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CHAPTER 1

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INTRODUCTION

1.001 Company is an organization used as a vehicle to conduct business. It usually starts when several persons who agree to pool their resources and to carry on a business by using a company, get together and register or incorporate the company. It is a form of business organization which is created through an incorporation process. The incorporation process is often carried out by persons who want to use a company as a business vehicle; they are the promoters of a company. Once the incorporation process is completed, a company comes into existence as an artificial legal person having its own rights and obligations i.e. a separate legal entity or having separate legal personality. Although there must be persons who initiate the incorporation process, i.e. the promoters, once a company is incorporated, it exists independently of these persons and independently of persons who become its members subsequently. A company's existence is not affected by any changes in its membership. Although the members may withdraw from the company, the company continues to exist until it is dissolved by a winding-up process.

FORMS OF BUSINESS STRUCTURES IN MALAYSIA

Company limited by shares

1.010 A company limited by shares will have the following characteristics:

- Legal personality. This means that a company is a legal person and has the capacity to contract and incur legal obligations.
- Limited liability. This means that where the company has incurred any debts and obligations, it is the company's funds that must be used to fulfill any financial obligations. In general, the members will not be required to pay off any of the company's debts if the company's funds are insufficient. Members' liability is limited to the amount of shares that they have taken up but not paid for.
- Transferability of shares. In a company limited by shares, the shares that a member owns can be transferred to another person.
- Two organs or decision making bodies. One is the board of directors and the other is the general meeting of its members. There is centralized management by the board of directors.
- Perpetual succession. A company will continue to exist as a legal person until it ceased to exist through a process known as winding-up. The company continues to exist even if there is a change in membership or even if all its members ceased to exist.

A company may also be incorporated as a company limited by guarantee. Such companies are set up for charity, education, religious purposes, research, art and scientific purposes. These companies are not set up for profit purposes.

As at December 2013, there were 1,059,698 registered local companies and 4,564 foreign companies in Malaysia. There were a total of 1,889 companies limited by guarantee as at 31 December 2013.