

Using Altman's Model and Current Ratio to Assess the Financial Status of Companies Quoted In the Malaysian Stock Exchange

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Abstract- This study uses Edward Altman's financial distress prediction model and current ratio to assess financial situation of Companies listed in the Malaysia Stock Exchange. The population of this study is composed of 44 selected listed Companies of Malaysian Stock Exchange. The secondary data for assessment were obtained from the financial report of these Companies. This study found that there are financial distressed companies listed on the main board and are not classified as PN17 company. Study concluded that Edward Altman model and current ratio are useful tools for investor to predict financial failure of companies

Index Terms- Bursa, Financial Analysis, Markets, Statistics Models, Distress Companies, PN17, Investment.

I. INTRODUCTION

Business failure leads to heavy losses whether financially and non-financially consequences. Thus, the importance to predict business failures accurately on a timely manner is useful to stakeholders including managers, the government, suppliers, customers and employees to take the necessary actions to avert a potential financial failure (Byrne & Barron, 1993).

Industrialization, trade and commerce have led to the increasing needs of financial analysis. The establishing of sector financial performance standards and criteria in the markets serve to monitor and assist in decision making process to gauge and measure market performance and benchmarking competitiveness. Information revolution as a resulted of globalization has triggered the need to analyze and treat huge numbers of the data to process them into useful information to support quality of decision making (Mohammed, 1997).

According to Altman and Beaver, a financial statement is sufficient information to be used as a discriminating function for large businesses (Horrigan, 1968). Tam and Kiang (1992) argued that the prediction of bankruptcy is probably one of the most important business decision-making problems, because decision made affect the entire life span of a business. Failure results in high costs from the collaborators (firms and organizations), the society and the country's economy (Ahn et al., 2000). This has resulted in the emergence of evaluation of business failure as a scientific field attracting many academics and professionals researchers to develop optimal prediction financial models to

meet their specific interest or condition and growing needs of businesses.

Studies carried out by Altman (2003) using financial ratios to predict occurrence of bankruptcy was able to predict 94% correctly one year before bankruptcy occurred and 72% two years before its actual occurrence. Significant ratios identified by Altman with regard to bankruptcy prediction were working capital over total assets, retained earnings over total assets, earnings before interest and taxes over total assets, market value of equity over book value of total liabilities and sales over total assets. This means that the model such as, the Altman model which is the most commonly used, has been identified as independent variables (financial ratios of its component) as well as the relative weight of each variable which represents dependent variable (Z) through an analytical study of a random financial sample of US companies in 1968 surrounded by social, physical and economic conditions. It is permissible to use the approach or method that was (Altman's model 1968) in the financial analysis which is known as regression differentiated analysis (Discriminational Regression Analysis) under which a regression equation is reached. Altman model 1968, through which the study referred to, is not a problem by itself and independent by itself and the relative weights with the same cut point (Z) and that in assessing the financial position the Malaysian company applied on published financial statements for any year (Horrigan, 1968). It is a multivariate formula to measure the financial health of a company on whether it will enter into bankruptcy in the forthcoming two years. This method uses five common business ratios: earnings before interest and tax (debit)/total assets ratio; sales/total assets ratio; market value of equity/market value of total liabilities; working capital/total asset ratio and retained earnings/total assets (Edward, 1968).

$$Z = .012X1 + .014X2 + .033X3 + .006X4 + .999X5$$

where:-

X1=Working capital/Total assets

X2=Retained Earnings/Total assets

X3=Earnings before interest and taxes/Total assets

X4=Market value equity/Book value of total debt

X5=Sales/Total assets

Z =Overall Index

Edward Altman (1968) was the first to use multivariate analysis to analyze the ratios of various bankrupt and non

bankrupt groups and to look at the effect of using different combinations of financial ratios to predict business failures (Mohamed, 1997). Altman's model uses two years continuous financial results to assess company's failure.

Financial failure may take the form of bankruptcy or insolvency. Insolvency is when a firm is unable to meet its current obligations as and when they are due. This happens when the current liabilities exceed the current assets. Bankruptcy, on the other hand is when the total liabilities exceed the fair value of assets. Financial statements are normally used to gauge the performance of the firm and its management. The financial statements commonly used are profit and loss statements, balance sheets and cash flow statements. From the financial statements, various ratios can be calculated to assess the current performance, future prospects of the concerned firm. Some of the ratios used include current ratio, quick ratio, and working capital to total debt, total debt to total assets, profit margin to sales and return on total assets (Ahn, 2000). In Malaysia, company that triggered and of the criteria pursuant to Practice Note 17 (PN17) of the Main Market Listing Requirements of Malaysian Stock Exchange are said to be reprimanded under the PN17 as financial distress companies.

Financial analyst uses financial ratios to evaluate corporate performance. These ratios include profitability, liquidity and solvency, as well as the efficiency of management in the design and implementation of funding policies and investment (Mohammed, 1997). Researchers began to focus their attention on analyzing financial conditions of companies as early as in the sixties. In the United States, the encouragement of the American Institute of Certified Public Accountants (AICPA), the Securities and Exchange (SEC), auditors' role in early warning of the incidence of corporate bankruptcy. Beaver was the first researcher to complete a study in this area in 1966. He built a model which is known as complex financial ratios. Later, researchers from Britain, Canada, and the United States have done similar studies in this field, referred to each other but, did not limit themselves to timing for the deployment of these studies in accounting journals. In addition, these models consist of a set of financial ratios and at the same time as a measure of performance. It is regarded as one of the positives of this descent because it would reduce a lot of financial ratios in a single model. It is therefore called the analysis of differentiation. However, it is limited only to predict financial failure and not to study the financial situation of companies from various aspects. Researchers began giving attention to the area of analyzed financial companies, which failed in the sixties in the United States, but the Altman model is considered as the most common model among them (Mohammad, 1997).

Financial ratios are useful indicators of a firm's performance and financial situation. Most of the ratios can be calculated from the information provided by the financial statement, the importance of using financial ratios in financial analysis and its role and its importance in the performance of evaluation of companies and also in calculating the financial failure of companies through the practical application of a number of companies as well as use the graph to display the results, in order to avoid failure and face global financial crisis. The researchers found significant results, including convergence of results between the value of the financial performance of companies and

the value of financial failure of companies, and the possibility of the use and presentation of results in the financial markets, to take advantage of them (Mahmood et al., 2009).

Financial ratios have been used for many years by investors, creditors, lenders, stockholders, auditors, employees and others who may incur substantial losses as a result of business failure. Researchers have used financial ratios to develop business failure prediction models and some have focused on specific industries such as manufacturing, retail trade, and wholesale trade (Jones, 1987). After reviewing the financial ratios that have been divided into five main ratios such as; Profitability Ratios, Liquidity Ratios, Activity Ratios, Leverage Ratios or Financial Leverage ratios and Capital Market Ratios, it can be mentioned that the liquidity ratios are the best and easy suited to undertake this study because it is used to evaluate the credit rating of the company and to identify the liquidity and capital of the critical current case. On the other hand, the rates of the financial liquidity ratios such as Current, Quick and Cash ratios are only specific numbers that can be measured or used as an indicator to predict or explore for the better or worse (Platt, 1990).

Liquidity ratios are used to assess the status of credit facility. They usually reflect the extent of their ability and meet their obligations in the short term that are optimized. Current ratio is a financial liquidity indicator that measures whether or not a firm has enough resources to pay its debts over the next 12 months, and it compares a firm's current assets to its current liabilities. Short-term creditors prefer a high current ratio since it reduces their risk. Shareholders may prefer a lower current ratio so that more of the firm's assets are working to grow the business. Typical values for the current ratio vary from firm and industry. For example, firms in cyclical industries may maintain a higher current ratio in order to remain solvent during downturns, which are supposed to be Current Assets /Current Liabilities (Ali, 2008; Mahmood et al., 2009).

Analytical studies and scientific researchers are almost still lacking on Malaysian Companies listed in the Malaysian Stock Exchange (Ali, 2008). In this study, thresholds for financial failure were used to differentiate a financial failure and a non-financial failure company using Altman Z-Score and current ratio. Paired t-test was used to test the hypothesis that there is significant different in the use of Altman Z-score and current ratio to differentiate a financial failure with a non-financial company. The next hypothesis was formulated to test whether there is financial distress company that are listed in the Malaysian Stock Exchange.

II. METHODOLOGY

This study attempts to use Altman's model and current ratio to assess the financial status of companies listed in the Malaysian Stock Exchange. The data of this research were collected from the listed companies financial reports available at Malaysian Stock Exchange library. The forty-four companies were selected on a stratified (stratified by company category) random basis. The stratified random sample method is to give each company an opportunity to appear in this study. By adopting this method, the numbers of particular companies were proportionately selected to represent the respective categories of companies, Mohammad, (1999). The financial data of these companies is over the period

from 2008 to 2009. Altman Z-score and Current Ratio were computed for these identified companies to test the hypotheses formulated.

2.1 Measurement.

Altman's Z-Score Model (1968) is based on five independent variables, each of them represent financial ratios and the rates recognized by the dependent variable (Z).

Current ratio is the most basic liquidity test. It shows the company's ability, if current ratio is greater than or equal to one, this indicates that current assets should be able to meet near-term obligations and a current ratio less than one may mean that the firm has liquidity issues (Cowen & Hoffer, 1982; Courtis, 1978).

Table 1.0 tabled the threshold value differentiating a financial failure and non-financial failure Company using Altman Z-score and Current Ratio.

Table 1.0 Threshold of Current Liquidity Ratio and Altman Z score

| Financial Situation | Altman Z Score Value | Current Ratio Value |
|------------------------|----------------------|---------------------|
| Failure Company | <1.81 | <1.1 |
| Non-failure of Company | >2.99 | =/>1.1 |

Upon computing all the Altman Z Score value and current ratio value of the forty-four companies, the financial situation of the company is interpreted whether a failure or non-failure basing on the above threshold value to test hypothesis H1. These ratios are recoded into either 1 or 2 to where 1 means a failure and 2 means a non-failure for all the companies. These are detailed at the Appendix. Paired t-test using SPSS statistical package was used to perform to test hypothesis H2. These hypotheses are stated in Section 2.2.

2.2 Hypotheses

The hypotheses formulated for this empirical verification are as below:

H1: There is a significant difference between the use of current liquidity ratio, and also Altman's Z score to determine the financial situation.

H2: There is financial distress company that are listed in the Malaysian Stock Exchange.

III. FINDINGS

The profiles of these selected companies are tabled in Table 2.0.

3.1 Profile of Companies

Table 2.0: General Details of Companies studied.

| a, Industry Classification | Number of Companies Studied |
|--|-----------------------------|
| i. Consumer | 6 |
| ii. Industrial Products | 5 |
| iii. Construction | 6 |
| iv. Trading Services | 6 |
| v. Technology | 5 |
| vi. Finance | 1 |
| vii. Hotels | 2 |
| viii. Properties | 7 |
| ix. Plantations | 6 |
| Total | 44 |
| b, Paid-up capital (RM) | |
| i. Less than 50,000,000 | 15 |
| ii. More than 50,000,000 and less than 100,000,000 | 7 |
| iii. More than 100,000,000 and less than 150,000,000 | 5 |
| iv. More than 150,000,000 and less than 200,000,000 | 3 |
| v. More than 200,000,000 and less than 300,000,000 | 3 |
| vi. More than 300,000,000 and less than 400,000,000 | 7 |
| vii. More than 400,000,000 | 4 |
| Total | 44 |

Table 2.0 tabulates the profile of all the selected 44 active companies under 2 categories. There are 7 Sectors of companies, 6 companies were selected from consumer sector, construction sector, trading services sector and plantations sector, 5 companies each from technology sector and industrial products sector, 2 companies from hotels sector and one company from the finance sector. Basing on paid-up capital classification, there are 15 companies with less than RM.50,000,000 paid-up capital, 7 companies with more than RM 50,000,000 and less than RM 100,000,000, 5with more than RM 100,000,000 and less than RM 150, 000,000, 3 each with more than RM 150,000,000 and less than RM 200,000,000, 3 with more than RM 200,000,000 and less than RM 300,000,000, 7 with more than RM 300, 000,000 and less than RM 400, 000,000 and 4 companies with more than RM 400,000,000 paid-up capital.

3.2 Test of Hypotheses

Paired T-Test was used to test whether there is a significant difference between the use of Altman's model 1968, and current liquidity ratio in determining the financial situation of company. The results of the tests are tabulated in Table 3.0.

Table 3.0: The results of using the Paired T-Test to compare between the Current Liquidity Ratio and Altman Z-score in determining the financial situation of the Company.

| No | Variables Compared | N | Mean | T | Significant Level (p) |
|--------|--------------------------------|----|-------|------|-----------------------|
| Pair 1 | Current Ratio & Altman Z Score | 44 | .0326 | .653 | >0.500 |

Based on Table 3.0, it is found that Altman Z-score and current ratio indicated there is no significant difference as an indicator of financial failure and non-financial failure of the companies at level of $p > 0.5$.

Altman Z score and current ratio were used to determine if there is financial distress in companies that are listed in the Malaysian Stock Exchange for the two years 2008 and 2009 data. This is done by separating the financial failure and non-financial failure threshold value. The counts of financial and non-financial companies is of the respective ratios are tabulated in Table 4.0.

Table 4.0: Financial status of Companies studied based on Altman Z-score.

| Measurements | Number of Companies | | | |
|----------------|---------------------|-------------|-----------|-------------|
| | Year 2008 | | Year 2009 | |
| | Failure | Non-Failure | Failure | Non-Failure |
| Altman Z Score | 10 | 34 | 7 | 37 |
| Current Ratio | 8 | 36 | 6 | 38 |

It is observed from Table 4.0 that there are Companies that are financial failures. In Year 2008, Altman Z-Score indicated that there are 10 financial failure companies and 34 non-financial failure companies, and the current ratio analysis indicates that there are 8 financial failure companies and 36 non-financial failure companies of the 44 companies studied.

As for year 2009 in Table 4.0, it shows that there are financial failure companies too. Altman Z-score indicated that there are 7 financial failure companies and 37 non-financial failure companies and as for the current ratio measurement, there are 6 financial failure companies and 38 non-financial failure companies. This supported the hypothesis that there is financial distress companies listed in the Malaysian Stock Exchange.

IV. DISCUSSION

The analysis here was restricted to a sample of companies that matched the 44 firms which were selected from Malaysian Stock Exchange. The Altman [1968] model was used to test the purpose of the study formulated in this research or was used to determine the financial status of the companies studied. Thresholds for financial failure were used to differentiate a Financial Failure and a Non Financial Failure Company using

Altman Z-Score and Current Ratio. The set of thresholds used to measure the financial performance were in accordance to Courtis (1978) and Edward (1968).

The study made use of the statistical model (Altman) and Current Ratio, which selected as well as calculated its own scale. Thus, homogeneity and convergence achieved in the results for all companies, indicated that the application is a significantly successful method, what has become clear as a result of this research is the value of Altman's 1968 model and the value of Current ratio. It appears to be generalised far beyond their initial intended uses and is thus a powerful tool for future research, Mohammed (1997) and Ali (2008).

This research studied 44 companies. One dichotomous data set of failed and non-failed Companies. The results reveal that the Altman Z-score and Current ratio of liquidity ratios for failed Companies are two and three years prior, significantly different from non-failed Companies. However, application of the model one year prior to failure demonstrates a difference in Altman Z-score and Current ratio between failed and non-failed companies. In support of this study, a significant positive correlation was found to exist between Altman Z-Score 1 year and Altman Z-score 2 year as well as with Current ratio. This finding gives credence to the impact of financial analysis results.

Over the years, most researches concentrated in the prediction of financial failure using the Altman (1968) model and the financial ratios. However, little attention has been paid to post-analysis using Altman model and the liquidity ratios to examine the reliability of these methods in practice (Mahmood & Talal, 2009). Such models are extensively used in practice by financial analysts, which essentially seemed to be reliability and validity. In this study, it is found that Altman Z score can be used interchangeably to determine the financial failure of companies.

The results of this study demonstrate that the use of Altman model and Current Ratio as predictors of financial failure of a company. It cleared doubts about the credibility of this model and the acceptability of using this tool as a mean of assessing potential financial failure of companies. This is in line with studies done by Jones, (1987) and Scott, (1981).

Concentrating more on the liquidity ratios may help to improve the accuracy of the Altman model. Additionally, examining the change in the financial performance by using these methods may provide additional insight into bankruptcy or non bankruptcy calculations.

This study has established the need for the future development of models with a higher degree of bankruptcy prediction capability for the Stock Exchange of Malaysia. Subsequent research may produce a reliable tool for the companies of these sectors.

V. CONCLUDING REMARKS

This study found that there are financial distressed companies listed on the main board and are not classified as PN17 company. Study concluded that Edward Altman model and current ratio are useful tools for investor to predict financial failure of companies.

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APPENDIX

(i) Data of Selected Companies from Malaysian Stock Exchange used in this Study Altman Z Score and Current Ratio Computed for the respective Year

| No | STOCK CODE | SHORT NAME | SECTOR | PAID-UP CAPITAL | DATE OF LISTING | YEAR | CURRENT RATIO | ALTMAN Z-SCORE | YEAR | CURRENT RATIO | ALTMAN Z-SCORE |
|----|------------|------------|------------------|-----------------|-----------------|------------|---------------|----------------|------------|---------------|----------------|
| 1 | 8664 | SPSETIA | PROPERTIES | RM 762.604.000 | 12-04-1993 | 12/31/2008 | 3.6111 | 2.8139 | 12/31/2009 | 2.9038 | 2.5842 |
| 2 | 2305 | TAHPS | PROPERTIES | RM 325.600.000 | 28-03-1961 | 12/31/2008 | 8.2969 | 4.7231 | 12/31/2009 | 9.9059 | 5.378 |
| 3 | 1724 | PARAMON | PROPERTIES | RM 498.700.000 | 15-07-1971 | 12/31/2008 | 1.4668 | 1.9329 | 12/31/2009 | 1.7417 | 2.2324 |
| 4 | 5073 | NAIM | PROPERTIES | RM 867.500.000 | 12-09-2003 | 12/31/2008 | 2.1462 | 2.0536 | 12/31/2009 | 2.0866 | 2.7484 |
| 5 | 1783 | SPB | PROPERTIES | RM 11.236.000 | 06-11-1963 | 12/31/2008 | 7.79 | 2.7492 | 12/31/2009 | 3.2169 | 2.8711 |
| 6 | 3174 | L&G | PROPERTIES | RM 119.661.000 | 14-11-1968 | 12/31/2008 | 1.7625 | -1.7533 | 12/31/2009 | 1.6416 | 2.8274 |
| 7 | 3107 | FIMACOR | PROPERTIES | RM 387.400.000 | 31-05-1976 | 12/31/2008 | 1.1121 | 2.4951 | 12/31/2009 | 1.406 | 3.0169 |
| 8 | 5681 | PETDAG | TRADING SERVICES | RM 993.454.000 | 08-03-1994 | 12/31/2008 | 1.0963 | 5.8604 | 12/31/2009 | 1.2103 | 5.8585 |
| 9 | 3182 | GENTING | TRADING SERVICES | RM 370.485.000 | 28-12-1971 | 12/31/2008 | 5.0477 | 2.5925 | 12/31/2009 | 4.8155 | 2.1976 |
| 10 | 9032 | MTD | TRADING SERVICES | RM 14.423.000 | 27-01-1994 | 12/31/2008 | 1.4499 | 0.9386 | 12/31/2009 | 1.416 | 0.8189 |
| 11 | 6351 | AMWAY | TRADING SERVICES | RM 13.134.000 | 30-08-1996 | 12/31/2008 | 2.5746 | 10.0212 | 12/31/2009 | 2.4053 | 11.2233 |
| 12 | 3034 | HAPSENG | TRADING SERVICES | RM 17.185.000 | 02-08-1978 | 12/31/2008 | N/A | 1.7542 | 12/31/2009 | 1.3675 | 1.8471 |
| 13 | 7036 | BORNOIL | TRADING SERVICES | RM 160.376.000 | 28-11-1997 | 1/31/2008 | 4.1965 | -0.454 | 1/31/2009 | 1.6997 | -0.3201 |
| 14 | 4677 | YTL | CONSTRUCTION | RM 95.010.900 | 03-04-1985 | 12/31/2008 | 1.783 | 1.1702 | 12/31/2009 | 1.971 | 1.2363 |
| 15 | 3336 | IJM | CONSTRUCTION | RM 131.174.800 | 29-09-1986 | 3/31/2008 | 1.8639 | 1.3135 | 12/31/2009 | 1.5859 | 1.5309 |
| 16 | 5085 | MUDAJYA | CONSTRUCTION | RM 74.800.000 | 10-05-2004 | 12/31/2008 | 2.9427 | 4.1493 | 12/31/2009 | 1.5078 | C6.353 |

| | | | | | | | | | | | |
|----|------|----------|---------------------|----------------|------------|------------|--------|---------|------------|---------|---------|
| 17 | 5398 | GAMUDA | CONSTRUCTION | RM 202.588.000 | 10-08-1992 | 12/31/2008 | 1.878 | 2.0613 | 12/31/2009 | 2.2973 | 2.6821 |
| 18 | 9679 | WCT | CONSTRUCTION | RM 388.852.000 | 16-02-1995 | 12/31/2008 | 1.4779 | 1.6147 | 12/31/2009 | 1.4125 | 1.9804 |
| 19 | 2283 | ZELAN | CONSTRUCTION | RM 281.632.000 | 10-11-1976 | 12/31/2008 | N/A | 1.6275 | 12/31/2009 | 0.9593 | 1.142 |
| 20 | 6033 | PETGAS | INDUSTRIAL PRODUCTS | RM 197.873.200 | 04-09-1995 | 12/31/2008 | 9.0421 | 8.3548 | 12/31/2009 | 11.3972 | 7.9941 |
| 21 | 4324 | SHELL | INDUSTRIAL PRODUCTS | RM 300.000.000 | 29-10-1962 | 12/31/2008 | 3.3422 | 6.096 | 12/31/2009 | 2.1131 | 5.7853 |
| 22 | 3794 | LMCEMNT | INDUSTRIAL PRODUCTS | RM 106.719.900 | 17-03-1961 | 12/31/2008 | 1.7126 | 3.5307 | 12/31/2009 | 2.0519 | 5.0453 |
| 23 | 3476 | KSENG | INDUSTRIAL PRODUCTS | RM 13.784.000 | 26-05-1977 | 12/31/2008 | 4.0519 | 5.0371 | 12/31/2009 | 5.1509 | 6.4072 |
| 24 | 2127 | IRCB | INDUSTRIAL PRODUCTS | RM 118.405.000 | 29-12-1973 | 1/31/2008 | 0.8345 | 0.3178 | 1/31/2009 | 0.7483 | 1.6127 |
| 25 | 4162 | BAT | CONSUMER | RM 13,819.700 | 27-10-1961 | 12/31/2008 | 0.9433 | 14.7594 | 12/31/2009 | 1.8395 | 15.2478 |
| 26 | 4707 | NESTLE | CONSUMER | RM 98.490.000 | 13-12-1989 | 12/31/2008 | 0.8558 | 6.8361 | 12/31/2009 | 1.0843 | 7.6866 |
| 27 | 3026 | DLADY | CONSUMER | RM 10.496.000 | 19-11-1968 | 12/31/2008 | 1.7771 | 6.5735 | 12/31/2009 | 2.0008 | 8.9193 |
| 28 | 4065 | PPB | CONSUMER | RM 11.855.000 | 30-03-1972 | 12/31/2008 | 2.5263 | 9.6809 | 12/31/2009 | 3.5152 | 15.5579 |
| 29 | 3689 | F&N | CONSUMER | RM 18.492.000 | 03-08-1970 | 12/31/2008 | 1.8065 | 3.7741 | 12/31/2009 | 1.5003 | 3.9753 |
| 30 | 3255 | GUINNESS | CONSUMER | RM 25.316.000 | 31-03-1965 | 12/31/2008 | 2.1537 | 7.2565 | 12/31/2009 | 2.3727 | 9.7745 |
| 31 | 9334 | KESM | TECHNOLOGY | RM 91.600.000 | 06-10-1994 | 12/31/2008 | 1.9778 | 2.4668 | 12/31/2009 | 3.2238 | 2.733 |
| 32 | 5005 | UNISEM | TECHNOLOGY | RM 337.081.000 | 30-07-1998 | 12/31/2008 | 0.7896 | 1.4884 | 12/31/2009 | 0.7553 | 2.0295 |

| | | | | | | | | | | | |
|----|------|---------|-------------|----------------|------------|------------|-------------|---------|------------|---------|---------|
| 33 | 0083 | NOTION | TECHNOLOGY | RM 232.200.000 | 07-06-2005 | 12/31/2008 | 1.3973 | 2.6174 | 12/31/2009 | 2.1144 | 4.134 |
| 34 | 0111 | K1 | TECHNOLOGY | RM 112.710.000 | 05-01-2006 | 12/31/2008 | 1.8143 | 2.3641 | 12/31/2009 | 1.7389 | 2.3434 |
| 35 | 7160 | PENTA | TECHNOLOGY | RM 39.300.000 | 23-07-2003 | 12/31/2008 | 1.0784 | 0.3824 | 12/31/2009 | 0.918 | 0.617 |
| 36 | 5517 | SHANG | HOTELS | RM 12.980.000 | 01-12-1992 | 12/31/2008 | 0.4435 | 2.371 | 12/31/2009 | 0.3415 | 2.1241 |
| 37 | 1643 | LANDMRK | HOTELS | RM 48.068.200 | 17-03-1961 | 12/31/2008 | 9.1491 | 1.0869 | 12/31/2009 | 10.705 | 1.2665 |
| 38 | 2445 | KLK | PLANTATIONS | RM 10.675.050 | 06-02-1974 | 12/31/2008 | 2.0697 | 4.785 | 12/31/2009 | 2.5644 | 6.134 |
| 39 | 1899 | BKAWAN | PLANTATIONS | RM 53.622.000 | 12-10-1971 | 12/31/2008 | 5.9712 | 47.9655 | 12/31/2009 | 9.4891 | 38.012 |
| 40 | 2089 | UTDPLT | PLANTATIONS | RM 32.469.000 | 08-10-1969 | 12/31/2008 | 4.1731 | 8.7325 | 12/31/2009 | 5.0233 | 11.1715 |
| 41 | 2003 | KULIM | PLANTATIONS | RM 154.226.000 | 14-11-1975 | 12/31/2008 | 1.3752 | 2.0613 | 12/31/2009 | 1.3055 | 2.226 |
| 42 | 2291 | GENP | PLANTATIONS | RM 378.973.000 | 30-08-1982 | 12/31/2008 | 6.8531 | 11.2539 | 12/31/2009 | 6.6682 | 13.5331 |
| 43 | 1929 | CHINTEK | PLANTATIONS | RM 76.650.000 | 10-03-1970 | 12/31/2008 | 11.570 3 | 20.1688 | 12/31/2009 | 22.1795 | 26.4508 |
| 44 | 1287 | PMHLDG | FINANCE | RM 92.887.000 | 21-02-1974 | 12/31/2008 | 1.5151 | 0.838 | 12/31/2009 | 6.1333 | 1.7805 |

(II) CLASSIFICATION OF THE 44 COMPANIES ACCORDING TO CODE WHERE 1 = FAILURE AND 2 = NON-FAILURE FOR THE TWO YEARS (2008-2009) BASING ON THRESHOLD VALUE

| NO | STOCK CODE | SECTOR | YEAR | CURRENT RATIO | ALTMAN Z SCORE | YEAR | CURRENT RATIO | ALTMAN Z SCORE |
|----|------------|------------------|------------|---------------|----------------|------------|---------------|----------------|
| 1 | 8664 | PROPERTIES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 2 | 2305 | PROPERTIES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 3 | 1724 | PROPERTIES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 4 | 5073 | PROPERTIES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 5 | 1783 | PROPERTIES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 6 | 3174 | PROPERTIES | 12/31/2008 | 2 | 1 | 12/31/2009 | 2 | 2 |
| 7 | 3107 | PROPERTIES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 8 | 5681 | TRADING SERVICES | 12/31/2008 | 1 | 2 | 12/31/2009 | 2 | 2 |
| 9 | 3182 | TRADING SERVICES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 10 | 9032 | TRADING SERVICES | 12/31/2008 | 2 | 1 | 12/31/2009 | 2 | 1 |
| 11 | 6351 | TRADING SERVICES | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 12 | 3034 | TRADING SERVICES | 12/31/2008 | N/A | 1 | 12/31/2009 | 2 | 2 |

| | | | | | | | | |
|----|------|---------------------|------------|-----|---|------------|---|---|
| 13 | 7036 | TRADING SERVICES | 1/31/2008 | 2 | 1 | 1/31/2009 | 2 | 1 |
| 14 | 4677 | CONSTRUCTION | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 15 | 3336 | CONSTRUCTION | 3/31/2008 | 2 | 1 | 12/31/2009 | 2 | 1 |
| 16 | 5085 | CONSTRUCTION | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 17 | 5398 | CONSTRUCTION | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 18 | 9679 | CONSTRUCTION | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 19 | 2283 | CONSTRUCTION | 12/31/2008 | N/A | 1 | 12/31/2009 | 1 | 1 |
| 20 | 6033 | INDUSTRIAL PRODUCTS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 21 | 4324 | INDUSTRIAL PRODUCTS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 22 | 3794 | INDUSTRIAL PRODUCTS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 23 | 3476 | INDUSTRIAL PRODUCTS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 24 | 2127 | INDUSTRIAL PRODUCTS | 1/31/2008 | 1 | 1 | 1/31/2009 | 1 | 1 |
| 25 | 4162 | CONSUMER | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 26 | 4707 | CONSUMER | 12/31/2008 | 1 | 2 | 12/31/2009 | 1 | 2 |
| 27 | 3026 | CONSUMER | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |

| | | | | | | | | |
|----|------|-------------|------------|---|---|------------|---|---|
| 28 | 4065 | CONSUMER | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 29 | 3689 | CONSUMER | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 30 | 3255 | CONSUMER | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 31 | 9334 | TECHNOLOGY | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 32 | 5005 | TECHNOLOGY | 12/31/2008 | 1 | 1 | 12/31/2009 | 1 | 2 |
| 33 | 0083 | TECHNOLOGY | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 34 | 0111 | TECHNOLOGY | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 35 | 7160 | TECHNOLOGY | 12/31/2008 | 1 | 1 | 12/31/2009 | 1 | 1 |
| 36 | 5517 | HOTELS | 12/31/2008 | 1 | 2 | 12/31/2009 | 1 | 2 |
| 37 | 1643 | HOTELS | 12/31/2008 | 2 | 1 | 12/31/2009 | 2 | 1 |
| 38 | 2445 | PLANTATIONS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 39 | 1899 | PLANTATIONS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 40 | 2089 | PLANTATIONS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 41 | 2003 | PLANTATIONS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 42 | 2291 | PLANTATIONS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 43 | 1929 | PLANTATIONS | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |
| 44 | 1287 | FINANCE | 12/31/2008 | 2 | 2 | 12/31/2009 | 2 | 2 |