

POST-IPO GOVERNANCE: REALITY CHECK AFTER THE LISTING

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Getting a company listed on Bursa Malaysia is, for most boards, the culmination of years of planning. The prospectus has been verified, the roadshow completed, the bell rung. What tends to receive far less attention is the morning after, which is the moment a private company, often run informally by a small circle of founders and family shareholders, wakes up as a public-listed company (PLC) subject to a dense and continuing web of statutory, regulatory and quasi-regulatory obligations.

This article looks candidly at what changes the day a company lists, why the gap between IPO-readiness and post-IPO reality catches so many boards off guard, and what the Companies Act 2016 (CA 2016), the Capital Markets and Services Act 2007 (CMSA), the Bursa Malaysia Main Market and ACE Market Listing Requirements (Listing Requirements or LR), and the Malaysian Code on Corporate Governance 2021 (MCCG 2021) actually require once the confetti has settled.

From Private Company To Public Accountability

Under the Companies Act 2016, every company, whether private or public, is managed by or under the direction of its board of directors, and every director owes the company statutory duties to act in good faith, for a proper purpose, and in its best interests. What changes on listing is not the source of the duty but its intensity and its audience. Where a private company's directors answer to a handful of familiar shareholders, a newly listed issuer's directors answer to public shareholders, institutional funds, retail investors, research analysts, financial journalists and two regulators simultaneously: the Securities Commission Malaysia (SC) and Bursa Malaysia. It is noted that PLCs are subject to enhanced governance and materially more stringent requirements under the Listing Requirements than the CA 2016 alone imposes on private companies.

This is the first reality check. Many founders treat the listing exercise itself, the prospectus, the due diligence, the SC approval, as the finish line. In truth it is closer to a starting gun. The board that assembled a nomination committee, an audit committee and a remuneration committee purely to satisfy the eligibility requirements for listing must now operate those committees as living, functioning parts of the business, indefinitely, under continuous public scrutiny.

Director's Duties After Listing

When it comes to director's duties, one should not run away from Section 213 of the CA 2016 which requires a director to exercise his powers, for a proper purpose and in good faith, in the best interest of the company, with reasonable care, skill and diligence.

To note, these are not IPO-specific duties; they apply to every Malaysian company.

What changes after listing is the practical texture of compliance. The same duty of care that once meant approving a handful of related-party loans now means overseeing continuous disclosure obligations, quarterly reporting deadlines, and a compliance calendar that runs all year.

Moreover, Boards should make sure the company has strong internal controls and regularly reviews them. These include financial controls, internal audits, cybersecurity, whistleblowing systems and risk management. Cybersecurity is especially important as cyberattacks and data breaches can cause financial loss, legal implications and potential damage to the company's reputation plus inviting queries from the public eg investors and stakeholders.

Despite the measure of protection through the business judgment rule in Section 214 of the CA 2016, it is, however, not a shield against governance failure. It protects considered commercial judgment, not neglect of statutory or listing obligations. In practice, D&O insurance becomes close to indispensable cover once a company lists, precisely because the exposure a director carries multiplies with the number of stakeholders who can be harmed by a governance lapse.

The Continuing Obligations Of The Listing Requirements

The Listing Requirements set out what a listed issuer must continue to do for as long as it remains listed.

• Restrictions on Dealings

Chapter 14 of the Listing Requirements restricts a listed company's directors, principal officers and in certain cases, their connected persons (collectively referred to as "Affected Persons") from dealing with the company's securities during the closed periods.

Even during 'outside closed periods', such Affected Persons are still required to comply with notification and reporting procedures, by announcing any intended or completed transactions to the company secretary for public dissemination. The volume of such notifications released daily on Bursa Malaysia's website shows how routine, and how closely monitored, this obligation is in practice.

• Conflict of Interests Management

Under Section 221 of the CA 2016, directors are legally required to address conflicts of interest by providing immediate, full written disclosure of any direct or indirect interests. Further, under Section 222, an interested director is generally expected to abstain from deliberating and voting on conflicted matters. While the CA 2016 is framed for all companies generally, it takes on a sharper edge once a company is listed, given the volume and variety of related-party dealings, and the population of minority shareholders whose interests the disclosure and abstention rules exist to protect.

The Listing Requirements and the Securities Commission's 'Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries' reinforce and particularise this obligation for PLCs. Directors are required to establish, and to operate under, policies and procedures for managing potential conflicts of interest. Moreover, a director acting as a nominee of a particular shareholder must act in the best interest of the corporation rather than of the nominating shareholder where the two interests diverge.

• Composition Requirements

Paragraph 15.02 of the Listing Requirements requires that at least two directors, or one-third of the board, whichever is higher, be independent directors, and this composition must be maintained continuously, not merely demonstrated at the point of listing.

An Audit Committee of at least three members, all non-executive, with a majority independent, and at least one member holding recognised accounting qualifications or equivalent experience.²⁰ Under Chapter 15, an issuer must also maintain functioning nomination and remuneration committees.

• Disclosure Obligations

The disclosure obligations are similarly relentless. A listed issuer must announce material information to Bursa Malaysia promptly, publish quarterly financial results, and issue an annual report, including audited financial statements and the directors' and auditors' reports, within four months of the financial year end for Main Market issuers (five months for ACE Market issuers), with the annual general meeting to follow within six months of the financial year end. These are not aspirational timelines as missing them triggers enforcement consequences.

Acknowledging the importance of accurate, consistent and transparent disclosure, Paragraph 15.26(b) of the Listing Requirement requires directors to prepare a mandatory Statement on Risk Management and Internal Control (SORMIC) for inclusion in their annual reports. In 2025, the Institute of Internal Auditors Malaysia updated the "SORMIC Guidelines for Directors of Listed Companies" to better facilitate and assist Boards in preparing the SORMIC. Based on the guidelines, the SORMIC requires, among others, details the board's oversight of the enterprise risk management framework, internal control procedures, and CEO/CFO assurances,

²⁰ Paragraph 15.09, Listing Requirements

while undergoing external auditor review. For a newly listed company, the SORMIC is therefore not a one-off narrative drafted for the first annual report; it is a recurring, auditor-tested disclosure that requires the board to maintain, and be able to evidence, a functioning risk management and internal control system year on year.

In 2023, Bursa Malaysia had publicly reprimanded Serba Dinamik Holdings Bhd and ten of its directors for breaches of the Main LR, imposing total fines on the directors ranging from RM355,200 to RM1,376,000, in what Bursa Malaysia described as a “serious dereliction of duties”. To note, this incident was a product of corporate governance failures, particularly the failure to ensure proper and timely disclosure of material information. As such, Boards should be aware that Bursa Malaysia will pursue individual directors for breaches of the Listing Requirements, including those who have since resigned.

Companies are advised to maintain strong internal controls to ensure that important information is reported accurately and on time, allowing the company to remain compliant with the law and maintain the confidence of investors.

• Related-Party Transactions: The Governance Discipline That Never Ends

One of the sharpest adjustments facing a newly listed founder-controlled company concerns related-party transaction (RPTs). Many pre-IPO businesses run on informal arrangements: a management fee paid to a director-controlled entity, a lease with a family member, a loan from a substantial shareholder. Chapter 10 of the Listing Requirements sets a continuing obligation, whereby any recurrent RPT above the prescribed materiality threshold requires a shareholder mandate obtained by ordinary resolution at the annual general meeting, and shareholders who are party to or connected with the transaction must abstain from voting. It is worth noting that it is an annual discipline that persists for as long as the arrangement continues, and it requires the board, and in particular the Audit Committee, to keep contemporaneous arm's-length pricing evidence rather than reconstructing it defensively after a regulator asks questions.

Malaysian regulators now expect directors to exercise active oversight of conflicts of interest and RPTs as part of their fiduciary duties, not as a compliance formality delegated wholesale to company secretaries. Boards that treat RPT management as a listing-day exercise rather than an ongoing governance function are the ones most likely to find themselves explaining departures from the MCCG 2021, or worse, defending an SC or Bursa Malaysia enquiry.

The MCCG 2021: Apply Or Explain Is Not Optional Window-Dressing

The MCCG 2021, issued by the SC, operates on an “apply or explain an alternative” basis. A listed company must either apply each Practice or explain, meaningfully, what alternative measure it has adopted to achieve the same governance outcome. Under the Listing Requirements, every listed issuer must publish, alongside its annual report, a ‘Corporate Governance Overview Statement’

and a 'Corporate Governance Report' addressing each MCCG Practice in turn, explaining any departures and the alternative measures adopted. This CARE (Comprehend, Apply and Report) approach means the first post-listing annual report is not a formality, but rather, the first occasion on which the market, and the regulators, test whether the governance architecture built for the prospectus was real or cosmetic.

However, one would probably realise that the MCCG 2021 is not legally binding unlike how a breach under Section 213 of the CA 2016 is as a company can simply depart from a Practice. But the market, investors, institutional shareholders, and increasingly the regulators themselves, treat a poorly reasoned or boilerplate explanation as a governance red flag in its own right.

Boards should also be alive to the fact that the MCCG itself is under review. The Securities Commission has indicated that the MCCG, last updated in 2021, is due for its fifth revision in 2026, with the incoming MCCG 2026 expected to move away from a purely voluntary, principles-based approach and to make certain practices mandatory where doing so is considered likely to improve corporate behaviour and outcomes. In July 2026, the SC issued the Public Consultation Paper No. 1/2026 on proposals to strengthen the corporate governance ecosystem, covering, among other things, board oversight of technology and artificial intelligence, including disclosures on how a listed issuer uses and governs AI, as well as measures to strengthen the oversight of company secretaries through new requirements aimed at improving their professionalism and effectiveness in advising boards.

Newly listed companies should treat these proposals as a signal of the direction in corporate governance. While the MCCG operates fundamentally as a voluntary best-practice guide, its core principles have been systematically codified into primary capital market regulations via the Listing Requirements.

The Cost Of Getting It Wrong

Perhaps the most sobering reality check available to any newly listed board is Practice Note 17 (PN17) of the Listing Requirements, which classifies an issuer as financially distressed once specified triggers are met, such as shareholders' equity falling below a prescribed percentage of paid-up capital. A PN17 company must submit a regularisation plan within the prescribed timeframe or face suspension and eventual delisting.

PN17 is not, strictly speaking, a corporate governance mechanism. It is rather a financial distress classification. But the boards that end up there are disproportionately the same boards that treated governance as a listing formality rather than an operating discipline: weak internal controls, related-party arrangements that drained cash from the listed entity, and Audit Committees that rubber-stamped rather than interrogated.

The Serba Dinamik saga began in 2021 when the company's external auditor, KPMG, raised red flags over unverified transactions and trade receivables exceeding RM4.5 billion. According to subsequent enforcement findings by Bursa Malaysia, the

company's Audit Committee and board of directors failed to properly scrutinise, probe, question, and challenge management on the numerous audit issues raised by the auditor. Rather than confronting the mounting crisis, several independent directors resigned. Subsequently, the Securities Commission compounded the company, its group managing director and chief executive officer, and three other senior executives a total of RM16 million for submitting a false statement to Bursa Malaysia involving revenue of RM6.01 billion. The company's shares were suspended from trading, classified as a PN17 company, and it was ultimately delisted from Bursa Malaysia in 2024. This incident illustrates a trajectory that began with a governance failure long before it became a balance sheet failure.

Sustainability Governance

Boards that listed even three or four years ago face a governance landscape that has moved substantially since. PLCs are now required to disclose in the annual report how it oversees environmental, social and governance (ESG) risks and opportunities, including climate-related risk, and every listed issuer must publish a sustainability statement describing its governance mechanisms for managing material economic, environmental and social risks.

Layered on top of this, the National Sustainability Reporting Framework, launched jointly by the SC, Bank Negara Malaysia and Bursa Malaysia in September 2024, requires phased adoption of IFRS S1 and IFRS S2 sustainability and climate disclosure standards: Main Market issuers with a market capitalisation of RM2 billion or more from financial years beginning 1 January 2025, the remaining Main Market issuers from 1 January 2026, and ACE Market issuers from 1 January 2027. For a newly listed company crossing the RM2 billion threshold, this is not a distant compliance date. It is an immediate obligation to establish credible board-level oversight of ESG risk and a defensible greenhouse gas measurement baseline, work that typically takes twelve to eighteen months to do properly and cannot be assembled retrospectively in the weeks before an annual report is due.

Two Regulators, Two Sets Of Teeth

A private company's directors answer, in the ordinary course, to no one but their fellow shareholders and, in the worst case, to a liquidator.

A listed issuer's directors answer to two distinct regulators with overlapping but distinct enforcement toolkits. The SC is empowered with broad supervisory and enforcement functions over the securities laws, including the power to investigate and to compel production of documents. Bursa Malaysia, for its part, enforces the Listing Requirements directly through public reprimands, fines, and, in the most serious cases, suspension or delisting, without needing to go through the criminal courts at all.

A director who has only ever operated a private company can find this dual exposure, criminal and regulatory liability running in parallel, disorienting. It is precisely why induction and ongoing training for newly appointed directors of a PLC is not a courtesy but increasingly a practical necessity.

Furthermore, the rapid expansion following an IPO often places considerable pressure on internal governance systems. Processes that were sufficient for a privately owned company may no longer be adequate for a listed issuer operating under the greater regulatory scrutiny. Therefore, boards should treat cybersecurity as a key governance responsibility. Similarly, companies should develop effective crisis management and business continuity plans to ensure resilience during unforeseen events.

Managing Post-IPO Growth, Business Risks And Long-Term Corporate Success

Many companies use the money raised from the IPO to expand their business, enter new markets or acquire other companies. Although growth creates new opportunities, it also brings new risks such as higher operating costs, foreign exchange fluctuations, integration challenges after acquisitions and different legal requirements in other countries. To manage these risks, companies should establish strong risk management systems and conduct regular internal audits. The board and management should identify potential risks early, monitor them continuously and take appropriate action to reduce their impact. This helps protect the company's assets, reputation and long-term performance.

Listed companies must ensure that directors, senior management and employees do not misuse confidential or non-public information for personal gain. Insider trading occurs when a person buys or sells shares while possessing material information that has not been made public, such as financial results, major transactions or proposed mergers, giving that person an unfair advantage over other investors and undermining confidence in the capital market. Under the Capital Markets and Services Act 2007 (CMSA), insider trading is a serious offence that may result in substantial penalties and enforcement action by the Securities Commission Malaysia.

Pros And Cons

Although post initial public offering governance requires more effort, it provides many long-term benefits. Good corporate governance helps the board make better decisions because independent directors can provide different views and challenge management when necessary. It also increases the confidence of investors, banks and other financial institutions, which can make it easier for the company to raise funds and helps lower the cost of funding. Strong governance can improve the company's reputation and attract more investors. It also helps reduce business risks through better internal controls, financial reporting, audits and risk management. In addition, rules on insider trading and related party transactions help protect minority shareholders and ensure that they are treated fairly.

However, post initial public offering governance also creates additional challenges. Listed companies have higher compliance costs because they must meet ongoing reporting and disclosure requirements and maintain proper board, audit and compliance structures. Decision-making may also take longer because some matters require board committee review or shareholder approval. Founders and

controlling shareholders may have less control because decisions must consider the interests of all shareholders. Continuous disclosure may also reveal business information to competitors, while regular financial reporting can create pressure to focus on short-term results.

None of this is intended as an argument against listing. Bursa Malaysia remains one of the more established and liquid capital markets in the region, and the capital access, market visibility and succession planning benefits of listing are real. The point, rather, is that the governance structures put in place to satisfy the Listing Requirements at the point of listing are the beginning of an operating discipline, not the end of a compliance exercise.

Boards that internalise this early, that treat the audit committee's quarterly review of financial statements as a genuine test rather than a rubber stamp, that document related-party pricing contemporaneously rather than reconstructively, that recruit independent directors who are willing to challenge management rather than simply lend the board a veneer of independence, tend to be the boards that are still trading, still compliant, and still credible with institutional shareholders five years after listing.

Conclusion

In conclusion, becoming a listed company is not the end of the IPO process but the beginning of greater governance responsibilities. After listing, companies must comply with Bursa Malaysia's Listing Requirements, provide timely and accurate information, protect shareholders, maintain strong internal controls and manage financial, tax and business risks effectively. Directors and management must also act responsibly and ensure that the interests of minority shareholders are protected. Although post initial public offering governance may increase compliance costs and make some decisions more difficult, it helps build investor confidence, reduce risks and improve the company's reputation. Therefore, strong corporate governance should not be viewed only as a legal requirement, but as an important part of achieving the company's long-term success, sustainability and growth.