

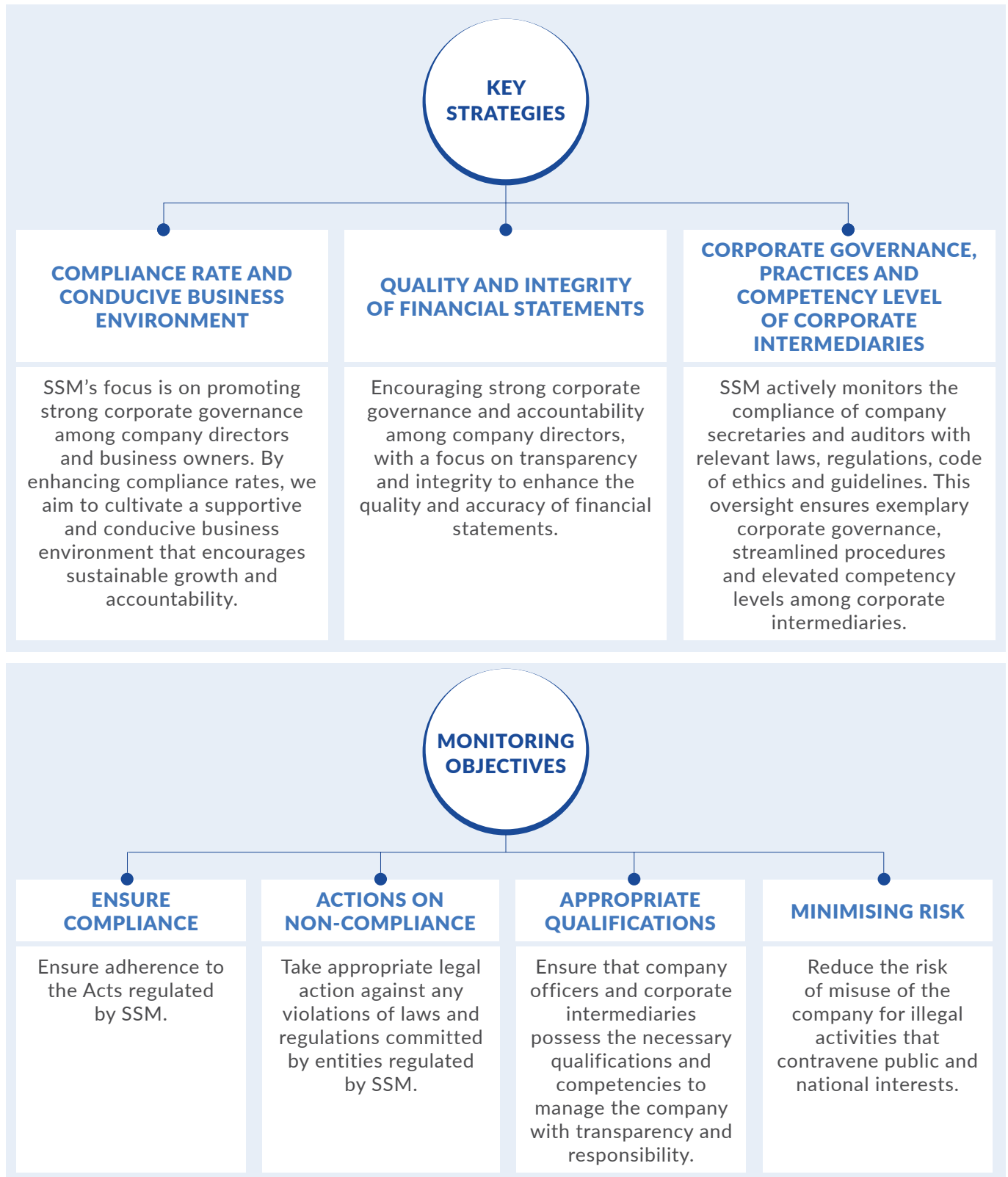


ENFORCEMENT INITIATIVES

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES

In 2023, SSM continued to focus on three (3) key enforcement initiatives as part of its strategies to cultivate a conducive business environment and enhance transparency within the corporate sector. These initiatives were designed to effectively monitor and achieve the following objectives:



MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**INSPECTION AND MONITORING ACTIVITIES**

In 2023, SSM undertook comprehensive physical and data inspection activities across a total of 655,081 companies, 623,428 businesses and 12,871 LLPs.

These inspections covered a range of areas, including:

ENTITIES	PHYSICAL INSPECTION	DATA INSPECTION
COMPANIES	<p>Scope of Monitoring:</p> <ul style="list-style-type: none"> • Compliance with section 30(1) of the CA 2016: Ensuring the proper display of company names and registration numbers at business premises. • Maintenance of Statutory Books: Overseeing the accurate record-keeping and maintenance of statutory books by company secretaries, in accordance with sections 105, 362, 59, 57, 47, 343 and 54 of the CA 2016, as well as the requirements outlined in the Companies Regulations (CR) 2017. • Qualifications of Company Secretaries: Monitoring adherence to the qualification standards for company secretaries as stipulated in section 235 of the CA 2016. • Competency Assessment of Company Secretaries: Evaluating the competency of company secretaries based on their level of compliance with the provisions and requirements of the CA 2016. 	<p>Scope of Monitoring:</p> <ul style="list-style-type: none"> • Annual Returns Lodgement: Monitoring the status of Annual Returns lodgement in accordance with section 68(1) of the CA 2016. • Financial Statement Lodgement: Assessing the lodgement status of financial statements as required by sections 248(1), 258(1) and 259(1) of the CA 2016. • Company Secretary Requirements: Ensuring that every incorporated company has at least one (1) company secretary, as mandated by section 240 of the CA 2016. • Auditor Qualifications and Independence: Evaluating the qualifications and independence of auditors in accordance with section 264 of the CA 2016 and the conditions for Auditor Renewal Approval established by the Ministry of Finance. • Auditor Obligations: Monitoring auditors' compliance with section 266(3)(b) of the CA 2016 regarding their opinion for maintaining statutory books. • Liquidator Qualifications and Independence: Assessing the qualifications and independence of liquidators as outlined in section 433 of the CA 2016. • Compliance with section 30(2) of the CA 2016: Ensuring adherence to requirements concerning the display of company names and registration numbers on official documents and publications, including electronic formats and website maintenance of statutory books.
	<p>TOTAL: 18,840 (2022: 23,691), (2021: 3,919)</p>	<p>TOTAL: 636,241 (2022: 531,744), (2021: 325,252)</p>

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES

ENTITIES	PHYSICAL INSPECTION	DATA INSPECTION
BUSINESSES	Scope of Monitoring: <ul style="list-style-type: none"> • Compliance with Rule 13A(2) of the ROBR 1957: Ensuring that business names and registration numbers are prominently displayed outside the place of business. • Compliance with section 12(2) of the ROBA 1956: Monitoring the proper display of registration certificates at business premises. • Compliance with sections 12(1)(a) and 12(1)(b) of the ROBA 1956: Overseeing adherence to the requirements for business registration and renewal. 	Scope of Monitoring: <ul style="list-style-type: none"> • Monitoring Business Registration Expiry Dates: Tracking and overseeing business registration expiry dates in accordance with section 12(1)(b) of the ROBA 1956. • Public Interest Concerns: Addressing issues related to public interest, including illegal investments and other relevant matters.
	TOTAL: 23,901 (2022: 29,944), (2021: 5,503)	TOTAL: 599,527 (2022: 671,516), (2021: 189,432)
LIMITED LIABILITY PARTNERSHIPS	Scope of Monitoring: <ul style="list-style-type: none"> • Compliance of LLPs with Accounting Records: Ensuring that LLPs maintain accounting records and other relevant documentation as required by section 69 of the LLPA 2012. 	Scope of Monitoring: <ul style="list-style-type: none"> • Annual Declaration Lodgement: Monitoring the lodgement of annual declarations by LLPs in accordance with section 68(2) of the LLPA 2012. • Public Interest Concerns: Addressing issues that may impact public interest, such as illegal investments and other related matters.
	TOTAL: 183 (2022: 183), (2021: 30)	TOTAL: 12,688 (2022: 11,041), (2021: 4,448)
TOTAL	42,924 (2022: 53,818), (2021: 9,452)	1,248,456 (2022: 1,214,301), (2021: 519,132)

OTHER ENFORCEMENT ACTIVITIES IN 2023**SSM Online Business Alert (OBA)**

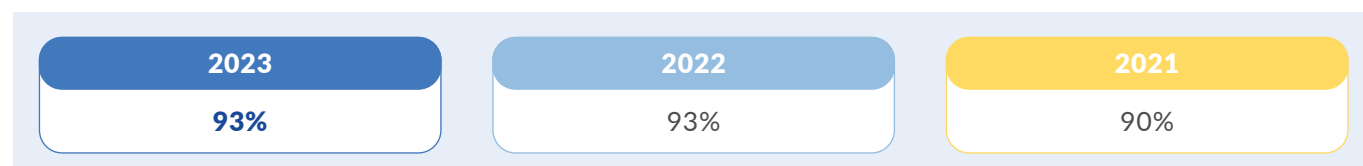
The SSM Online Business Alert (OBA) was launched to raise public awareness about the risks of engaging with entities that conduct online business unethically. Since its inception, 21 entities have been identified and listed on the SSM website.

Additionally, the SSM OBA features a compilation of online business renewal sites operated by third parties that are not regulated by SSM. The findings revealed 14 websites offering illegal business renewal services, often imposing excessive fees that place an undue burden on business owners.

ENFORCEMENT INITIATIVES**COMPLIANCE RATE FOR ANNUAL RETURN SUBMISSION**

SSM has consistently focused on promoting compliance with the submission of Annual Returns (AR) to the Registrar. In 2023, SSM achieved a compliance rate of 93% for AR submissions.

The chart below illustrates a three-year comparison of SSM compliance rates:

**Enforcement Actions under the CA 2016****1,534,545**

- ▶ Total number of companies in the register until 31 December 2023

(2022: 1,482,579)

(2021: 1,429,109)

527,506

- ▶ Total number of active companies that submitted their Annual Return in 2023

(2022: 509,378)

(2021: 418,655)

812,725

- ▶ Total number of dissolved companies until 31 December 2023

(2022: 784,157)

(2021: 727,473)

39,325

- ▶ Total number of active companies that did not file their Annual Return in 2023

(2022: 39,279)

(2021: 47,323)

708,272

- ▶ Total number of companies in the register yet to be dissolved until 31 December 2023

(2022: 693,146)

(2021: 701,636)

14,232

- ▶ Total notices of section 551 of the CA 2016 served for the purpose of striking the company's name off the register in 2023

(2022: 32,297)

(2021: 24,896)

566,831

- ▶ Total number of active companies obliged to submit Annual Return in 2023

(2022: 548,657)

(2021: 465,978)

8,868

- ▶ Total number of prosecution files opened in 2023

(2022: 7,952)

(2021: 7,832)

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**STATISTIC OF ONLINE AND MEDIA MONITORING**

	2023	2022	2021
Section 12(1)(a) of the ROBA 1956 Unregistered business	20	1,429	52
Section 12(1)(b) of the ROBA 1956 Business failed to renew registration	-	206	127
Section 30(2) of the CA 2016 Company failed to display the company name and number on the website/social media	1,246	221	360
Rule 13A of the ROBR 1957 Failed to display name and business registration number	1,246	765	536
Rule 17A(1)(b) of the ROBR 1957 Failed to update business information	30	110	-
Section 20(3) of the LLPA 2012 Failed to display LLPs name and registration number on the website/social media	1	5	-
Compliance Notice	477	2,163	1,075
Compound	296	247	-

MONITORING OF BANKRUPT DIRECTORS, COMPANIES THAT FAIL TO SUBMIT STATEMENT OF AFFAIRS AND DORMANT COMPANIES WITH CHARGES THAT HAVE NOT YET BEEN SETTLED

WINDING UP COMPANIES WHICH FAILED TO SUBMIT STATEMENT OF AFFAIRS	BANKRUPT DIRECTOR	DORMANT COMPANIES WITH CHARGES THAT HAVE NOT YET BEEN SETTLED
<p>Total Notices: A total of 454 compliance notices were issued under section 484 of the CA 2016, directed at directors and company secretaries.</p> <p>Administrative Actions: Administrative actions were imposed on 261 company directors and secretaries.</p> <p>2022: 405 compliance notices and 405 administrative actions 2021: 444 compliance notices and 444 administrative actions</p>	<p>Total Notices: Five (5) compliance notices were issued under section 198 of the CA 2016 against bankrupt directors.</p> <p>Administrative Actions: Administrative actions were taken against six (6) directors.</p> <p>2022: 11 compliance notices and one (1) administrative action 2021: No compliance notices and two (2) administrative actions</p>	<p>Total Notices: A total of 2,696 compliance notices were issued under section 360 of the CA 2016 against companies, directors and company secretaries.</p> <p>Striking Off Actions: Proposals for striking off were made for 716 companies under section 549 of the CA 2016.</p> <p>2022: 1,409 compliance notices and 477 companies proposed for striking off 2021: 1,469 compliance notices and 79 companies proposed for striking off</p>

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**STATISTIC OF PHYSICAL INSPECTIONS, NIGHT MARKETS & FOOD TRUCK (OPS SAMAR), INTEGRATED OPERATIONS (OPS NIAGA) AND INTEGRATED OPERATIONS (OPS PATUH WITH VARIOUS SSM STATE OFFICES)**

	2023	2022	2021
Business Premises Inspections under the ROBA 1956	3,714	2,680	875
Company Premises Inspections under the CA 2016	3,089	2,792	606
LLP Premises Inspections under the LLPA 2012	32	62	9
Night Markets & Food Truck Inspections (OPS SAMAR)	6	4	4
Integrated Operations (OPS NIAGA)	6	3	-
Integrated Operations (OPS PATUH WITH VARIOUS SSM STATE OFFICES)	2	1	-
Compounds	402	114	21

MONITORING COMPANY FINANCIAL STATEMENTS

The accuracy and reliability of Financial Statement information submitted to SSM are critical components of our regulatory focus, alongside other corporate information. To remain responsive to current circumstances, SSM is committed to implementing a balanced enforcement approach.

Monitoring of Financial Statement is conducted in accordance with the compliance requirements outlined in the CA 2016 and the CCMA 2001, as well as compliance with approved accounting standards relevant to Financial Statement preparation. This monitoring is carried out using a risk-based approach.

The primary objective is to ensure that companies maintain proper accounting records and supporting documentation, that financial statements are prepared promptly and that they accurately reflect all transactions. This process also ensures that the financial statements provide a true and fair view, as mandated by section 259 of the CA 2016.

In 2023, a total of 6,057 financial statements underwent monitoring through both data analysis and physical inspections, covering a wide range of scopes and types of entities to uphold the integrity of the Financial Statement lodged with SSM.

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**MONITORING OF FINANCIAL STATEMENTS WITH MODIFIED OPINION IN THE AUDITOR'S REPORT**

A modified opinion in an auditor's report indicates that certain issues were identified during the auditing process, affecting the Financial Statement. There are three types of modified opinions issued by auditors: Modified-Except For, Modified-Disclaimer and Modified-Adverse.

The primary objective of monitoring Financial Statement with modified opinions is to raise awareness among company directors about the importance of maintaining comprehensive accounting records. This ensures they can accurately explain transactions and the financial position of the company, as outlined in section 245 of the CA 2016. Our monitoring efforts aim to ensure that the prepared Financial Statement present a true and fair view.

In 2023, a total of 1,551 Financial Statement with modified opinions were monitored, comprising 1,536 through data analysis and 15 through physical inspections conducted in Kuala Lumpur, Selangor, Melaka, Johor, Perak, Pulau Pinang and Sabah. The companies involved in this monitoring included both private companies and publicly listed entities.

Monitoring of Financial Statements with (Modified) opinion**2023: 1,551**

2022: 2,883 Financial Statements
2021: 1,364 Financial Statements



Physical monitoring was carried out around Kuala Lumpur, Selangor, Melaka, Johor, Perak, Penang and Sabah

MONITORING OF EXEMPT PRIVATE COMPANIES

SSM monitors Exempt Private Companies (EPCs) even though they were not required to lodge their Financial Statement with SSM. An EPC was defined as a private company where no beneficial interest in its shares was held, directly or indirectly, by any corporation and which had no more than twenty members, none of whom were corporations.

The primary objective of physical inspections was to ensure compliance with the provisions outlined in sections 47(1)(h), 245(1) to (4), 257(1), 260(2) and 261(1) of the CA 2016. Additionally, these inspections aimed to prevent the misuse of the privileges granted to EPCs, particularly regarding the exemption from auditing their Financial Statement and adherence to related provisions.

Inspections were conducted at the registered address and focused on the company's responsibility to maintain a copy of the audited financial statements at this location, along with compliance with other EPC-related provisions. The competency of the company secretary was assessed based on their ability to submit forms under section 47(2) of the CA 2016, particularly if the registered address differed from where documents and records were maintained.

Furthermore, inspections were also performed at the location where accounting records were kept to ensure that these records were accurate and verifiable against the company's supporting documentation.

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES

The statistics on inspections conducted throughout 2023 are as follows:

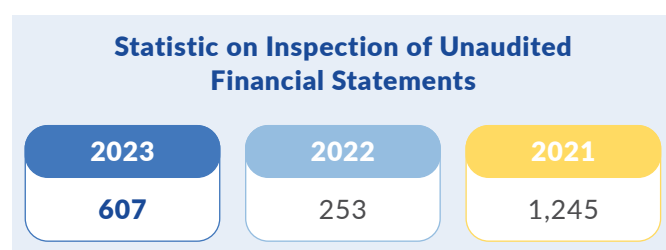
**MONITORING ON UNAUDITED FINANCIAL STATEMENTS**

On 4 August 2017, SSM issued Practice Directive No. 3/2017 (PD3/2017): Qualifying Criteria for Audit Exemption for Certain Categories of Private Companies. This directive provides guidelines that allow certain private companies to qualify for an audit exemption based on specific criteria.

SSM has monitored the unaudited Financial Statements submitted by these companies to ensure compliance with the criteria established in PD3/2017. The monitoring focuses on the following categories:

- (a) Dormant companies
- (b) Zero-Revenue Companies
- (c) Threshold-Qualified Companies

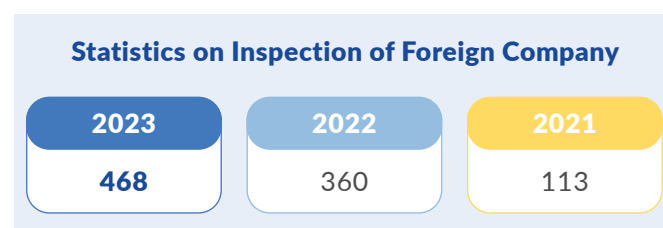
The statistics on inspections conducted throughout 2023 are as follows:

**MONITORING ON FOREIGN COMPANIES**

Inspections of foreign companies were conducted to raise awareness about the importance of maintaining comprehensive accounting records, enabling them to adequately explain transactions and their financial position. This effort also aimed to improve the compliance rate of foreign companies under sections 245 and 574 of the CA 2016.

SSM issued a Foreign Company Information Form (BMSA) to facilitate the collection of information from foreign companies.

The total number of data and physical inspections of foreign companies was as follows:

**MONITORING OF TRUST COMPANIES**

A trust company is an entity incorporated under the CA 2016 and registered as a trust company under the TCA 1949. According to section 8 of the TCA 1949, a trust company is authorised to accept and execute the roles of executor, administrator, trustee, receiver, manager, assignee, liquidator, guardian of the property of an infant, committee of the estate of mentally disordered persons, or any other fiduciary responsibilities. Given that trust companies manage various types of trusts and funds, they are particularly vulnerable to the risk of money laundering.

In 2023, a survey titled 'Business Review: Directors' Feedback Survey' was circulated to all trust companies to gather information on the level of awareness among trust company directors regarding the provision of business reviews in directors' reports. This awareness was linked to disclosures related to corporate responsibility and the sustainability of the business.

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES

Throughout 2023, a total of 37 trust companies were monitored to ensure compliance with section 245 of the CA 2016 and section 21 of the TCA 1949.

**MONITORING OF DIRECTORS' REPORT IN FINANCIAL STATEMENTS**

Section 252(1) of the CA 2016 required directors of a company to prepare a director's report, which had to be filed with SSM along with the company's Financial Statement. Companies were obligated to disclose subsidiaries in their consolidated Financial Statement in accordance with section 250 of the CA 2016. As specified in the Fifth Schedule under section 253 of the CA 2016, the director's report needed to clearly outline details in the company's Financial Statement or consolidated Financial Statement for the company and its subsidiaries, including the name, place of incorporation, principal activities and percentage of issued share capital held by the company in each subsidiary.

Throughout 2023, a total of 2,493 directors' reports within the company's Financial Statement were examined.

2023	2022	2021
2,493	898	N/A

MONITORING OF CONSOLIDATED FINANCIAL STATEMENTS

In relation to Financial Statement, SSM ensured compliance with sections 244, 247 and 250 of the CA 2016, which pertain to the requirement for companies to prepare consolidated Financial Statement. A consolidated Financial Statement presents a group of financial statements as a single enterprise. The focus of monitoring under section 250 of the CA 2016, among other aspects, was to ensure that holding companies disclosed their subsidiaries in the consolidated Financial Statement.

The data monitoring statistics are as follows:

Data Monitoring Statistics Consolidated Financial Statements		
2023	2022	2021
80 Companies	10 Companies	N/A

ENFORCEMENT INITIATIVES**OFFENCES IDENTIFIED DURING INSPECTIONS IN 2023****215****Section 245 of the CA 2016**

Failure of a company to maintain accounting records and other necessary documentation.

9**Section 244 of the CA 2016**

Failure of a company to comply with the approved accounting standards.

86**Section 27B of the CCMA 2001**

Failure of a company to provide information or documents relevant to the Registrar's functions and powers.

2**Section 250 of the CA 2016**

Failure of a company to prepare consolidated Financial Statement.

102**Practice Directive 3/2017**

Failure of a company to comply with Practice Directive 3/2017: Qualifying Criteria for Audit Exemption for Certain Categories of Private Companies.

MONITORING OF LIMITED LIABILITY PARTNERSHIPS ACCOUNTING RECORDS

In 2023, SSM continued to monitor LLPs to ensure compliance with relevant guidelines and legislation. This included oversight of each LLP's adherence to section 69 of the LLPA 2012, which pertains to the maintenance of accounting records. SSM aimed to ensure that LLPs provided accurate and clear information in line with section 80 of the LLPA 2012.

The primary objective of this monitoring was to enhance awareness among compliance officers and partners about the critical importance of keeping thorough accounting records. This practice is essential for accurately explaining transactions and the financial position of the LLP, ultimately contributing to a higher compliance rate among LLPs.

**ENFORCEMENT ACTIONS**

A total of 12 compliance notices were issued based on discrepancies found between the values disclosed in key financial indicators and the accounts of LLPs. This action aligns with the requirements of section 17 of the LLPA 2012, which mandates that any changes registered for an LLP must be communicated to the Registrar within 14 days, or within any extended period that may be permitted.

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**PUBLIC AWARENESS INVOLVING FINANCIAL STATEMENTS OF COMPANIES AND LLPs**

In continuation of the activities mentioned above, SSM is also active in holding a public awareness programme through e-postcards to increase the level of awareness among directors, company secretaries, company agents and compliance officers regarding the provisions as follows:

- (a) Compliance with section 47(1)(h) of the CA 2016 regarding the requirement to maintain a copy of Financial Statement at the registered office address;
- (b) Adherence to accounting standards approved under section 244 of the CA 2016;
- (c) Compliance with accounting records and other documentation under section 245 of the CA 2016;
- (d) Implementation of an internal control system under section 246 of the CA 2016;
- (e) Preparation of consolidated Financial Statement under section 250(1) of the CA 2016;
- (f) Inclusion of the required content in the director's report within the Financial Statement, under section 252(1) and 252(3) of the CA 2016;
- (g) Reporting on business reviews under section 253(3) of the CA 2016;
- (h) Compliance with section 257 of the CA 2016 regarding the distribution of Financial Statement to company members;
- (i) The obligation to file a certificate related to EPC along with the auditor's statement, under section 260 and 261 of the CA 2016;
- (j) Compliance with accounting records maintenance by foreign companies under section 574 of the CA 2016;
- (k) Raising awareness among agents and directors of foreign companies about the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Illegal Activities Act 2001;
- (l) Compliance with the maintenance of accounting records and other documentation under section 69 of the LLPA 2012; and
- (m) Addressing offences related to false and misleading statements under section 80 of the LLPA 2012.

Statistic on public awareness involving Financial Statement of companies and LLPs for the year 2023 are as below:

**MONITORING OF COMPANIES LIMITED BY GUARANTEE**

The monitoring of Companies Limited by Guarantee (CLBG) is essential due to their involvement in the collection and distribution of funds. This oversight ensures that CLBGs comply with the provisions of the CA 2016, CLBG Guidelines and the CCMA 2001. Section 45(1) of the CA 2016 allows CLBGs to pursue objectives such as welfare, religious, educational, social and other related activities that benefit the community and the nation.

The monitoring activities for CLBGs encompassed both physical inspections and data analysis. Additionally, e-postcards were distributed to promote the values of good corporate governance among CLBG directors.

ENFORCEMENT INITIATIVES

PHYSICAL INSPECTIONS OF CLBGs

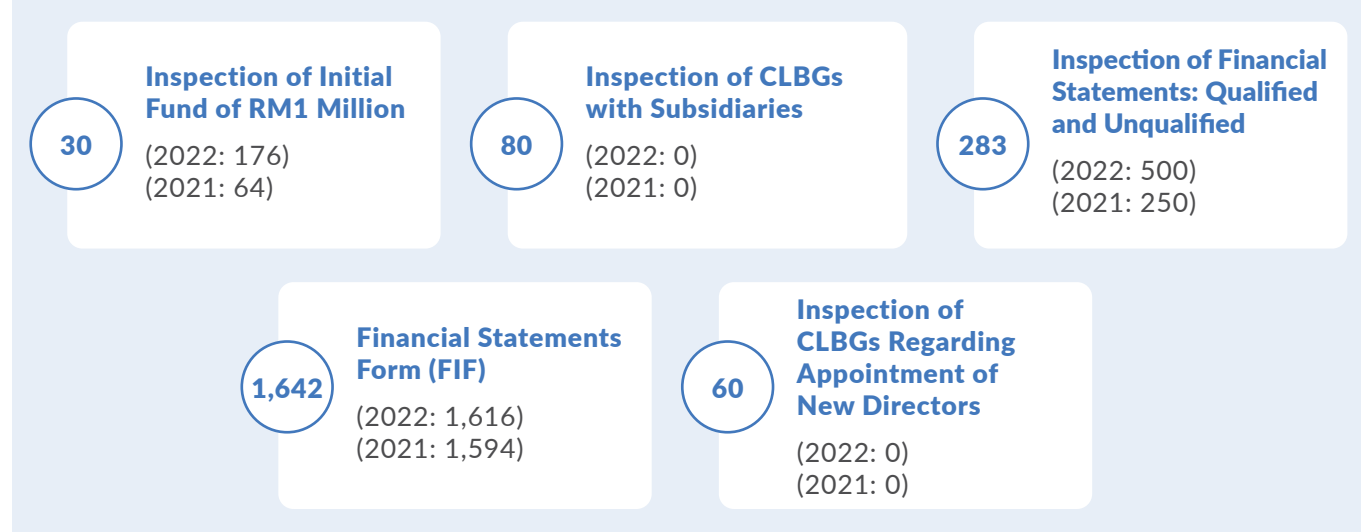
In 2023, SSM conducted physical inspections of 40 CLBGs to assess the maintenance of accounting records and asset verifications.

The statistics of the physical inspections are as follows:



CLBG DATA INSPECTION

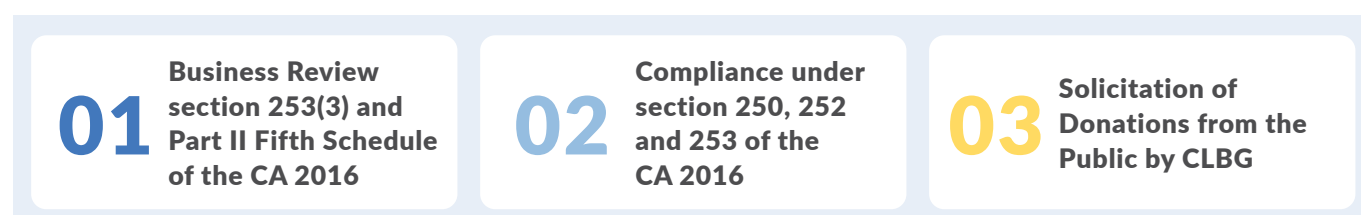
Statistics on CLBG Data Inspections for 2023



AWARENESS PROGRAMME VIA E-POSTCARD

In 2023, a total of three (3) awareness e-postcards were published for CLBG directors and secretaries in March, July and August. These e-postcards were distributed via the company secretary's email to ensure they reached CLBG directors effectively. The purpose of publishing these e-postcards was to educate and enhance awareness among CLBGs regarding compliance with the provisions of the CA 2016 and the CLBG Guidelines.

The published awareness e-postcards covered the following topics:

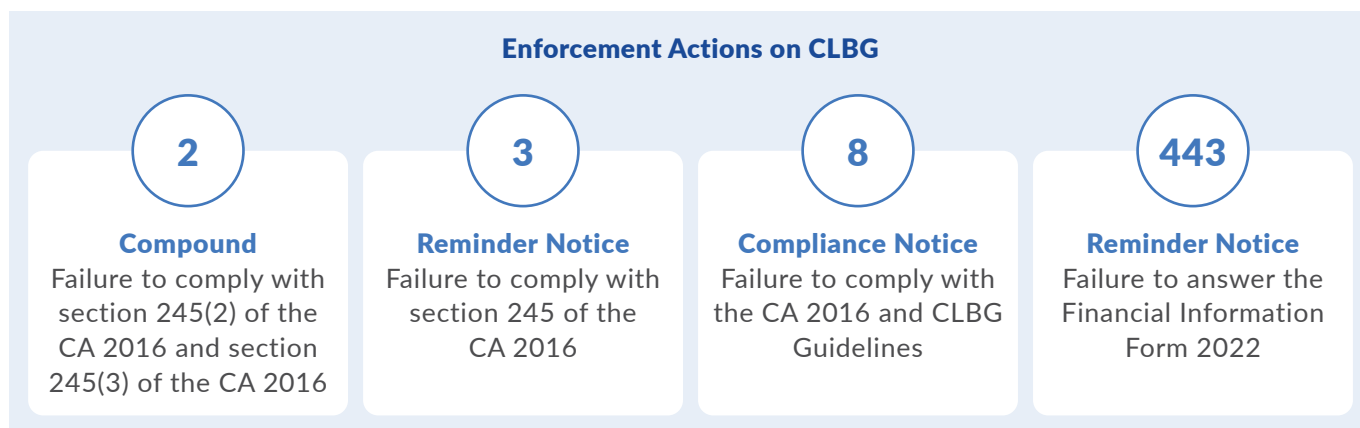


MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**ENFORCEMENT ACTIONS ON CLBG IN 2023**

Throughout 2023, enforcement actions including compounds, compliance notices and reminder notices were issued against CLBG that were found to have committed various offences under the provisions of the CA 2016 and the CLBG Guidelines.

Detailed information on these actions is as follows:

**MONITORING ON REGISTERED INTEREST SCHEMES**

SSM continuously monitors the Registered Interest Schemes (RIS) to ensure compliance with the guidelines and provisions set forth under the Interest Schemes Act 2016. The monitoring activities for RIS included physical inspections of the scheme's facilities and accounting records as mandated by the Interest Schemes Act 2016. Data monitoring of the registered prospectus was also conducted to verify that the scheme remained active and did not engage in sales while the prospectus had expired.

One of the key objectives of monitoring the RIS was to ensure that management company officers practiced good corporate governance. Ongoing monitoring aimed to ensure that the management company adhered to the provisions outlined in the Interest Schemes Act 2016, the Trust Deed (TD) and the registered prospectus. In the event of any violations, SSM could issue a notice of compliance, impose a compound, or initiate court action against the management company identified as breaching the provisions of the Interest Schemes Act 2016.

Additionally, SSM conducted monitoring of trustees to ensure that the appointed scheme trustees fulfilled their duties and responsibilities as stipulated in the TD and in accordance with section 24 of the Interest Schemes Act 2016.



ENFORCEMENT INITIATIVES

PHYSICAL INSPECTION OF INTEREST SCHEME: TIMESHARING SCHEME CATEGORY

SSM conducted an inspection of a timeshare scheme located in Kuching, Sarawak. The purpose of this inspection was to ensure that the facilities provided to scheme members were in good condition. The results of the inspection indicated that the facilities offered to members were well-maintained and suitable for their enjoyment.

PHYSICAL INSPECTION OF THE INTEREST SCHEME: MEMORIAL PARK SCHEME CATEGORY

Additionally, SSM conducted an inspection of the memorial park scheme located in Ulu Kinta, Perak. The purpose of this inspection was to ensure that the facilities provided to scheme members were in good condition and well-maintained. The results of the inspection indicated that the facilities offered to members were well-kept and the interest scheme plots were ready for use by members.

PHYSICAL INSPECTION OF ACTIVE SCHEME FACILITIES

Throughout 2023, SSM conducted 12 physical inspections of active schemes located in Peninsular Malaysia, Sabah and Sarawak. The purpose of these inspections was to ensure that the facilities provided to scheme members were in good condition and well-maintained.

Data and Physical Inspection Statistics

	2023	2022	2021
Monitoring of Active and Inactive Schemes and Financial Statements	68	38	3
Trustee	4	1	1
Data Inspection	30	226	33
Issuance of Notice	22	44	15

ENFORCEMENT ACTIONS UNDER INTEREST SCHEME ACT 2016



SECTION 28(4)

Requirement to register and submit prospectus or product disclosure statement



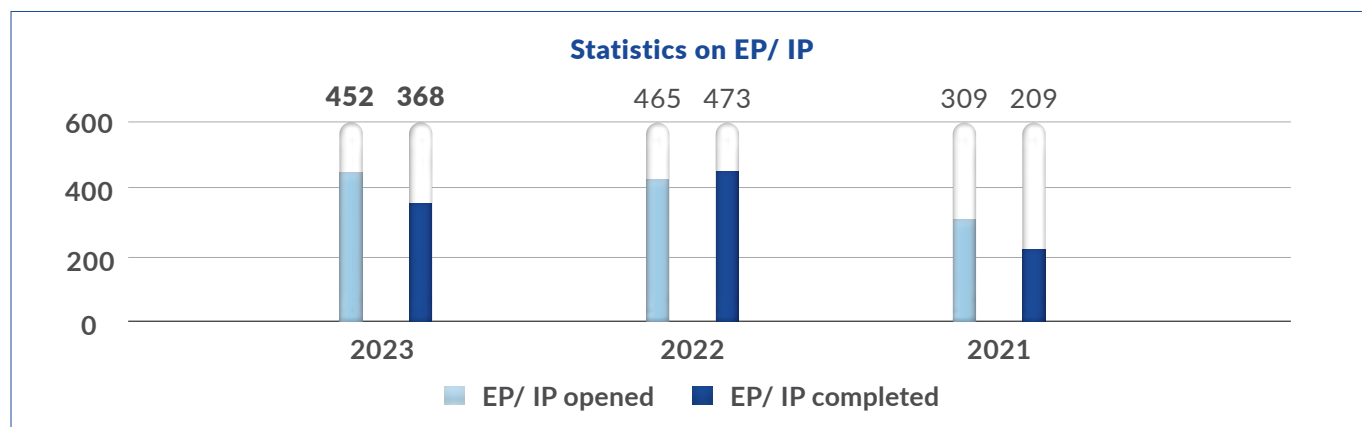
SECTION 46(2)

General duties and obligations of a management company

MANAGEMENT REPORT

ENFORCEMENT INITIATIVES**INVESTIGATION**

In 2023, a total of 452 Investigation Papers (IPs) and Enquiry Papers (EPs) were opened. Among these cases, 83.6% (378 cases) were investigated for violations under the CA 2016, while 33 cases involved investigations under the ROBA 1956. Investigations under the ROBA 1956 saw a decrease of 37.7% in 2023 compared to 2022, which had a total of 53 cases.

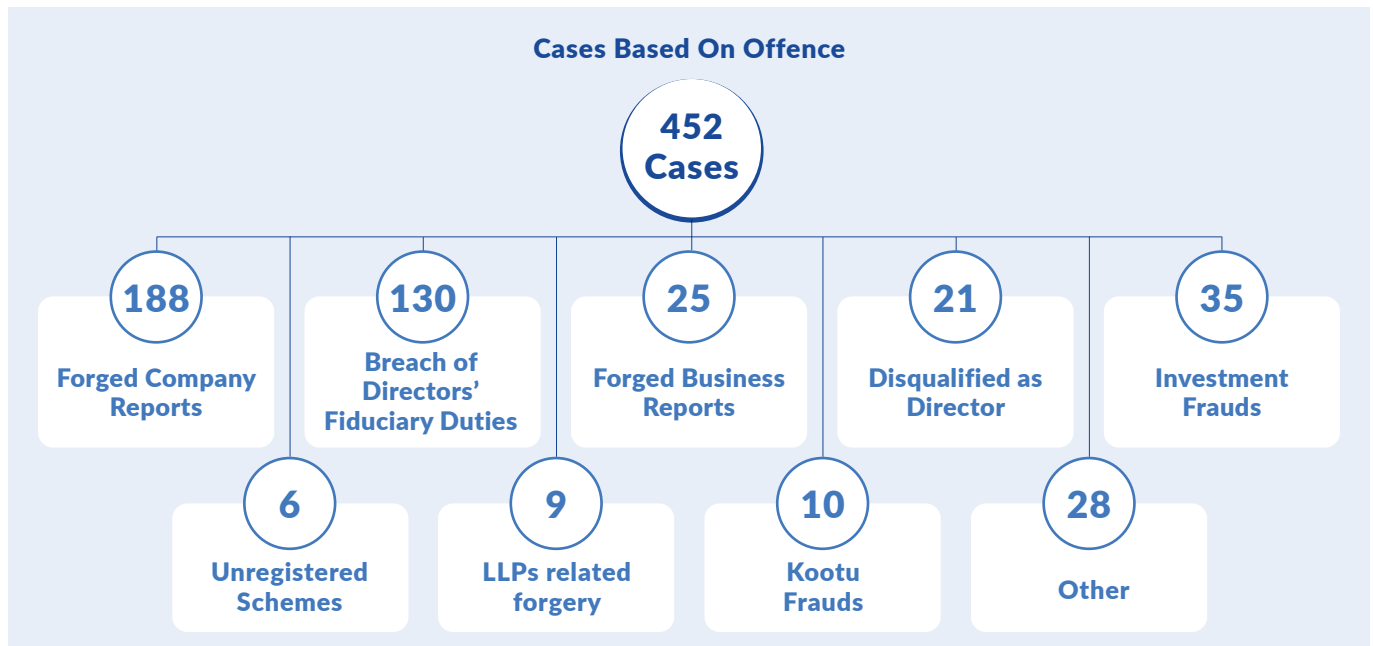


Currently, the public is frequently exposed to various suspicious investment offers and unregistered scheme promotions through social media. This has significantly contributed to the number of investigations conducted under Interest Schemes Act 2016, which recorded 14 cases in 2023, up from seven (7) cases in 2022. Additionally, investigations under the Kootu Fund (Prohibition) Act 1971 also showed a substantial increase, with 10 cases reported in 2023 compared to four (4) cases in the previous year.

OFFENCES IDENTIFIED DURING INSPECTIONS IN 2023

	2023	2022
Companies Act 2016	378	378
Companies Act 1965	7	17
Registration of Businesses Act 1956	33	53
Interest Schemes Act 2016	14	7
Kootu Funds (Prohibition) Act 1971	10	4
Limited Liability Partnerships Act 2012	10	6

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ENFORCEMENT INITIATIVES

Forged company reports were the most investigated offence in 2023, accounting for 188 cases (41.6%). This was followed by offences related to violations of fiduciary duty (130 cases, 28.7%), unauthorised appointments and resignations (44 cases, 9.7%) and investment fraud (35 cases, 7.7%).

WORKSHOP ON DEVELOPING A LIST OF RED FLAGS FOR OFFENCES UNDER THE SECOND SCHEDULE OF THE ANTI-MONEY LAUNDERING, ANTI-TERRORISM FINANCING AND PROCEEDS OF UNLAWFUL ACTIVITIES ACT 2001 (AMLATFPUAA) ADMINISTERED BY SSM

This workshop aimed to establish a comprehensive list of red flags that will serve as a reference and practical guide for the Investigation Division and other relevant departments within SSM. The primary objective was to identify red flags in work processes, promote proactive responses, contribute to continuous improvement and ultimately ensure sustained vigilance against potential money laundering activities by entities under SSM's jurisdiction.

The workshop took place from 6 to 8 December 2023 and was attended by 50 officers from SSM's Investigation Division. Officers from the Malaysian Anti-Corruption Commission (MACC), the Inland Revenue Board of Malaysia (IRBM) and the Central Bank of Malaysia (BNM) were invited as speakers to assist the Investigation Division in developing the list of red flags.

TRANSNATIONAL ANTI-MONEY LAUNDERING ASSISTANCE (TAMLA) PROGRAMME: IN-PERSON JOINT ADVANCED OSINT TRAINING OF TRAINERS (TOT) IN BANGKOK, THAILAND

SSM was invited by the National Financial Crime Centre (NFCC) to participate in the In-Person Joint Advanced OSINT TOT programme held in Bangkok, Thailand, from 19 to 21 June 2023.

This programme was a continuation of the TAMLA initiative, conducted in collaboration with NFCC and the American Bar Association Rule of Law Initiative (ABA ROLI). It commenced in 2021 and included e-Learning and TAMLA Virtual Learning. The aim of the programme was to provide investigating officers with exposure in the following areas:

- (a) Analysing financial data using information from open sources;
- (b) Enhancing capabilities in conducting investigations and analyses through analytical tools; and
- (c) Identifying relevant work applications and documentation during financial investigation activities.

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ENFORCEMENT INITIATIVES

The programme was attended by officers from various agencies, including the Royal Malaysia Police (RMP), KPDN, Royal Malaysian Customs Department (RMCD), Malaysian Maritime Enforcement Agency (MMEA), Securities Commission Malaysia (SC), IRB, Labuan Financial Services Authority (Labuan FSA), NFCC and involved officers from the Anti-Money Laundering Office (AMLO) in Thailand.

CERTIFICATION OF CERTIFIED FINANCIAL INVESTIGATING OFFICERS (CFIP)

The CFIP was jointly organised by BNM and the SC. This initiative, part of the National Coordination Committee to Counter Money Laundering (NCC), aims to establish a group of certified financial investigating officers dedicated to combating financial crimes.

On 26 January 2023, a total of 78 officers from 14 law enforcement agencies in Malaysia, including two (2) investigating officers from SSM, were awarded the CFIP.

The ceremony was officiated by YBhg. Dato' Seri Haji Mustafar Haji Ali, Director-General of the NFCC and was attended by members of the NFCC Advisory Board and heads of agencies for the NCC.

INTEGRATED OPERATION: OPS TROPICANA

In 2023, SSM collaborated with the Immigration Department of Malaysia, the Inland Revenue Board of Malaysia (IRBM), the National Anti-Drug Agency (NADA), Cyber Security Malaysia (CSM), the Malaysian Communications and Multimedia Commission (MCMC), Tenaga Nasional Berhad (TNB) and Telekom Malaysia Berhad (TM) in a joint operation known as Ops Tropicana.

A total of 150 officers participated in this operation, which targeted international investment fraud syndicates (scammers) operating through social media and phone calls, specifically aiming at citizens of Australia and the United Kingdom.

During the operation, 24 locations were raided, including three (3) call centers (operation centres), company and business premises, as well as the residences of syndicate members in Selangor, Kuala Lumpur and Penang.

COLLABORATION PROGRAMME BETWEEN SSM AND THE PAYMENT SERVICES MONITORING DEPARTMENT, BANK NEGARA MALAYSIA (BNM)

SSM has observed an increasing trend in offences related to financial transactions involving electronic money (e-money). In response, SSM initiated a collaboration with the Payment Services Monitoring Department of BNM on 17 May 2023, at BNM.

The aim of this programme is to foster cooperation and gather information from e-money providers regulated by BNM.

ENFORCEMENT INITIATIVES**SHARING OF EXPERIENCE (SoE) IN INVESTIGATING OFFENCES UNDER THE ANTI-MONEY LAUNDERING, ANTI-TERRORISM FINANCING AND PROCEEDS OF UNLAWFUL ACTIVITIES ACT 2001 (AMLA)**

On 12 December 2023, five (5) investigating officers from SSM attended the Sharing of Experience (SoE) programme focused on investigating offences under AMLA. The event was held at the National Financial Crime Centre (NFCC), Menara Seri Wilayah, Putrajaya.

The SoE programme serves as a platform for expert officers from various Malaysian enforcement agencies to share insights on specific topics relevant to all enforcement agencies. Its objectives include enhancing understanding of the legal aspects of conducting investigations under AMLA and ensuring successful prosecution and trial of cases. Additionally, the programme aims to gather suggestions and best practices from enforcement agencies to address challenges encountered in AMLA investigations.

This initiative was effectively coordinated through collaboration with officers from the Royal Malaysia Police (RMP), Malaysian Anti-Corruption Commission (MACC) and the Attorney General's Chambers (AGC).

ENFORCEMENT CONFERENCE 2023 (ECON 2023)

The ECON 2023 conference was successfully organised from 24 to 26 October 2023 at Penang. This annual event brought together 75 delegates from various divisions and state offices under the Regulatory and Enforcement Office of SSM.

This year, ECON introduced a unique Hackathon format, encouraging delegates to collaboratively discuss enforcement issues and present group solutions on stage. As a result of this innovative

approach, the secretariat was able to gather a range of creative and critical ideas and recommendations aimed at enhancing enforcement activities.

The 15th edition of ECON was officiated by Tuan Khuzairi Yahaya, Deputy Chief Executive Officer of Regulatory & Enforcement and was attended by invited guests, division directors and the Director of SSM Penang.



A group photo of the delegation and invited guests at the ECON 2023

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ENFORCEMENT INITIATIVES**REGISTRATION OF COURT CASES IN 2023**

In 2023, there was a notable increase in the number of prosecution case registrations in court. SSM registered a total of 6,517 cases in 2023, compared to 6,082 cases in 2022, reflecting a growth of 6.7%.

The statistics for corporate governance cases registered in 2023, as regulated by SSM under the First Schedule of the CCMA 2001, are outlined in the table below:

CATEGORY OF CORPORATE GOVERNANCE OFFENCES	NUMBER OF CASES REGISTERED		
	2023	2022	2021
Section 12(1)(d) of the ROBA 1956: Making or furnishing the Registrar with false information.	1	2	-
Section 125(1) of the CA 1965: Undischarged bankrupts acting as directors.	-	-	2
Section 132(2)(a) of the CA 1965: A director or officer of a company shall not, use the property of the company without the consent or ratification of a general meeting.	22	14	-
Section 364(2) of the CA 1965: Person making or authorising the making of a statement that is false or misleading in any material particulars, knowing it to be false or misleading.	3	1	1
Section 43(1) of the CA 2016: Prohibition of private companies to offer shares or debentures or invite to deposit money.	2	-	-
Section 90 (3) of the CA 2016: Description of shares of different classes.	2	-	-
Section 198(1) of the CA 2016: Undischarged bankrupts acting as directors.	-	-	3
Section 218(1)(c) of the CA 2016: Prohibition against improper use of property, position, etc.	1	-	-
Section 230 of the CA 2016: Approval for fees of directors.	-	-	2
Section 591(2)(a) of the CA 2016: False and misleading statements.	4	5	2
Section 588(1)(c) of the CA 2016: General penalty.	2	-	-
Section 593(a) of the CA 2016: False report or statement to the Registrar relating to the affairs of a corporation.	-	1	1
Section 593(b) of the CA 2016: False report or statement to the Registrar relating to any matter or thing required by the Registrar for the implementation of the act.	1	-	-
Section 80(1) of the LLPA 2012: False and misleading statements.	-	-	1
TOTAL	38	23	12

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The statistics for non-compliance offences registered in 2023 as regulated by the SSM according to the First Schedule of the CCMA 2001 are as listed in the table below:

CATEGORY OF NON-COMPLIANCE OFFENCES	NUMBER OF CASES REGISTERED		
	2023	2022	2021
Section 143(1) of the CA 1965: Failure to hold Annual General Meeting.	3	163	214
Section 165(4) of the CA 1965: Failure to lodge Annual Return.	78	585	1,528
Section 169(1) of the CA 1965: Failure to table accounts at the Annual General Meeting within the prescribed period.	2	43	66
Section 30(1)(b) of the CA 2016: Publication of registered name and company registration number at each place where its business is carried on.	-	4	-
Section 68(1) of the CA 2016: Duty to lodge Annual Return.	5,712	4,589	3,413
Section 259(1)(a) of the CA 2016: Duty to lodge financial statements and reports with the Registrar.	645	660	328
Section 12(1)(a) of the ROBA 1956: Carrying on business without registration.	1	-	5
Section 12(1)(b) of the ROBA 1956: Carrying on business after expiry of business registration.	-	8	36
Section 12(2) of the ROBA 1956: Failure to display Certificate of Registration.	33	1	65
Rule 17A(1)(b) of the ROBA 1956, Rules & Order 1957: Failure to submit change of registered business particulars.	2	6	3
Rule 17A(2) of the ROBA 1956, Rules & Order 1957: Failure to display signboard.	12	-	62
TOTAL	6,488	6,059	5,720

The statistics for corporate governance offences charged in 2023 as regulated by the SSM according to the First Schedule of the CCMA 2001 are as listed in the table below:

CATEGORY OF CORPORATE GOVERNANCE OFFENCES	NUMBER OF CASES CHARGED		
	2023	2022	2021
Section 125(1) of the CA 1965: Undischarged bankrupts acting as directors.	-	-	1
Section 132(2)(a) of the CA 1965: A director or officer of a company shall not, use the property of the company without the consent or ratification of a general meeting.	11	14	2
Section 132(2)(c) of the CA 1965: A director or officer of a company shall not, without permission or approval from the general meeting, use their positions to obtain benefits that may harm the company.	-	-	2
Section 364(2) of the CA 1965: Person making or authorising the making of a statement that is false or misleading in any material particulars, knowing it to be false or misleading.	3	3	-
Section 43(1) of the CA 2016: Prohibition of private companies to offer shares or debentures or invite to deposit money.	2	-	-
Section 90 (3) of the CA 2016: Description of shares of different classes.	2	-	-

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CATEGORY OF CORPORATE GOVERNANCE OFFENCES	NUMBER OF CASES CHARGED		
	2023	2022	2021
Section 198(1) of the CA 2016: Undischarged bankrupts acting as directors.	2	-	-
Section 218(1)(c) of the CA 2016: Prohibition against improper use of property, position, etc.	1	-	-
Section 591(2)(a) of the CA 2016: False and misleading statements.	4	4	1
Section 593(a) of the CA 2016: False report or statement to the Registrar relating to the affairs of a corporation.	-	1	-
Section 593(b) of the CA 2016: False report or statement to the Registrar relating to any matter or thing required by the Registrar for the implementation of the act.	1	-	-
Section 594(2) of the CA 2016: Fraudulently inducing persons to invest money.	1	-	-
Section 12(1)(d) of the ROBA 1956: Making or furnishing the Registrar with false information.	-	2	-
TOTAL	27	24	6

The statistics for non-compliance offences charged in 2023 as regulated by the SSM according to the First Schedule of the CCMA 2001 are as listed in the table below:

CATEGORY OF NON-COMPLIANCE OFFENCES	NUMBER OF CASES CHARGED		
	2023	2022	2021
Section 143(1) of the CA 1965: Failure to hold Annual General Meeting.	11	230	242
Section 165(4) of the CA 1965: Failure to lodge Annual Return.	152	526	546
Section 169(1) of the CA 1965: Failure to table accounts at the Annual General Meeting within the prescribed period.	2	10	37
Section 68(1) of the CA 2016: Duty to lodge Annual Return.	6,599	6,838	5,279
Section 259(1)(a) of the CA 2016: Duty to lodge financial statements and reports with the Registrar.	538	715	160
Section 12(1)(a) of the ROBA 1956: Carrying on business without registration.	-	-	522
Section 12(1)(b) of the ROBA 1956: Carrying on business after expiry of business registration.	4	11	149
Section 12(2) of the ROBA 1956: Failure to display Certificate of Registration.	28	20	120
Rules 17A(1)(b) of the ROBA 1956, Rules & Order 1957: Failure to submit change of registered business particulars.	5	5	2
Rules 17A(2) of the ROBA 1956, Rules & Order 1957: Failure to display signboard.	13	24	168
Rules 17A(3) of the ROBA 1956, Rules & Order 1957: Using a business name without the approval of the Minister.	-	1	-
TOTAL	7,352	8,380	7,225

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ENFORCEMENT INITIATIVES**LANDMARK CONVICTED CASES IN 2023**

In 2023, SSM recorded a total of 117 convictions. A summary of the important cases conducted by SSM are as follows:

PARTIES	DESCRIPTION OF OFFENCE	OFFENCE (SECTION)	SUMMARY
Public Prosecutor vs Mohd Rizal Bin Rusli	False and misleading statements.	Section 364(2) of the CA 1965	The accused was charged in the Bangi Sessions Court on 9 March 2021. The accused was charge for authorising an individual to make a false statement regarding material details in Form 32A, where the false statement pertained to the transfer of shares from one (1) shareholder of the company to the accused himself, amounting to 500,000 shares in SNR Technology Sdn Bhd. OKS pleaded not guilty and the case went to trial. However, during the trial, the accused changed the plea through a plea bargaining application and on 15 May 2023, the trial judge found the accused guilty and imposed a fine of RM 25,000 and in default of payment, a six (6) months imprisonment.
Public Prosecutor vs Ong Ann Yun	False and misleading statements.	Section 591(2)(a) of the CA 2016	The accused was charged in the Klang Sessions Court on 15 November 2022, for allowing a false statement in material particulars to be made in Form 58, Notification of Change in the Register of Directors, Managers and Secretaries. This pertains to the appointment of an individual as a director of Tysewoon Sdn Bhd Company without the knowledge and consent of the involved individual. The accused filed a plea bargaining application and on 22 February 2023, the trial judge found the accused guilty and subsequently imposed a fine of RM20,000 or two (2) months imprisonment in default of payment.
Public Prosecutor vs Bala Muraly S/O Supremaniam & Another	False and misleading statements.	Section 364(2) of the CA 1965	The director and employee of the company were found guilty after a full trial for an offence under section 364(2) of the CA 1965 read together with section 34 of the Penal Code, for falsifying the instrument of share transfer. Both the accused had made a false statement regarding material particulars in Form 32A which is a required document under section 103(1) of the CA 1965. The first accused was fined RM50,000 and in default of payment to six (6) month of imprisonment meanwhile the second accused was fined RM20,000 and in default of payment to three (3) months imprisonment. The trial judge also ordered the duo to pay prosecution cost of RM10,000 to SSM. This decision is pending appeal in the Johor Bahru High Court.

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PARTIES	DESCRIPTION OF OFFENCE	OFFENCE (SECTION)	SUMMARY
Public Prosecutor vs Tan Boon Khee	False and misleading statements.	Section 591(2)(a) of the CA 2016	A tax agent has been convicted under section 591(2)(a) of the CA 2016 for the offence of falsifying an auditor's independent report in the company audited financial statements. The company's financial statements and the auditor's report contained in the statement were prepared by the accused without the knowledge and consent of the audit firm. The accused was found guilty and trial judge imposed fine of RM20,000 or three (3) months imprisonment in default of payment.

PROSECUTION CONVICTIONS FROM 2021 TO 2023

Statistics of convictions by Court are as follows:

CATEGORIES	CORPORATE GOVERNANCE OFFENCES			NON-COMPLIANCE OFFENCES		
	2023	2022	2021	2023	2022	2021
Company	-	-	-	110	170	90
Director	3	3	3	-	-	-
Owner/Business Invidual	4	2	1	-	6	18
TOTAL	7	5	4	110	176	108

New Case Statistics

The following is a statistical comparison of civil cases from 2020 to 2023:

YEAR	TOTAL CASE HANDLED	TOTAL CASE CLOSED
2020	422	400
2021	519	473
2022	678	524
2023	813	778
TOTAL	2,432	2,175

Most of the new cases pertain to applications by companies to the High Court seeking extensions of time to register charges or amend existing charges, as well as applications for the reinstatement of companies.

As shown in table above, 354 cases involved applications for extensions of time and amendments to the Statement of Particulars to be lodged with charges. Additionally, 333 cases were applications for the reinstatement of company names in the SSM Register, making up 40.96% of the total cases handled.

There was a significant increase in the number of files in 2023, with 135 more files (a 19.91% increase) compared to 2022 and 92.65% higher than in 2020. Similarly, the number of files closed rose significantly by 254 files (48.47%) compared to 2022 and 94.5% compared to 2020. The increase in files handled was anticipated, as the High Court required more time to address the backlog of cases resulting from the pandemic, particularly for cases filed in 2022, alongside a rise in new cases in 2023.

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Among the Court cases handled by SSM are on the following matters:

- (a) Application for Reinstatement of company name in the Companies Register (section 555 of the CA 2016);
- (b) Applications for extension of times and amendments to Statement of Particulars to be Lodge with Charge (section 361 of the CA 2016);
- (c) Application for declaration of void dissolution of wound-up company (Dissolved to Winding Up) under section 535(1) of the CA 2016;
- (d) Application for rectification of the company register pursuant to section 103 of the CA 2016;
- (e) Applications for rectification of documents under section 602 of the CA 2016;
- (f) Application for Judicial Review under Order 53 of the Rules of Court 2012;
- (g) Writs summons involving injunctions, negligence claims and damages against SSM; and
- (h) Insolvency cases.

Key cases Involving SSM throughout 2023

The following is a list of two (2) important civil law cases involving SSM as defendants.



Kuala Lumpur High Court Appeal No. WA-12BNCVC-36-03/2022 (Tenaga Nasional Berhad v Suruhanjaya Syarikat Malaysia & Anor)

This case involves tampering with the meter/meter installation at a business premises registered under the name of Signet Internet Centre. The Plaintiff, Tenaga Nasional Berhad (TNB), subsequently filed a lawsuit to claim a total loss of RM140,606.81 against the 1st Defendant (D1), the registered owner of the Signet Internet Centre.

However, D1 denied ownership of the business, claiming that his name had been misused by another party during the registration of the Signet Internet Centre. As a result, TNB named the SSM as the 2nd Defendant to ascertain the full facts of the case for damages and/or indemnity, should it be proven that SSM was negligent in ensuring proper and orderly business registration.

On 23 February 2022, the Sessions Court Judge (SCJ) ruled that both SSM and TNB had jointly committed contributory negligence, with TNB bearing 35% of the liability and SSM bearing 65%. Consequently, SSM is required to pay TNB the following amounts:

- (a) RM140,606.81 with interest on the amount owed at the rate of 5% from the date of judgment until full settlement according to the quantum of negligence; and
- (b) Cost of RM13,000.00 to the Plaintiff.

However, SSM and TNB filed an appeal in the High Court against the SCJ's decision. SSM subsequently withdrew its appeal against D1 due to insufficient documents and evidence to identify the party who had registered the business behind D1's nominee.

On 26 May 2023, the Learned High Court Judge delivered a brief decision regarding the TNB appeal case as follows:

- (a) TNB's appeal against D1 was dismissed with a cost of RM10,000.00 to be paid by TNB to D1;

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- (b) The decision of SCJ regarding the issue of negligence is set aside and SCJ has erred in deciding the issue of negligence because the issue was never filed by any party;
- (c) Protection from personal liability under section 25 of the CCMA 2001 is applicable and SSM cannot be held liable for any actions of SSM in carrying out its powers and duties under section 17 of the CCMA 2001 unless it can be proven that the action was done with bad faith;
- (d) The Signet Internet Center business has been duly registered;
- (e) SSM is not responsible for TNB's claim of RM140,606.81;
- (f) The cost of RM13,000.00 decided by SCJ to be paid by SSM to TNB is set aside; and
- (g) No costs are awarded to SSM as the Second Respondent in the TNB Appeal.



**Johor Bahru High Court, Civil Suit
No:JA-24NCVC-272-04/2019 (Puncak
Mahawangsa Sdn Bhd & Ors v
Suruhanjaya Syarikat Malaysia)**

The First Plaintiff and First Defendant are the directors and shareholders of the Second Plaintiff (the Company), with the shareholding of 80% and 20% respectively. Pursuant to an Extraordinary General Meeting (EGM) held on 30 October 2017 that convened by the First Plaintiff, certain resolutions were passed, which included appointment of new directors and the removal of the First Defendant as director of the Company.

Although notices were sent to both the First Plaintiff and the First Defendant, the First Defendant was absent. The First Plaintiff, therefore, exercised his power as a majority shareholder to hold the meeting and to decide the agenda in the absence of the First Defendant.

In April 2018, the First Defendant lodged a complaint against the First Plaintiff to the Second Defendant, SSM alleging that the First Plaintiff had held the EGM without a quorum and as a result thereof, the resolutions passed were void and invalid. Pursuant to the complaint, SSM conducted investigations and discovered that the First Plaintiff had in fact directed the company secretary to call for an EGM on 30 October 2017. As a result, thereof, in early 2019, SSM had charged the First Plaintiff at the Johor Bahru Sessions Court, for contravention of section 328(4) and (5) of the CA 2016, which amounts to an offence under section 588 of the CA 2016.

Subsequent to the charge in the Sessions Court, the Plaintiffs filed an application for declarations order that the appointment of new directors of the Second Plaintiff on 30 October 2017 in accordance with the terms of the agreement dated 27 August 2015 was valid, effective and enforceable; that the EGM held on 30 October 2017 was valid and in order; and that the parties present at the EGM held on 30 October 2017 was a sufficient quorum under section 328 of the CA 2016 for the First and the Second Plaintiffs to proceed with the meeting.

The pith of the Plaintiffs' contention was premised on the doctrine of condonation and the case of Azman bin Abdullah v. Ketua Polis Negara [1997] 1 CLJ 257 16, in that case, the Plaintiffs alleged that SSM, through one of its officers had advised Salina binti Nawi (Salina) who was purportedly the assistant company secretary attached to MYSA Corporate Services Sdn Bhd (MYSA) which claimed to be the company secretary of the Second Plaintiff. Salina claimed to have visited SSM and averred that the said officer had given her the assurance that the EGM could proceed in the absence of the Second Defendant.

The Court dismissed the Plaintiffs' application on the grounds that the First Plaintiff had violated the provisions of the CA 2016 and as such, SSM had proffered charges against him; The First Plaintiff's defence of condonation was untenable as there was no proof of any representation made by SSM's officer and even it was indeed made, it was not a formal representation made in writing and, therefore, could not be relied upon. As such, allowing this Application would be tantamount to condoning the First Plaintiff's breach of the provisions of the CA 2016.