

(i) **Retirement Of Director** *(updated on 26 April 2017)*

1. Since there is no AGM for Sdn Bhd, how to deal with the retirement of director at AGM as provided under the existing Articles of Association, i.e. 1/3 of the directors must retire at every AGM?

The previous AGM resolution under section 129(2) of the Companies Act 1965 was worded as "xxx be hereby re-appointed to hold office until the next AGM". With the abolishment of age limit, shall the public company just re-appoint the said director at 2017 AGM? Or do nothing as he will continue to be a director as per section 619(1) of the Companies Act 2016?

**Answer:**

In cases where a private company's Articles of Association (Constitution) deals with the retirement of directors at AGM, then the company must hold AGM to ensure that the provisions of the Articles of Association are met, until the company resolves otherwise.

With the abolition of restriction of maximum age of directors (section 129 of the Companies Act 1965), a public company is required to pass a resolution to enable the director to continue in office at the forthcoming AGM. The application of section 619(1) is limited to recognise the appointment of directors under the new Companies Act 2016 including any limitation or conditions attached with the appointment.

(ii) **Boardroom Excellence**

1. Directors' fee in a private company is to be approved by the Board but the director must be notified accordingly. Can shareholders object to the decision of the Board and more so if the Board consists of directors who are also shareholders or persons nominated by shareholders?

**Answer:**

The provision of the law allows a shareholder holding at least 10% of the total voting rights to object to the decision of the Board in so far as directors' fees are concerned. This is in line with the general principle that the shareholders are a different body to that of the Board. The objection must also be for the reasons that the payment is not fair for the company.

The position of the law clearly allows a shareholder who is also a director to object to the decision of the Board. This will allow scenarios where that director/shareholder may not be present at the Board meeting and he now wishes to object, albeit on a different capacity.

**2. Why is there a shift in policy in allowing interested parties to vote in related party transactions in a private company?**

**Answer:**

The prohibitive policy is premised on the fact that companies should not be transacting with an interested party unless it has been approved at a general meeting.

The prohibitive policy is lifted for private companies where shareholders who are interested in the transaction could also take part in approving the transaction.

In changing the policy, the Government has taken into considerations that there are many genuine transactions that could not be effected by the current prohibitive policy.

In particular, the private companies could not have access to the available resources because such resources are held by interested parties and could not be utilised due the requirements that the resolution must be passed by uninterested shareholders only.

As such, the Government is of the view that whilst the policy requiring prior shareholders' approval should be maintained, the shareholders should be given the option to proceed with the transactions with full knowledge that the transactions would involve related party, and there should have the full responsibility in approving such transactions.

### (iii) Directors Fees and Benefits

1. Does benefit payable to directors under section 230 includes any types of benefits including driver, tele-communication device, medical benefits, training benefits, D&O insurance, discount given for Director to purchase the company's products, e.g. staff discount for house and car, benefits-in-kind ("BIK") given to a salaried Executive Director e.g. leave passage, maid, children's education fees, company car etc. or benefits that are convertible into cash? *(updated on 9 June 2017)*

**Answer:**

Benefit that requires shareholders' approval are benefits which arises from the appointment to the office of a director.

2. Does the BIK as stated in his employment contract of a executive director falls under the director's benefit and require shareholders approval? *(updated on 9 June 2017)*

**Answer:**

In the case of salaried Executive Director's entitlement etc, if such entitlement or benefit arises from him being appointed to the office of director, then the entitlement (including BIK) or benefits must be approved by shareholders. But if such entitlement (including BIK) are given due to his office as Executive/Management position then shareholders' approval is not required.

### (iv) Directors Power to Allot Shares

1. Does Dividend Reinvestment Plan fall under the exemption of members' approval for allotment under section 75(2)(a)? *(updated on 9 June 2017)*

**Answer:**

No, Dividend Reinvestment Plan does not fall under the exemption list under section 75(2).