452 United States (US) public firms' board size and firm performance in the period of 1984 to 1991 and applying Tobin's Q as firm value measurement. He discusses that smaller board size (below six members) is likely to generate higher returns and provide better CEO performance. Conversely, Yermack (1996) argues that larger board size (above 24 members) bring hassle to firm such as poor communications and lower operating efficiency. This result also implies that the firm value decrease as board size increase and it is highly correlated to certain variables, such as firm size, inside stock ownership, board composition, the presence of growth opportunities and different corporate governance structures.

Along the similar line, Mak and Kusnadi (2005) prove that the relationship between board size and firm performance on 550 Malaysia and Singapore public listed firms are negative correlated, using Tobin's Q as firm performance measurement. They also prove that five members of board is consider small board size and can achieve the maximization value of firm, while other variables (e.g., firm age, leverage) also affect firm value in Malaysia and Singapore respectively. Eisenberg et al. (1998) also provide the same empirical results. In which, ROA has been applied to examine 500 Finnish firms' board size and firm profitability. This implies that the larger board size give the rise to cumbersome in communication and coordination, also, decreases ability of the board in term of management, manipulation and control, thereby trigger the agency problem.

In contrast to these studies, some papers (e.g., Abidin, Kamal & Jusoff, 2009; Kajola, 2008; Nicholson & Kiel, 2003) produce a significant positive impact between board size and firm performance. Nicholson and Kiel (2003), for example, examine that the size of board positively affecting firm value in a sample of 348 Australia public listed firms, measured by Tobin's Q and ROA. This result can be explained by the

intellectual capital theory of corporate governance. In which, correct skills and knowledge have to be combined with the numbers of board in order to deliver sufficient needs at particular point of time. Finally, larger board size allows greater capabilities and qualities to corporate governance. Similarly, Kajola (2008) apply Return on Equity (ROE) to demonstrate a positive relationship between board size and firm performance among 20 Nigerian Stock Exchange (NSE) listed firm in the period of 2000 and 2006. On average, 9 members are the preferable size for a firm. Abidin et al. (2009) prove that board size has a positive impact on 75 Malaysian listed firms' performance. This is because larger board size allows more capabilities such as ideas, experiences and skills to be shared within corporate management. This result also implies that there are on average eight boards of directors on board are performing more effectively in a large group.

As for whole, this study therefore expects that Malaysian public listed firms has a significant positive effect on firm performance. This implies that the higher the board size brings higher value to firm.

### **2.1.1.3 Board Independence and Firm Performance**

Fama and Jensen (1983) and Rusmin, Scully, Tower and Taplin (2009) state that the agency problem is the conflict of interest between shareholder and manager which the theory suggests that manager tend to act in maximizing their own welfare instead of the shareholder wealth. Fama and Jensen (1983) define agency cost as the cost of monitoring and controlling the agency conflict. They further argue that independent directors able to monitor or reduce agency cost. In which independent directors are argued to have effect on the board effectiveness, bringing independence to the board and ensure decision making in the interest of shareholder, particularly minority shareholders (Abdullah, 2004). Fama and Jensen (1983) also state that independent directors could provide

relevant knowledge or expertise that is beneficial to the company, thus improving the company performance.

However, according to Ponnu and Karthigeyan (2010) this view is doubted that the independent director could benefit the company performance as most of the empirical results show the conflict outcomes. Such as the firms with more independent directors experiencing worse stock return during the financial crisis in the studies on 296 financial firms from 30 countries (Erkens, Hung & Matos, 2012). They suggest that more independent directors on board during crisis may raise more equity capital causing the wealth transfer from existing shareholder to debt holders. There is negative relationship between board independence and market value of Brazilian firms (Black, Carvalho, & George 2012). It is found that larger board independence lower the Tobin's Q. Agrawal and Knoeber (1996) examine the methods to control agency problems on firm performance and they find that negative effect of independent director on board as well as on the firm performance in their result is due to political reason (e.g., politicians, environmental activists and consumer representatives). As these independent directors act in underlying political constraints that reduce firm performance.

Adversely, Beasley (1996) conducts regression analysis study on 150 listed companies from 1980 to 1991. The empirical result shows evidence on importance of existence of independent director. The result shows that independent director on the board reduce firm from financial statement fraud. Suggesting that independent director increases the effectiveness of management in avoiding financial fraud. Furthermore, Omran (2009) studies on the 52 Egyptian firms from 1995 to 2005 and find that higher proportion of independent director has positive effect on firm performance. The finding consistent with the studies in Chilean companies (Lefort & Urzua, 2008).

In Malaysia context, empirical result shows that no significant relationship between board independence and firm performance is found (Chaghadari,



2011; Ghazali, 2010; Ponnu & Karthigeyan, 2010). Abdullah (2004) uses 369 samples of Malaysia listed companies from 1994 to 1996 to study the internal corporate governance of Malaysia listed companies before the financial crisis. The author finds that board independence, CEO duality or both jointly is not related to firm performance. He argues that the use of financial ratios may be unable to measure the board role in improving the firm performance. Ghazali (2010) studies using data from 87 listed companies in year 2001, the study results show that none of the corporate governance variables estimate by board size and board independence was statistically significant with firm performance. He explains that the findings may due to the period of examination (in year 2001) where the regulation on corporate governance may need a few years to show positive result or the code is not appropriate to use in Malaysia context due to political, cultural and legal environment in Malaysia is differ. Ponnu and Karthigeyan (2010) study on 116 Malaysia public listed companies in the year 2006 find that the number of independent director does not improve firm performance.

This study expects that there is negative relationship between the proportion of independent director and firm performance. The higher the proportion of board independence, the lower the firm performance will be.

## **2.1.2 Control Variables**

### **2.1.2.1 Firm Growth and Firm Performance**

Firm growth is one of the important factors that need to be considered by the investors before they made any investment decision. This is because firm growth is one of the firm success measurements which show the firm ability to expand their business.

Serrasquiro (2009) proves that the firm growth significantly and positively affect the firm's profitability by estimating 162 largest Portuguese companies between 1999 and 2003. The researcher measures the firm growth by using the percentage change in total revenues while the profitability is measured by ratio between operational results and total assets. The author explains the result by using the Greiner (1998) statement that is if the positive effect of employee motivation has greater level than negative effect, thus firm growth can increase the firm profitability.

Mak and Kusdani (2005) reveal that sales growth has significant positive impact on the firm value. Researchers collect data from the 1999/2000 annual reports of 271 firms listed on the Singapore and 279 firms listed on the Kuala Lumpur. Mak and Kusdani (2005) not only test sales growth to Tobin's Q but they also include return on asset (ROA), return on sales (ROS) and asset turnover as the elements of the firm performance and all the results show that the sales growth has positive significant effect on the firm performance.

Based on the research by Goddard, Molyneux and Wilson (2004), state that the growth rate insignificantly affect profitability on banking sector. This result is based on 625 banks data sets located in European countries for the period of year 1992 to 1998. Researchers find that the banks' current profitability does not affected by the last year banks' growth rate. On the other side, Coad (2007) has different view with previous result. He examines a total of 8405 French manufacturing firms from year 1996 to 2004 by using two year lagged of growth rate to test on the current profitability and his research shows that there is positive and significant effect of firm growth on the profitability. The reason why these two researches have different results is because of the different time lags they included causing relationship between these two variables becomes more complex (Goddard et al., 2004).

Besides, Loi and Khan (2012) also find that there is no significant relationship between firm performance and firm growth. The authors use turnover growth as independent variable and ROE as dependent variable to test the determinants of firm growth based on the Belgian companies' data from year 2002 to 2006. The authors also use ROA to replace ROE to test the robustness of their finding, but the result still remains same with the previous, hypothesis of profitability impact on the firm growth is rejected.

According to Jang and Park (2011), the firm growth has a negative impact on the firm profitability. They study the inter-relationship between firm growth and profitability by using the United State (US) restaurant firms' data from year 1978 to 2007 and prove that the extreme growth impedes the profitability. They argue that restaurant firms are not suitable to use the growth-focused strategies because firms will suffer from low profit and then affect their long term performance. But the research made by Chathoth and Olsen (2007) argue that there is insignificant positive relationship between sales growth and return on equity. The researchers also focus only on the restaurant industry and they find that the sales growth does not necessary will affect the firm performance and *ceteris paribus*.

Since there are many research come out with different results and all of these results are proven, credible and support with academic proof but it still ambiguous. Thus, this study will examine the relationship between firm growth and firm performance again and expect that there is positive relationship.

#### **2.1.2.2 Firm Size and Firm Performance**

According to Pervan and Visic (2012), they find that firm size has significant positive yet weak impact on firm performance. This means that the firm's profitability will rise if the size of firm grows. They further discuss the theoretical basis that underlies their argument. The concept of

economies of scale stated that the larger firms can benefit from lower production costs and higher returns which in turn explained the positive size-profitability relationship. This result is consistent with the findings of Serrasqueiro (2009) which based on five hundred largest Portuguese companies for the period of 1999 to 2003. This author finds that firm size is positively correlated with firm profitability because larger firms able to enjoy the benefit of economies of scale as well as the diversification of products and activities. By the way, the author employs dynamic estimators as estimation method. Based on the 200 active companies in Istanbul Stock Exchange (ISE) from the period of 2008 to 2011, Dogan (2013) finds that firm size is positively related to firm performance. Firms that listed in ISE will experience higher profitability when their firm size grows.

Babalola (2013) reveals that firm performance is positively influenced by firm size. The result might be attributed to the fact that the firm has more impact on its stakeholders when it is larger in size. To gain a greater influence on the firm's stakeholders, it must be greater in size. This research is based on manufacturing companies which are listed in Nigerian Stock Exchange (NSE) and has used panel data to study the impact of firm size towards firm performance over the period of 2000-2009. Moreover, Majumdar (1997) conducts analysis on a sample of 1020 Indian firms and the result of this analysis shows that larger firms are less productive but more profitable. The reason for greater profitability of larger firms can be sourced from the rent-seeking perspective in which the larger firms gain the monopoly power and hence making greater profit. According to Asimakopoulos, Samitas and Papadogonas (2009), their findings states that firm size has positive correlation with firm profitability by estimating Athens Stock Exchange listed Greek non-financial firms from 1995 to 2003. By the way, this period is essential for the Greek economy as it is moving to European monetary union (EMU) and the authors employ panel data techniques to capture the potential effect of the macroeconomic environment during that period.

However, Ramasamy, Ong and Yeung (2005) argue that firm size is negatively correlated to firm performance. This result is based on a sample of 30 Bursa Malaysia (BM) public listed plantation companies between 2000 and 2003. Ramasamy et al. (2005) explain that the result is due to the organizational problems that inherent in larger plantation firms which result in X-inefficiencies. These organizational problems will cause larger firms to suffer from higher production cost and hence depress overall profitability. This result is consistent with the findings of Forbes (2002), the author suggests that smaller firms normally have better performance compare to larger firms. By using panel data techniques to evaluate a sample of 70 Karachi Stock Exchange listed Pakistan non-financial companies from 2001 to 2010. Kouse, Bano, Azeem and Hassan (2012) find that firm size has negative impact on firm profitability.

As an integration of the above-mentioned literature (e.g., Babalola, 2013; Forbes, 2002; Kouse et al., 2012; Majumdar, 1997; Pervan & Visic, 2012), these studies find that the effect of firm size on firm performance remain unclear as it can be positive or negative. However, a positive size-profitability relationship is expected in this study. This is also supported by the result which obtains from the research done by Ammar, Hanna, Nordheim and Russell (2003). The research is based on financial data obtained from Federated Electrical Contractors (FEC) over the period of 1985 to 1996 and the result shows that the firms become more profitable as the size of firms grow bigger.

### **2.1.2.3 Leverage and Firm Performance**

Soon and Idris (2012) finds that leverage negatively related to firm performance as higher leverage shows that the insurance companies are assuming higher risks. The firm performance could be negatively affected when the exposure of the firm in certain risky product segment becomes immoderate. This research is based on a sample of 94 Malaysia authorized general insurance companies from 2006 to 2009. The result is consistent

with the findings of Gonzalez (2013) which based on 10,375 firms in 39 developing and developed countries from 1995 to 2004. During the industry economic distress, higher leveraged firms' operating profits will decline as the benefits of controlling the debt is smaller than the indirect costs of financial distress. Based on 336 information technology firms which are listed on the Taiwan Economic Journal (TEJ) from the period of 2006 to 2009, Hsueh (2013) finds that firm performance is negatively affected by leverage. Since debt is essential for the completion of a firm's innovation, a firm will increase its debts in Research and Development (R&D) investments. However, this kind of action might cause firm performance to be negatively affected as it will increase the debt holder's influence and therefore obstruct the choices of management.

However, Chen (2013) finds that leverage has positive impact on firm performance. Banks with higher leverage ratio prior to the financial crisis are more resistant to the bad news related to the notice of systemic failures. The author conducts the research based on 97 Tokyo Stock Exchange (TSE) listed banks in 1997 and 1998 which is the period of Japanese financial crisis. In addition, the findings of Akhtar, Javed, Maryam and Sadia (2012) states that firms with high levels of financial leverage able to improve their financial performance as leverage in the long term may convert into firms' profitability in Pakistan fuel and energy sector. This research is based on 20 Karachi Stock Exchange (KSE) public listed limited fuel and energy companies in Pakistan during the period of 2000 to 2005.

According to Khatab, Masood, Zaman, Saleem and Saeed (2011), they reveal that leverage has significant positive impact on firm performance. Khatab et al. (2011) has applied multiple regression models to estimate a sample of 20 Karachi Stock Exchange listed firms from 2005 to 2009. Moreover, Safieddine and Titman (1999) conduct an analysis based on 573 target firms that successfully revolt takeover attempts for the period 1982 to 1991. The result shows that firm that increases its leverage has lower possibility of being taken over. This is because firms with extensive

increase in leverage reduce their capital expenditures levels, sell off assets, lay off employees, increase focus and therefore enhance their firm performance.

In a nutshell, a positive relationship is expected between leverage and firm performance in this study. Firms with higher levels of leverage have more probability to improve its performance than those with lower levels of leverage.

## **2.2 Review of Relevant Theoretical Models**

### **2.2.1 Theory of Intellectual Capital of Corporate Governance**

In today's economic, knowledge of people is gaining important to achieve the success of the organization. Intellectual capital seems to be a crucial tool for firm to sustain, expand, and maintain market position. It concerns with how member of organization employ the ideas that he or she possess to take an effective actions and capabilities in order to accomplish organization's goal in the long term.

In Malaysia, government has promoted on a mission to develop a knowledge-based economic for rapid economic growth by launching a Knowledge-Based Economy Master Plan in 2002 (Economic Planning Unit, 2001). This is because it provides the platform for firm's capability, adaption, creation, as well as development and innovation in order to sustain in global market.

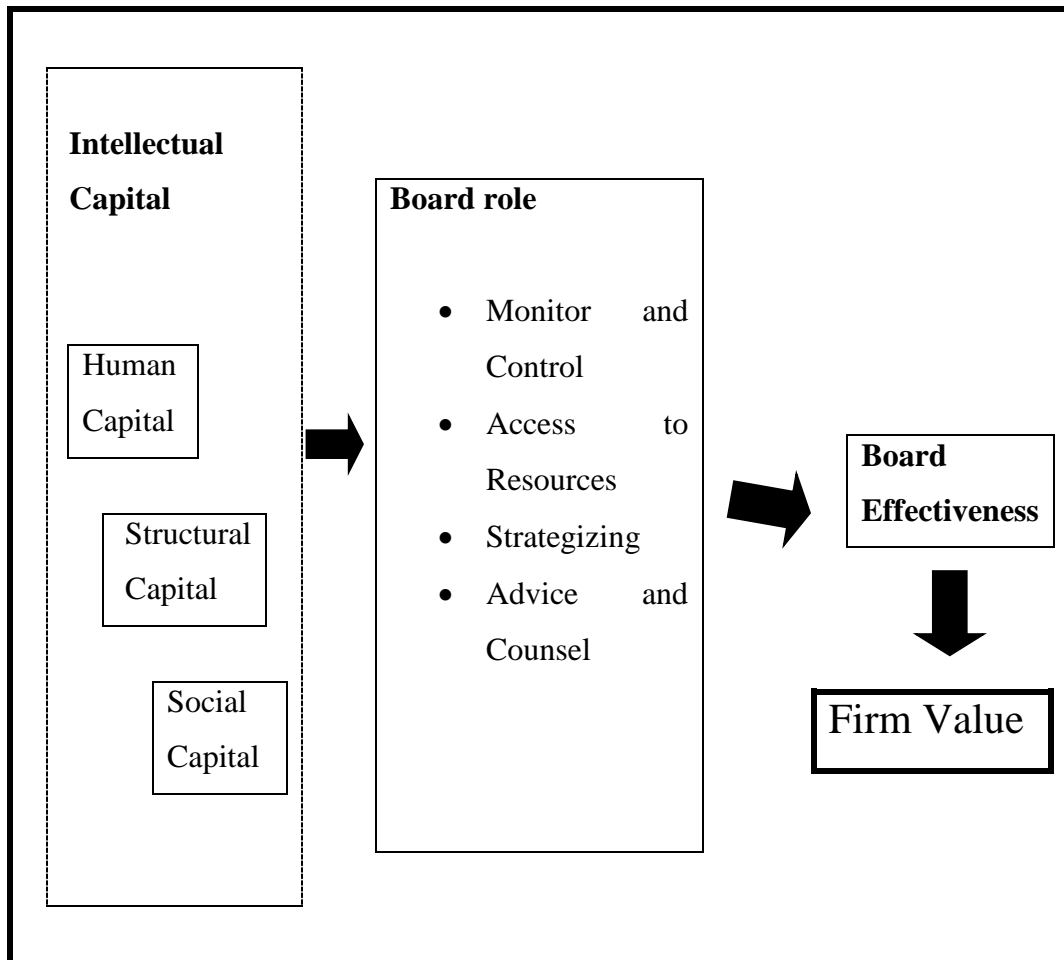
In particular, the concept of intellectual capital has been utilized and applied in many researches of corporate governance (e.g., Baron, 2003; Petty & Guthrie, 2000; Roos & Roos, 1997; Taliyang & Jusop, 2011). Petty and Guthrie (2000) define intellectual capital (e.g., information,

knowledge, network and innovation) is one of the instruments to determine the firm value and a country's economic development. They also describe a full knowledge worker as a "premium commodity and technologies" that adding wealth to a firm. Similarly, Roos and Roos (1997) describe intellectual capital as a "hidden assets" in the firms' balance sheet. It seems to be intangible resources such as knowledge and experiences that members of organization can use to create and enhance firm value. As individuals employs their own knowledge to control and govern the firm and it is hard to imitate by others. So, intellectual capital consider as the most important source for sustainable competitive (Baron, 2003; as cited in Abidin & Kamal, 2009). These increase the importance for firm to nurture their workforce become knowledgeable which in turn smoothing the internal and external process, as well as, communicating with workers and investors.

Intellectual capital is divided but not limited into two categories, which are structural capital and human capital (e.g., Organization for Economic Co-operation and Development, 1999; Petty & Guthrie, 2000; Roos & Roos, 1997; Taliyang & Jusop, 2011). In term of board attributes, intellectual capital describe in three classifications which are structural capital, human capital and social capital (Nicholson & Kiel, 2004). More precisely, structural capital refers to the organizational competence to meet market requirements such as proprietary software systems, distribution networks, and supply chains. Human capital includes the internal human resources (e.g., knowledge, skills, capability and experience present on the board) and externally to stakeholders. Social capital represents as intangible resources that assists member of organization to achieve firm's goal by all relevant social and organizational relationship (e.g., intra-board relationship, board management relationship and extra-organizational relationship).



**Figure 2.1 Intellectual capital model of board**



Source: Nicholson, G. J., & Kiel, G. C. (2004). Breakthrough board performance: how to harness your board's intellectual capital. *Corporate Governance*.

Based on Figure 2.1, it shows how intellectual capital incorporates in the role of board that determines the board effectiveness, which in turn, carries out positive impact to firm performance. Nicholson and Kiel (2003) also mention that board knowledge and experience attribute significantly to create and enhance firm value

### 2.2.2 Agency Cost

Agency theory is mainly the theoretical view in corporate governance issues. Based on Shakir (2008), the theory thesis developed from Berle and Means (1932), named “The Modern Corporation and Private Property”. This thesis shows when large firm separate their ownership and control in modern firms will cause the agency problem to happen. Large corporations have many owner or shareholders, thus they enter into contract with the managers. Managers are hired to act on shareholders behalf to run the business. Shareholders’ intention is to maximize their return from the investment that they make. However, the power provided to the manager may be advantageous for the manager to act in the way that benefits themselves instead of the shareholders’ wealth.

Jensen and Meckling (1976) define agency cost by the cost involving in the agency problem inclusive of the monitoring cost by the owner, the bonding cost by the manager and the residual losses. There will be agency cost in all companies all around the world because this problem cannot be eliminated since there are scarcities between the principal and the management. Insignificant company monitoring may lead to increase in agency cost. Based on Goergen and Renneboog (2001), agency costs will occur when there is the insufficient monitoring mechanism.

There are two types of agency problem: (1) problem between shareholder and manager, and (2) problem between minority and majority shareholder. The first type of agency problem concern about the manager would more likely to act in the way that stray from what shareholders want (Fama & Jensen, 1983). When the principals seldom monitor their managements, they might not expose to the risk for making decision on high return projects. This includes the risk of being taken over if the projects fail, but compensation will be given when the projects succeed. However, the company’s turnover will reduce when the management does not take the

risk and the company growth slowly since the cost continues to increase with inflation. This will lead to the opportunity cost of company wealth.

While, the second type of agency problem emphasizes on the conflict between minor and major shareholder. Bozec and Bozec (2007) argue that dominant shareholder may have more power and incentive to protect their wealth and lead to better monitoring of corporate control than the minor shareholder. Minority shareholder requires getting support from other shareholders to have control in voting system, the process is more complicated than large shareholder more easy to exercise their voting right, thus large minority shareholder might be less effective (Shleifer & Vishny, 2012). Based on Omran et al. (2008), when large shareholders are acquired, control cannot be uncertain and this lead the ownership concentration become lower, or totally eliminate agency costs. In contrast, ownership blockholder would have a negative related to firm performance if grant an opportunity to extract corporate resources for private benefits. So, Q-ratios may be positively related to ownership concentration, presence of blockholders, and conflation of CEO and chairperson positions. However, this result seems to have a lower agency costs and dependence on reputational effects than on market fundamentals pertaining to firms' concrete performance. Hence, effects of performance measures are better gauged to the future improvements in corporate governance practices rather than market measures.

Besides, agency costs causes consumers systematically overpay for blocks when the block consumer is a diffusely held corporation (Barclay & Holderness, 1989). On the other hands, debt is valuable in calculating the agency cost of free cash flow (Jensen, 1986). If the shareholders can increase the power of control by forming voting consolidation, the agency costs between management and shareholders may be lower than expected (Goergen & Renneboog, 2001).

Particularly, ownership structure is very important in reducing the agency costs linked with the separation of management and shareholder, which to

use as the property rights protection of the firm (Barbosa & Louri, 2002). This statement is supported by Omran (2009) which stated that corporate governance can act as the agency, both institutional and market-based, that encourage the management to make decisions to ensure the value maximization of the firm to its shareholders. This would consequently reduce the principle-agent problem that brings the agency costs to happen.

Furthermore, corporate governance which includes board size and independence of director is also the incentive to reduce agency problem. Larger board size is expected to be able to limit the agency problem due to the availability of more knowledge, experience and expertise exists in the firm (Ghazali, 2010). While, independent directors are expected to monitor the board and have some control on the management. Independent directors will concern on the interest of the shareholders. Thus, agency problem in the firm is expected to reduce with appointment of independent director to the board. Independent director will act as monitoring role in the board and ensure the interest of the shareholders is considered in making decision.

### **2.2.3 Stewardship Theory**

In recent decades, the strategic management and business policy of many organizations have been highly affected by the two contrasting approaches to the corporate boards' structure, which are agency theory and stewardship theory. In contrast to agency theory, stewardship theorists have proposed an alternative model of governance which is rooted in psychology and sociology. According to Hernandez (2012), stewardship behaviors are developed by two psychological mechanisms. First, individuals personally value the behavior that will be advantageous to others in the long term and place higher utility on satisfying the ongoing needs of others. Second, individuals are forced to behave in the way that is

beneficial to the long term welfare of others and it is due to the affective sense of connection that individuals have with others.

Stewardship theory promotes principal-steward relationship instead of principal-agent relationship as in the agency theory. The directors and management normally act as the stewards with the shareholders as principals. Stewardship theorists posit that the directors and management have interests that are aligned with those of the shareholders. Besides, they also assume that the principal's satisfaction is bound to the success of the organization (Christopher, 2010).

Under stewardship theory, behavior of stewards is essentially pro-organizational because they are motivated to act in the way that benefits their principals the most. Stewards emphasize more on collective rather than on individual goals. They believe that their interests are aligned with the interests of the organization or their principals and their personal needs will be met when they work toward organizational objectives (Davis, Schoorman & Donaldson, 1997). According to Donaldson and Davis (1991), the executive manager wants to be a good steward of the organization assets instead of being an opportunistic shirker. Even though the executives might not have any shareholding with that organization, they perceive that their future fortunes are highly affected by their current employers. Thus, the individual executive may think that his interests are consistent with the interests of his principals.

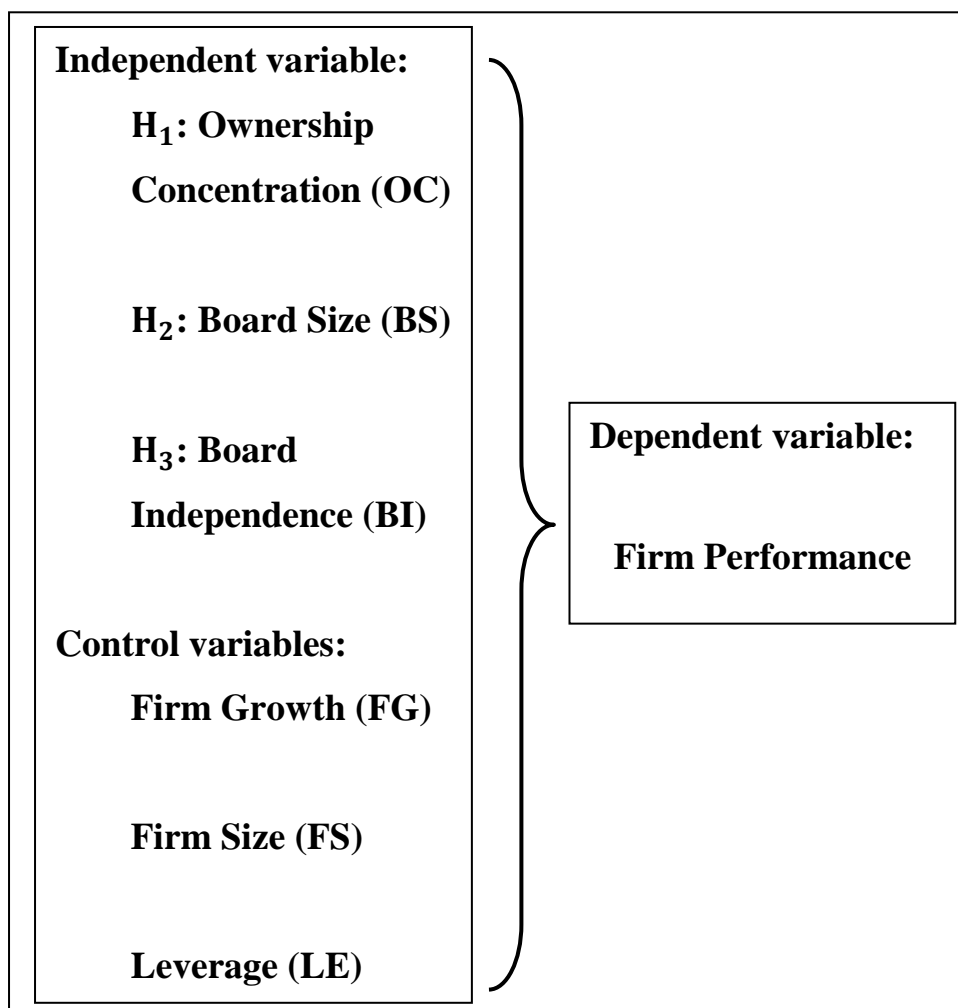
According to Van Slyke (2006), the transaction costs involved in a principal-steward relationship will diminish over the time. The transaction costs will be higher at initial stage because the principal need to invest more time in formulating the problem, making the decision jointly, exchanging the information and understanding the needs or wants of stewards. However, the transaction costs will decline later as the principal and stewards understand the motives, actions and signals of each other better over time. Moreover, the requirement for monitoring the organizational and programmatic activities of stewards and frequent

rebidding of the contract will decrease over time since the stewardship theory promotes collective goals rather than the individual goals.

Donaldson and Davis (1991) propose that the structural situation in which the executive is located determines the performance of a steward as it might affect the effectiveness of action done by the steward (as cited in Donaldson, 1985). The benefits of a steward will be maximized if the motivation of steward suits the model of man that underlies stewardship theory and the governance structures as well as mechanisms that empower the steward are appropriate (Davis et al., 1997).

## 2.3 Proposed Theoretical Framework

**Figure 2.2: Proposed Theoretical Framework**



According to figure 2.2, In this study consists of three independent variables and three control variables which are ownership concentration (OC), board size (BS), board independence (BI), firm size (FS) and firm growth (FG) and leverage (LE).

## **2.4 Hypotheses Development**

### **2.4.1 Ownership concentration influence the firm performance in property industry**

There are a lot of past researchers had found the positive relationship between ownership concentration and firm performance (e.g., Barclay & Horderness, 1989; Javid & Iqbal, 2010; McConnell & Servaes, 1990; Nor et al., 2010; Omran, 2009). Based on Haniffa and Hudaib (2006), the greater the financial stake, the greater the costs for not maximizing shareholder wealth.

**H<sub>1</sub>:** Ownership concentration will bring impact to the firm performance in property industry.

### **2.4.2 Board size influence the firm performance in property industry**

Most of the results show a majority result of significantly negative correlation between board size and firm performance in public firms, medium sized firms and small firms (Eisenberg et al., 1998; Loderer & Peyer, 2001; Mak & Kusnadi, 2005; Yermack, 1996). According to Loderer and Peyer (2001), they claim that larger board size decreases the firm effectiveness.

**H<sub>2</sub>:** Board size will bring impact to the firm performance in property industry.

### **2.4.3 Board independence influence the firm performance in property industry**

According to Agrawal and Knoeber (1996), they find that negative effect on independence on board on the firm performance. The same result goes to the research done by Black et al. (2012), which indicate that large board independence will lower the Tobin's Q.

**H<sub>3</sub>:** Board independence will bring impact to the firm performance in property industry.

## **2.5 Conclusion**

Chapter two reviews the literatures from past researchers on the variables employed in this study. Three hypotheses are then developed based on the result from past researchers. This chapter also include the review of relevant theoretical models which include intellectual capital of corporate governance theory, agency cost theory and stewardship theory.



## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

In Chapter three will briefly explain how the methodology of this research applied. Research design, data collection method, data processing and data analysis are included in this chapter.

### **3.1 Research Design**

After completing the research purpose and hypothesis, a quantitative research will be conducted in this paper. Furthermore, these quantitative data will be used for the running of tests and determine whether each independent variables are significant to the dependent variables (Creswell, 2003). The stipulated action of methods and procedures for acquiring the information needed are the action needed which is the general operational pattern or framework of the project that states what information is to be collected from which source by what procedures.

### **3.2 Data Collection Method**

Basically, there are two ways to collect data for a research which are primary data and secondary data (Nicholson & Bennet, 2008). Primary data means the first hand information which collected by researches such as questionnaire. While, secondary data refers to the existing information such as stock price movement for a certain period, annual report. In this research paper, secondary data are being employed.

### 3.2.1 Secondary Data

Secondary data are data that can be collected and analyzed by government, organization or individual in order to provide for various research purpose (Church, 2001). The main advantage of using secondary data is because of its availability for future research and so cost and time saving (Sorensen, Sabroe & Olsen, 1998). In this research paper, the sources of secondary data including companies' 2005 to 2010 annual reports from Bursa Malaysia, Data stream, articles, journals, newspapers, webpage and books which are related to the variables that affect firm's performance. In which, Chapter one to five were applied. Besides that, this study consists of three independent variables and three control variables which are ownership concentration (OC), board size (BS), board independence (BI), firm size (FS) and firm growth (FG) and leverage (LE). The sources of dependent variable, three independent variables and three control variables are stated individually as follows:

**Table 3.1 Sources of Variables**

<b>Dependent Variable</b>	<b>Sources</b>
Firm Performance	Companies' annual reports from Bursa Malaysia (2005-2010) and Data stream
<b>Independent Variables</b>	<b>Sources</b>
Ownership concentration (OC) Board independence (BI) Board size (BS)	Companies' annual reports from Bursa Malaysia (2005-2010)
<b>Control Variables</b>	<b>Sources</b>
Firm size (FS) Firm growth (FG) Leverage (LE)	Data stream

*Notes:* By using the data collected from each source, this study applies these data set and fit into individual variable formula's components that discuss in 3.4 Data Processing later on.

### 3.3 Sampling Design

#### 3.3.1 Target Population

Target population for a study is a set of units that a researcher interested and focused to (Glenncoe, 2004). This study intends to understand the development of Malaysian property industry by focusing the public listed firms' performance from the year of 2005 to 2010. There are several reasons inspire researchers to conduct this study in order to provide related parties important information.

First of all, Malaysian government embarks the Iskandar project, namely Iskandar Malaysia, which involves large scale activities that lead but not limited to property industry a good prospect (Musa, 2013). Iskandar Malaysia started from 2006 (Musa, 2013). It brings the developers and builders have an opportunity to make new properties more affordable to both local and foreign investors. Also, foreign investors have embarked upon a frenzy of property investment in order to get more out of their existing properties or to their value even further. In order to understand the whole development of property sector, therefore this paper seeks to study this sector from 2005 to 2010.

The second reason is the Malaysian government endeavors to persuade foreigners to invest properties in Malaysia as their second home after retirement and this program namely Malaysia My Second Home (MM2H) which re-launched at 2006 (Malaysia My Second Home Programme, 2013). For example, Japanese investors develop a "Little Japan" in Johor Bahru ("Japanese investors to develop", 2012). The government successfully gained the foreign property investors' confidence which leads Malaysia's property market becomes a preferred place among investors (Zurairi, 2013).

However, Malaysia property prices keep increasing and create an oversupply crisis (Mahalingam, 2013). This would threaten the organization of a firm and therefore this creates a need to identify and justify about whether good corporate governance could prevent corporate collapse.

Therefore, Malaysia property industry is the targeted population for this study and sample is use to examine how ownership concentration (OC), board size (BS), board independence (BI), firm size (FS), firm growth (FG) and Leverage (LE) to explain the firm performance.

### **3.3.2 Sampling Companies**

There are three models included in this research which are Model 1, 2 and 3. Model 1 includes 94 Malaysian public listed firms during 2005 to 2010 with 564 observations. The list of companies during 2005 to 2010 is attached in Appendix 1. Model 2 consists of high ownership concentration companies with 32 observations. The list of high ownership concentration companies which stated year by year attached in Appendix 2. Model 3 comprises of low ownership concentration companies with 532 observations. The list of low ownership concentration companies which stated year by year is attached in Appendix 3.

### **3.3.3 Sampling Technique**

#### **3.3.3.1 E- Views 6**

According to Gujarati (2003), there are three types of data in researches which are time series data, cross sectional date and panel data. These data sets can be analyzed by using E- Views 6 (Bossche, 2011). This statistical software consists of user friendly and builds in functions which including

producing data analysis (e.g., mean, median, maximum, minimum), regression analysis (e.g., *F* Test Statistic, *T* Test Statistic) and forecasting. First of all, E- Views 6 can be used to generate simple and multiple regression models to kick start for the analysis and estimation. Generally, they are used to predict and estimate on the changes of each variable, as determined by the individual variable's estimated coefficient, followed by diagnostic checking and econometric analysis.

By using the data collected, this paper uses E-Views 6 to generate the econometric analysis which including data analysis (e.g., Descriptive Analysis), diagnostic checking (e.g., Normality Test, Multicollinerity, Autocorrelation, Heteroscedasticity), panel regression analysis (e.g., Poolibility Test, Hausman Test), empirical results (e.g., *R*,  $R^2$ , Adjusted  $R^2$ , *F* Test Statistic, *T* Test Statistic).

### **3.3.3.2 Panel Data**

Based on econometric terms, panel data is defined as the data from an amount of observations over times on a number of cross-sectional units such as governments, forms, households and individuals. Hsiao and Wang (2006), they define the panel data as the data that including time series and cross-sectional observations of a number of individuals. Panel data, also known as longitudinal data, is one that provides various observations on every individual from the sample, and the given sample of individual is multiple over time (Hsiao, 2003). For example of this study, there are 94 (*N*) sample companies for the period of 2005 to 2010 (*t*), then the total observation is 564 ( $N \times t = 94 \times 6$ ).

Hsiao and Tahmiscioglu (2008) propose the moment estimator of the panel data model with time-specific and individual-specific effect by using the generalised least square and the generalised method. Based on their finding, generalised least squares estimator has fewest bias and root mean square error, and has nominal size close to empirical size.

There are a lot of advantages from using panel data instead of cross-sectional or time-series data sets. Based on research done by Hsiao (2003), panel data can provide the data points with a large amount, the degree of freedom increase and the collinearity reduced among independent variables. Besides, it also can help the researcher to evaluate the main economic questions that cannot be addressed when using the data sets from cross-sectional or time-series. Other than that, panel data can construct and analyse more complicated models. Panel data can used to identify key econometric problem that frequently arises in empirical studies.

### **3.3.4 Sampling Size**

There are 112 companies listed in Bursa Malaysia main market of property sector from 2005 to 2010. However, there are only 94 companies in this period has been included as the sample size of this study. As discuss in *3.3.1 Target Population*, this research includes from the year 2005 as it is the starting year of property sector booming. Besides that, the year of 2011 to 2013 is excluded as to the unavailability of completed data.

Based on this sample firms and period to examine the relationship on how ownership concentration, board size, board independence, firm growth, firm size and leverage influence the 94 Malaysian public listed property firms' performance. In addition, ownership concentration is a major factor in explaining Malaysia corporate governance as compared to other countries (e.g., Claessens et al., 2000; Tam & Tan, 2007; Zhuang et al., 2001). Hence, these create the motivation to further study for ownership concentration (OC). Ownership concentration (OC) has separated into two levels which are high and low ownership concentration, by using 40% as a benchmark in this further research (Claessens, Djankov, Fan & Lang, 2002).

In term of research observation, this research paper includes 94 Malaysian public listed property companies ( $N= 94$ ) from 2005 to 2010 ( $t= 6$ ), total observation is 564 ( $94 \times 6$ ). The list of companies during 2005 to 2010 is stated in Appendix 1. The sample size of high ownership companies (more than 40% of ownership shareholdings) is 32 observations. The list of high ownership concentration companies is stated year by year in Appendix 2. While, the sample size of low ownership companies (less than 40% of ownership shareholdings) is 532 observations. The list of low ownership concentration companies is stated year by year in Appendix 3.

**Table 3.2 Data Filtration for Model 1**

	<b>Model 1</b>
	<b>All Firms</b> ( $N= 94$ sample firms; $t= 2005$ to 2010)
Original Number of Companies and Observations ( $N \times t$ )	112 (672 Obs)
<i>Minus</i> : Missing Data	18 (108 Obs)
Final Sample	94 (564 Obs)

*Notes:* The list of 94 Malaysian public listed companies during 2005 to 2010 is attached in Appendix 1.

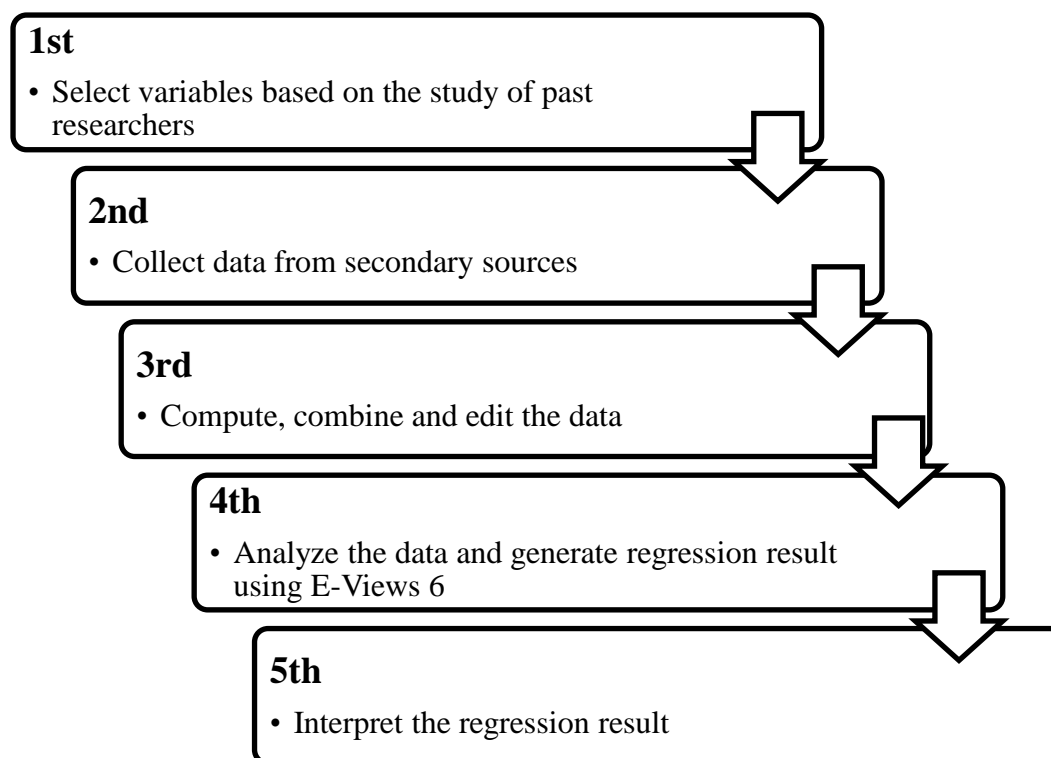
**Table 3.3 Data Filtration for Model 2 and Model 3**

(N= 94 sample firms; $t= 2005$ to 2010)	<b>Model 2 (&gt; 40%)</b>	<b>Model 3 (&lt; 40%)</b>
	<b>High Ownership Concentration Firms</b>	<b>Low Ownership Concentration Firms</b>
Number of Observations	32	532

*Notes:* The data is filtered from Model 1 (564 Obs) based on percentage of shareholding (with benchmark 40%). The list of high and low ownership concentration companies is attached and stated year by year in Appendix 2 and 3.

### 3.4 Data Processing

**Figure 3. 1 Data Processing**



According to the figure 3.1, there are five stages of data processing in this paper. The first stage is to select the independent variables affecting property firms' performance by referring to the study of past researchers. Before proceed to the stage of collecting data, several formulas to obtain the data for each observation in the sample are identified.

In second stage the data are then collected from secondary sources which include data stream and companies' annual reports from Bursa Malaysia. After that, some of the data which require manual calculation are computed based on the formula identified in third stage. The complete set of data are combined in one excel file and edited to ensure there is no missing data.

The fourth stage is to import the data into E-Views 6 to analyze their characteristic, significance and relationship with dependent variables by generating the regression result. Final stage is the interpretation of the regression result.



### 3.4.1 Dependent Variable

#### 3.4.1.1 Firm Performance

Firm performance is used to measure or evaluate how well or effective a firm generate revenue or achieve its goals or objectives, in other word called financial performance (Madinios, Sevic & Theriou, 2006). Basically, there are two types of measurement to measure a firm performance which are accounting measures and market measures. Accounting measures is accounting based measurement that measures the firm profitability for example like ROA, ROE and so on. While the market measures is the market based measurement that measure the firm's market value for example like Tobin's Q, price to book value ratio and more (Hoskisson, Johnson & Moesel, 1994). Among these various types of measurement, Tobin's Q is chosen. This is because accounting measures only show past financial performance while market measures reflect future financial or long term performance. Other than that, one of the advantage of Tobin's Q is it represent what market thinks on the firm or company (Gentry & Shen, 2010). Besides, many researchers have used Tobin's Q as a measurement to evaluate a firm performance like Mak and Kusnadi (2005), Nicholson and Kiel (2003), and Yermack (1996).

***Tobin's Q =***

$$\frac{\text{Market value of ordinary share} + \text{Total Liabilities} + \text{Book value of preference share}}{\text{Total assets}}$$

If a firm's Tobin's Q value m is high means that the stock is overvalued. While when the Tobin's Q value of a firm is low, it shows that the stock is undervalued.

### 3.4.2 Independent Variables

#### 3.4.2.1 Ownership Concentration

Herfindahl Index is chosen to measure the firms' ownership concentration. The formula to calculate Herfindahl Index is the sum of squared ownership shares holding by five largest shareholders. The reason of choosing Herfindahl Index is to show the effect of firm concentration on firm cost and show the size distribution effect (Dickson, 1994). Herfindahl Index also used by Omran et al. (2008), Omran (2009) and Sulong and Mat Nor (2010), for their researches.

$$\text{Ownership concentration} = \sum_{i=1}^{N=5} s^2$$

*Where, S = Share*

#### 3.4.2.2 Board Size

Board size is an important element that will affect a firm performance and there are two groups of different opinion both positive and negative effect. The researches done by Eisenberg et al. (1998), Loderer and Peyer (2001), Mak and Kusnadi (2005), and Yermack (1996) show that board size have negative effect on firm performance while Kajola (2008), Nicholson and Kiel (2003) proved that the board size is positively influence on firm performance. Board size is measured by calculate the total number of directors from the annual report released by the company like what Kajola (2008), Loderer and Peyer (2001) did.

*Board size = Total number of directors on the board*

### 3.4.2.3 Board Independence

Board independence is calculated by using proportion of board independence which divides the total number of independent directors on the board by total number of directors on the board. This measurement consistent with the method used by Chaghadari (2011), Erkens et al. (2012) and Nicholson and Kiel (2003).

$$\text{Board independence} = \frac{\text{Total number of independent directors on the board}}{\text{Total number of directors on the board}}$$

### 3.4.3 Control Variables

#### 3.4.3.1 Firm Growth

This paper use growth in sales as the measurement of firm growth. Growth in sales is calculated by using total sales in current year minus total sales previous year and then divided by the total sales in previous year. Many studies like, Jang and Park (2011), Kouser et al. (2012) and Serrasqueiro (2009) also apply the same formula. Besides, this study is focus on properties industry and sales or revenues are their main concern.

$$\text{Firm growth} = \frac{\text{Firm's revenue}_t - \text{Firm's revenue}_{t-1}}{\text{Firm's revenue}_{t-1}}$$

*Where,            t = current year*  
*t-1 = last year*

When the firm growth is in positive value means the firm has higher revenues compare to previous year. When the firm growth is in negative value means that the firm has lower revenues compare to previous year.

### 3.4.3.2 Firm Size

Pervan and Visic (2012) mentions that a big firm has lower production cost that may increase the profitability. But some researchers like Forbes (2002), Kouse et al. (2012) suggests that small firm will increase the firm profitability. This thesis choose to calculate firm size is natural logarithm of total assets of a company which similar with the method used by Dogan (2013), Kouse et al. (2012), Pervan and Visic (2012), Ramasamy et al. (2005).

$$\text{Firm size} = \text{Log} (\text{Total assets})$$

### 3.4.3.3 Leverage

The method to calculate the leverage in this research is debt to capital ratio. Debt to capital ratio is divides the total debt by total capital. The method to calculate the leverage is same with the method used by Deesomsak, Paudyal and Pescetto (2004) and Orhangazi (2007).

$$\text{Leverage} = \frac{\text{Total debt}}{\text{Total capital}}$$

The reason debt to capital ratio is chosen in this research is to measure the company's ability in borrowing from creditors. So, if the leverage increase means that the company has the high level of debt.

## 3.5 Data Analysis

This paper examine the relationship of ownership concentration, board size, board independence, firm growth, firm size and leverage with firm performance in Malaysia properties firm. The regression model for this research is regressed as below:

**a) Model 1 (All Firms, 564 Obs):**

$$TQ = \beta_0 + \beta_1 OC_{i,t} + \beta_2 BS_{i,t} + \beta_3 BI_{i,t} + \beta_4 FG_{i,t} + \beta_5 FS_{i,t} + \beta_6 LE_{i,t} + \varepsilon_{i,t}$$

**b) Model 2 (High Ownership Concentration Firms, 32 Obs):**

$$TQ = \beta_0 + \beta_2 BS_{i,t} + \beta_3 BI_{i,t} + \beta_4 FG_{i,t} + \beta_5 FS_{i,t} + \beta_6 LE_{i,t} + \varepsilon_{i,t}$$

**c) Model 3 (Low Ownership Concentration Firms, 532 Obs):**

$$TQ = \beta_0 + \beta_2 BS_{i,t} + \beta_3 BI_{i,t} + \beta_4 FG_{i,t} + \beta_5 FS_{i,t} + \beta_6 LE_{i,t} + \varepsilon_{i,t}$$

Where:

$\beta_0$	= Intercept for the regression model
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$	= Partial regression coefficient
$\varepsilon_{i,t}$	= Random error term
TQ	= Tobin's Q as measurement of firm performance
OC	= Ownership concentration
BS	= Board size
BI	= Board independence
FG	= Firm growth
FS	= Firm size
LE	= Leverage

## 3.6 Diagnostic Checking

### 3.6.1 Normality of Residuals Test

In order to test the normality of error term in the model is correct, this paper conduct Jarque-Bera (JB) test using E- Views 6. Jarque-Bera Test is the common method to determine whether the error term follows normal

distribution. It indicates that if the error term is normally distributed, the model specification is correct. The hypotheses to be tested are:

**H<sub>0</sub>**: The error term is normally distributed

**H<sub>1</sub>**: The error term is not normally distributed.

The decision rule would be reject null hypothesis if P-value of Jarque-Bera statistics is lower than the 10% significance level. Otherwise, the result will not be rejected. The p-value must be higher than 10% significance level, then null hypotheses will not be rejected and conclude that the error term does follow the normality distribution.

### **3.6.2 Multicollinearity**

Multicollinearity exists as some or all the independent variables are highly correlated to each other. It normally happens in time series data. Pearson correlation test is use to obtain pairwise correlation coefficient to test the degree of multicollinearity between independent variables. The rule of thumb of correlation coefficient is below than 0.8, otherwise the model is considered to have serious multicollinearity problem (Gujarati, 2003).

### **3.6.3 Heteroscedasticity**

Heteroscedasticity is a problem that the disturbance term has unequal variance. It can arise as a result of the presence of outlier (Gujarati, 2003). The existence of heteroscedasticity problem may result in overestimation of the model, *T* Statistic become smaller thus cause the incorrect conclusion. Besides, the existence of the heteroscedasticity problem will cause the variance become standard error, indirectly influence the *T* Statistic and *F* Statistic to become incorrect. From the E- Views 6 result, this paper assume the heteroscedasticity problem exist in the models. This

thesis use White Cross-Section test to control the heteroscedasticity problem.

### **3.6.4 Autocorrelation**

The Durbin-Watson test is tested to detect the presence of autocorrelation in the model. Autocorrelation means that the independent variable is correlated with the error term. The hypotheses to be tested are:

**H<sub>0</sub>**: There is no autocorrelation problem.

**H<sub>1</sub>**: There is autocorrelation problem.

Durbin Watson statistic is ranging from 0 to 4. As a general rule of thumb, the error term are considered not correlated if the Durbin-Watson test statistic is 2. However, based on Tabachnick and Fidell (2000), if the Durbin Watson statistic fall in between 1.5 to 2.5, it is consider as no serious autocorrelation problem (as cited in Hunsinger & Smith, 2008).

## **3.7 Panel Regression Model**

Panel data regression models consist of three types namely Pooled Ordinary Least Square (OLS) or Constant Coefficient Model, Fixed Effects Model (FEM) and Random Effects Model (REM).

### **3.7.1 Pooled OLS or Constant Coefficient Model**

Pooled OLS or Constant Coefficient Model is known as the time invariant and the intercepts and slopes are constant. This is because this model states that the characteristics for given observation are constant over time. Since it is constant, it will be the simplest and easy to interpret when compare

with other models. However, this model also has its drawbacks. This model does not differentiate between the various observations in term of effect and characteristics over the periods. Besides, heterogeneity exist among the observations over the periods had led to the estimated parameter values become biased, inefficient and inconsistent.

### 3.7.2 Fixed Effect Model (FEM)

Fixed Effects Model (FEM) is known as the time invariant and the intercepts are different while the slopes are constant. FEM is used to examine the individual's characteristics for each observation in the sample based on intercept term regardless of time effect. However, there are also problems in estimation of FEM. If too many dummy variables are include into the model, the degree freedom will reduce, hence losses some of the important information. Besides, too much independent variable will lead to multicollinearity problem.

$$Y_{i,t} = \beta_1 + \beta_2 X_{2i,t} + e_{i,t}$$

*Where:*

$Y_{i,t}$  = Dependent variable

$\beta_1$  = Unobserved random variable characterizing each unit of observation

$\beta_2$  = Vector of parameter of interest

$X_{2i,t}$  = Vector of observable random variables

$e_{i,t}$  = Stochastic error uncorrelated with x

To determine whether Pooled OLS model or Fixed Effects Model is the best model, Poolibility hypothesis testing will be conducted. The hypothesis will be as below:



**H<sub>0</sub>**: There is a common intercept on all the companies. (Pooled OLS Model is better)

**H<sub>1</sub>**: There is no common intercept on all the companies. (FEM is better)

Decision rule: If the probability of *F*-statistic is less than 10% significant level, reject *H<sub>0</sub>*, otherwise do not reject. Reject *H<sub>0</sub>* determine the FEM is more suitable to use compared to Pooled OLS Model.

If the Poolibility Test result shows that the Fixed Effect Model is better, then Hausman Test has to be conducted to test whether Fixed Effect Model (FEM) or Random Effect Model (REM) is the best model. While if the Poolibility Test result shows that Pooled OLS Model is better and then Pooled OLS Model is the best model for panel data because there is no other test to compare with Pooled OLS Model.

### 3.7.3 Random Effect Model (REM)

Random Effects Model (REM) is used to examine the individual's characteristics for each observation in the sample based on the random error terms. The random error terms can capture the different of characteristics for different observations at certain times. Besides, this model does not include dummy variables. Due to this reason, this model has a reduced number of unknown parameter if compare to FEM. Since the number of independent variables has been reduced, the probability of getting multicollinearity problem will be reduced.

$$Y_{i,t} = \beta_{i,t} + \beta_2 X_{2i,t} + \beta_3 X_{3i,t} + e_{i,t}$$

$\beta_1$  represents the mean value of the entire panel intercept. It is not treated to be fixed and suppose that it is a random variable with a mean value of  $\beta_{i,t}$  and the intercept value for an individual firm can be expressed as:

$$\beta_{i,t} = \beta_i + r_i \quad i = 1, 2, 3, \dots$$

Where:

$r_i$  = A random error term with a mean value of zero and variance of  $\sigma^2$

$$Y_{i,t} = \beta_i + \beta_2 X_{2i,t} + \beta_3 X_{3i,t} + r_i + u_{i,t}$$

$$Y_{i,t} = \beta_i + \beta_2 X_{2i,t} + \beta_3 X_{3i,t} + w_{i,t}$$

$w_{i,t}$  = Composite error term (consist of two components,  $r_i$  and  $r_i$ )

$r_i$  = The individual-specific or cross section error component is random or not constant

$u_{i,t}$  = Combination between time series and cross sectional error component

If the result from Poolability Test shows that Fixed Effect Model is better than Pooled OLS Model then the Hausman Test will be conducted to determine whether Random Effect Model or Fixed Effect Model is the best model. The hypothesis will be as below:

**H<sub>0</sub>**: REM are consistent and efficient. (REM is better)

**H<sub>1</sub>**: REM are inconsistent and inefficient. (FEM is better)

Decision rule: If the probability of  $H$ -statistic is less than 10% significant level, reject  $H_0$ , otherwise do not reject. Reject  $H_0$  implies that the FEM will be consistent and efficient, so FEM is more appropriate if compared to REM.

## 3.8 Regression Analysis

### 3.8.1 F Test

According to Gujarati (2003) claims that in multiple regression analysis,  $F$  test is conduct to determine the overall significance of the regression

model. In other word, it is a test that examine whether at least one of the independent variables is important in explaining the dependent variable. By the way, if one or few of the independent variables is statistically insignificant, it does not mean that the overall regression coefficient also to be insignificant. In particular,  $F$  test is having multifunction as it can test for several kinds of hypotheses, such as whether an independent variable is statistically significant, some or all coefficients are statistically equal and so on.

This research conducts  $F$  test to examine the overall significance of regression models (e.g., Model 1, 2 and 3). Using 10%, 5% and 1% significant level as a benchmark. As holding a decision rule that if the P-value is less than 0.10, 0.05 and 0.01 (10%, 5% and 1% significant level), null hypothesis will be rejected. This implies that there is at least one of the independent variables is important in explaining the dependent variable, *ceteris paribus*. There are three hypotheses for Model 1, 2 and 3 as stated follows:

For Model 1 (All firms, 564 Obs):

$$\mathbf{H}_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$$

$\mathbf{H}_1$ : At least one of the independent variables is important in explaining the dependent variable.

For Model 2 and 3 (High and Low Ownership Concentration Firms, 32 and 532 Obs respectively):

$$\mathbf{H}_0: \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$$

$\mathbf{H}_1$ : At least one of the independent variables is important in explaining the dependent variable.

### 3.8.2 *T* Test

*T* test is to determine the relationship and significance of independent variable towards the dependent variable (Gujarati, 2003). In this research, *T* test is conducted for Model 1, 2 and 3 respectively. Similar to the usage of *F* test, it also applies 10%, 5% and 1% significant level as a benchmark. As holding a decision rule that if the P-value is less than 0.10, 0.05 and 0.01 (10%, 5% and 1% significant level), null hypothesis will be rejected. This indicates that there is a significance relationship between dependent variable and independent variables, *ceteris paribus*. There are total 16 hypotheses are carried out for dependent variables and each independent variables in Model 1, 2 and 3 as stated in general as follows:

For Model 1, 2 and 3 (All firms, high and low ownership concentration firms, 564 Obs, 32 Obs and 532 Obs respectively):

**H<sub>0</sub>:** There is no significant relationship between independent variable and dependent variable.

**H<sub>1</sub>:** There is a significant relationship between independent variable and dependent variable.

## 3.9 Conclusion

After obtaining the data from DataStream and Annual Report, these data are then used to run the test to determine whether there are significance between independent variables (ownership concentration, board size and board independence), control variables (firm growth, firm size and leverage) and dependent variable (firm performance) by using the E- Views 6. The results and analysis of each test will be further discussed in Chapter four.

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

In this chapter emphasis on data analysis on 94 property listed firms on Bursa Malaysia from 2005 to 2010 which including the explanation of descriptive analysis, diagnostic checking and regression analysis on the results that produced by E- Views 6.

### **4.1 Descriptive Analysis**

**Table 4.1 Summary of Descriptive Statistics of All Variables**

<b>Sample firms: N= 94 No. of Obs =564</b>	<b>Mean</b>	<b>Median</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Standard Deviation</b>
TQ	168.695	73.517	50767.21	14.276	2134.605
OC	12.395	8.223	88.887	0.012	12.645
BS	7.387	7.000	13.000	2.000	1.922
BI	44.175	42.858	83.333	16.667	12.147
FG	34.712	3.059	2920.667	-99.997	224.824
FS	8.78	8.783	10.062	6.025	0.434
LE	27.194	26.185	106.41	0.000	19.527

*Notes:* 1. The panel data runs for six years period, from years 2005 to 2010; N = 94 Malaysian public listed property firms; No. of observations for six years = 564;  
2. TQ = Tobin's Q Ratio; OC= Ownership Concentration; BS= Board Size; BI= Board Independence; FG= Firm Growth; FS= Firm Size; LE= Leverage.

From Table 4.1 presented the results relevant to descriptive statistics for all of the variables in Model 1 (e.g., Tobin's Q (TQ), Ownership Concentration (OC), Board size (BS), Board Independence (BI), Firm Growth (FG), Firm Size (FS) and Leverage (LE)) employed in this study on Malaysia property listed firms performance from 2005 to 2010, which are explained as follows:

#### **4.1.1 Tobin's Q (TQ)**

The average value of TQ is 168.7%.and which range from 14.28% (minimum) to 50767.21% (maximum). The value is comparatively higher than the 63% average value reported in the research using 20 sample firms listed at Karachi Stock Exchange from 2005 to 2009 and this research was conducted by Khatab et al. (2011). Moreover, this value is also greater than the value reported by Rashid, De Zoysa, Lodh and Rudkin (2010) as well as Farooque, Zijl, Dunstan and Karim (2007) who conducted the research using evidence from Bangladesh.

#### **4.1.2 Ownership Concentration (OC)**

The average value of OC is 12.4%. and which range from 0.01% (minimum) to 88.89% (maximum). This result is relatively low compare to Haniffa and Hudaib (2006) study. They reported that the top five shareholdings held the average percentage of about 61% each year. Besides, the result from Omran et al. (2008) showed there is on average 48% of shareholdings from top three blockholders.

#### **4.1.3 Board Size (BS)**

In terms of average BS have on average 7 to 8 directors on the board. Also, there is a range of 2 (minimum) to 13 (maximum) members on board is

preferable. This result is similar to Nicholson and Kiel (2003), they mentioned that BS from the range 2 to 19 persons on board is recommended. Specifically, the results from Abidin et al. (2009) and Haniffa and Hudaib (2006) suggested that board members should be consists of 8 persons in Malaysian listed companies. Moreover, Rashidah and Fairuzana (2006) reported the preferable size is 8 persons on the board of 194 Malaysian public listed firms for the period of 2002 to 2003.

#### **4.1.4 Board Independence (BI)**

The average of BI is 44.18% and which range from 16.67% (minimum) to 83.33% (maximum). This result has shown that average of Malaysian public listed property companies had complied with the recommendation which made by MCCG that at least one third (33.33%) of board independence on the board. Furthermore, the maximum proportion of BI is at 83.3% and minimum recorded at 16.7%. As compared to Ponnu and Karthigeyan (2010) who tested on 115 Malaysia listed firm, this thesis results are approximately the same (average at 40%, maximum at 75% and minimum at 16.67%).

#### **4.1.5 Firm Growth (FG)**

The average of FG is 34.71% and which range from -100% (minimum) to 2920.67% (maximum). The research done by Serrasqueiro (2009) using 162 Portuguese companies as samples from years from 1999 to 2003 has lower average which is 0.182/18.2% while the minimum and maximum of firm growth is -0.981 or 98.1% and 1.949 or 194.9%.

#### 4.1.6 Firm Size (FS)

The result showed that the average value of firm size is 8.78% which range from 6.03% (minimum) to 10.06% (maximum). However, Bababola (2013) revealed that the mean for firm size is 19.2673 from manufacturing companies which are listed in NSE from 2000 to 2009 and it is higher than this study's result.

#### 4.1.7 Leverage (LE)

The average of LE is 27.19%.and which range from zero percent (minimum) to 106.41% (maximum). This indicates that Malaysia listed property firms are less depending on leverage in their operation. As compare to other sector, for example, insurance sector average at 16.7% and maximum at 80.3% in Malaysia (Soon & Idris, 2012)

### 4.2 Diagnostic Checking

#### 4.2.1 Normality Test

**Table 4.2 Jarque-Bera (JB) Test**

	Model 1	Model 2	Model 3
<b>Sample Firms</b> N= 94	All Firms (564Obs)	High Ownership Concentration Firms (32 Obs)	Low Ownership Concentration Firms ( 532 Obs)
<b>Hypothesis</b>	<b>H<sub>0</sub></b> : The error term is normally distributed <b>H<sub>1</sub></b> : The error term is not normally distributed.		
<b>Jarque-Bera</b>	1283.779	1.512	1273854.



	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
<b>Sample Firms N= 94</b>	<b>All Firms (564Obs)</b>	<b>High Ownership Concentration Firms (32 Obs)</b>	<b>Low Ownership Concentration Firms ( 532 Obs)</b>
<b>P-value</b>	0.000***	0.470	0.000***
<b>Results</b>	Not Normally Distributed	Normally Distributed	Not Normally Distributed

Notes: \*, \*\*, \*\*\*, Significant at 10%, 5%, 1% respectively.

From the Table 4.2, the error terms in Model 1 and 3 are not normally distributed. As the p- value of Jarque-Bera test are 0.000 respectively and lesser than 1% significant level. These results conclude that the null hypothesis is rejected result also explains that the error is not normally distributed. However, these results can be explained by the theory of Central Limit Theorem (CLT). If the numbers of the independent and identically distributed random variables are big (benchmark of 100), then the distribution of the variables tends to a normal distribution as the number of the variables increase indefinitely (Gujarati, 2003). While the sample size of this research is 564 and which is larger than 100, so that the error term in Model 1 and 3 are assumed to be normally distributed. In term of Model 2, the p-value of Jarque-Bera test is 0.470 which is greater than 10% significant level. As a result, null hypothesis is accepted and conclude that error term is normally distributed in Model 2.

## 4.2.2 Multicollinearity

**Table 4.3 Correlation in All Firms (Model 1)**

	TQ	OC	BS	BI	FG	FS	LE
TQ	1.000000	-	-	-	-	-	-
OC	-0.027498	1.000000	-	-	-	-	-
BS	0.014894	-0.077779	1.000000	-	-	-	-
BI	0.020136	-0.114617	-0.243828	1.000000	-	-	-
FG	-0.003844	0.006902	-0.028387	-0.071136	1.000000	-	-
FS	-0.265990	0.131965	0.193524	0.053441	-0.068077	1.000000	-
LE	-0.011182	-0.129688	-0.093826	0.127438	-0.015417	<b>0.239071</b>	1.000000

**Table 4.4 Correlation in High Ownership Concentration Firms  
(Model 2)**

	TQ	BS	BI	FG	FS	LE
TQ	1.000000	-	-	-	-	-
BS	0.103833	1.000000	-	-	-	-
BI	-0.093334	-0.164339	1.000000	-	-	-
FG	-0.281147	0.316013	0.226377	1.000000	-	-
FS	<b>0.543054</b>	-0.121459	0.165834	0.051902	1.000000	-
LE	-0.156023	0.036229	0.136732	0.195474	-0.101224	1.000000

**Table 4.5 Correlation in Low Ownership Concentration Firms  
(Model 3)**

	TQ	BS	BI	FG	FS	LE
TQ	1.000000	-	-	-	-	-
BS	0.014535	1.000000	-	-	-	-
BI	0.019662	-0.257778	1.000000	-	-	-
FG	-0.003902	-0.032260	-0.076524	1.000000	-	-
FS	-0.274489	0.220308	0.074868	-0.068643	1.000000	-
LE	-0.011202	-0.097470	0.129083	-0.017211	<b>0.253847</b>	1.000000

The results of Pearson correlation are based on the benchmark of 0.80 to identify whether the multicollinearity problem is seriously exists in each pair of independent variables Gujarati (2003). According to the Table 4.3, 4.4

and 4.5, the highest pair-wise correlation coefficient is 0.239071 for Model 1, 0.543054 for Model 2 and 0.253847 for Model 3. These results conclude that there are no serious multicollinearity problem exists in all pairs of independent variables for Model 1, 2 and 3.

### 4.2.3 Autocorrelation

**Table 4.6 Durbin-Watson Test**

Sample Firms N= 94	Model 1	Model 2	Model 3
	All Firms (564Obs)	High Ownership Concentration Firms (32 Obs)	Low Ownership Concentration Firms (532 Obs)
Hypothesis	<p><math>H_0</math>: There is no autocorrelation in the model</p> <p><math>H_1</math>: There is an autocorrelation in the model</p>		
Durbin-Watson Statistic (d)	1.131	1.844	1.400
First Order Durbin-Watson	1.577	-	1.623
Results	No Autocorrelation	No Autocorrelation	No Autocorrelation

Notes: Tabachnick and Fidwell's (2000) study recommended that the non-rejection area of null hypothesis falls within the range of 1.5 to 2.5 (as cited in Hunsinger & Smith, 2008).

According to Table 4.6, Durbin-Watson Statistic (d) is having a value of 1.131 in the estimated regression model which with the data from Model 1. From that, null hypothesis is rejected since the value of 1.131 is not fall between the range of 1.5 to 2.5 and it indicates that there is a relationship

between the errors. To solve the autocorrelation problem, the first order Durbin-Watson test has been conducted. The value of d is then rises to 1.577. Therefore, alternative hypothesis is rejected and there are having sufficient evidence to accept null hypothesis since 1.577 is fall between 1.5 and 2.5.

As shown in the estimated regression result for Model 2, d value equals to 1.844 which falls between 1.5 and 2.5. Therefore there is sufficient evidence to conclude that there is no autocorrelation problem in this model.

Result for d value from Model 3 is 1.400 and it shows that autocorrelation problem exists in the model. However, the autocorrelation problem is solved after first order Durbin-Watson test has been conducted where d value rises to 1.623 and the result is fall in the zone of non-rejecting null hypothesis.

### 4.3 Panel Regression Analysis

#### 4.3.1 Poolibility Hypothesis Testing

**Table 4.7 Poolibility Test**

Sample Firms N= 94	Model 1	Model 2	Model 3
	All Firms (564Obs)	High Ownership Concentration Firms (32 Obs)	Low Ownership Concentration Firms (532 Obs)
Hypothesis	<p><b>H<sub>0</sub></b>: There is a common intercept on all the companies. (Pooled OLS Model is better)</p> <p><b>H<sub>1</sub></b>: There is no common intercept on all the companies. (FEM is better)</p>		

Sample Firms N= 94	Model 1	Model 2	Model 3
	All Firms (564Obs)	High Ownership Concentration Firms (32 Obs)	Low Ownership Concentration Firms (532 Obs)
Decision Rule	If P-value<0.10, Reject H <sub>0</sub>		
P-value	0.000***	0.081	0.000***
Results	Fixed Effects Model is better.	Pooled Ordinary Least Square Model is better.	Fixed Effects Model is better.

Notes: \*, \*\*, \*\*\*, Significant at 10%, 5%, 1% respectively.

In order to choose the better model between Pooled Ordinary Least Square (OLS) model and Fixed Effects Model (FEM), the Poolibility hypothesis testing has been conducted in this research.

According to the estimated regression result for Model 1 and 3 in Table 4.7, null hypothesis is rejected since p-value is 0.000 are lesser than the 1% significance level. Therefore, there is sufficient evidence to conclude that Pooled OLS model is invalid and FEM is better. The results for low ownership concentration firms is the same as the result for all firms in which it shows that FEM is better as compared to Pooled OLS.

However, p-value for Model 2 shows 0.081 which is more than the 5% significance level. It leads to non-rejection of null hypothesis which indicates that Pooled OLS model is better than FEM.

### 4.3.2 Hausman Hypothesis Testing

**Table 4.8 Hausman Test**

Sample Firms N= 94	Model 1	Model 3
	All Firms (564Obs)	Low Ownership Concentration Firms (532 Obs)
Hypothesis	<p><b>H<sub>0</sub></b>: REM are consistent and efficient. (REM is better)  <b>H<sub>1</sub></b>: REM are inconsistent and inefficient. (FEM is better)</p>	
Decision Rule	If P-value<0.10, Reject <b>H<sub>0</sub></b>	
P-value	0.000***	0.000***
Results	Fixed Effects Model is better.	Fixed Effects Model is better.

Notes: \*, \*\*, \*\*\*, Significant at 10%, 5%, 1% respectively.

Fixed Effects Model (FEM) is the better model as compared to Pooled Ordinary Least Square (OLS) model for Model 1 and 3. Yet, FEM cannot be confirmed as the best model. Therefore, there is a need to proceed to Hausman test in order to compare between FEM and Random Effects Model (REM). Then, either FEM or REM is the best model will be known after conducting this test.

According to the result for Model 1 as shown in Table 4.8, null hypothesis is rejected since the p-value is 0.000 which is lesser than the 1% significance level. It implies that FEM is more appropriate as compared to REM. This result is the same as the result for Model 3.

## 4.4 Regression Analysis

### 4.4.1 R- Square

**Table 4.9 R- Square**

	Model 1	Model 2	Model 3
<b>Sample Firms N= 94</b>	<b>All Firms (564 Obs)</b>	<b>High Ownership Concentration Firms (32 Obs)</b>	<b>Low Ownership Concentration Firms (532 Obs)</b>
<b>R</b>	0.855	0.691	0.572
<b>R<sup>2</sup></b>	0.730	0.477	0.327
<b>Adjusted R<sup>2</sup></b>	0.673	0.376	0.184

The correlation coefficient, R, is the measure of the strength of relationship between independent variables and dependent variable. The correlation of coefficient value is in range between positive 1 to negative 1. From the Table 4.9, the R value in Model 1, 2 and 3 are positive 0.855, 0.691 and 0.572 respectively. All the R values estimated are closer to positive 1. This indicates that the independent variables have strong and positive correlation with dependent variables.

The coefficient of determinant, R<sup>2</sup>, represents the proportion of total variation in the dependent variable that can be explained by the variation in independent variables. From the Table 4.9, the coefficient of determinant, R<sup>2</sup>, in Model 1, 2 and 3 are 0.730, 0.477 and 0.327 respectively. This indicates that firm performances are explained by the variation of ownership concentration, board size, board independence, firm growth, firm size and leverage at 73% in Model 1, 47.7% in Model 2 and 32.7% in Model 3 respectively.

In term of adjusted  $R^2$ , it refers to the modification of  $R^2$  that adjusted for the number of variable in the model. From the Table 4.9, the adjusted  $R^2$  of Model 1, 2 and 3 are at 67.3%, 37.6% and 18.4% respectively.

#### 4.4.2 F Statistics

**Table 4.10 F Statistics**

Sample firms: N= 94	Model 1	Model 2	Model 3
	All Firms (564 Obs)	High Ownership Concentration Firms (32 Obs)	Low Ownership Concentration Firms (532 Obs)
Hypothesis	<p><b>H<sub>0</sub>:</b> <math>\beta_1=\beta_2=\beta_3=\beta_4=\beta_5=\beta_6=0</math></p> <p><b>H<sub>1</sub>:</b> At least one of the independent variables is important in explaining the dependent variable.</p>	<p><b>H<sub>0</sub>:</b> <math>\beta_2=\beta_3=\beta_4=\beta_5=\beta_6=0</math></p> <p><b>H<sub>1</sub>:</b> At least one of the independent variables is important in explaining the dependent variable.</p>	
Decision Rule	If P-value < 0.10, Reject <b>H<sub>0</sub></b>		
P-value	<b>0.000***</b>	<b>0.003***</b>	<b>0.000***</b>
Results	Reject <b>H<sub>0</sub></b>	Reject <b>H<sub>0</sub></b>	Reject <b>H<sub>0</sub></b>

Notes: 1. Where:  $\beta_1$ =Ownership Concentration (OC);  $\beta_2$ = Board Size (BS);  $\beta_3$ = Board Independence (BI);  $\beta_4$ =Firm Growth (FG);  $\beta_5$ =Firm Size (FS);  $\beta_6$ =Leverage (LE).

2. \*, \*\*, \*\*\*, Significant at 10%, 5%, 1% respectively.

According to Table 4.10, F Statistics is to examine whether any of the explanatory variables influence the dependent variable. The result of Model 1, 2 and 3 showed a significant relationship that at least one of the independent variables is important in explaining the dependent variable at 1% significant level. At which p-value are 0.000, 0.003 and 0.000 respectively. They are less than 0.01, so null hypothesis is rejected. This result can conclude that at least one of the independent variables (e.g., OC,



BI, BS, FG, FS, LE) in Model 1, 2 and 3 is important in explaining the estimated Malaysian public listed property firms' performance from 2005 to 2010, *ceteris paribus*.

#### 4.4.3 T Statistics

**Table 4.11 Historical Hypothesis for Independent Variable**

Hypothesis	Decision	Conclusion
<p><b>H<sub>0</sub></b>: Ownership concentration (OC) will bring impact to the firm's performance.</p> <p><b>H<sub>1</sub></b>: Ownership concentration (OC) will bring impact to the firm's performance.</p>	Reject <b>H<sub>0</sub></b>	OC will contribute to determine the firm's performance.
<p><b>H<sub>0</sub></b>: Board size (BS) will not bring impact to the firm's performance.</p> <p><b>H<sub>2</sub></b>: Board size (BS) will bring impact to the firm's performance.</p>	Reject <b>H<sub>0</sub></b>	BS will bring impact to the firm's performance.
<p><b>H<sub>0</sub></b>: Board independence (BI) will not bring impact to the firm's performance.</p> <p><b>H<sub>3</sub></b>: Board independence (BI) will bring impact to the firm's performance.</p>	Reject <b>H<sub>0</sub></b>	BI will bring impact to the firm's performance.

Table 4.11 shows the relationship between dependent variable (e.g., Tobin's Q Ratio) and independent variables (e.g., ownership concentration (OC), board size (BS) and board independence (BI)) from the previous researchers. As according to previous studies they conclude that the three main independent variables in this study are significantly influence firm performances respectively. If applies particular in Malaysian public listed property firms, how will be the results and whether consistent with

previous researcher or else. Therefore, this also becomes one of the purposes of this study to further investigate.

**Table 4.12 T Statistics for Model 1, 2 and 3**

<i>Sample Firms</i> <i>N=94</i>	<b>Coefficient</b> <i>(Standard Error)</i>		
	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
	<b>All Firms</b> <i>(564 Obs)</i>	<b>High Ownership Concentration Firms</b> <i>( 32 Obs)</i>	<b>Low Ownership Concentration Firms</b> <i>( 532 Obs)</i>
<b>C</b>	95285.53*** <i>(19027.14)</i>	-473.338*** <i>(114.21)</i>	28169.50** <i>(11148.47)</i>
<b>Independent Variables</b>			
<b>OC</b>	11.166 <i>(7.527)</i>	–	–
<b>BS</b>	154.612** <i>(72.903)</i>	7.473* <i>(4.37)</i>	217.16** <i>(101.647)</i>
<b>BI</b>	12.079** <i>(6.146)</i>	-0.212 <i>(0.793)</i>	8.892 <i>(6.862)</i>
<b>Control Variables</b>			
<b>FG</b>	0.037 <i>(0.192)</i>	-0.300*** <i>(0.087)</i>	0.037 <i>(0.169)</i>
<b>FS</b>	-11159.22*** <i>(2239.54)</i>	59.279*** <i>(12.047)</i>	-3512.07** <i>(1414.885)</i>
<b>LE</b>	38.604*** <i>(8.615)</i>	-0.052 <i>(0.282)</i>	28.190** <i>(12.368)</i>
<b>R<sup>2</sup></b>	0.730	0.478	0.327
<b>DW</b>	1.577	1.844	1.623
<b>F-Statistic</b>	12.681***	4.738***	2.264***

Notes: 1. \*, \*\*, \*\*\* Significant at 10%, 5% and 1% levels, respectively.

2. C = Constant, OC= Ownership Concentration, BI= Board Independence, BS= Board Size, FG= Firm Growth, FS= Firm Size, LE= Leverage.

According to Table 4.12, by using *T* Statistic to collect the regression results of each independent variable (e.g., OC, BS, BI, FG, FS, LE) to dependent variable (e.g., TQ) in Model 1, 2 and 3 that are all explained individually as follows:

#### **4.4.3.1 Ownership Concentration (OC)**

In Model 1, ownership concentration (OC) and firm performance (TQ) is statistically insignificant positive relationship at 10%, 5% and 1% significant level. The coefficient of OC is 11.166. This implied that the higher ownership concentration is, the better the property firm performance, vice versa. Given that the OC of the property firm increase by 1%, the estimated Malaysian public listed property firms' performance from 2005 to 2010 will increase by 11.17%, *ceteris paribus*.

#### **4.4.3.2 Board size (BS)**

In Model 1 and 3, board size (BS) and firm performance (TQ) are significantly positive at 5% significant level, Model 2 significant at 10%. The coefficients of BS are 154.612, 7.473 and 217.16 respectively. It shows that the increase in board member will result increase in property firm's performance, vice versa. It seen that larger board size contribute to firm performance as it allows more ideas, experiences and skills to be combined within a firm (Abidin et al., 2009; Kajola , 2008; Nicholson and Kiel, 2003).

#### **4.4.3.3 Board Independence (BI)**

In Model 1, board independence (BI) and firm performance (TQ) are significantly positive correlated at 5% significant level. The coefficient values of BI are 12.079. This implies that as board independence increase within a firm, property firm performance will be better, vice versa. Given that board independence increased by 1% will lead to the estimated Malaysian public listed property firms' performance of from 2005 to 2010 will increase by 12.08%, *ceteris paribus*. In term of Model 3, it has produced the same positive sign between BI and TQ with coefficient 8.892, but insignificant at 10 % significant level to explained TQ.

While, in Model 2, BI and TQ showed an insignificantly negative relationship at 10% significant level. The coefficient of BI is -0.212. This implies that as board independence increase within a firm, property firm performance will be lower, vice versa. Indicate that, 1% increase in board independence, the estimated Malaysian public listed property firms' performance from 2005 to 2010 will decrease by 0.21%, *ceteris paribus*.

#### **4.4.3.4 Firm Growth (FG)**

In Model 1 and 3, firm growth (FG) and firm performance (TQ) is statistically insignificant positive correlated at 10% significant level. The coefficients of FG are 0.037 and 0.037 respectively. This implies that as firm grow up for a certain level, the better the firm performance, but this situation is unlikely to happen in this sample. Given that if the property firm grows up for 1%, the estimated firm performance of property listed firms on Bursa Malaysia from 2005 to 2010 will increase by 0.04% in both Model 1 and Model 3, *ceteris paribus*.

While, in Model 2, the firm growth and firm performance is significantly negative relationship at 1% significant level. The coefficient of FG is -0.30. This implies that as firm grow up for a certain level, the lower the firm

performance. If the property firm grows up for 1% will lead to the estimated Malaysian public listed property firms' performance from 2005 to 2010 will decrease by 0.30%.

#### **4.4.3.5 Firm Size (FS)**

In Model 1 and 3, firm size (FS) and firm performance (TQ) are significantly negative at 1% and 5% significant level respectively. The coefficients of FS are -11159.22 and -3512.07 respectively. It shows that the increase in firm size will result decrease in property firm's performance, vice versa. Given that total assets of a firm increased by 1%, the estimated Malaysian public listed property firms' performance from 2005 to 2010 will decrease by 11159.22% and 3512.07% respectively, *ceteris paribus*.

While, in Model 2, FS and TQ is significantly positive related at 1% significant level. The coefficient value is 59.279. It shows that the increase in firm size will result increase in property firm's performance, vice versa. Given that if total assets of a firm by 1%, the estimated Malaysian public listed property firms' performance from 2005 to 2010 will increase by 59.28%, *ceteris paribus*.

#### **4.4.3.6 Leverage (LE)**

In Model 1 and 3, leverage (LE) and firm performance (TQ) are significantly positive at 1% and 5% significant level respectively. The coefficients of LE for Model 1 and 3 are 38.604 and 28.190. It shows that the increase in leverage will result increase in property firm's performance, vice versa. Given that leverage increased by 1%, the estimated Malaysian public listed property firms' performance from 2005 to 2010 will increased by 38.6% and 27.19% respectively, *ceteris paribus*.

While, in Model 2, LE and TQ is insignificantly negative correlated at 10% significant level. The coefficient of BS is -0.052. It shows that the increase in leverage will result decrease in property firm's performance, vice versa. It shows that as leverage of a firm increased by 1%, the estimated Malaysian public listed property firms' performance from 2005 to 2010 will decrease by 0.002%, *ceteris paribus*.

As for whole regression results, according to Table 4.13, is to make comparison and summary between this thesis expectations (Chapter two) and regression results by using a sample of 94 property listed firms on Bursa Malaysia from 2005 to 2010 (Chapter four). It shows that board size (BS), board independence (BI), firm size (FS) and leverage (LE) are significant, while ownership concentration (OC) and firm growth (FG) are insignificant.

#### 4.13 Comparison between Expectations and Regression Results for Model 1

Independent Variables	Expectations		Regression Results		Consistency	
	Sign	Significance	Sign	Significance	Sign	Significant
<b>Ownership Concentration (OC)</b>	+	Significant	+	Insignificant	Consistent	Inconsistent
	Barclay and Holderness, 1989; Hermalin and Weisbach, 1991; Javid and Iqbal, 2010; McConnell and Servaes, 1990; Omran, 2009					
<b>Board Size (BS)</b>	+	Significant	+	Significant	Consistent	Consistent
	Abidin et al, 2009; Kajola, 2008; Mak and Kusnadi, 2005; Nicholson and Kiel, 2003; Yermack, 1996					
<b>Board Independence (BI)</b>	-	Significant	+	Significant	Inconsistent	Consistent
	Agrawal and Knoeber, 1996; Black et al, 2012; Erkens et al., 2012					

Control Variables	Expectations		Regression Results		Consistency	
	Sign	Significance	Sign	Significance	Sign	Significance
<b>Firm Growth (FG)</b>	+	Significant	+	Insignificant	Consistent	Inconsistent
	Greiner, 1972; Mak and Kusdani, 2005; Serrasqueiro, 2009					
<b>Firm Size (FS)</b>	+	Significant	-	Significant	Inconsistent	Consistent
	Asimakopoulos et al, 2009; Babalola, 2013; Dogan, 2013; Pervan and Visic, 2012; Serrasqueiro, 2009					
<b>Leverage (L)</b>	+	Significant	+	Significant	Consistent	Consistent
	Akhtar et al, 2012; Chen, 2013; Khatab et al., 2011					

Notes: 1. Expectations that made as taking into account of previous studies and results. 2. Regression Results based on the sample of 94 Malaysian public listed property firms on Bursa Malaysia from 2005 to 2010.



## 4.5 Conclusion

As a conclusion, with the total of 564 sample size, which is 94 property listed firms in Malaysia from year 2005 to 2010, the regression results showed that board size (BS), board independence (BI), firm size (FS) and leverage (LE) are significantly related to the firm performance (TQ), while which indicate that ownership concentration (OC) and firm growth (FG) are insignificantly related to the firm performance (TQ).

Besides, when there is high ownership concentration firm (more than 40%, 32 Obs), board size (BS), firm growth (FG) and firm size (FS) are significantly related to the firm performance (TQ), while only the board independence (BI) and leverage (LE) are insignificantly related to firm performance (TQ).

When there is low ownership concentration firm (less than 40%, 532 Obs), board size (BS), firm size (FS) and leverage (LE) are significant, while board independence (BI) and firm growth (FG) are insignificant to the firm performance (TQ).

## **CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS**

### **5.0 Introduction**

Chapter five discusses the findings and results concluded from chapter four. It summarizes the regression statistic and the major findings resulted in chapter four is comprised. Furthermore, this chapter also comprises of the implication, limitations, recommendation and a conclusion for the overall research.

### **5.1 Summary of Regression Statistics**

The main concern of this research is to observe how ownership concentration and board governance (e.g., board size (BS), board independence (BI)) influence Malaysia 94 public listed property firms' performance from 2005 to 2010 (564 Obs). In this research consists of three independent variables which are ownership concentration (OC), board size (BS), board independence (BI), and three control variables which include firm growth (FG), firm size (FS) and leverage (LE). In which, OC, BS and BI are the main concern variable. Besides that, FG, FS and LE are treated as control variables.

BS and BI are proved to be the key factors to influence Malaysia property firms and consistent with previous studies (e.g., Abidin, Kamal & Jusoff, 2009; Beasley, 1996; Kajola, 2008; Nicholson & Kiel, 2003; Omran, 2009). However, ownership concentration does not influence all firm performance. It is a fact that most of the past studies supported that ownership concentration is highly influence all firm performance. Therefore inspired this thesis to further examine and explain OC to

firm performance, by dividing OC into two level which are high OC (more than 40%, 32 Obs) and low OC (less than 40%, 532 Obs).

In order to check whether each independent variable is significant, this paper applies *T* Statistic individually. The summarized the regression results of 6 variables of this paper are as follows:

**Table 5.1 Summary of *T* Statistic Results (Model 1)**

<b>Independent Variables</b>		<b>Sign</b>	<b>Significance</b>
<b>Ownership Concentration (OC)</b>	$\beta_1$	+	Insignificant
<b>Board Size (BS)</b>	$\beta_2$	+	Significant
<b>Board Independence (BI)</b>	$\beta_3$	+	Significant
<b>Control Variables</b>			
<b>Firm Growth (FG)</b>	$\beta_4$	+	Insignificant
<b>Firm Size (FS)</b>	$\beta_5$	-	Significant
<b>Leverage (LE)</b>	$\beta_6$	+	Significant

**Table 5.2 Summary of *T* Statistic Results (Model 2)**

<b>Independent Variables</b>		<b>Sign</b>	<b>Significance</b>
<b>Board Size (BS)</b>	$\beta_2$	+	Significant
<b>Board Independence (BI)</b>	$\beta_3$	-	Insignificant
<b>Control Variables</b>			
<b>Firm Growth (FG)</b>	$\beta_4$	-	Significant
<b>Firm Size (FS)</b>	$\beta_5$	+	Significant
<b>Leverage (LE)</b>	$\beta_6$	-	Insignificant

**Table 5.3 Summary of *T* Statistic Results (Model 3)**

<b>Independent Variables</b>		<b>Sign</b>	<b>Significance</b>
<b>Board Size (BS)</b>	$\beta_2$	+	Significant
<b>Board Independence (BI)</b>	$\beta_3$	+	Insignificant
<b>Control Variables</b>			
<b>Firm Growth (FG)</b>	$\beta_4$	+	Insignificant
<b>Firm Size (FS)</b>	$\beta_5$	-	Significant
<b>Leverage (LE)</b>	$\beta_6$	+	Significant

**Table 5.4 The Relationships between Firm Performance and Its Expected Theories for Model 1**

<b>Independent Variables</b>	<b>Coefficients for All Firms (564 Obs)</b>	<b>Expected Sign Based on Theory of Intellectual Capital of Corporate Governance</b>	<b>Expected Sign Based on Agency Cost</b>	<b>Expected Sign Based on Stewardship Theory</b>
<b>Ownership Concentration (OC)</b>	+	N/A	Consistent	N/A
<b>Board Size (BS)</b>	+	Consistent	Consistent	Consistent
<b>Board Independence (BI)</b>	+	Consistent	Consistent	Consistent

From the Table 5.1 and Table 5.3 above show that the results for Model 1 and Model 3 are quite similar, the only different is the BI is positively insignificant in Model 3 but positively significant to firm performance in Model 1. For the result of the other variables in Model 1 and 3 are the same with BS positively significant, FG positively insignificant, FS negatively significant and LE positively significant to the firm performance.

From Table 5.2, the result for Model 2 is totally different with Model 1 and Model 3, except for the BS show the same result with positively significant to firm performance in all model. The results for Model 2 are as follow: BI negatively insignificant, FG negatively significant, FS positively significant and LE negatively insignificant to the firm performance.

Table 5.4 shows the relationship between the firm performance and the expected theories. From the table 5.4, the firm performance results from all independent variables are consistent with all the theories which including theory of intellectual capital of corporate governance, agency cost and stewardship theory. While OC does not relate to theory of intellectual capital of corporate governance and stewardship theory.

## **5.2 Discussion of Major Finding**

### **5.2.1 Ownership Concentration (OC)**

The result of this research shows that the ownership concentration and firm performance are positively related. However, the positive relationship is insignificant. The positive result is consistent with the finding of Barclay and Holderness (1989). Besides, there are also a lot of previous researchers have the similar result, such as Haniffa and Hudaib, 2006; Javid and Iqbal, 2010; McConnell and Servaes, 1990; Nor et al, 2010; Omran, 2009. However, the result from Omran et al. (2008) showed that ownership concentration insignificantly related to firm performance. They argue that ownership concentration is only affective when combining of both ownership concentration and managerial interests. Fazlzadeh, Hendi and Mahboubi (2011) also concluded that ownership concentration is insignificant to firm performance. The result is similar with the result of Omran et al. (2008).

This paper shows that the ownership concentration is insignificant in affecting the property firms' performance in Malaysia. This might indicate that the property companies have a good corporate governance practice. Even though the companies consist of block shareholders, but the decision making is due to the approval of the board of director. In this situation, block shareholders do not have the power to make the decision by themselves. Since one of the agency problems is between majority

shareholders and minority shareholders, the agency problem will be at minimum when both of them do not have the power to make decision. When the agency costs reduce, firm performance will increase. Therefore, the result is consistent with agency cost theory.

### **5.2.2 Board Size (BS)**

Result for board size is significantly positive correlated to Model 1 firm performance. For Model 2 and 3, there are also significant positive correlations with firm performance. This indicates that firms with larger boards are associated with highly effectiveness and increasing firm value. In other word, smaller boards believed to be less efficiency and decreasing firm value. This result is consistent with the result of Abidin et al. (2009), Kajola (2008) and Nicholson and Kiel (2003). They explained that the larger board size allows more capabilities such as ideas, experiences and skills to be combined within corporate management and deliver sufficient needs at particular point of time. Therefore, this result is consistent with agency theory as the larger board size increase the availability of knowledge, experience and expertise which subsequently limit agency problem. Moreover, the result shows consistency with stewardship theory as the manager who work towards organizational objectives, which take the interest of both manager and shareholders into consideration, tend to improve firm performance (Davis, Schoorman & Donaldson, 1997; Donaldson & Davis, 1991; Hernandez, 2012).

However, some of the researchers' studies provided a different result which is significant negative relationship (e.g., Eisenberg et al., 1998; Loderer & Peyer, 2002; Mak & Kusnadi, 2005; Yermack, 1996). They claimed that the firm value decrease as board size decreases the firm effectiveness. This is because of larger board size bring hassle to firm such as poor communications and lower operating efficiency.

Furthermore, the concept of intellectual capital of corporate governance showed evidence that the important assets and resources (e.g., personal abilities, expertise and skills) increase as the number of boards of director increase within the firm, given a more complex and interconnected working environment. This not only benefit the firm by contributing a wealth of expertise and experience into the firm as well as to provide a diversification in helping firms to secure vital resources. Therefore, the linkage between the board size and firm performance of Malaysian public listed property firms on Bursa Malaysia has proved to be a significantly positive correlated.

### **5.2.3 Board Independence (BI)**

This paper result illustrates that board independence is statistically significant in influencing the firm performance. The board independence has positive impact on firm performance in Model 1. This indicates that the higher the board independence will lead to higher firm performance. The result is consistent with the research findings of Lefort and Urzua (2008) in Chilean companies and Omran (2009) in Egyptian firms. However, this finding is inconsistent with the previous researchers (Ghazali, 2010; Ponnu & Karthigeyan, 2010; Chaghadari, 2011) who studies on Malaysia companies. In which, they found that board independence is insignificant in influencing Malaysia firms' performance. However, this paper might have proven the explanation of Ghazali (2010) studies. He stated that the insignificance of his finding may due to the period of examination in 2001 because the regulation on corporate governance may need a few years to show positive result. Furthermore, the finding of this research also supported by Fama and Jensen (1983) who stated independent director will lead to firm performance improvement. Besides, independent boards of director help in management and reduce financial fraud (Beasley, 1996).



The result have illustrated that independence of board able to improve management of agency problem by acting as monitoring role, thus reducing agency cost and lead to an increment in firm performance and can be concluded that the result is consistent with theory of agency cost. Besides, the result shows consistency with the theory of intellectual capital of corporate governance since independent director posses some relevant knowledge and skills which are helpful for company management. Furthermore, the result is also consistent with stewardship theory since the independent directors are employed mainly to protect shareholders' interest.

In contrast, the result from Model 2 and 3 shows that board independence is insignificant in affecting the firm value. The result is in line with the findings of Abdullah (2004), Chaghadari (2011) and Ghazali (2010). This might due to the independent board director has limited incentives to manage the firm as they hold only small interest in the firm. In other words, the management incentive has been exchanged for board independency (Bhagat & Black, 2001). Further, Fosberg (1989) claimed that in order to perform, an outside director need to have awareness of their position in improving the firm corporate governance and also understanding of how the firm operate. Interestingly, board independence is found to have negative impact on firm performance when the firm in high ownership concentration. It may have confirm the recent literature that argue corporate governance is not practical in all but depend on the market and firm condition (Black et al, 2012; Koerniadi & Tourani-Rad, 2012). Furthermore, Koerniadi and Tourani-Rad (2012) found that independent board has negative effect to the firm performance when they are in majority on a board. This might indicate that too many outside directors on board may have inverse result.

#### **5.2.4 Firm Growth (FG)**

There are several researchers like Jang and Park (2011), Mak and Kusdani (2005) and Serrasqueiro (2009) found that firm growth is significant to firm performance. But the result in this research for firm growth estimated on firm performance is insignificant and positive relationship in Model 1 and 3. This result is out of expectation as proposed that the firm growth is positively and significantly affect the firm performance. Even so, this result is constant with the result of Chathoth and Olsen (2007), Loi and Khan (2012) and Markman and Gartner (2002) which are also insignificant. This result shows that increase in firm growth do not necessary will increase the firm performance in all property firms and low ownership concentration firms. This finding can be explained by growth strategies may not are value adding strategies. The firms required to use more fund to expand the business so there will be a high capital expenditures and a low free cash flow. Although the sales are increasing but on the other side like the costs are increasing so the result of growth strategy will not appear clearly in short term.

While in Model 2, firm growth is negatively and significantly affect the firm performance. This result same with the result found by Jang and Park (2011) which the research only focused on the restaurant firms. The researches described the result with the reason of restaurant firms are not suitable to expand their business by using the profit earned but should make sure the firms are maintaining the profit level. From the result in Model 2 indicates that firm growth in high ownership concentration firm's increase will lead to low firm performance. It might be because of agency problem occurred. When ownership concentration is high, the decision making will fall on few people hands and when wrong decision will lead to low firm performance like decreasing of net present value (NPV). As only the money outflow, firm growth will contribute nothing to firm performance.

### **5.2.5 Firm Size (FS)**

Firm size is positively significant related to performance proven by previous researchers, such as Dogan (2013), Pervan and Visic (2012) and Serrasqueiro (2009) and their findings mainly explained that the rising profitability of larger firms is contributed by the benefit from economies of scale. Large firms can enjoy lower production cost and hence lead to higher firm performance. However, these results contradict with the results for Model 1 and Model 3. In Model 1 and Model 3, firm size is found to have significant negative impact on firm performance. In the case of Malaysian firms, this could probably be attributed to X-inefficiencies (Ramasamy et al., 2005). Larger firms are more likely to have high levels of bureaucratization and thereby inhibiting efficient decision making in management. According to Ammar et al. (2003), the inverse impact of firm size on firm performance could be caused by management inability to manage the firm that grows in size and to control the capital constraints.

In Model 2, firm size has significant positive impact on firm performance. According to Arosa, Iturradle and Maseda (2010), the large firms able to make sure that a suitable management team and a controlling board exist for monitoring the firm performance. Due to the close relation between the large equity blockholders' wealth and the company's value, they have strong incentives to monitor the firm performance (Anderson & Reeb, 2003). Therefore, the firm performance might increase with the close monitoring of large equity blockholders.

### **5.2.6 Leverage (LE)**

As shown in the result, leverage has significant positive correlation with firm performance in Model 1 and 3. It indicates that the higher leveraged firms are more profitable and this result is supported by the findings of Akhtar et al. (2012) and Safieddine and Titman (1999). Safieddine and

Titman (1999) found that firms with large increase in leverage commit the manager to take necessary action that would lead to firm's improvements which subsequently raises the firm performance. Moreover, Akhtar et al. (2012) revealed that the employment of leverage may lead to rising firm performance as leverage would turn into firm's profitability in the long term and it enables the firm to reach at a sustainable future growth.

However, Hsueh (2013) and Soon and Idris (2012) found the result which is different from the results for Model 1 and 3. Yet their results are the same as the result for Model 2, in which, leverage is negatively correlated with firm performance. According to Soon and Idris (2012), higher leverage means high risk and it will cause the firm performance to drop when the firm has excessive exposure in risky product segment. In the Research and Development (R&D) investments of a firm, debt is an indispensable element for its completion (Hsueh, 2013). Increasing level of firm's leverage would probably increase the influence of debt holders and hence inhibit efficient management decision which consequently leads to decreasing firm performance. Moreover, the impact of leverage on firm performance was found to be insignificant in Model 2. This is because the blockholders in high ownership concentration firms have strong preference over internal financing to retain the ownership and control (Zhang, Venus & Wang, 2012). Therefore, it might be due to the reliance of high ownership concentration firms on internal financing to cause leverage insignificant to firm performance.

## **5.3 Implications of the Study**

### **5.3.1 Property Industry**

This thesis helps Malaysia listed companies, but not limited to property industry to have a better understanding on how a listed company on Bursa Malaysia to sustain and maintain good corporate governance in today's

economic world. This study has employed three independent variables and three control variables to discuss a good corporate governance to be in Malaysia which are ownership concentration, board size, board independence, firm growth, firm size and leverage. This paper provided that how each independent variable should be applied at certain level. For example, board size should be on average 7 to 8 members. It is the suitable number of members on board to be applied in Malaysia property industry. Therefore this might provide the direction for a property firm to maintain good governance when they would like to increase their firm performance as well as a reference for annual general meeting (AGM). Thus, the firm could apply proper corporate governance to enjoy the benefits that brought by good corporate governance practices (Mulili & Wong, 2011). With an increment in the firm's financial performance, the firm will continue to grow and may have the opportunity to expand its business. As a result, unemployment rate in Malaysia may decrease indirectly.

### **5.3.2 Policy Maker**

From the result of this study, ownership concentration is not contributing to Malaysian public listed property firms' performance. Policy makers should concern on this matter as to figure out the actual reason why is that ownership concentration is not affecting the firm performance and take action accordingly. Next, board size and board independence are found to be significant in influencing property listed firms' performance. This means that board governance had been proved to have effect on firm performance of Malaysian public listed companies. This paper had also included the literatures of board governance which explain the effectiveness of board size and board independence in controlling agency conflict and thus adding firm's value. Board size and board independence have positive impact on firm performance which indicates that the higher the independence and size of board will improve the performance of Malaysian public listed property companies. It has proven that good

corporate governance will result in a firm performance, thus policy makers should take this into account and emphasizing on developing corporate governance policies in future (Bhagat & Bolton, 2008). Therefore, the correct and suitable policies implementation will succeed to reduce agency cost and promote not only property sector but also other sectors, as well as support in Malaysia economic growth.

### **5.3.3 Investor**

Individual investors can take the result of this research as a reference when they involve in any investment decision (Joel & Romuald, 2012). This research shows that board size and board independence are both significant to the firm performance, so individual investors should take board governance into consideration when making investment decision because both the board size and board independence may affect the firm performance especially in property industry. Besides, individual investors can use this result to compare with other industry. With the result of ownership concentration is insignificant show that ownership concentration does not have affect the firm performance radically.

### **5.3.4 Academic**

This research paper provides the academicians with some useful educational knowledge. They would be able to understand the factors affecting firm performance in property industry both theoretically and empirically. Since there are very few researches who had conducted research in corporate governance of Malaysia listed property firms, this research paper would inevitably be a helpful guidance for their future research.

## **5.4 Limitations of the Research Study**

There are a few limitations in this study. First and foremost, there are three independent variables used in this research, which are ownership concentration, board size and board independence while firm growth, firm size and leverage act as control variable. There might be some other independent variables can be used for this research. Different independent variables used might give different result.

Besides that, the measurement of dependent variable in this research is Tobin's Q. There are plenty of different formulas proposed by others researcher in measuring the Tobin's Q (Hermalin & Weisbach, 1991; Nicholson & Kiel, 2003; Mak & Kusnadi, 2005; McConnell & Servaes, 1990; Yermack, 1996). This paper tested one of the formulas to get a result. This might result in inappropriate and bias in the data since different formula will have different result.

Last but not least, there is also limitation of insufficient of journals support that specifically study on Malaysia firm and property industry. Due to this reason, this paper has referred to the journals that are focus on other different sectors and countries instead of properties sector and Malaysia firms. This might result in improper comparison between the expected result and outcome of this paper.

## **5.5 Recommendations for Future Study**

Based on the limitations of study, there are several recommendations for future study. Firstly, this paper had examine the relationship of independent variables (ownership concentration, board size and board independence), control variables (firm growth, firm size and leverage) with dependent variable (firm performance). Therefore, future research should consider testing on others valid independent variables in affecting firm performance such as dividend yield, CEO duality and director's ownership .

Since there are a lot of different formula for Tobin's Q used by past researcher, future researcher can try on other formula instead of the formula that using for this research. Rather, other measurement of firm performance like return on asset (ROA) and return on equity (ROE) also can be used as it may result in different findings.

Moreover, there is insufficient number of the journals support. Due to this reason, future research should not restrict to a single sector. They should focus on wider sectors so that the result might be match to their main objective. Besides, this will also help in ensure more appropriate journals with useful data and information available as reference.

## 5.6 Conclusion

As the summary, the main concern of this research is to study the impact of ownership concentration and board governance on the firm performance of 94 Malaysian public listed property companies from year 2005 to 2010. The result has rejected null hypothesis testing of board size, board independence, firm size and leverage. This shows that the board size, board independence, firm size and leverage are significant to influence the firm performance. Further, this paper does not reject the null hypothesis testing of ownership concentration and firm growth. It shows that ownership concentration and firm growth are insignificant to influence the firm performance. Besides, when the ownership concentration is high (more than 40%), the board independence, firm growth, firm size and leverage have significant impact on firm performance, while only the board independence showed insignificant impact on firm performance; When the ownership concentration is low (less than 40%), the board size, form size and leverage is significant, while board independence and firm growth are insignificant to the firm performance.

Generally, the findings showed that only two out of three key variables in this study are found significance. This has demonstrated that in corporate governance



practices, board independence and board size should be emphasize instead of ownership concentration that is found to be insignificant in influence the firm performance.

Apart from that, this paper finds that some restrictions that may affect the research findings, which includes insufficient data collection, manual calculation and insufficient or inappropriate journal support. Last but not least, there are some recommendations provided for future research includes study for more than one sectors (indirectly can increase sample size), data collection from other resources, sector specification and increase or exchange of independent variables.

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## APPENDICES

Appendix 1: List of 94 Malaysian Public Listed Property Companies during  
2005 to 2010 (Model 1, 564 Obs)

1. A & M REALTY BHD
2. AMCORP PROPERTIES BHD
3. ASAS DUNIA BHD
4. ASIAN PAC HOLDINGS BHD
5. BANDAR RAYA DEVELOPMENTS BHD
6. BCB BHD
7. BERJAYA ASSETS BHD
8. BERTAM ALLIANCE BHD
9. BINAIAK EQUITY BHD
10. BOLTON BHD
11. COUNTRY HEIGHTS HOLDING BHD
12. COUNTRY VIEW BERHAD
13. CRESENDO CORPORATION
14. DAIMAN DEVELOPMENT BHD
15. DAMANSARA REALITY BHD
16. DNP @ WING TAI MALAYSIA BHD
17. EASTERN & ORIENTAL BHD
18. EKCRAN BHD
19. ENCORP BHD
20. EUPE CORPORATION BHD
21. FARLIM GROUP (MALAYSIA) BHD
22. FOCAL AIMS HOLDINGS BHD
23. FOUNTAIN VIEW DEVELOPMENT BHD
24. GLOBAL ORIENTAL BHD
25. GLOMAC BHD
26. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD
27. GOLDEN PLUS HOLDINGS BHD
28. GRAND HOOVER BHD

29. GROMUTUAL BHD
30. GUOCOLAND (MALAYSIA) BHD
31. HUA YANG BHD
32. HUNZA PROPERTIES BHD
33. I-BERHAD
34. IBRACO BHD
35. IGB CORPORATION BHD
36. IJM LAND BHD
37. IOI PROPERTIES BHD
38. JOHOR LAND BHD
39. KARAMBUNAI CORPORATION BHD
40. KELADI MAJU BHD
41. KEN HOLDINGS BHD
42. KLCC PROPERTIES HOLDINGS BHD
43. KRISASSET HOLDINGS BHD
44. KSL HOLDINGS BHD
45. KUMPULAN HARTANAH SELANGOR BHD
46. LAND & GENERAL BHD
47. LBI CAPITAL BHD
48. LBS BINA GROUP BHD
49. LIEN HOE CORPORATION BHD
50. MAGNA PRIMA BHD
51. MAHAJAYA BHD
52. MAH SING GROUP BHD
53. MAJU PERAK HOLDINGS BHD
54. MALAYSIA PACIFIC CORPORATION BHD
55. MALTON BHD
56. MEDA INCORPORATION BHD
57. MENANG CORPORATION (M) BHD
58. MERGE HOUSING BHD
59. MK LAND HOLDINGS BHD
60. MKH BHD
61. MUI PROPERTIES BHD
62. MULPHA INTERNATIONAL BHD

63. MUTIARA BHD
64. NIAM HOLDINGS BHD
65. NILAI RESOURCES GROUP BHD
66. ORIENTAL INTEREST BHD
67. OSK PROPERTY HOLDINGS BHD
68. PAN MALAYSIAN INDUSTRIES BHD
69. PARAMOUNT CORPORATION BHD
70. PASDEC HOLDINGS BHD
71. PERDUREN (M) BHD
72. PETALING TIN BHD
73. PJ DEVELOPMENT HOLDINS BHD
74. PLENITUDE BHD
75. PRIME UTILITIES BHD
76. SP SETIA BHD
77. SAPURA RESOURCES BHD
78. SBC CORPORATION BHD
79. SELANGOR DREDGING BHD
80. SELANGOR PROPERTIES BHD
81. SHL CONSOLIDATED BHD
82. SOUTH MALAYSIA INDUSTRIES BHD
83. SUNRISE BHD
84. SUNWAY CITY BHD
85. TAHPS GROUP BHD
86. TANCO HOLDINGS BHD
87. TEBRAU TEGUH BHD
88. TIGER SYNERGY BHD
89. TRINITY CORPORATION
90. TROPICANA CORPORATION BHD
91. UNITED MALAYAN LAND BHD
92. Y&G CORPORATION BHD
93. YNH PROPERTY BHD
94. YTL BHD

Appendix 2: List of Malaysia High Ownership Concentration Public Listed  
Property Companies (Model 2, 32 Obs)

1. CRESENDO CORPORATION-2005
2. CRESENDO CORPORATION-2006
3. CRESENDO CORPORATION-2008
4. CRESENDO CORPORATION-2009
5. CRESENDO CORPORATION-2010
6. GUOCOLAND (MALAYSIA) BHD-2009
7. GUOCOLAND (MALAYSIA) BHD-2010
8. IJM LAND BHD-2005
9. IJM LAND BHD-2006
10. IJM LAND BHD-2007
11. IJM LAND BHD-2008
12. IJM LAND BHD-2009
13. IJM LAND BHD-2010
14. IOI PROPERTIES BHD-2005
15. IOI PROPERTIES BHD-2006
16. IOI PROPERTIES BHD-2007
17. IOI PROPERTIES BHD-2008
18. IOI PROPERTIES BHD-2009
19. IOI PROPERTIES BHD-2010
20. JOHOR LAND BHD-2008
21. KRISASSET HOLDINGS BHD-2005
22. KRISASSET HOLDINGS BHD-2006
23. KRISASSET HOLDINGS BHD-2007
24. KRISASSET HOLDINGS BHD-2008
25. KRISASSET HOLDINGS BHD-2009
26. KRISASSET HOLDINGS BHD-2010
27. LIEN HOE CORPORATION BHD-2005
28. MAH SING GROUP BHD-2007
29. MULPHA INTERNATIONAL BHD-2010
30. OSK PROPERTY HOLDINGS BHD-2005

31. OSK PROPERTY HOLDINGS BHD-2006

32. SELANGOR PROPERTIES BHD-2010

Appendix 3: List of Malaysia Low Ownership Concentration Public Listed  
Property Companies (Model 3, 532 Obs)

1. A&M REALTY BHD-2005
2. A&M REALTY BHD-2006
3. A&M REALTY BHD-2007
4. A&M REALTY BHD-2008
5. A&M REALTY BHD-2009
6. A&M REALTY BHD-2010
7. AMCORP PROPERTIES BHD-2005
8. AMCORP PROPERTIES BHD-2006
9. AMCORP PROPERTIES BHD-2007
10. AMCORP PROPERTIES BHD-2008
11. AMCORP PROPERTIES BHD-2009
12. AMCORP PROPERTIES BHD-2010
13. ASAS DUNIA BHD-2005
14. ASAS DUNIA BHD-2006
15. ASAS DUNIA BHD-2007
16. ASAS DUNIA BHD-2008
17. ASAS DUNIA BHD-2009
18. ASAS DUNIA BHD-2010
19. ASIAN PAC HOLDINGS BHD-2005
20. ASIAN PAC HOLDINGS BHD-2006
21. ASIAN PAC HOLDINGS BHD-2007
22. ASIAN PAC HOLDINGS BHD-2008
23. ASIAN PAC HOLDINGS BHD-2009
24. ASIAN PAC HOLDINGS BHD-2010
25. BANDAR RAYA DEVELOPMENTS BHD-2005
26. BANDAR RAYA DEVELOPMENTS BHD-2006
27. BANDAR RAYA DEVELOPMENTS BHD-2007
28. BANDAR RAYA DEVELOPMENTS BHD-2008
29. BANDAR RAYA DEVELOPMENTS BHD-2009
30. BANDAR RAYA DEVELOPMENTS BHD-2010

31. BCB BHD-2005
32. BCB BHD-2006
33. BCB BHD-2007
34. BCB BHD-2008
35. BCB BHD-2009
36. BCB BHD-2010
37. BERJAYA ASSETS BHD-2005
38. BERJAYA ASSETS BHD-2006
39. BERJAYA ASSETS BHD-2007
40. BERJAYA ASSETS BHD-2008
41. BERJAYA ASSETS BHD-2009
42. BERJAYA ASSETS BHD-2010
43. BERTAM ALLIANCE BHD-2005
44. BERTAM ALLIANCE BHD-2006
45. BERTAM ALLIANCE BHD-2007
46. BERTAM ALLIANCE BHD-2008
47. BERTAM ALLIANCE BHD-2009
48. BERTAM ALLIANCE BHD-2010
49. BINAIK EQUITY BHD-2005
50. BINAIK EQUITY BHD-2006
51. BINAIK EQUITY BHD-2007
52. BINAIK EQUITY BHD-2008
53. BINAIK EQUITY BHD-2009
54. BINAIK EQUITY BHD-2010
55. BOLTON BHD-2005
56. BOLTON BHD-2006
57. BOLTON BHD-2007
58. BOLTON BHD-2008
59. BOLTON BHD-2009
60. BOLTON BHD-2010
61. COUNTRY HEIGHTS HOLDING BHD-2005
62. COUNTRY HEIGHTS HOLDING BHD-2006
63. COUNTRY HEIGHTS HOLDING BHD-2007
64. COUNTRY HEIGHTS HOLDING BHD-2008



65. COUNTRY HEIGHTS HOLDING BHD-2009
66. COUNTRY HEIGHTS HOLDING BHD-2010
67. COUNTRY VIEW BERHAD-2005
68. COUNTRY VIEW BERHAD-2006
69. COUNTRY VIEW BERHAD-2007
70. COUNTRY VIEW BERHAD-2008
71. COUNTRY VIEW BERHAD-2009
72. COUNTRY VIEW BERHAD-2010
73. CRESENDO CORPORATION-2007
74. DAIMAN DEVELOPMENT BHD -2005
75. DAIMAN DEVELOPMENT BHD-2006
76. DAIMAN DEVELOPMENT BHD-2007
77. DAIMAN DEVELOPMENT BHD-2008
78. DAIMAN DEVELOPMENT BHD-2009
79. DAIMAN DEVELOPMENT BHD-2010
80. DAMANSARA REALITY BHD-2005
81. DAMANSARA REALITY BHD-2006
82. DAMANSARA REALITY BHD-2007
83. DAMANSARA REALITY BHD-2008
84. DAMANSARA REALITY BHD-2009
85. DAMANSARA REALITY BHD-2010
86. DNP @ WING TAI MALAYSIA BHD-2005
87. DNP @ WING TAI MALAYSIA BHD-2006
88. DNP @ WING TAI MALAYSIA BHD-2007
89. DNP @ WING TAI MALAYSIA BHD-2008
90. DNP @ WING TAI MALAYSIA BHD-2009
91. DNP @ WING TAI MALAYSIA BHD-2010
92. EASTERN & ORIENTAL BHD-2005
93. EASTERN & ORIENTAL BHD-2006
94. EASTERN & ORIENTAL BHD-2007
95. EASTERN & ORIENTAL BHD-2008
96. EASTERN & ORIENTAL BHD-2009
97. EASTERN & ORIENTAL BHD-2010
98. EKCRAN BHD-2005

99. EKCRAN BHD-2006
100. EKCRAN BHD-2007
101. EKCRAN BHD-2008
102. EKCRAN BHD-2009
103. EKCRAN BHD-2010
104. ENCORP BHD-2005
105. ENCORP BHD-2006
106. ENCORP BHD-2007
107. ENCORP BHD-2008
108. ENCORP BHD-2009
109. ENCORP BHD-2010
110. EUPE CORPORATION BHD-2005
111. EUPE CORPORATION BHD-2006
112. EUPE CORPORATION BHD-2007
113. EUPE CORPORATION BHD-2008
114. EUPE CORPORATION BHD-2009
115. EUPE CORPORATION BHD-2010
116. FARLIM GROUP (MALAYSIA) BHD-2005
117. FARLIM GROUP (MALAYSIA) BHD-2006
118. FARLIM GROUP (MALAYSIA) BHD-2007
119. FARLIM GROUP (MALAYSIA) BHD-2008
120. FARLIM GROUP (MALAYSIA) BHD-2009
121. FARLIM GROUP (MALAYSIA) BHD-2010
122. FOCAL AIMS HOLDINGS BHD-2005
123. FOCAL AIMS HOLDINGS BHD-2006
124. FOCAL AIMS HOLDINGS BHD-2007
125. FOCAL AIMS HOLDINGS BHD-2008
126. FOCAL AIMS HOLDINGS BHD-2009
127. FOCAL AIMS HOLDINGS BHD-2010
128. FOUNTAIN VIEW DEVELOPMENT BHD-2005
129. FOUNTAIN VIEW DEVELOPMENT BHD-2006
130. FOUNTAIN VIEW DEVELOPMENT BHD-2007
131. FOUNTAIN VIEW DEVELOPMENT BHD-2008
132. FOUNTAIN VIEW DEVELOPMENT BHD-2009

133. FOUNTAIN VIEW DEVELOPMENT BHD-2010
134. GLOBAL ORIENTAL BHD-2005
135. GLOBAL ORIENTAL BHD-2006
136. GLOBAL ORIENTAL BHD-2007
137. GLOBAL ORIENTAL BHD-2008
138. GLOBAL ORIENTAL BHD-2009
139. GLOBAL ORIENTAL BHD-2010
140. GLOMAC BHD-2005
141. GLOMAC BHD-2006
142. GLOMAC BHD-2007
143. GLOMAC BHD-2008
144. GLOMAC BHD-2009
145. GLOMAC BHD-2010
146. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD-2005
147. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD-2006
148. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD-2007
149. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD-2008
150. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD-2009
151. GOLD BRIDGE ENGINEERING & CONSTRUCTION BHD-2010
152. GOLDEN PLUS HOLDINGS BHD-2005
153. GOLDEN PLUS HOLDINGS BHD-2006
154. GOLDEN PLUS HOLDINGS BHD-2007
155. GOLDEN PLUS HOLDINGS BHD-2008
156. GOLDEN PLUS HOLDINGS BHD-2009
157. GOLDEN PLUS HOLDINGS BHD-2010
158. GRAND HOOVER BHD-2005
159. GRAND HOOVER BHD-2006
160. GRAND HOOVER BHD-2007
161. GRAND HOOVER BHD-2008
162. GRAND HOOVER BHD-2009
163. GRAND HOOVER BHD-2010
164. GROMUTUAL BHD-2005
165. GROMUTUAL BHD-2006
166. GROMUTUAL BHD-2007

167. GROMUTUAL BHD-2008
168. GROMUTUAL BHD-2009
169. GROMUTUAL BHD-2010
170. GUOCOLAND (MALAYSIA) BHD-2005
171. GUOCOLAND (MALAYSIA) BHD-2006
172. GUOCOLAND (MALAYSIA) BHD-2007
173. GUOCOLAND (MALAYSIA) BHD-2008
174. HUA YANG BHD-2005
175. HUA YANG BHD-2006
176. HUA YANG BHD-2007
177. HUA YANG BHD-2008
178. HUA YANG BHD-2009
179. HUA YANG BHD-2010
180. HUNZA PROPERTIES BHD-2005
181. HUNZA PROPERTIES BHD-2006
182. HUNZA PROPERTIES BHD-2007
183. HUNZA PROPERTIES BHD-2008
184. HUNZA PROPERTIES BHD-2009
185. HUNZA PROPERTIES BHD-2010
186. I-BERHAD-2005
187. I-BERHAD-2006
188. I-BERHAD-2007
189. I-BERHAD-2008
190. I-BERHAD-2009
191. I-BERHAD-2010
192. IBRACO BHD-2005
193. IBRACO BHD-2006
194. IBRACO BHD-2007
195. IBRACO BHD-2008
196. IBRACO BHD-2009
197. IBRACO BHD-2010
198. IGB CORPORATION BHD-2005
199. IGB CORPORATION BHD-2006
200. IGB CORPORATION BHD-2007

201. IGB CORPORATION BHD-2008
202. IGB CORPORATION BHD-2009
203. IGB CORPORATION BHD-2010
204. JOHOR LAND BHD-2005
205. JOHOR LAND BHD-2006
206. JOHOR LAND BHD-2007
207. JOHOR LAND BHD-2009
208. JOHOR LAND BHD-2010
209. KARAMBUNAI CORPORATION BHD-2005
210. KARAMBUNAI CORPORATION BHD-2006
211. KARAMBUNAI CORPORATION BHD-2007
212. KARAMBUNAI CORPORATION BHD-2008
213. KARAMBUNAI CORPORATION BHD-2009
214. KARAMBUNAI CORPORATION BHD-2010
215. KELADI MAJU BHD-2005
216. KELADI MAJU BHD-2006
217. KELADI MAJU BHD-2007
218. KELADI MAJU BHD-2008
219. KELADI MAJU BHD-2009
220. KELADI MAJU BHD-2010
221. KEN HOLDINGS BHD-2005
222. KEN HOLDINGS BHD-2006
223. KEN HOLDINGS BHD-2007
224. KEN HOLDINGS BHD-2008
225. KEN HOLDINGS BHD-2009
226. KEN HOLDINGS BHD-2010
227. KLCC PROPERTIES HOLDINGS BHD-2005
228. KLCC PROPERTIES HOLDINGS BHD-2006
229. KLCC PROPERTIES HOLDINGS BHD-2007
230. KLCC PROPERTIES HOLDINGS BHD-2008
231. KLCC PROPERTIES HOLDINGS BHD-2009
232. KLCC PROPERTIES HOLDINGS BHD-2010
233. KSL HOLDINGS BHD-2005
234. KSL HOLDINGS BHD-2006

235. KSL HOLDINGS BHD-2007
236. KSL HOLDINGS BHD-2008
237. KSL HOLDINGS BHD-2009
238. KSL HOLDINGS BHD-2010
239. KUMPULAN HARTANAH SELANGOR BHD-2005
240. KUMPULAN HARTANAH SELANGOR BHD-2006
241. KUMPULAN HARTANAH SELANGOR BHD-2007
242. KUMPULAN HARTANAH SELANGOR BHD-2008
243. KUMPULAN HARTANAH SELANGOR BHD-2009
244. KUMPULAN HARTANAH SELANGOR BHD-2010
245. LAND & GENERAL BHD-2005
246. LAND & GENERAL BHD-2006
247. LAND & GENERAL BHD-2007
248. LAND & GENERAL BHD-2008
249. LAND & GENERAL BHD-2009
250. LAND & GENERAL BHD-2010
251. LBI CAPITAL BHD-2005
252. LBI CAPITAL BHD-2006
253. LBI CAPITAL BHD-2007
254. LBI CAPITAL BHD-2008
255. LBI CAPITAL BHD-2009
256. LBI CAPITAL BHD-2010
257. LBS BINA GROUP BHD-2005
258. LBS BINA GROUP BHD-2006
259. LBS BINA GROUP BHD-2007
260. LBS BINA GROUP BHD-2008
261. LBS BINA GROUP BHD-2009
262. LBS BINA GROUP BHD-2010
263. LIEN HOE CORPORATION BHD-2006
264. LIEN HOE CORPORATION BHD-2007
265. LIEN HOE CORPORATION BHD-2008
266. LIEN HOE CORPORATION BHD-2009
267. LIEN HOE CORPORATION BHD-2010
268. MAGNA PRIMA BHD-2005

269. MAGNA PRIMA BHD-2006
270. MAGNA PRIMA BHD-2007
271. MAGNA PRIMA BHD-2008
272. MAGNA PRIMA BHD-2009
273. MAGNA PRIMA BHD-2010
274. MAH SING GROUP BHD-2005
275. MAH SING GROUP BHD-2006
276. MAH SING GROUP BHD-2008
277. MAH SING GROUP BHD-2009
278. MAH SING GROUP BHD-2010
279. MAHAJAYA BHD-2005
280. MAHAJAYA BHD-2006
281. MAHAJAYA BHD-2007
282. MAHAJAYA BHD-2008
283. MAHAJAYA BHD-2009
284. MAHAJAYA BHD-2010
285. MAJU PERAK HOLDINGS BHD-2005
286. MAJU PERAK HOLDINGS BHD-2006
287. MAJU PERAK HOLDINGS BHD-2007
288. MAJU PERAK HOLDINGS BHD-2008
289. MAJU PERAK HOLDINGS BHD-2009
290. MAJU PERAK HOLDINGS BHD-2010
291. MALAYSIA PACIFIC CORPORATION BHD-2005
292. MALAYSIA PACIFIC CORPORATION BHD-2006
293. MALAYSIA PACIFIC CORPORATION BHD-2007
294. MALAYSIA PACIFIC CORPORATION BHD-2008
295. MALAYSIA PACIFIC CORPORATION BHD-2009
296. MALAYSIA PACIFIC CORPORATION BHD-2010
297. MALTON BHD-2005
298. MALTON BHD-2006
299. MALTON BHD-2007
300. MALTON BHD-2008
301. MALTON BHD-2009
302. MALTON BHD-2010

303. MEDA INCORPORATION BHD-2005
304. MEDA INCORPORATION BHD-2006
305. MEDA INCORPORATION BHD-2007
306. MEDA INCORPORATION BHD-2008
307. MEDA INCORPORATION BHD-2009
308. MEDA INCORPORATION BHD-2010
309. MENANG CORPORATION (M) BHD-2005
310. MENANG CORPORATION (M) BHD-2006
311. MENANG CORPORATION (M) BHD-2007
312. MENANG CORPORATION (M) BHD-2008
313. MENANG CORPORATION (M) BHD-2009
314. MENANG CORPORATION (M) BHD-2010
315. MERGE HOUSING BHD-2005
316. MERGE HOUSING BHD-2006
317. MERGE HOUSING BHD-2007
318. MERGE HOUSING BHD-2008
319. MERGE HOUSING BHD-2009
320. MERGE HOUSING BHD-2010
321. MK LAND HOLDINGS BHD-2005
322. MK LAND HOLDINGS BHD-2006
323. MK LAND HOLDINGS BHD-2007
324. MK LAND HOLDINGS BHD-2008
325. MK LAND HOLDINGS BHD-2009
326. MK LAND HOLDINGS BHD-2010
327. MKH BHD-2005
328. MKH BHD-2006
329. MKH BHD-2007
330. MKH BHD-2008
331. MKH BHD-2009
332. MKH BHD-2010
333. MUI PROPERTIES BHD-2005
334. MUI PROPERTIES BHD-2006
335. MUI PROPERTIES BHD-2007
336. MUI PROPERTIES BHD-2008



337. MUI PROPERTIES BHD-2009
338. MUI PROPERTIES BHD-2010
339. MULPHA INTERNATIONAL BHD-2005
340. MULPHA INTERNATIONAL BHD-2006
341. MULPHA INTERNATIONAL BHD-2007
342. MULPHA INTERNATIONAL BHD-2008
343. MULPHA INTERNATIONAL BHD-2009
344. MUTIARA BHD-2005
345. MUTIARA BHD-2006
346. MUTIARA BHD-2007
347. MUTIARA BHD-2008
348. MUTIARA BHD-2009
349. MUTIARA BHD-2010
350. NIAM HOLDINGS BHD-2005
351. NIAM HOLDINGS BHD-2006
352. NIAM HOLDINGS BHD-2007
353. NIAM HOLDINGS BHD-2008
354. NIAM HOLDINGS BHD-2009
355. NIAM HOLDINGS BHD-2010
356. NILAI RESOURCES GROUP BHD-2005
357. NILAI RESOURCES GROUP BHD-2006
358. NILAI RESOURCES GROUP BHD-2007
359. NILAI RESOURCES GROUP BHD-2008
360. NILAI RESOURCES GROUP BHD-2009
361. NILAI RESOURCES GROUP BHD-2010
362. ORIENTAL INTEREST BHD-2005
363. ORIENTAL INTEREST BHD-2006
364. ORIENTAL INTEREST BHD-2007
365. ORIENTAL INTEREST BHD-2008
366. ORIENTAL INTEREST BHD-2009
367. ORIENTAL INTEREST BHD-2010
368. OSK PROPERTY HOLDINGS BHD-2007
369. OSK PROPERTY HOLDINGS BHD-2008
370. OSK PROPERTY HOLDINGS BHD-2009

- 371. OSK PROPERTY HOLDINGS BHD-2010
- 372. PAN MALAYSIAN INDUSTRIES BHD-2005
- 373. PAN MALAYSIAN INDUSTRIES BHD-2006
- 374. PAN MALAYSIAN INDUSTRIES BHD-2007
- 375. PAN MALAYSIAN INDUSTRIES BHD-2008
- 376. PAN MALAYSIAN INDUSTRIES BHD-2009
- 377. PAN MALAYSIAN INDUSTRIES BHD-2010
- 378. PARAMOUNT CORPORATION BHD-2005
- 379. PARAMOUNT CORPORATION BHD-2006
- 380. PARAMOUNT CORPORATION BHD-2007
- 381. PARAMOUNT CORPORATION BHD-2008
- 382. PARAMOUNT CORPORATION BHD-2009
- 383. PARAMOUNT CORPORATION BHD-2010
- 384. PASDEC HOLDINGS BHD-2005
- 385. PASDEC HOLDINGS BHD-2006
- 386. PASDEC HOLDINGS BHD-2007
- 387. PASDEC HOLDINGS BHD-2008
- 388. PASDEC HOLDINGS BHD-2009
- 389. PASDEC HOLDINGS BHD-2010
- 390. PERDUREN (M) BHD-2005
- 391. PERDUREN (M) BHD-2006
- 392. PERDUREN (M) BHD-2007
- 393. PERDUREN (M) BHD-2008
- 394. PERDUREN (M) BHD-2009
- 395. PERDUREN (M) BHD-2010
- 396. PETALING TIN BHD-2005
- 397. PETALING TIN BHD-2006
- 398. PETALING TIN BHD-2007
- 399. PETALING TIN BHD-2008
- 400. PETALING TIN BHD-2009
- 401. PETALING TIN BHD-2010
- 402. PJ DEVELOPMENT HOLDINS BHD-2005
- 403. PJ DEVELOPMENT HOLDINS BHD-2006
- 404. PJ DEVELOPMENT HOLDINS BHD-2007

405. PJ DEVELOPMENT HOLDINS BHD-2008
406. PJ DEVELOPMENT HOLDINS BHD-2009
407. PJ DEVELOPMENT HOLDINS BHD-2010
408. PLENITUDE BHD-2005
409. PLENITUDE BHD-2006
410. PLENITUDE BHD-2007
411. PLENITUDE BHD-2008
412. PLENITUDE BHD-2009
413. PLENITUDE BHD-2010
414. PRIME UTILITIES BHD-2005
415. PRIME UTILITIES BHD-2006
416. PRIME UTILITIES BHD-2007
417. PRIME UTILITIES BHD-2008
418. PRIME UTILITIES BHD-2009
419. PRIME UTILITIES BHD-2010
420. SAPURA RESOURCES BHD-2005
421. SAPURA RESOURCES BHD-2006
422. SAPURA RESOURCES BHD-2007
423. SAPURA RESOURCES BHD-2008
424. SAPURA RESOURCES BHD-2009
425. SAPURA RESOURCES BHD-2010
426. SBC CORPORATION BHD-2005
427. SBC CORPORATION BHD-2006
428. SBC CORPORATION BHD-2007
429. SBC CORPORATION BHD-2008
430. SBC CORPORATION BHD-2009
431. SBC CORPORATION BHD-2010
432. SELANGOR DREDGING BHD-2005
433. SELANGOR DREDGING BHD-2006
434. SELANGOR DREDGING BHD-2007
435. SELANGOR DREDGING BHD-2008
436. SELANGOR DREDGING BHD-2009
437. SELANGOR DREDGING BHD-2010
438. SELANGOR PROPERTIES BHD-2005

- 439. SELANGOR PROPERTIES BHD-2006
- 440. SELANGOR PROPERTIES BHD-2007
- 441. SELANGOR PROPERTIES BHD-2008
- 442. SELANGOR PROPERTIES BHD-2009
- 443. SHL CONSOLIDATED BHD-2005
- 444. SHL CONSOLIDATED BHD-2006
- 445. SHL CONSOLIDATED BHD-2007
- 446. SHL CONSOLIDATED BHD-2008
- 447. SHL CONSOLIDATED BHD-2009
- 448. SHL CONSOLIDATED BHD-2010
- 449. SOUTH MALAYSIA INDUSTRIES BHD-2005
- 450. SOUTH MALAYSIA INDUSTRIES BHD-2006
- 451. SOUTH MALAYSIA INDUSTRIES BHD-2007
- 452. SOUTH MALAYSIA INDUSTRIES BHD-2008
- 453. SOUTH MALAYSIA INDUSTRIES BHD-2009
- 454. SOUTH MALAYSIA INDUSTRIES BHD-2010
- 455. SP SETIA BHD-2005
- 456. SP SETIA BHD-2006
- 457. SP SETIA BHD-2007
- 458. SP SETIA BHD-2008
- 459. SP SETIA BHD-2009
- 460. SP SETIA BHD-2010
- 461. SUNRISE BHD-2005
- 462. SUNRISE BHD-2006
- 463. SUNRISE BHD-2007
- 464. SUNRISE BHD-2008
- 465. SUNRISE BHD-2009
- 466. SUNRISE BHD-2010
- 467. SUNWAY CITY BHD-2005
- 468. SUNWAY CITY BHD-2006
- 469. SUNWAY CITY BHD-2007
- 470. SUNWAY CITY BHD-2008
- 471. SUNWAY CITY BHD-2009
- 472. SUNWAY CITY BHD-2010

- 473. TAHPS GROUP BHD-2005
- 474. TAHPS GROUP BHD-2006
- 475. TAHPS GROUP BHD-2007
- 476. TAHPS GROUP BHD-2008
- 477. TAHPS GROUP BHD-2009
- 478. TAHPS GROUP BHD-2010
- 479. TANCO HOLDINGS BHD-2005
- 480. TANCO HOLDINGS BHD-2006
- 481. TANCO HOLDINGS BHD-2007
- 482. TANCO HOLDINGS BHD-2008
- 483. TANCO HOLDINGS BHD-2009
- 484. TANCO HOLDINGS BHD-2010
- 485. TEBRAU TEGUH BHD-2005
- 486. TEBRAU TEGUH BHD-2006
- 487. TEBRAU TEGUH BHD-2007
- 488. TEBRAU TEGUH BHD-2008
- 489. TEBRAU TEGUH BHD-2009
- 490. TEBRAU TEGUH BHD-2010
- 491. TIGER SYNERGY BHD-2005
- 492. TIGER SYNERGY BHD-2006
- 493. TIGER SYNERGY BHD-2007
- 494. TIGER SYNERGY BHD-2008
- 495. TIGER SYNERGY BHD-2009
- 496. TIGER SYNERGY BHD-2010
- 497. TRINITY CORPORATION-2005
- 498. TRINITY CORPORATION-2006
- 499. TRINITY CORPORATION-2007
- 500. TRINITY CORPORATION-2008
- 501. TRINITY CORPORATION-2009
- 502. TRINITY CORPORATION-2010
- 503. TROPICANA CORPORATION BHD-2005
- 504. TROPICANA CORPORATION BHD-2006
- 505. TROPICANA CORPORATION BHD-2007
- 506. TROPICANA CORPORATION BHD-2008

- 507. TROPICANA CORPORATION BHD-2009
- 508. TROPICANA CORPORATION BHD-2010
- 509. UNITED MALAYAN LAND BHD-2005
- 510. UNITED MALAYAN LAND BHD-2006
- 511. UNITED MALAYAN LAND BHD-2007
- 512. UNITED MALAYAN LAND BHD-2008
- 513. UNITED MALAYAN LAND BHD-2009
- 514. UNITED MALAYAN LAND BHD-2010
- 515. Y&G CORPORATION BHD-2005
- 516. Y&G CORPORATION BHD-2006
- 517. Y&G CORPORATION BHD-2007
- 518. Y&G CORPORATION BHD-2008
- 519. Y&G CORPORATION BHD-2009
- 520. Y&G CORPORATION BHD-2010
- 521. YNH PROPERTY BHD-2005
- 522. YNH PROPERTY BHD-2006
- 523. YNH PROPERTY BHD-2007
- 524. YNH PROPERTY BHD-2008
- 525. YNH PROPERTY BHD-2009
- 526. YNH PROPERTY BHD-2010
- 527. YTL BHD-2005
- 528. YTL BHD-2006
- 529. YTL BHD-2007
- 530. YTL BHD-2008
- 531. YTL BHD-2009
- 532. YTL BHD-2010