

**KEYNOTE ADDRESS BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE SEMINAR ON - CULTURE OF HIGH PERFORMANCE FOR G.L.C.'S
THEATRETTE AT MINISTRY OF FINANCE, PUTRAJAYA
14 MAY 2004**

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH DAN SALAM SEJAHTERA

YB TAN SRI NOR MOHAMED YAKCOP
MENTERI KEWANGAN KEDUA

YB DATUK MUSTAPA MOHAMED
MENTERI DI JABATAN PERDANA MENTERI

AHLI-AHLI YANG BERHORMAT

PARA PENERUSI, PENGARAH URUSAN DAN KETUA PEGAWAI EKSEKUTIF SYARIKAT
DIF-DIF JEMPUTAN

SAUDARA-SAUDARI YANG SAYA HORMATI SEKELIAN

1. ALHAMDULILLAH, SAYA BERSYUKUR KEHADIRAN ALLAH S.W.T KERANA DENGAN LIMPAH DAN KURNIANYA DAPAT KITA SAMA-SAMA HADIR DI PERTEMUAN YANG PENTING DAN BERMAKNA INI. SAYA BERBESAR HATI MELIHAT BEGITU RAMAI TOKOH-TOKOH KORPORAT DI SINI. SAYA INGIN MENGUCAPKAN TERIMA KASIH KEPADA SAUDARA-SAUDARI YANG TELAH DAPAT MELUANGKAN MASA DARI JADUAL KERJA MASING-MASING (YANG TENTUNYA SIBUK) UNTUK HADIR PADA PAGI INI. SESUNGGUHNYA, MAJLIS PADA HARI INI MERUPAKAN SALAH SATU PROGRAM KEMENTERIAN KEWANGAN YANG PALING PENTING BAGI TAHUN INI, DAN MUNGKIN JUGA UNTUK TAHUN-TAHUN YANG AKAN DATANG. PERTEMUAN KITA DI SINI MUNGKIN MENYAKSIKAN PERMULAAN SATU FASA BARU DALAM SEJARAH PEMBANGUNAN NEGARA DAN SEKTOR SWASTA.

LADIES AND GENTLEMEN

2. WE GATHER HERE TODAY TO TAKE A DETERMINED STEP, TO SEE THROUGH A CONCERTED EFFORT, TOWARDS MAKING MALAYSIA A MORE COMPETITIVE AND DEVELOPED NATION. AS LEADERS OF AND PARTICIPANTS IN THE NATION'S DEVELOPMENT, WE ARE ACUTELY AWARE OF THE CHALLENGES WE FACE FROM AN INCREASINGLY DEMANDING GLOBAL ECONOMY. THE INTERNATIONAL FLOW OF FUNDS, GOODS AND SERVICES MEANS THAT NO COMPANY IS SHIELDED FROM THE FORCES OF COMPETITION. AT THE SAME TIME, IT ALSO MEANS THAT NO COMPANY IS CONFINED TO ITS NATIONAL BORDERS IN SEEKING OPPORTUNITIES. THUS, AGAINST THIS BACKDROP OF 21ST CENTURY CHALLENGES AND OPPORTUNITIES, WE CLEARLY SEE THE IMPERATIVE FOR DECISIVE ACTION TOWARDS IMPROVING

THE COMPETITIVENESS OF OUR COMPANIES AND SUSTAINING OUR NATION'S GROWTH.

3. THIS DECISIVE ACTION REQUIRES NOTHING LESS THAN A REMAKING OF MALAYSIA INCORPORATED. THE CONCEPT OF CLOSE PARTNERSHIP BETWEEN GOVERNMENT AND BUSINESS STILL FORMS THE FOUNDATION OF MALAYSIA INC., BUT IT IS IMPERATIVE THAT WE SHIFT THE BASIS OF THIS PARTNERSHIP TO THAT OF TANGIBLE ACHIEVEMENT AND PERFORMANCE. ON THE PART OF GOVERNMENT, THIS MEANS ENHANCING THE PUBLIC SERVICE DELIVERY SYSTEM. ON THE PART OF BUSINESS, THIS MEANS IMPROVING COMPANY PERFORMANCE AND ENHANCING SHAREHOLDER VALUE.

4. NOWHERE IS THIS MORE RELEVANT THAN IN GOVERNMENT-LINKED COMPANIES, OR G.L.C.'S. IMPROVING THE PERFORMANCE OF G.L.C.'S IS SIMPLY ONE OF THE MOST SIGNIFICANT STEPS WE CAN TAKE TOWARDS ACHIEVING OUR VISION FOR COMPETITIVENESS AND PROSPERITY. IN TERMS OF REVENUE AND ASSET BASE, G.L.C.'S ACCOUNT FOR A SUBSTANTIAL COMPONENT OF THE MALAYSIAN ECONOMY. FOR EXAMPLE, THE 40 PUBLIC-LISTED G.L.C.'S PRESENT HERE, THAT COMPRISE ONLY 5% OF THE NUMBER OF COMPANIES ON BURSA SAHAM MALAYSIA, TOGETHER MAKE UP 34% OF THE TOTAL MARKET CAPITALISATION OF THE BURSA. THAT ADDS UP TO AN ENORMOUS 232 BILLION RINGGIT IN MARKET VALUE, MORE THAN HALF OF MALAYSIA'S G.D.P.. THUS, ANY CONSIDERABLE IMPROVEMENT IN THE EFFICIENCY AND PERFORMANCE OF G.L.C.'S WOULD BRING ABOUT MASSIVE BENEFITS, NOT ONLY TO THE STOCK EXCHANGE, BUT ALSO TO THE INCOME, CONSUMPTION AND WEALTH OF THE NATION.

5. G.L.C.'S ALSO MAKE UP THE BACKBONE OF THE COUNTRY'S ECONOMY. THROUGH THE PROVISION OF 'MISSION-CRITICAL SERVICES' SUCH AS TRANSPORTATION, ENERGY, TELECOMMUNICATIONS AND FINANCIAL SERVICES, G.L.C.'S SERVE A PIVOTAL ROLE IN THE OPERATION OF EVERY COMMERCIAL CONCERN IN MALAYSIA. THESE SAME VITAL SERVICES ALSO CONTRIBUTE SIGNIFICANTLY TOWARDS IMPROVING THE QUALITY OF LIFE FOR ORDINARY MALAYSIANS. HENCE, IMPROVING THE PERFORMANCE OF G.L.C.'S WOULD ALSO HAVE A FAR-REACHING EFFECT ON THE PERFORMANCE OF THE ECONOMIC SECTOR AS A WHOLE, AS WELL AS THE WELL-BEING OF ALL MALAYSIANS.

6. NEVERTHELESS, G.L.C.'S ARE NOT JUST ANCHORS FOR THE STOCK MARKET OR INPUTS TO THE MALAYSIAN DOMESTIC ECONOMY. WITH ITS EXPERIENCE, ASSETS AND G-2-G LINKAGES, G.L.C.'S ARE STRATEGICALLY PLACED TO TAKE ADVANTAGE OF CROSS-BORDER OPPORTUNITIES. WITH THE RIGHT FOCUS AND EFFORT, G.L.C.'S CAN BE GLOBAL PLAYERS IN THEIR OWN FIELDS, CAPABLE OF EXPORTING AND BRANDING THEIR PRODUCTS, SERVICES AND EXPERTISE IN THE SPIRIT OF MAKING MALAYSIA A 'TRUE TRADING NATION'. IN SHORT, G.L.C.'S ARE NOT ONLY STEWARDS OF THE NATION'S WEALTH, THEY CAN ALSO BE TRAILBLAZERS ON THE WORLD ECONOMIC STAGE.

7. SOME G.L.C.'S HAVE SHOWN THAT THEY ARE UP TO THE CHALLENGE. PETRONAS IS A STELLAR EXAMPLE. IT CURRENTLY OPERATES IN OVER 30 COUNTRIES AND

REMAINS MALAYSIA'S ONLY CONTRIBUTION TO THE GLOBAL FORTUNE 500 LIST OF WORLD'S LARGEST CORPORATIONS. PETRONAS IS THE PRIDE OF MALAYSIA AND EVIDENCE OF WHAT WE CAN ACHIEVE IF WE PUT OUR HEARTS AND MINDS INTO CONTINUOUSLY ENHANCING OUR PERFORMANCE.

8. HOWEVER, MANY OTHER G.L.C.'S APPEAR TO FALL SHORT, BOTH IN TERMS OF QUALITY OF THEIR GOODS AND SERVICES, AS WELL AS IN THEIR FINANCIAL PERFORMANCE. AS AN INDICATION, WE FIND THAT THE TOTAL RETURN TO SHAREHOLDERS OF PUBLIC-LISTED G.L.C.'S ACTUALLY TRAILS BEHIND OVERALL MARKET PERFORMANCE BY 21% OVER THE LAST FIVE YEARS. THIS IS A SIGNIFICANT LOSS FOR THE SHAREHOLDERS AND FOR THE NATION. SEVERAL REASONS HAVE BEEN GIVEN FOR THIS UNDERPERFORMANCE, INCLUDING 'SOCIAL OR NATIONAL POLICY OBLIGATIONS'. YET, COMPANIES SUCH AS PETRONAS APPEAR TO BE THRIVING UNDER THE SAME CONDITIONS. I AM SURE THAT SOME OF THE REASONS MAY HAVE SOME JUSTIFICATION, BUT I BELIEVE THAT WE MUST MOVE AWAY FROM LIMITING OURSELVES OR BLAMING OUR CIRCUMSTANCES, AND START PUSHING OURSELVES TO ACHIEVE MORE.

LADIES AND GENTLEMEN

9. FOR ALL THE REASONS THAT I MENTIONED, IT IS THEREFORE URGENT THAT WE PUT ALL OUR G.L.C.'S FIRMLY ON THE PATH TO GREATER PERFORMANCE. EARLIER, I HAD SAID THAT WE MUST TAKE DECISIVE ACTION ON THIS ISSUE. ESSENTIALLY THIS MEANS SYSTEMATICALLY INSTILLING A HIGH PERFORMANCE CULTURE WITHIN G.L.C.'S, BY MAKING PEOPLE IN THE COMPANIES MORE ACCOUNTABLE FOR, AND MORE REWARDED BY, COMPANY PERFORMANCE.

10. I HAVE LONG ADVOCATED THE IMPORTANCE OF THE RIGHT CULTURE, VALUES, ATTITUDES AND MINDSET FOR THE NATION, AS WELL AS THE CRITICAL ROLE OF PEOPLE IN ALL SPHERES. MACHINES AND TECHNOLOGY ARE BUT TOOLS; ULTIMATELY, IT IS HUMAN ABILITY, TALENT AND COMMITMENT THAT DRIVE PERFORMANCE AND CHANGE. IN A KNOWLEDGE-DRIVEN WORLD, A COMPANY'S HUMAN RESOURCES IS THE SOURCE OF ITS COMPETITIVE ADVANTAGE. HOWEVER, WE CANNOT HOPE TO GET THE MOST FROM PEOPLE, WHETHER OURSELVES OR OTHERS, IF PEOPLE ARE NOT ACCOUNTABLE FOR, AND NOT MOTIVATED BY, GOOD PERFORMANCE. THEREFORE, WE NEED TO MAKE PERFORMANCE MEASURABLE AND PERFORMANCE NEEDS TO BE TIED TO A SYSTEM OF REWARDS AND PENALTIES (NOT UNLIKE A SIMPLE CARROT AND STICK APPROACH). IN THIS CASE, WE MUST BE ABLE TO EVALUATE PEOPLE'S PERFORMANCE OBJECTIVELY AS WELL AS REWARD THEM ACCORDING TO THE LEVEL OF THEIR CONTRIBUTION.

11. IN LINE WITH THIS, DURING A SPECIAL ANNOUNCEMENT OF MEASURES TO BOOST THE MALAYSIAN CAPITAL MARKET MADE IN MARCH LAST YEAR, I MENTIONED THAT KEY PERFORMANCE INDICATORS (OR K.P.I.'S) WOULD BE IMPLEMENTED IN G.L.C.'S TO ENHANCE THEIR VALUE AND PERFORMANCE. IN JANUARY THIS YEAR, I REITERATED MY STAND IN A SPEECH TO THE NATIONAL ECONOMIC ACTION COUNCIL, WHERE I ANNOUNCED THE INTENTION TO IMPLEMENT AND MONITOR K.P.I.'S FOR G.L.C.'S IN THE IMMEDIATE TERM.

THROUGHOUT THIS INTERVENING PERIOD, TWO PILOT PROJECTS ON K.P.I. IMPLEMENTATION HAVE BEEN RUNNING IN MALAYSIA AIRLINES AND MALAYSIA AIRPORTS, RESPECTIVELY. THESE PILOT PROJECTS HAVE GONE WELL, AND A TASKFORCE HEADED BY THE SECOND FINANCE MINISTER HAVE DISTILLED THE LEARNINGS INTO A BOOKLET OF 13 GUIDELINES. THESE GUIDELINES, AS WELL AS THE SEMINAR TODAY, SHOULD FORM A STRONG BASIS FROM WHICH WE TAKE THE NEXT STEP, NAMELY TO IMPLEMENT PERFORMANCE LINKED COMPENSATION IN ALL G.L.C.'S.

12. I AM SURE THAT MOST IF NOT ALL OF THE G.L.C.'S ARE ALREADY FAMILIAR WITH THE RATIONALE OF DESIGNING AND MONITORING KEY PERFORMANCE INDICATORS. NEVERTHELESS, THE DIFFICULTY OFTEN FACED IS IN IMPLEMENTING THE SYSTEM EFFECTIVELY. FOR INSTANCE, PERFORMANCE EVALUATIONS IN G.L.C.'S ARE OFTEN INFLATED AND WITHOUT DIFFERENTIATION, WHERE 90% OR SO OF EMPLOYEES ARE SUMMARILY RATED AS "GOOD" OR "VERY GOOD" PERFORMERS. BONUSES PAID OUT MAY NOT BE BASED ON PERFORMANCE. FOR THESE REASONS AND MORE, AN IMPLEMENTATION STEERING COMMITTEE HAS BEEN SET UP, HEADED BY THE SECOND FINANCE MINISTER, TO MONITOR K.P.I. IMPLEMENTATION IN G.L.C.'S. THIS STEERING COMMITTEE WILL MEET ONCE A MONTH TO TRACK PROGRESS AND TO RESOLVE ANY ISSUES THAT MAY ARISE. I WOULD LIKE TO EMPHASISE HERE THAT THE SETTING UP AND HEAVY WORK OF THIS STEERING COMMITTEE INDICATES THE GOVERNMENT'S SERIOUSNESS TO SEE THROUGH THESE CHANGES. IT IS VITAL THAT WE MOVE AWAY FROM THE CULTURE OF THE IRON RICEBOWL AND OF PROMOTION BY SENIORITY TOWARDS A CULTURE WHICH RECOGNISES AND PROMOTES PERFORMANCE.

13. PROPER IMPLEMENTATION ENTAILS NOT ONLY THE DESIGN AND ALLOCATION OF K.P.I.'S; IT ALSO INVOLVES THE LINKING OF K.P.I. PERFORMANCE TO PAY AND TENURE. IN LINE WITH THIS, THE GOVERNMENT WILL PUT IN PLACE A HIGHER VARIABLE ELEMENT FOR SENIOR MANAGEMENT COMPENSATION, INVOLVING BONUSES AND STOCK OPTIONS, LINKED TO THE ACHIEVEMENT OF TARGETS IN THEIR K.P.I.'S. WE WILL ALSO ENSURE THAT ALL MEMBERS OF SENIOR MANAGEMENT AT G.L.C.'S BE EMPLOYED ON CONTRACT BASIS FOR A FIXED TERM, WITH RENEWAL DEPENDENT ON THE ACHIEVEMENT OF THEIR TARGETS. ULTIMATELY, WE WANT TO CREATE A NEW GENERATION OF CORPORATE STEWARDS FOR THE NEW MALAYSIA INCORPORATED: PROFESSIONAL MANAGERS WITH A STRONG FOCUS ON HIGH PERFORMANCE AND SUPERIOR VALUE CREATION.

14. AT THE SAME TIME, THE PRINCIPLES OF PERFORMANCE LINKED COMPENSATION SHOULD BE SUBSTANTIALLY APPLIED TO ALL LEVELS OF THE ORGANISATION, WHERE IT WILL BECOME THE BASIS FOR BONUS, PROMOTION AND TENURE. THE SENSE OF ACCOUNTABILITY AND OWNERSHIP NEEDS TO BE INGRAINED THROUGHOUT THE ORGANISATION SO THAT A CULTURE OF PERFORMANCE CAN PREVAIL. TO FURTHER STRENGTHEN THE PERFORMANCE CULTURE, THERE WILL ALSO NEED TO BE GREATER ALIGNMENT IN COMPENSATION BETWEEN G.L.C.'S AND THE MARKET. HUMAN RESOURCE COSTS MAKE UP A RELATIVELY SMALL 10-15% OF TOTAL COSTS IN G.L.C.'S, BUT THE COST OF HUMAN ERROR, LACK OF MOTIVATION AND ATTRITION COULD WELL BE MUCH LARGER. WE MAY NEED TO REVIEW THE COMPENSATION STRUCTURES WITHIN

G.L.C.'S SO THAT WE CAN ATTRACT AND RETAIN THE BEST MANAGEMENT TALENT AND THE MOST PROMISING EMPLOYEES.

LADIES AND GENTLEMEN

15. SENIOR MANAGEMENT OF G.L.C.'S WILL PLAY A LARGE ROLE IN SPEARHEADING EFFORTS TO INSTIL A HIGH PERFORMANCE CULTURE WITHIN THEIR RESPECTIVE ORGANISATIONS. THE PROCESS IS A DIFFICULT AND CHALLENGING ONE, REQUIRING COMMITMENT AND PERSISTENCE. THERE ARE NO SHORT-CUTS TO THIS PROCESS. NONETHELESS, WE SHOULD NOT FORGET THE SIGNIFICANT ROLE TO BE PLAYED BY THE BOARDS OF DIRECTORS OF THE G.L.C.'S. AS PROTECTOR OF SHAREHOLDER INTEREST AND THE 'STRATEGIC ARCHITECT' OF THE COMPANY, THE BOARD MUST NECESSARILY BE PASSIONATE AND VIGILANT ABOUT PERFORMANCE. THIS MEANS SETTING ACHIEVABLE BUT CHALLENGING TARGETS FOR SENIOR MANAGEMENT, BASED ON APPROPRIATE GLOBAL BENCHMARKS. THIS ALSO MEANS CONTRIBUTING MEANINGFULLY, IN A WAY THAT EMPOWERS THE MANAGEMENT TO PERFORM AND DELIVER RESULTS.

16. THE GOVERNMENT IS VERY MUCH AWARE OF THE NEED TO REAP THE SYNERGIES FROM A TALENTED BOARD AND A CAPABLE MANAGEMENT. HENCEFORTH, BOARDS AT G.L.C.'S WILL BE MADE SMALLER (TO 10 OR LESS MEMBERS) TO ENHANCE THEIR FOCUS AND EFFECTIVENESS. IN ADDITION, THE GOVERNMENT WILL STRIVE TO APPOINT MORE PROFESSIONAL DIRECTORS WITH THE EXPERIENCE AND KNOWLEDGE TO CONTRIBUTE TO AND SAFEGUARD SHAREHOLDER INTERESTS. INCREASINGLY, THE GOVERNMENT'S INTEREST IN G.L.C.'S WILL BE REPRESENTED BY DIRECTORS CHOSEN FROM A POOL OF PROFESSIONALS, DISTINGUISHED EX-CIVIL SERVANTS, SPECIALISTS AND OTHER KNOWLEDGEABLE MALAYSIANS WHO HAVE DISTINGUISHED THEMSELVES IN THEIR RESPECTIVE FIELDS.

17. IN THE INTERESTS OF PROFESSIONALISM AND PROPRIETY, THE GOVERNMENT WILL ENSURE THAT GOVERNMENT REPRESENTATIVES WHO ARE ALSO REGULATORS NO LONGER ACT AS DIRECTORS AT COMPANIES WHICH THEY REGULATE. WE AIM TO REMOVE ANY POSSIBLE CONFLICTS OF INTEREST IN THE RUNNING OF G.L.C.'S, GIVEN THAT LEGALLY, DIRECTORS SHOULD ONLY ACT IN THE SHAREHOLDERS' INTEREST. OF COURSE, CONSULTATION BETWEEN REGULATORS, POLICYMAKERS, THE BOARDS AND MANAGEMENT OF G.L.C.'S WILL BE NECESSARY IN ORDER TO SMOOTHEN THE FLOW OF WORK, BUT THE AFOREMENTIONED CHANGES SHOULD BE UNDERTAKEN IN ORDER TO STRENGTHEN THE PERFORMANCE FACTOR OF MALAYSIA INCORPORATED.

18. AS MAJOR SHAREHOLDERS OF G.L.C.'S, THE GOVERNMENT WILL CONTINUE TO FOCUS ON MAXIMISING THE INVESTMENT VALUE FOR THE GOVERNMENT OF MALAYSIA AND TO PROVIDE SUPPORT. FOR EXAMPLE, THE GOVERNMENT CAN CAPITALISE ON ITS LINKAGES TO ASSIST G.L.C.'S IN IDENTIFYING OR FORMING INVESTMENT PARTNERSHIPS, PARTICULARLY WITH FOREIGN G.L.C.'S AND TECHNOLOGY PARTNERS. IN GENERAL THOUGH, THE GOVERNMENT BELIEVES IN EMPOWERING THE DIRECTORS AND MANAGEMENT OF G.L.C.'S TO CARRY OUT

THEIR PROFESSIONAL DUTIES. THUS, FOR ITS PART, THE GOVERNMENT WILL STRIVE TO PUT IN THE REQUIRED SUPPORTING STRUCTURES AND GIVE THE NEEDED FLEXIBILITY FOR DIRECTORS AND MANAGERS TO PERFORM AND DELIVER.

LADIES AND GENTLEMEN

19. I HAVE EXPOUNDED UPON SEVERAL PRINCIPLES OF PERFORMANCE MANAGEMENT AND BOARD PROFESSIONALISM AT SOME LENGTH. SOME OF THESE PRINCIPLES WILL BE PUT INTO IMMEDIATE PRACTICE, STARTING WITH THE IMPLEMENTATION OF K.P.I.'S AT G.L.C.'S.. AS ANOTHER EXAMPLE OF PUTTING PRINCIPLES INTO PRACTICE, I WOULD LIKE TO ANNOUNCE A FEW CHANGES TO BE MADE TO THE STRUCTURE AND OPERATIONS OF ONE OF THE GOVERNMENT'S PREMIER INVESTMENT VEHICLES, KHAZANAH NASIONAL.

20. THE GOVERNMENT WOULD LIKE TO SEE KHAZANAH EMERGE AS ONE OF THE BIGGEST AND MOST DYNAMIC INVESTMENT HOUSES IN THE REGION. IN LINE WITH THIS, THE BOARD OF KHAZANAH WILL BE RESTRUCTURED AND REDUCED IN NUMBER. NEW PROFESSIONAL MANAGEMENT WILL BE INJECTED INTO THE SENIOR RANKS OF KHAZANAH. IN THE SPIRIT OF RATIONALISATION, THERE WILL BE A TRANSFER OF PUBLIC-LISTED COMPANY SHARES BELONGING TO MOF INC. TO KHAZANAH NASIONAL TO CONSOLIDATE SOME OF THE GOVERNMENT'S HOLDINGS AND TO REAP THE BENEFITS FROM KHAZANAH'S NEW MANAGEMENT AND BOARD OF DIRECTORS. TOGETHER WITH THE IMPLEMENTATION OF K.P.I.'S, I BELIEVE THAT THESE CHANGES WILL SEE KHAZANAH EMERGE STRONGER, MORE NIMBLE AND ABLE TO CREATE MORE VALUE FOR THE GOVERNMENT. I ALSO EXPECT TO SEE SIMILAR CHANGES TO OTHER G.L.C.'S AND HOLDING COMPANIES VERY SOON.

LADIES AND GENTLEMEN

21. BEYOND IMPLEMENTATION OF K.P.I.'S, THERE SHOULD ALSO BE A MORE COMPREHENSIVE FRAMEWORK FOR CORPORATE GOVERNANCE IN THE COUNTRY TO ENHANCE PRIVATE SECTOR PERFORMANCE. THE ENFORCEMENT OF CORPORATE GOVERNANCE STANDARDS AND ASSOCIATED LAWS NEEDS TO BE STEPPED UP AND IMPROVED. WE CANNOT AFFORD TO MERELY HAVE THE BEST LAWS IN PLACE, AND YET FALL SHORT IN TERMS OF IMPLEMENTATION AND ENFORCEMENT OF THOSE LAWS.

22. THE ENFORCEMENT OF CORPORATE GOVERNANCE CURRENTLY DEPENDS ON THE POLICE, THE COMPANIES COMMISSION AND THE SECURITIES COMMISSION EACH PLAYING THEIR RESPECTIVE ROLES EFFECTIVELY. DUE TO THE NATURE OF INVESTIGATION FOR COMMERCIAL CRIME OR MISCONDUCT (WHICH SPANS SECURITIES LAW, COMPANIES LAW AND CRIMINAL LAW), THERE IS MUCH NEED TO IMPROVE THE COORDINATION AND COOPERATION BETWEEN THE SAID THREE PARTIES, WHOSE JURISDICTIONS DIFFER. THEREFORE, IN THE INTERIM, A HIGH LEVEL CORPORATE GOVERNANCE COMMITTEE WILL BE SET UP, HEADED BY THE CHAIRMAN OF THE SECURITIES COMMISSION, WITH THE CHAIRMAN OF THE

COMPANIES COMMISSION, THE DIRECTOR OF THE COMMERCIAL CRIMES DIVISION OF THE POLICE AND THE DEPUTY C.E.O. OF THE S.C. AS MEMBERS. THIS COMMITTEE WILL PROVIDE REGULAR PROGRESS REPORTS TO ME REGARDING CORPORATE INVESTIGATIONS, PARTICULARLY THOSE THAT ARE OVERDUE FOR SOME REASON OR OTHER. THE COMMITTEE WILL ALSO COORDINATE ALL INVESTIGATIONS, SO THAT NO MISCONDUCT FALLS THROUGH THE CRACKS AND THAT INVESTIGATIONS CAN BE CONDUCTED MORE PROMPTLY.

23. GOING FORWARD, MORE LONG-TERM MECHANISMS WILL NEED TO BE PUT IN PLACE TO ENSURE SMOOTH ENFORCEMENT OF CORPORATE GOVERNANCE STANDARDS AND LAWS. IN THIS REGARD, THE CORPORATE LAW REFORM COMMITTEE, RECENTLY ESTABLISHED BY THE COMPANIES COMMISSION, WILL PLAY A SIGNIFICANT ROLE. THIS COMMITTEE IS WELL PLACED TO STUDY AND PROPOSE NECESSARY CHANGES TO THE ALLOCATION OF RESPONSIBILITIES BETWEEN THE THREE ENFORCEMENT AGENCIES TO MINIMISE DUPLICATION AND ENSURE GREATER EFFECTIVENESS.

24. THE REGULATORY FRAMEWORK FOR G.L.C.'S AND OTHER COMPANIES SHOULD ALSO COVER THE MONITORING OF SERVICE QUALITY. WE MUST ENSURE THAT THESE COMPANIES ADHERE TO ACCEPTABLE STANDARDS OF SERVICE, ESPECIALLY IN THE CASE OF NATURAL MONOPOLIES. FOR THAT REASON, THE CAPACITY OF REGULATORS OF ESSENTIAL SERVICES SUCH AS ELECTRICITY, TELECOMMUNICATIONS AND WATER MUST KEEP UP WITH THE GROWTH OF THESE INDUSTRIES IN ORDER FOR REGULATION TO BE EFFECTIVE.

LADIES AND GENTLEMEN

25. AS WE CONTINUE TO PROGRESS TOWARDS VISION 2020, WE MUST EMBRACE PERFORMANCE AND MAKE IT A DEFINING FEATURE OF OUR CULTURE. IN AN INCREASINGLY OPEN AND CHALLENGING WORLD, ONLY CONSISTENT PERFORMANCE AND THE ABILITY TO INNOVATE WILL BRING SUCCESS. INDEED, LIVING AND BREATHING PERFORMANCE/EXCELLENCE IS A CHALLENGING PROCESS IN ITS OWN RIGHT, BUT I STRONGLY BELIEVE THAT WE – BE IT THE GOVERNMENT, GOVERNMENT-LINKED COMPANIES, PRIVATE SECTOR FIRMS OR THE PEOPLE OF MALAYSIA – ARE UP TO THE CHALLENGE.

26. AS THE BACKBONE AND MAJOR CONTRIBUTOR TO THE ECONOMY, G.L.C.'S MUST LEAD THE CHARGE. I THEREFORE CALL UPON ALL G.L.C.'S TO COMMENCE WORK IMMEDIATELY TO ENABLE IMPLEMENTATION OF K.P.I.'S AND PERFORMANCE-LINKED COMPENSATION NO LATER THAN 1 JANUARY 2005. ALONG WITH IMPROVEMENTS TO BOARD COMPOSITION AND THE REGULATORY STRUCTURE OF CORPORATE MALAYSIA, I BELIEVE THAT WE WILL SEE A NEW PHASE IN MALAYSIA'S ECONOMIC DEVELOPMENT. THIS EXPECTATION FILLS ME WITH GREAT RESOLVE TO SEE MALAYSIAN G.L.C.'S AS LEADING LIGHTS ON THE WORLD STAGE – I HOPE THAT YOU TOO SHARE MY DETERMINATION AND WILL SET TO WORK TO REALISE OUR HOPES AND ASPIRATIONS IN ACHIEVING EXCELLENCE, GLORY AND DISTINCTION.

THANK YOU.