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**STOCK MARKET REACTION OF POLITICAL CONNECTIONS
SURROUNDING 2018 MALAYSIAN GENERAL ELECTION**



**Thesis Submitted to
College of Business,
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy**



Kolej Perniagaan
(College of Business)
Universiti Utara Malaysia

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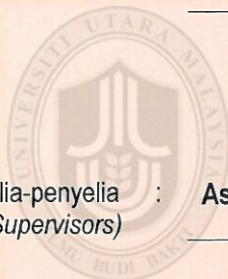
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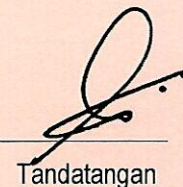
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ABSTRACT

The aim of this study is to examine the relationship between politically connected firms (PCON), types of PCON (patronage, clientelism, nepotism, cronyism and Bumiputra ownership), the age of the PCON and stock market reactions surrounding the 2018 Malaysian General Election (GE). Analyses were conducted by utilising data from firms listed on Bursa Malaysia. The *Ordinary Least Squares* (OLS) regression method was used to test the hypotheses. Based on the efficient capital market theory, Bursa Malaysia is deemed as a semi-strong efficiency market since the Malaysian stock market adjusted efficiently to the news of Barisan Nasional being defeated for the first time in the 2018 Malaysian GE. The political uncertainty theory indicated that firms were severely affected when exposed to high uncertainties of the government in power. Thus, significantly negative abnormal returns were experienced by PCON, while non-PCON showed significantly positive abnormal returns. The market also reacted significantly and negatively to types of PCON, such as patronage firms and clientelism firms. Furthermore, no significant differences were found between cronyism, nepotism, Bumiputra ownership, older PCON and stock market reactions. Further analysis using a non-parametric test showed that PCON types, such as patronage, clientelism and Bumiputra ownership firms contributed to a significantly negative stock market reaction. This indicates that these types of firms were statistically lower stock market reaction than non-PCON. Further analyses generated a unique list of PCON related to the main political figures namely, Mahathir, Daim and Anwar, by refining and extending previous studies based on Malaysia's changing political scene. The outcomes of these studies may assist regulators, investors and PCON in managing their relationships with and in the stock markets.

Keywords: politically connected firms, Malaysian general election, stock market reaction, efficient capital market theory, political uncertainty theory.

ABSTRAK

Tujuan kajian ini dijalankan adalah untuk mengkaji hubungan antara syarikat berkaitan politik (PCON), jenis PCON (naungan, klientelisme, nepotisme, kronisme dan pemilikan Bumiputera), umur PCON dengan tindak balas pasaran saham sekitar Pilihan Raya Umum (PRU) Malaysia 2018. Analisis telah dijalankan dengan menggunakan data daripada syarikat-syarikat yang tersenarai di Bursa Malaysia. Kaedah “*Ordinary Least Squares*” (OLS) digunakan untuk menguji hipotesis. Berdasarkan teori kecekapan pasaran modal, Bursa Malaysia digambarkan sebagai pasaran cekap separa kuat kerana pasaran saham Malaysia menyesuaikan diri dengan cekap kepada berita buruk tentang kekalahan pertama kali Barisan Nasional pada PRU Malaysia 2018. Teori ketidakpastian politik menunjukkan bahawa syarikat akan terjejas teruk apabila terdedah kepada ketidakpastian yang tinggi tentang kerajaan yang kekal memerintah. Oleh itu, tindak balas pasaran saham negatif yang ketara dialami PCON, manakala bukan PCON mengalami tindak balas pasaran saham positif yang ketara. Pasaran juga bertindak balas negatif yang ketara terhadap jenis PCON seperti naungan dan klientelisme. Tambahan pula, tiada perbezaan ketara didapati antara kronisme, nepotisme, pemilikan Bumiputera, PCON lama dan reaksi pasaran saham. Analisis tambahan menggunakan ujian bukan parametrik menunjukkan bahawa jenis PCON seperti naungan, klientelisme dan pemilikan Bumiputera menyumbang kepada reaksi pasaran saham yang negatif dengan ketara. Ini menggambarkan bahawa jenis kumpulan ini secara statistik mempunyai reaksi pasaran saham yang lebih rendah daripada bukan PCON. Analisis lanjut telah menjana satu senarai unik mengenai PCON yang berkaitan dengan tokoh politik utama iaitu, Mahathir, Daim dan Anwar dengan memperbaharui dan memperluas kajian terdahulu berdasarkan perubahan politik Malaysia. Hasil kajian ini dapat digunakan oleh pengawal selia, pelabur dan PCON dalam mengendalikan hubungan mereka dengan dan di dalam pasaran saham.

Kata kunci: syarikat berkaitan politik, pilihan raya umum Malaysia, reaksi pasaran saham, teori pasaran modal yang cekap, teori ketidakpastian politik.

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LIST OF ABBREVIATIONS

AAR	Average Abnormal Returns
BN	Barisan Nasional
CAR	Cumulative Abnormal Returns
CAAR	Cumulative Average Abnormal Returns
DPP	Democratic Progressive Party
GE	General Election
GLCs	Federal Government-Linked Firms
GLICs	Government-Linked Investment Companies
GPS	Gabungan Parti Sarawak
KLCI	Kuala Lumpur Stock Exchange Composite Index
KMT	Kuomintang Party
KNB	Khazanah Nasional Bhd.
MCA	Malaysian Chinese Association
MIC	Malaysian Indian Congress
MoF Inc.	Ministry of Finance Incorporated
NDP	National Development Policy
NEP	New Economic Policy
OLS	Ordinary Least Square
PBB	Parti Pesaka Bumiputra Bersatu
PCON	Politically-Connected
PDP	Progressive Democratic Party
PH	Pakatan Harapan
PRS	Parti Rakyat Sarawak
SUPP	Sarawak United People's Party
UMNO	United Malay National Organisation
US	United States

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter introduces and justifies the study of politically-connected firms (PCONs) and stock market reactions in Malaysia. It begins with a discussion of the study's motivation and concludes with an outline of the thesis. This chapter is structured as follows. Section 1.1 discusses the study's background, and Section 1.2 discusses the problem statement. Sections 1.3 and 1.4 present the research questions and objectives, respectively. Section 1.5 discusses the study's significance, while Section 1.6 discusses the study's scope and limitations. Section 1.7 provides the key terms. Finally, Section 1.8 presents the thesis outline.

1.1 Background of the Study

The issue of PCONs is not new and has been widely researched around the world. Prior studies, such as Acemoglu, Johnson, and Robinson (2005), Berkman, Cole, and Fu (2010), Bunkanwanicha and Wiwattanakantang (2008), Fan, Wong, and Zhang (2007), Fisman (2001), Shleifer and Vishny (1994, 1998), and Khwaja and Mian (2005), have revealed that these connections are widespread in countries that have fragile protection of property rights. Goldman, Rocholl, and So (2009) found that these connections are common in the United States (US). In Malaysia, the phenomenon of PCONs has received much attention (see, for example, Bliss & Gul, 2012; Faccio,

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Appendix A: List of Politically Connected Firms

No.	PCONs
1	7-ELEVEN MALAYSIA HOLDINGS BERHAD
2	ADVANCE SYNERGY BERHAD
3	AIRASIA GROUP BERHAD
4	AIRASIA X BERHAD
5	AMCORP PROPERTIES BERHAD
6	ANCOM BERHAD
7	ANCOM LOGISTICS BERHAD
8	ASTRO MALAYSIA HOLDINGS BERHAD
9	AXIATA GROUP BERHAD
10	BERJAYA ASSETS BERHAD
11	BERJAYA CORPORATION BERHAD
12	BERJAYA FOOD BERHAD
13	BERJAYA LAND BERHAD
14	BERJAYA SPORTS TOTO BERHAD
15	BOUSTEAD HEAVY INDUSTRIES CORPORATION BHD
16	BOUSTEAD HOLDINGS BERHAD
17	BOUSTEAD PLANTATIONS BERHAD
18	BUMI ARMADA BERHAD
19	CAHYA MATA SARAWAK BERHAD
20	CHEMICAL COMPANY OF MALAYSIA BERHAD
21	DATASONIC GROUP BERHAD
22	DESTINI BERHAD
23	DRB-HICOM BERHAD
24	DUOPHARMA BIOTECH BERHAD
25	ECO WORLD INTERNATIONAL BERHAD
26	EDEN INC. BERHAD
27	FIMA CORPORATION BERHAD
28	GAMUDA BERHAD
29	GAS MALAYSIA BERHAD
30	GEORGE KENT (MALAYSIA) BERHAD
31	HONG LEONG INDUSTRIES BERHAD
32	HUME INDUSTRIES BERHAD
33	ICON OFFSHORE BERHAD
34	IJM CORPORATION BERHAD
35	KKB ENGINEERING BERHAD
36	KUB MALAYSIA BERHAD
37	MALAKOFF CORPORATION BERHAD
38	MALAYSIA AIRPORTS HOLDINGS BERHAD
39	MALAYSIAN BULK CARRIERS BERHAD
40	MALAYSIAN PACIFIC INDUSTRIES BERHAD
41	MALAYSIAN RESOURCES CORPORATION BERHAD
42	MASTER-PACK GROUP BERHAD
43	MAXIS BERHAD
44	MEDIA PRIMA BERHAD
45	MESINIAGA BERHAD

46	MISC BERHAD
47	MMC CORPORATION BERHAD
48	NYLEX (MALAYSIA) BERHAD
49	OPCOM HOLDINGS BERHAD
50	PAN MALAYSIA HOLDINGS BERHAD
51	PELIKAN INTERNATIONAL CORPORATION BERHAD
52	PETRA ENERGY BERHAD
53	PETRONAS CHEMICALS GROUP BERHAD
54	PETRONAS DAGANGAN BHD
55	PETRONAS GAS BERHAD
56	PHARMANIAGA BERHAD
57	PINEHILL PACIFIC BERHAD
58	POS MALAYSIA BERHAD
59	PPB GROUP BERHAD
60	REDTONE INTERNATIONAL BERHAD
61	RIMBUNAN SAWIT BERHAD
62	ROHAS TECNIC BERHAD
63	SAPURA ENERGY BERHAD
64	SAPURA INDUSTRIAL BERHAD
65	SARAWAK CABLE BERHAD
66	SHANGRI-LA HOTELS (MALAYSIA) BERHAD
67	SIG GASES BERHAD
68	SIME DARBY BERHAD
69	SOUTHERN STEEL BERHAD
70	STAR MEDIA GROUP BERHAD
71	SUMATEC RESOURCES BERHAD
72	TELEKOM MALAYSIA BERHAD
73	TENAGA NASIONAL BHD
74	TH HEAVY ENGINEERING BERHAD
75	TH PLANTATIONS BERHAD
76	THETA EDGE BERHAD
77	TIME DOTCOM BERHAD
78	UEM EDGENTA BERHAD
79	UMW HOLDINGS BERHAD
80	VELESTO ENERGY BERHAD
81	YTL CORPORATION BERHAD
82	YTL POWER INTERNATIONAL BHD
83	ZELAN BERHAD
84	UTUSAN MELAYU (MALAYSIA) BERHAD
85	TASEK CORPORATION BERHAD
86	BERJAYA MEDIA BERHAD
87	TROPICANA CORPORATION BERHAD CORPORATION BERHAD
88	YTL LAND & DEV BHD
89	DAIMAN DEVELOPMENT BHD
90	ADVENTA BERHAD
91	BREM HOLDING BERHAD
92	COMPLETE LOGISTIC SERVICES BERHAD

93	CYMAO HOLDINGS BERHAD
94	D'NONCE TECHNOLOGY BHD
95	EXCEL FORCE MSC BERHAD
96	FINTEC GLOBAL BERHAD
97	IJM PLANTATIONS BERHAD
98	JIANKUN INTERNATIONAL BERHAD
99	KNM GROUP BERHAD
100	MATANG BERHAD
101	NEXGRAM HOLDINGS BERHAD
102	NEXTGREEN GLOBAL BERHAD
103	PAN MALAYSIA CORPORATION BERHAD
104	PECCA GROUP BERHAD
105	PETERLABS HOLDINGS BERHAD
106	PLASTRADE TECHNOLOGY BERHAD
107	SUPERMAX CORPORATION BERHAD
108	SYCAL VENTURES BERHAD
109	TIONG NAM LOGISTICS HOLDINGS BERHAD
110	TMC LIFE SCIENCES BERHAD
111	TPC PLUS BERHAD
112	UNISEM (M) BERHAD
113	XIN HWA HOLDINGS BERHAD
114	AHMAD ZAKI RESOURCES BERHAD
115	ALAM MARITIM RESOURCES BERHAD
116	ATLAN HOLDINGS BHD
117	AVILLION BERHAD
118	BARAKAH OFFSHORE PETROLEUM BERHAD
119	BRAHIM'S HOLDINGS BERHAD
120	C.I. HOLDINGS BERHAD
121	CARIMIN PETROLEUM BERHAD
122	CENSO HOLDINGS BERHAD
123	CYPARK RESOURCES BERHAD
124	DAGANG NEXCHANGE BERHAD
125	DELEUM BERHAD
126	E.A. TECHNIQUE (M) BERHAD
127	LEWEKO RESOURCES BERHAD
128	LFE CORPORATION BERHAD
129	MARINE & GENERAL BERHAD
130	MELEWAR INDUSTRIAL GROUP BERHAD
131	MERGE ENERGY BHD
132	MTD ACPI ENGINEERING BERHAD
133	MYCRON STEEL BERHAD
134	PERDANA PETROLEUM BERHAD
135	PIMPINAN EHSAN BERHAD
136	PRESTARIANG BERHAD
137	PROGRESSIVE IMPACT CORPORATION BERHAD
138	PUNCAK NIAGA HOLDINGS BERHAD
139	RANHILL HOLDINGS BERHAD

140	REACH ENERGY BERHAD
141	SEACERA GROUP BERHAD
142	SEDANIA INNOVATOR BERHAD
143	SERBA DINAMIK HOLDINGS BERHAD
144	SINO HUA-AN INTERNATIONAL BERHAD
145	TA ANN HOLDINGS BERHAD
146	TFP SOLUTIONS BERHAD
147	TRANSOCEAN HOLDINGS BHD
148	TRC SYNERGY BERHAD
149	YLI HOLDINGS BERHAD
150	ZECON BERHAD



Appendix B: List of GLC firms

No.	GLC Firms
1	AXIATA GROUP BERHAD
2	BOUSTEAD HEAVY INDUSTRIES CORPORATION BHD
3	BOUSTEAD HOLDINGS BERHAD
4	BOUSTEAD PLANTATIONS BERHAD
5	CHEMICAL COMPANY OF MALAYSIA BERHAD
6	DUOPHARMA BIOTECH BERHAD
7	GAMUDA BERHAD
8	ICON OFFSHORE BERHAD
9	IJM CORPORATION BERHAD
10	MALAYSIA AIRPORTS HOLDINGS BERHAD
11	MALAYSIAN RESOURCES CORPORATION BERHAD
12	MEDIA PRIMA BERHAD
13	MESINIAGA BERHAD
14	MISC BERHAD
15	PELIKAN INTERNATIONAL CORPORATION BERHAD
16	PETRONAS CHEMICALS GROUP BERHAD
17	PETRONAS DAGANGAN BHD
18	PETRONAS GAS BERHAD
19	PHARMANIAGA BERHAD
20	SIME DARBY BERHAD
21	TELEKOM MALAYSIA BERHAD
22	TENAGA NASIONAL BHD
23	TH HEAVY ENGINEERING BERHAD
24	TH PLANTATIONS BERHAD
25	THETA EDGE BERHAD
26	TIME DOTCOM BERHAD
27	UEM EDGENTA BERHAD
28	UMW HOLDINGS BERHAD
29	VELESTO ENERGY BERHAD

Appendix C: List of Firms with politicians as board of directors

No.	POL Firms	Politicians	Sub-parties	Parties
1	ADVENTA BERHAD	DATO' DR. NORRAESAH BINTI HAJI MOHAMAD	UMNO	BN
2	BREM HOLDING BERHAD	DATO' HJ. ABU SUJAK BIN HJ. MAHMUD	UMNO	BN
3	COMPLETE LOGISTIC SERVICES BERHAD	TAN SRI DATO' SERI LAW HIENG DING	Sarawak United People's Party (SUPP) -BN	BN
4	CYMAO HOLDINGS BERHAD	DATO' SERI MOHD SHARiff BIN OMAR	PPBM (BERSATU)	PH
5	D'NONCE TECHNOLOGY BHD	DATO' SERI LEE KAH CHOON	Former BN	BN
6	EXCEL FORCE MSC BERHAD	DATO' DR. NORRAESAH BINTI HAJI MOHAMAD	UMNO	BN
7	FINTEC GLOBAL BERHAD	DATO' SERI ABDUL AZIM BIN MOHD ZABIDI	UMNO	BN
8	IJM PLANTATIONS BERHAD	TAN SRI DATO' WONG SEE WAH	MCA	BN
9	JIANKUN INTERNATIONAL BERHAD	DATO' IR LIM SIANG CHAI	MCA	BN
10	KNM GROUP BERHAD	DATO' SRI ADNAN BIN WAN MAMAT	BN	BN
11	MATANG BERHAD	DATUK KIAT SWEE SUNG, ENG CHEN GUAN, DATUK TEOH SEW HOCK	MCA	BN
12	NEXGRAM HOLDINGS BERHAD	DATO' IR LIM SIANG CHAI	MCA	BN
13	NEXTGREEN GLOBAL BERHAD	DATO' DR. HAJI SOHAIMI BIN SHAHADAN	UMNO	BN
14	PAN MALAYSIA CORPORATION BERHAD	TAN SRI DATO' SERI AZMI BIN KHALID	BN	BN

15	PECCA GROUP BERHAD	DATO' DR NORRAESAH BINTI HAJI MOHAMAD	BN	BN
16	PETERLABS HOLDINGS BERHAD	DATO' HON CHOON KIM	MCA	BN
17	PLASTRADE TECHNOLOGY BERHAD	DATO' SERI ABDUL AZIM MOHD. ZABIDI	BN	BN
18	SUPERMAX CORPORATION BERHAD	TAN SRI RAFIDAH AZIZ	PPBM (BERSATU)	PH
19	SYCAL VENTURES BERHAD	TAN SRI DATO' SERI DR. TING CHEW PEH	BN-MCA	BN
20	TIONG NAM LOGISTICS HOLDINGS BERHAD	DATO' FU AH KIW @ OH (FU) SOON GUAN	BN-MCA	BN
21	TMC LIFE SCIENCES BERHAD	DATO' DR. TAN KEE KWONG	PKR	PH
22	TPC PLUS BERHAD	YBHG. TAN SRI DATUK SERI (DR.) ABU SEMAN BIN HJ. YUSOP	UMNO	BN
23	UNISEM (M) BERHAD	TAN SRI DATO' WONG SEE WAH	MCA	BN
24	XIN HWA HOLDINGS BERHAD	DATUK SERI DR. SULEIMAN BIN MOHAMED	UMNO	BN

Appendix D: List of Firms with business owners with personal connections

No.	Crony Firms	Politicians	Parties
1	7-ELEVEN MALAYSIA HOLDINGS BERHAD	Mahathir	PH
2	ADVANCE SYNERGY BERHAD	Daim/Anwar	PH
3	AIRASIA GROUP BERHAD	Najib Razak	BN
4	AIRASIA X BERHAD	Najib Razak	BN
5	AMCORP PROPERTIES BERHAD	Umno/BN (Gomez & Jomo)	BN
6	ANCOM BERHAD	Najib Razak	BN
7	ANCOM LOGISTICS BERHAD	Najib Razak	BN
8	ASTRO MALAYSIA HOLDINGS BERHAD	Mahathir	PH
9	BERJAYA ASSETS BERHAD	Mahathir	PH
10	BERJAYA CORPORATION BERHAD	Mahathir	PH
11	BERJAYA FOOD BERHAD	Mahathir	PH
12	BERJAYA LAND BERHAD	Mahathir	PH
13	BERJAYA SPORTS TOTO BERHAD	Mahathir	PH
14	BUMI ARMADA BERHAD	Mahathir	PH
15	DESTINI BERHAD	Najib Razak	BN
16	DRB-HICOM BERHAD	Mahathir	PH
17	ECO WORLD INTERNATIONAL BERHAD	Anwar	PH
18	FIMA CORPORATION BERHAD	Daim	PH
19	GAS MALAYSIA BERHAD	Mahathir	PH
20	GEORGE KENT (MALAYSIA) BERHAD	Najib Razak	BN
21	HONG LEONG INDUSTRIES BERHAD	Anwar	PH
22	HUME INDUSTRIES BERHAD	Anwar	PH
23	KUB MALAYSIA BERHAD	Najib Razak	BN
24	MALAKOFF CORPORATION BERHAD	Mahathir	PH
25	MALAYSIAN BULK CARRIERS BERHAD	Mahathir	PH
26	MALAYSIAN PACIFIC INDUSTRIES BERHAD	Anwar	PH
27	MASTER-PACK GROUP BERHAD	Anwar	PH

28	MAXIS BERHAD	Mahathir	PH
29	MMC CORPORATION BERHAD	Mahathir	PH
30	NYLEX (MALAYSIA) BERHAD	Najib Razak	BN
31	PINEHILL PACIFIC BERHAD	Najib Razak	BN
32	POS MALAYSIA BERHAD	Mahathir	PH
33	PPB GROUP BERHAD	Mahathir	PH
34	REDTONE INTERNATIONAL BERHAD	Mahathir	PH
35	ROHAS TECNIC BERHAD	Daim	PH
36	SAPURA ENERGY BERHAD	Mahathir	PH
37	SAPURA INDUSTRIAL BERHAD	Mahathir	PH
38	SHANGRI-LA HOTELS (MALAYSIA) BERHAD	Mahathir	PH
39	SOUTHERN STEEL BERHAD	Anwar	PH
40	STAR MEDIA GROUP BERHAD	MCA	BN
41	SUMATEC RESOURCES BERHAD	Daim	PH
42	YTL CORPORATION BERHAD	Najib Razak	BN
43	YTL POWER INTERNATIONAL BHD	Najib Razak	BN
44	ZELAN BERHAD	Mahathir	PH
45	UTUSAN MELAYU (MALAYSIA) BERHAD UMNO	UMNO	BN
46	TASEK CORPORATION BERHAD	Anwar	PH
47	BERJAYA MEDIA BERHAD	Mahathir	PH
48	TROPICANA CORPORATION BERHAD	Mahathir	PH
49	YTL LAND & DEV BHD	Najib	BN

Appendix E: List of Firms with government leaders' family members as the board of directors

No.	NEPO Firms	Government Leaders' Family Members	Sub-parties	Parties
1	CAHYA MATA SARAWAK BERHAD	Datuk Syed Ahmad alwee asree, Dato Sri Mahmud Abu Bekir Taib (Taib Mahmud son-in-law & son)	PBB (Parti Pesaka Bumiputra Bersatu Sarawak)	BN
2	DATASONIC GROUP BERHAD	Jeneral Tan Sri (dr) Mohamed Hashim bin Mohd Ali (Mahathir brother-in-law)	PPBM (BERSATU)	PH
3	EDEN INC. BERHAD	Tan Sri Abd Rahim Mohamad, pn sri Fadzilah (Muhyidin in-laws)	PPBM (BERSATU)	PH
4	KKB ENGINEERING BERHAD	Datuk Syed Ahmad alwee asree (Taib Mahmud son-in-law)	PBB	BN
5	OPCOM HOLDINGS BERHAD	Mokhzani Mahathir	PPBM (BERSATU)	PH
6	PAN MALAYSIA HOLDINGS BERHAD	Farizon Ibrahim (Anwar Ibrahim sibling)	PH	PH
7	PETRA ENERGY BERHAD	Dato' Mohamed Nizam Tun Abdul Razak	UMNO	BN
8	RIMBUNAN SAWIT BERHAD	Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King (Politician Tiong Thai King siblings)	SUPP	BN
9	SARAWAK CABLE BERHAD	Dato Hajjah Hanifah Hajar Taib, Mahmud	PBB	BN

		Abu Bekir Taib (Taib Mahmud daughter & son)		
10	SIG GASES BERHAD	Datuk Syed Ahmad alwee asree (Taib Mahmud son-in-law)	PBB	BN
11	DAIMAN DEVELOPMENT BHD	Dato' Ahmad Johari Tun Abdul Razak	UMNO	BN



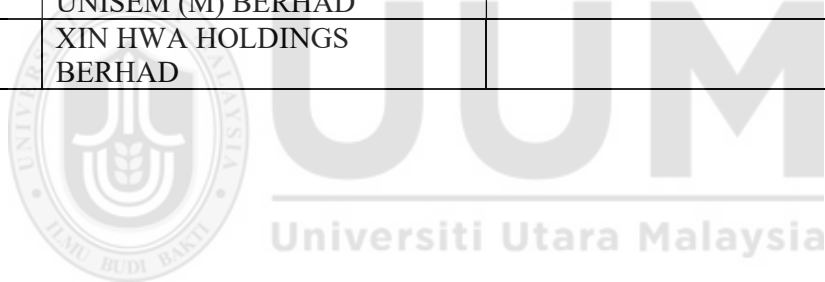
Appendix F: List of Bumiputra Firms

No.	Bumiputra Firms
1	AHMAD ZAKI RESOURCES BERHAD
2	ALAM MARITIM RESOURCES BERHAD
3	ATLAN HOLDINGS BHD
4	AVILLION BERHAD
5	BARAKAH OFFSHORE PETROLEUM BERHAD
6	BRAHIM'S HOLDINGS BERHAD
7	C.I. HOLDINGS BERHAD
8	CARIMIN PETROLEUM BERHAD
9	CENSOF HOLDINGS BERHAD
10	CYPARK RESOURCES BERHAD
11	DAGANG NEXCHANGE BERHAD
12	DELEUM BERHAD
13	E.A. TECHNIQUE BERHAD
14	LEWEKO RESOURCES BERHAD
15	LFE CORPORATION BERHAD
16	MARINE & GENERAL BERHAD
17	MELEWAR INDUSTRIAL GROUP BERHAD
18	MERGE ENERGY BHD
19	MTD ACPI ENGINEERING BERHAD
20	MYCRON STEEL BERHAD
21	PERDANA PETROLEUM BERHAD
22	PIMPINAN EHSAN BERHAD
23	PRESTARIANG BERHAD
24	PROGRESSIVE IMPACT CORPORATION BERHAD
25	PUNCAK NIAGA HOLDINGS BERHAD
26	RANHILL HOLDINGS BERHAD
27	REACH ENERGY BERHAD
28	SEACERA GROUP BERHAD
29	SEDANIA INNOVATOR BERHAD
30	SERBA DINAMIK HOLDINGS BERHAD
31	SINO HUA-AN INTERNATIONAL BERHAD
32	TA ANN HOLDINGS BERHAD
33	TFP SOLUTIONS BERHAD
34	TRANSOCEAN HOLDINGS BHD
35	TRC SYNERGY BERHAD
36	YLI HOLDINGS BERHAD
37	ZECON BERHAD

Appendix G: List of BN and PH Firms

No.	BN Firms	PH Firms
1	AIRASIA GROUP BERHAD	7-ELEVEN MALAYSIA HOLDINGS BERHAD
2	AIRASIA X BERHAD	ADVANCE SYNERGY BERHAD
3	AMCORP PROPERTIES BERHAD	ASTRO MALAYSIA HOLDINGS BERHAD
4	ANCOM BERHAD	BERJAYA ASSETS BERHAD
5	ANCOM LOGISTICS BERHAD	BERJAYA CORPORATION BERHAD
6	DESTINI BERHAD	BERJAYA FOOD BERHAD
7	GEORGE KENT (MALAYSIA) BERHAD	BERJAYA LAND BERHAD
8	KUB MALAYSIA BERHAD	BERJAYA SPORTS TOTO BERHAD
9	NYLEX (MALAYSIA) BERHAD	BUMI ARMADA BERHAD
10	PINEHILL PACIFIC BERHAD	DRB-HICOM BERHAD
11	STAR MEDIA GROUP BERHAD	ECO WORLD INTERNATIONAL BERHAD
12	YTL CORPORATION BERHAD	FIMA CORPORATION BERHAD
13	YTL POWER INTERNATIONAL BHD	GAS MALAYSIA BERHAD
14	UTUSAN MELAYU (MALAYSIA) BERHAD	HONG LEONG INDUSTRIES BERHAD
15	YTL LAND & DEV BHD	HUME INDUSTRIES BERHAD
16	CAHYA MATA SARAWAK BERHAD	MALAKOFF CORPORATION BERHAD
17	KKB ENGINEERING BERHAD	MALAYSIAN BULK CARRIERS BERHAD
18	PETRA ENERGY BERHAD	MALAYSIAN PACIFIC INDUSTRIES BERHAD
19	RIMBUNAN SAWIT BERHAD	MASTER-PACK GROUP BERHAD
20	SARAWAK CABLE BERHAD	MAXIS BERHAD
21	SIG GASES BERHAD	MMC CORPORATION BERHAD
22	DAIMAN DEVELOPMENT BHD	POS MALAYSIA BERHAD
23	ADVENTA BERHAD	PPB GROUP BERHAD
24	BREM HOLDING BERHAD	REDTONE INTERNATIONAL BERHAD
25	COMPLETE LOGISTIC SERVICES BERHAD	ROHAS TECNIC BERHAD
26	D'NONCE TECHNOLOGY BHD	SAPURA ENERGY BERHAD
27	EXCEL FORCE MSC BERHAD	SAPURA INDUSTRIAL BERHAD
28	FINTEC GLOBAL BERHAD	SHANGRI-LA HOTELS (MALAYSIA) BERHAD

29	IJM PLANTATIONS BERHAD	SOUTHERN STEEL BERHAD
30	JIANKUN INTERNATIONAL BERHAD	SUMATEC RESOURCES BERHAD
31	KNM GROUP BERHAD	ZELAN BERHAD
32	MATANG BERHAD	TASEK CORPORATION BERHAD
33	NEXGRAM HOLDINGS BERHAD	BERJAYA MEDIA BERHAD
34	NEXTGREEN GLOBAL BERHAD	TROPICANA CORPORATION BERHAD
35	PAN MALAYSIA CORPORATION BERHAD	DATASONIC GROUP BERHAD
36	PECCA GROUP BERHAD	EDEN INC. BERHAD
37	PETERLABS HOLDINGS BERHAD	OPCOM HOLDINGS BERHAD
38	PLASTRADE TECHNOLOGY BERHAD	PAN MALAYSIA HOLDINGS BERHAD
39	SYCAL VENTURES BERHAD	CYMAO HOLDINGS BERHAD
40	TIONG NAM LOGISTICS HOLDINGS BERHAD	SUPERMAX CORPORATION BERHAD
41	TPC PLUS BERHAD	TMC LIFE SCIENCES BERHAD
42	UNISEM (M) BERHAD	
43	XIN HWA HOLDINGS BERHAD	



Appendix H: VIF Result test

Variable	VIF	1/VIF
BNPAR	1.15	0.87101
LOGSIZE	1.18	0.84725
LOGMTBR	1.41	0.70871
LOGLEV	1.13	0.88859
LOGAGE	1.13	0.88888
ROA	1.44	0.69508
CASH	1.15	0.87001
DIVIDEND	1.18	0.84783
SALESGRO	1.12	0.896742
Mean VIF	1.21	

VIF result test for BNPAR

Variable	VIF	1/VIF
GLC	1.15	0.87148
LOGSIZE	1.33	0.75146
LOGMTBR	1.19	0.84156
LOGLEV	1.13	0.88348
LOGAGE	1.17	0.85574
ROA	1.41	0.70688
CASH	1.21	0.8284
DIVIDEND	1.35	0.74141
SALESGRO	1.05	0.95372
Mean VIF	1.22	

VIF result test for GLC

Appendix H: VIF Result test (continued)

Variable	VIF	1/VIF
POL	1.01	0.98671
LOGSIZE	1.20	0.83355
LOGMTBR	1.17	0.85620
LOGLEV	1.10	0.90745
LOGAGE	1.16	0.86065
ROA	1.44	0.69453
CASH	1.22	0.82167
DIVIDEND	1.34	0.74626
SALESGRO	1.05	0.94842
Mean VIF	1.19	

VIF result test for POL

Variable	VIF	1/VIF
NEPO	1.02	0.98481
LOGSIZE	1.19	0.83818
LOGMTBR	1.17	0.85723
LOGLEV	1.11	0.89775
LOGAGE	1.15	0.86981
ROA	1.43	0.69765
CASH	1.19	0.83889
DIVIDEND	1.32	0.75708
SALESGRO	1.05	0.95011
Mean VIF	1.18	

VIF result test for NEPO

Appendix H: VIF Result test (continued)

Variable	VIF	1/VIF
CRONY	1.14	0.88001
LOGSIZE	1.29	0.7771
LOGMTBR	1.18	0.84590
LOGLEV	1.14	0.8778
LOGAGE	1.16	0.86119
ROA	1.45	0.69154
CASH	1.22	0.81940
DIVIDEND	1.34	0.74888
SALESGRO	1.06	0.94382
Mean VIF	1.22	

VIF result test for CRONY

Variable	VIF	1/VIF
BUMI	1.04	0.96493
LOGSIZE	1.21	0.82736
LOGMTBR	1.14	0.87675
LOGLEV	1.12	0.89091
LOGAGE	1.14	0.87784
ROA	1.41	0.70801
CASH	1.22	0.82211
DIVIDEND	1.32	0.75610
SALESGRO	1.06	0.94193
Mean VIF	1.18	

VIF result test for BUMI

Appendix H: VIF Result test (continued)

Variable	VIF	1/VIF
PCONOLD	2.21	0.452045
LOGSIZE	1.18	0.84903
LOGMTBR	1.13	0.88360
LOGLEV	1.15	0.86707
LOGAGE	2.28	0.43767
ROA	1.27	0.78788
CASH	1.16	0.85992
DIVIDEND	1.30	0.77213
SALESGRO	1.05	0.94846
Mean VIF	1.42	

VIF result test for PCONOLD

Variable	VIF	1/VIF
PCONOLDBN	1.21	0.82986
LOGSIZE	1.16	0.86183
LOGMTBR	1.38	0.72402
LOGLEV	1.15	0.86941
LOGAGE	1.21	0.82903
ROA	1.61	0.62284
CASH	1.32	0.75975
DIVIDEND	1.70	0.58934
SALESGRO	1.12	0.89034
Mean VIF	1.32	

VIF result test for PCONOLDBN

Appendix I: Dependant and Independent Variables Correlation Matrix

Dependant and BNPARG Variable Correlation Matrix (n=84)

	BNPARG	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
BNPARG	1.000								
LOGSIZE	-0.2662**	1.000							
LOGMTBR	0.1483	-0.1166	1.000						
LOGLEV	-0.0387	0.2150**	-0.0558	1.000					
LOGAGE	-0.1052	0.1371	-0.1795	-0.0743	1.000				
ROA	0.0657	0.0222	-0.4479***	-0.0702	-0.0293	1.000			
CASH	-0.0358	-0.0487	0.0461	-0.2064	0.0747	0.1382	1.000		
DIVIDEND	-0.1098	0.1230	-0.0572	0.0024	0.1173	0.2119	0.2451**	1.000	
SALESGRO	0.1423	-0.1217	-0.1063	0.0648	0.0817	0.0966	0.2859	-0.1672	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and GLC Variable Correlation Matrix (n=567)

	GLC	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
GLC	1.000								
LOGSIZE	0.3241***	1.000							
LOGMTBR	-0.1462***	-0.1917***	1.000						
LOGLEV	0.1167***	0.1749***	-0.0894**	1.000					
LOGAGE	0.1375***	0.3480***	-0.2101***	0.0443	1.000				
ROA	-0.0252	0.0614	-0.2751***	-0.0361	0.0471	1.000			
CASH	-0.0286	-0.1189***	-0.0161	-0.2872***	-0.0571	0.2659***	1.000		
DIVIDEND	0.1317***	0.2101***	-0.2668***	-0.0299	0.0985	0.4366***	0.1954***	1.000	
SALESGRO	-0.0098	0.0037	-0.0143	-0.0542	0.0061	0.1975***	0.0156	0.0564	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and POL Variable Correlation Matrix (n=562)

	POL	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
POL	1.000								
LOGSIZE	-0.0504	1.000							
LOGMTBR	0.0282	-0.1677***	1.000						
LOGLEV	-0.0178	0.1377***	-0.0814	1.000					
LOGAGE	-0.0648	0.3307***	-0.2011***	0.0255	1.000				
ROA	-0.0378	0.0763	-0.2836***	-0.0218	0.022	1.000			
CASH	-0.0504	-0.1170***	-0.0208	-0.2651***	-0.0601	0.2797***	1.000		
DIVIDEND	-0.0690	0.1757***	-0.2387***	-0.0345	0.0746	0.4501***	0.2311***	1.000	
SALESGRO	-0.0401	-0.0120	-0.0200	-0.0345	0.0154	0.2047***	0.0222	0.0484	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and NEPO Variable Correlation Matrix (n=549)

	NEPO	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
NEPO	1.000								
LOGSIZE	0.0644	1.000							
LOGMTBR	0.0260	-0.1507***	1.000						
LOGLEV	0.0403	0.1544***	-0.0827	1.000					
LOGAGE	0.0249	0.3231***	-0.1956***	0.0237	1.000				
ROA	-0.0617	0.0628	-0.2844***	-0.0264	0.0213	1.000			
CASH	0.0104	-0.1159***	-0.0169	-0.2738***	-0.0457	0.2554***	1.000		
DIVIDEND	0.0061	0.1615***	-0.2359***	-0.0420	0.0642	0.4471***	0.2020***	1.000	
SALESGRO	0.0331	-0.0046	-0.0028	-0.0484	0.0079	0.1949***	0.0127	0.0412	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and CRONY Variable Correlation Matrix (n=587)

	CRONY	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
CRONY	1.000								
LOGSIZE	0.2902***	1.000							
LOGMTBR	-0.1246***	-0.1816***	1.000						
LOGLEV	0.1225***	0.1863***	-0.0930**	1.000					
LOGAGE	0.1834***	0.3289***	-0.1938***	0.0231	1.000				
ROA	-0.0502	0.0605	-0.2847***	-0.0274	0.0141	1.000			
CASH	-0.0150	-0.1167***	-0.0217	-0.2842***	-0.0424	0.2741***	1.000		
DIVIDEND	0.1170***	0.1985***	-0.2504***	-0.0275	0.0808	0.4300***	0.2129***	1.000	
SALESGRO	-0.0118	-0.0209	-0.0174	-0.0423	0.0143	0.2082***	0.0005	0.0294	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and BUMI Variable Correlation Matrix (n=575)

	BUMI	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
BUMI	1.000								
LOGSIZE	0.1162***	1.000							
LOGMTBR	0.0230	-0.1467***	1.000						
LOGLEV	0.0865**	0.1620***	-0.0821	1.000					
LOGAGE	-0.0236	0.3168***	-0.1750***	0.0327	1.000				
ROA	-0.0866**	0.0503	-0.2601***	-0.0382	0.0365	1.000			
CASH	-0.0980**	-0.1301***	-0.0231	-0.2803***	-0.0544	0.2750***	1.000		
DIVIDEND	-0.0743	0.1558***	-0.2285***	-0.0621	0.0597	0.4388***	0.2286***	1.000	
SALESGRO	-0.0467	-0.0120	-0.0070	-0.0724	0.0023	0.2202***	0.0425	0.0609	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and PCONOLD Variable Correlation Matrix (n=150)

	PCONOLD	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
PCONOLD	1.000								
LOGSIZE	0.1114	1.000							
LOGMTBR	-0.1115	-0.1748**	1.000						
LOGLEV	-0.0557	0.2060**	0.0359	1.000					
LOGAGE	0.7127***	0.2458***	-0.1486	-0.0106	1.000				
ROA	0.0001	0.0103	-0.2749***	-0.1334	0.1399	1.000			
CASH	-0.0057	-0.0420	-0.0571	-0.2728***	0.0662	0.1477	1.000		
DIVIDEND	-0.0691	0.2205***	-0.3636***	-0.0788	0.1062	0.4107***	0.2941***	1.000	
SALESGRO	-0.0030	0.0656	-0.1466	-0.0753	0.0252	0.2393***	0.0446	0.1085	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix I: Dependant and Independent Variables Correlation Matrix (continued)

Dependant and PCONOLDBN Variable Correlation Matrix (n=72)

	PCONOLDBN	LOGSIZE	LOGMTBR	LOGLEV	LOGAGE	ROA	CASH	DIVIDEND	SALESGRO
PCONOLDBN	1.000								
LOGSIZE	-0.2035	1.000							
LOGMTBR	0.1299	-0.1405	1.000						
LOGLEV	0.0586	0.1805	0.0156	1.000					
LOGAGE	-0.2394**	0.2353**	-0.1616	-0.0230	1.000				
ROA	0.1035	0.0523	-0.4594***	-0.1203	0.1678	1.000			
CASH	-0.0821	-0.0251	-0.1246	-0.2280	0.2141	0.1782	1.000		
DIVIDEND	-0.2098	0.1849	-0.3461***	-0.0517	0.3108***	0.4219***	0.4261***	1.000	
SALESGRO	0.0684	0.0382	-0.1791	0.1502	0.0224	0.1970	-0.0610	-0.0570	1.000

Note(s): *** Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Appendix J: Market Reaction to the 2018 GE Result on Types of PCONs

Variables	CAR (-10, +10)	CAR (-1, +5)	CAR (-10, +10)	CAR (-1, +5)	CAR (-10, +10)	CAR (-1, +5)
	Coefficient (t-value)	Coefficient (t-value)	Coefficient (t-value)	Coefficient (t-value)	Coefficient (t-value)	Coefficient (t-value)
GLC	0.001 (0.76)	0.003* (2.01)				
CRONY			0.002 (1.13)	-0.000 (-0.29)		
BUMI					-0.000 (-0.11)	-0.002 (-0.65)
LOGSIZE	-0.012 (-0.64)	0.008 (0.49)	-0.010 (-0.72)	-0.022 (-1.42)	0.023 (0.71)	0.022 (0.76)
LOGMTBR	0.076** (2.41)	0.050* (1.91)	-0.009 (-0.39)	0.014 (0.56)	0.080 (1.45)	0.100 (0.141)
LOGLEV	-0.039 (-1.15)	-0.014 (-0.52)	0.002 (0.09)	-0.001 (-0.05)	-0.024 (-0.89)	-0.001 (-0.02)
LOGAGE	-0.039 (1.50)	-0.022 (-0.64)	0.021 (0.76)	0.032 (0.90)	0.010 (0.22)	-0.004 (-0.09)
ROA	0.491 (-1.61)	-0.150 (-0.64)	-0.210 (-0.93)	0.394* (1.85)	0.446 (0.87)	0.065 (0.19)
CASH	0.192 (0.44)	0.234 (0.59)	-0.367 (-1.02)	-0.834* (-1.95)	0.479 (1.50)	0.747* (2.00)
DIVIDEND	-0.019 (-1.29)	-0.002 (-0.15)	-0.001 (-1.29)	-0.001 (-0.77)	-0.195 (-1.26)	-0.219 (-1.31)
SALESGRO	0.178* (2.04)	0.069 (0.98)	-0.140 (-1.18)	-0.314** (-2.67)	0.004 (0.51)	0.001 (0.17)
Constant	0.013 (0.03)	-0.213 (-0.66)	0.116 (0.37)	0.476 (1.48)	-0.439 (-0.71)	-0.271 (-0.49)
N	29	29	49	49	37	37
Adjusted R ²	0.538	0.434	0.163	0.308	0.268	0.291
F-value	2.39	1.79	0.72	1.91	2.95	4.68
P-value	0.053	0.137	0.689	0.079	0.014	0.001

Note(s): CAR stands for cumulative abnormal returns. GLC is signified as 1 if a firm is a GLC, a firm government owned through GLICs (Government-Linked Investment Companies) that was monitored by the government and 0 if it is a non-PCONs. CRONY is signified as 1 if a firm of a business owner who has personal relationships with top politicians and this includes if he or she is one of the firms' large shareholders (anyone controlling 10 percent of the voting shares) is connected to a prime minister, minister, politician in top position in a political party or former heads of state and 0 if it is a non-PCONs. BUMI is signified as 1 if a firm has 30 percent or more of equity ownership by Bumiputra shareholders and 0 if it is a non-PCONs. LOGSIZE is natural logarithm of market capitalisation in the prior year; LOGMTBR is a natural logarithm of the market capitalisation in the prior year over future cash flow; LOGLEV is natural logarithm of total debt to total assets in prior year; LOGAGE is natural logarithm of the number of years between the establishment year and the current year; ROA is the earnings before interest and tax to total assets; CASH is cash and cash equivalent to total assets; DIVIDEND is a cash dividend payout divided to net income; SALESGRO is total current sales deduct total prior year sales to total prior year sales. N indicates the total observations. P-value is the number enclosed in parentheses, while the symbols *, **, and *** signify statistical significance at the levels of 10%, 5%, and 1%.