



Plenary Session 5

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS ARISING FROM THE COMPANIES ACT 2016

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23 August 2017

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PROPOSALS ARISING FROM CA 2016

Introduction



- ❖ **Key changes** from CA 2016 which impact the capital market and LR –
 - Removal of par value
 - Expanded usage of treasury shares (eg. ESOS and purchase consideration)
 - Shorter timeframe for notification of substantial shareholders (3 days) & directors' interest (5 days)
 - Shareholder approval for directors' fees and benefits
 - Allowing electronic communication between company and shareholders
 - New approach for constitution

- ❖ On **20 March 2017**, the Exchange issued a public consultation paper on the review of the LR arising from the implementation of CA 2016. Market is generally supportive of the proposals.

Transitional Directives

1. Application of key LR provisions arising from the CA 2016 (dated 2 February 2017)

- Specify changes in terminologies or references arising from NPV regime
- Clarify that share premium is no longer a source of funding for share buy-back
- Maintain that PLC's articles are still applicable.

2. Computation of issued share capital to determine the financial condition and level of operations of PLC (dated 10 March 2017)

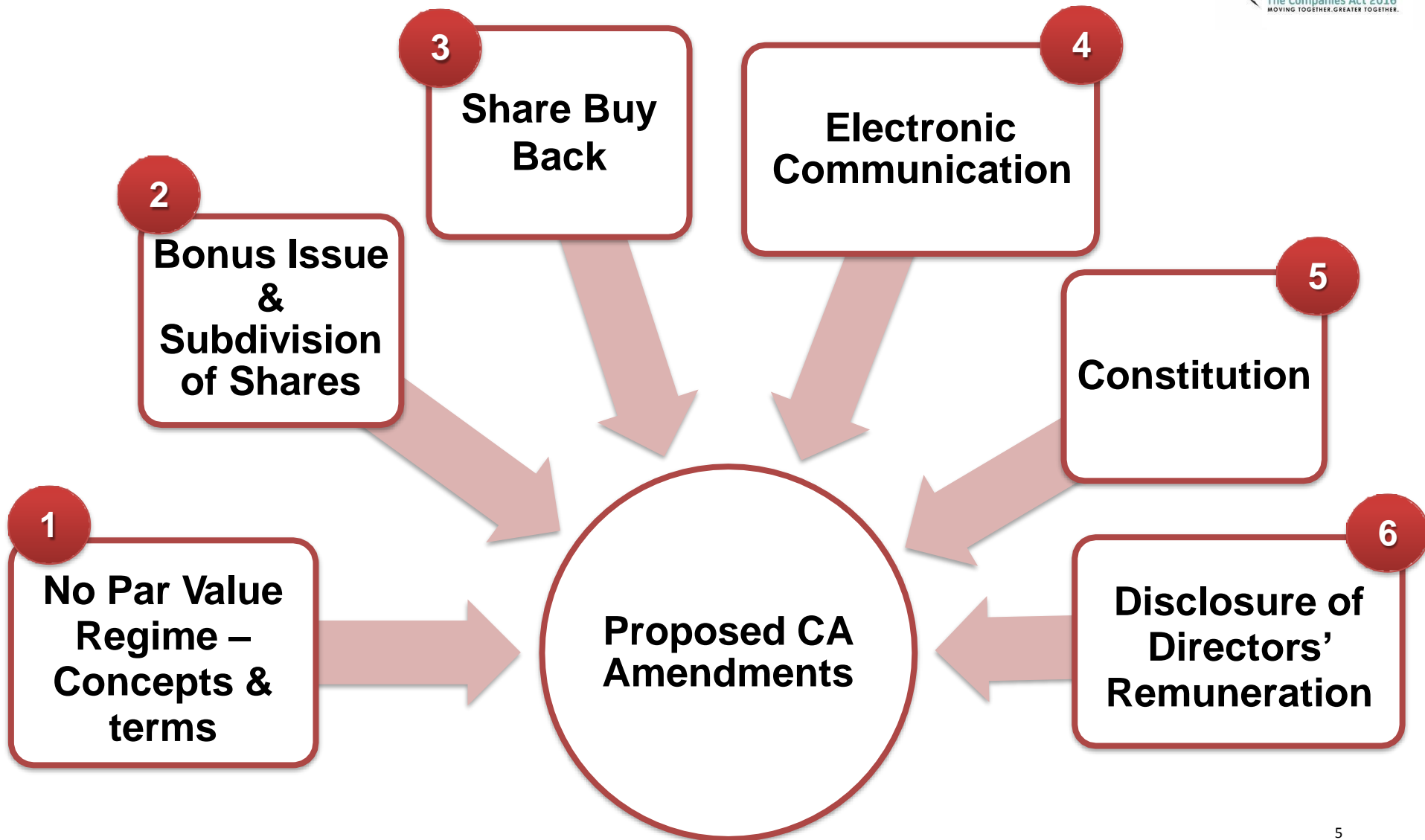
- Computation of issued share capital for criteria based on “issued and paid up capital” **excludes the share premium and capital redemption reserve amount**, effective for 2 years from 31 Jan 2017.

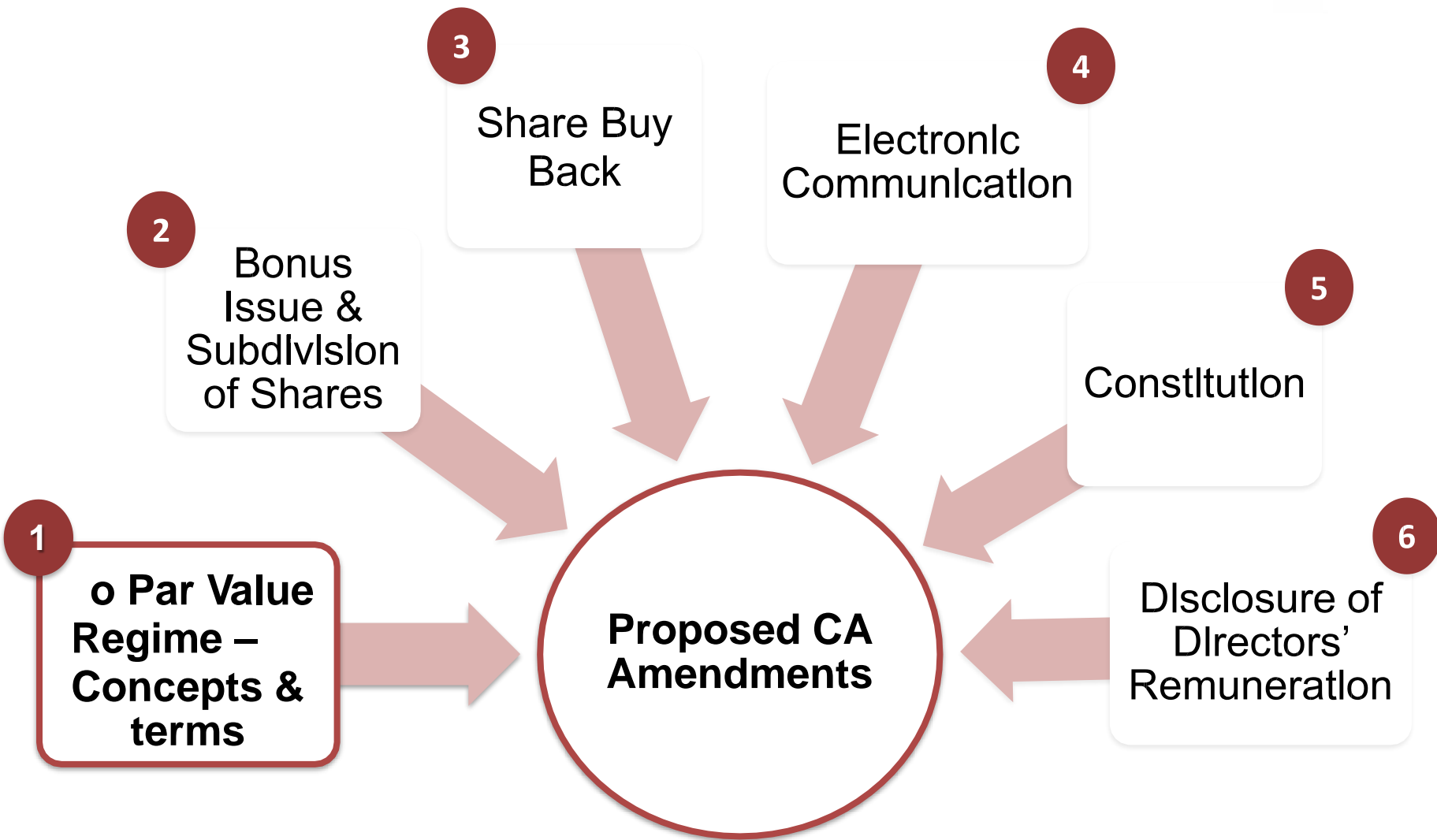
PENDING

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Snapshot of Proposed CA Amendments





No Par Value under CA 2016



CA 2016

- S. 74 - All shares issued before or upon commencement of the Act (31 Jan 2017) shall have **no par or nominal value**.



NO LONGER RELEVANT

- x Par or nominal value
- x Authorised capital
- x Share premium
- x Capital redemption reserve
- x Share discounts



STILL RELEVANT

- ✓ Partly paid shares
- ✓ Paid-up capital
- ✓ Issued capital

Based on **total consideration paid for the shares issued**, instead of par value

No Par Value: Concepts & Terms (1/3)



CURRENT

References to the following which are used to denote **number of issued shares**:

- nominal value or amount of shares
- issued share capital
- issued and paid-up capital



PROPOSAL

Now amended to **total number of issued shares or total number of voting shares**.

Applies to -

- materiality threshold for shareholder approval
- public spread requirements
- changes in shareholding interests
- moratorium on promoters' shareholdings (for ACE Market only)

No Par Value: Concepts & Terms (2/3)



CURRENT

References to the following which are used to denote the **share capital in terms of value and number of shares**:

- authorised capital
- issued and paid-up capital



PROPOSAL

Now amended to the **share capital and number of issued shares**.

For purposes of -

- disclosures made in relation to a corporate proposal or transaction
- Application to Bursa for lower public shareholding spread

No Par Value: Concepts & Terms (3/3)



CURRENT

References to **issued and paid up capital** which are used to denote **share capital in terms of value**

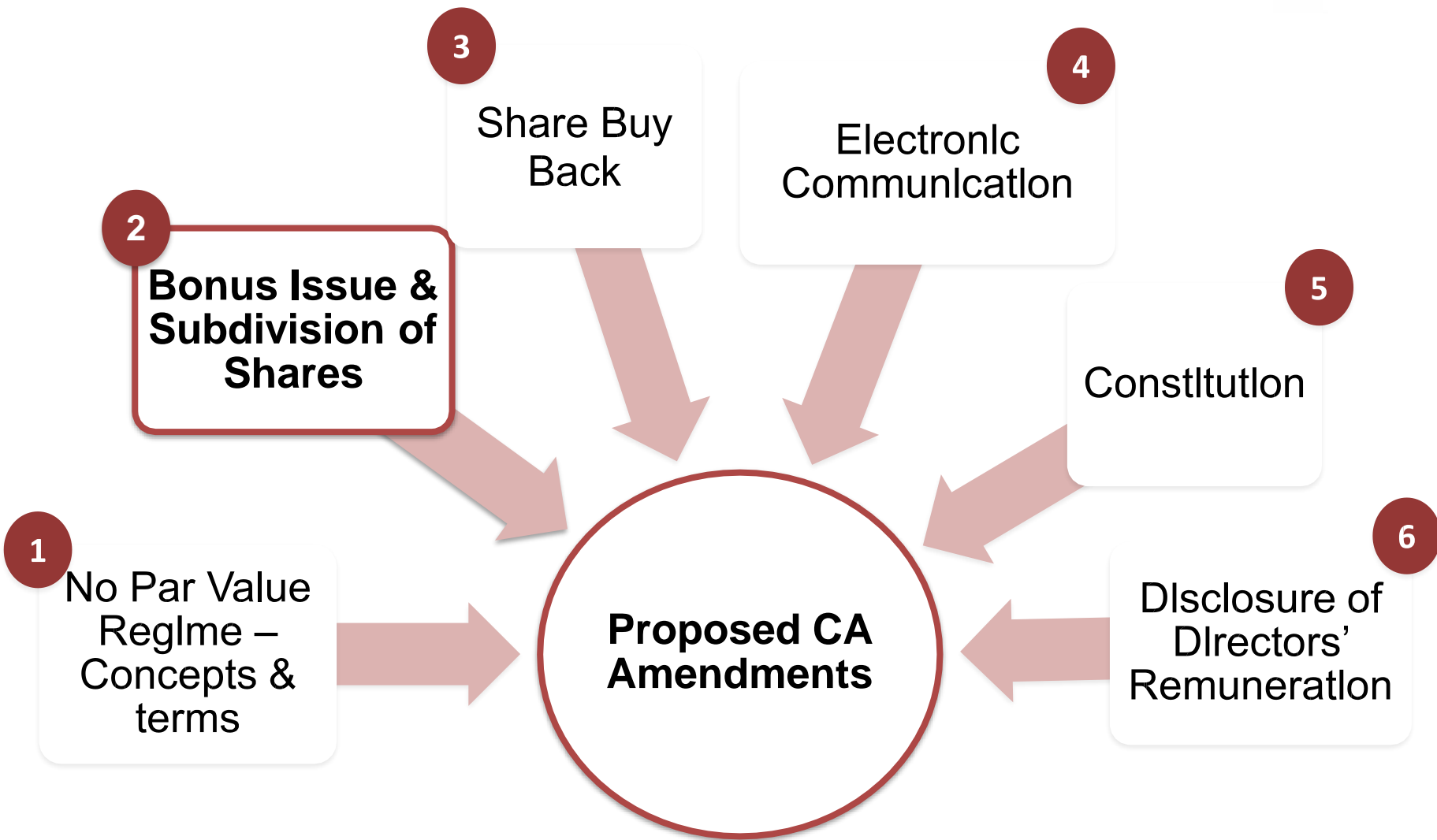


PROPOSAL

Now amended to **share capital.**

Applies to -

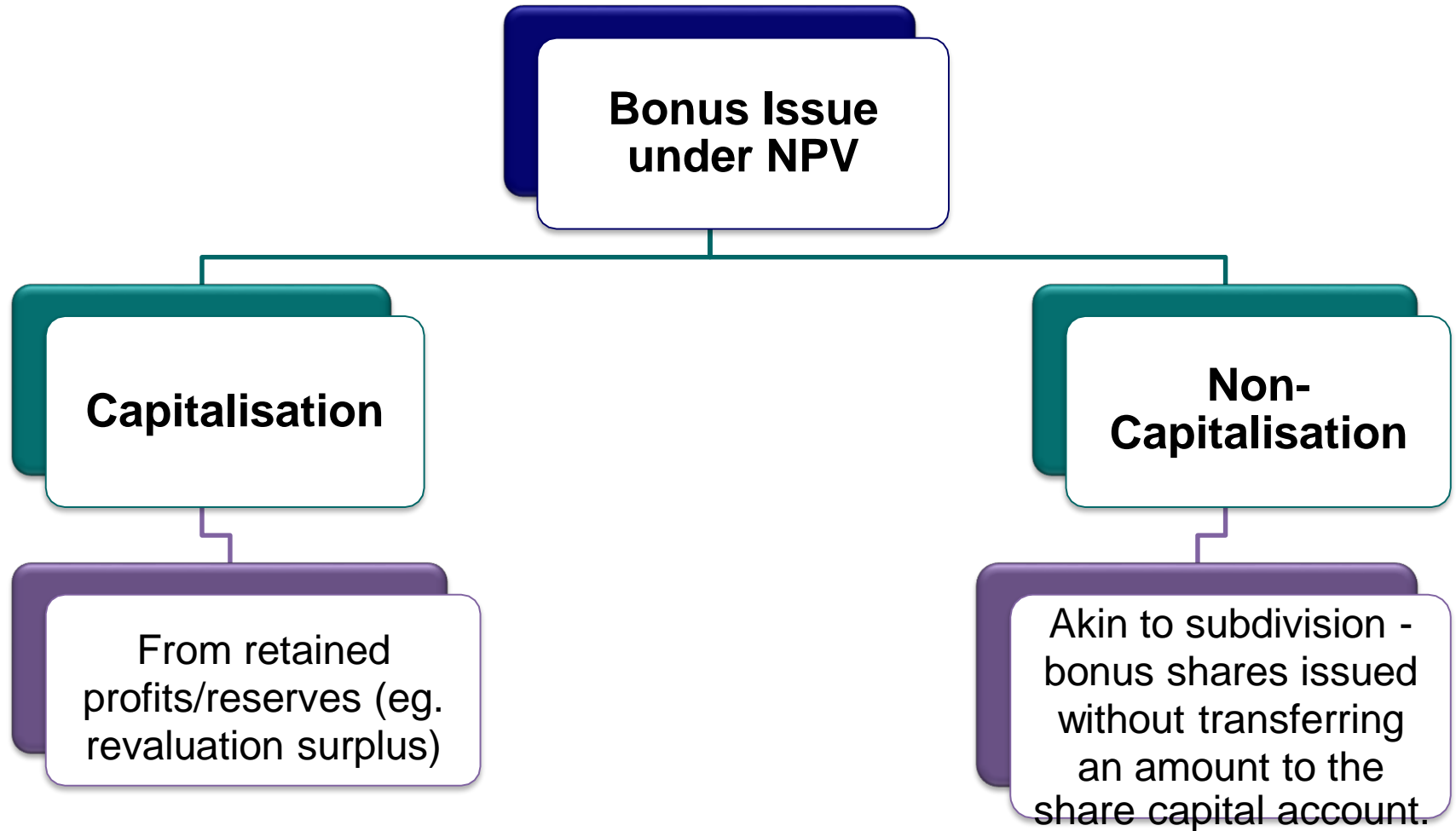
- disclosures relating to corporate proposal or transaction;
- determination whether a RRPT announcement is triggered;
- determination of the adequacy of PLC's level of operations; and
- determination of whether PLC's financial condition warrants continued listing.



Framework for Bonus Issue & Subdivision of Shares (1/4)



CA 2016



Framework for Bonus Issue & Subdivision of Shares (2/4)



CURRENT

Types of bonus issue

- Only through **capitalisation from retained profits or reserves**

Amount to be capitalized

- Amount to be capitalised must be **based on the par value** per share.

PROPOSAL

Bonus issue can be made by way of **capitalisation or without capitalisation**

- **No minimum amount** to be capitalised.
- **Adjusted share price must not be less than:**
 - ✓ **RM0.50 (Main Market)**
 - ✓ **RM0.20 (ACE Market),****based on the 3 months daily weighted average price** before the application date ("**Pricing Condition**").
- Bonus issue of **warrants not subjected** to Pricing Condition.

Framework for Bonus Issue & Subdivision of Shares (3/4)



CURRENT

Reserves

- Reserves must be **unimpaired by losses on a consolidated basis.**
- Available **reserves** for capitalisation must be **adequate** to cover the **entire bonus issue.**



PROPOSAL

- Requirements for **reserves to be unimpaired by losses is removed.**
- Reserves must be **adequate** to cover the **capitalisation issue.**

Regime for perusal of circular

- Circular for **bonus issue** is an **exempt circular.**
- Circular for **subdivision** is subject to a **limited review.**



As a bonus issue under the NPV regime is akin to a subdivision, the **circular for any bonus issue** is now subject to **a limited review** by the Exchange.

Framework for Bonus Issue & Subdivision of Shares (4/4)



CURRENT

Cash Company/PN17 Company

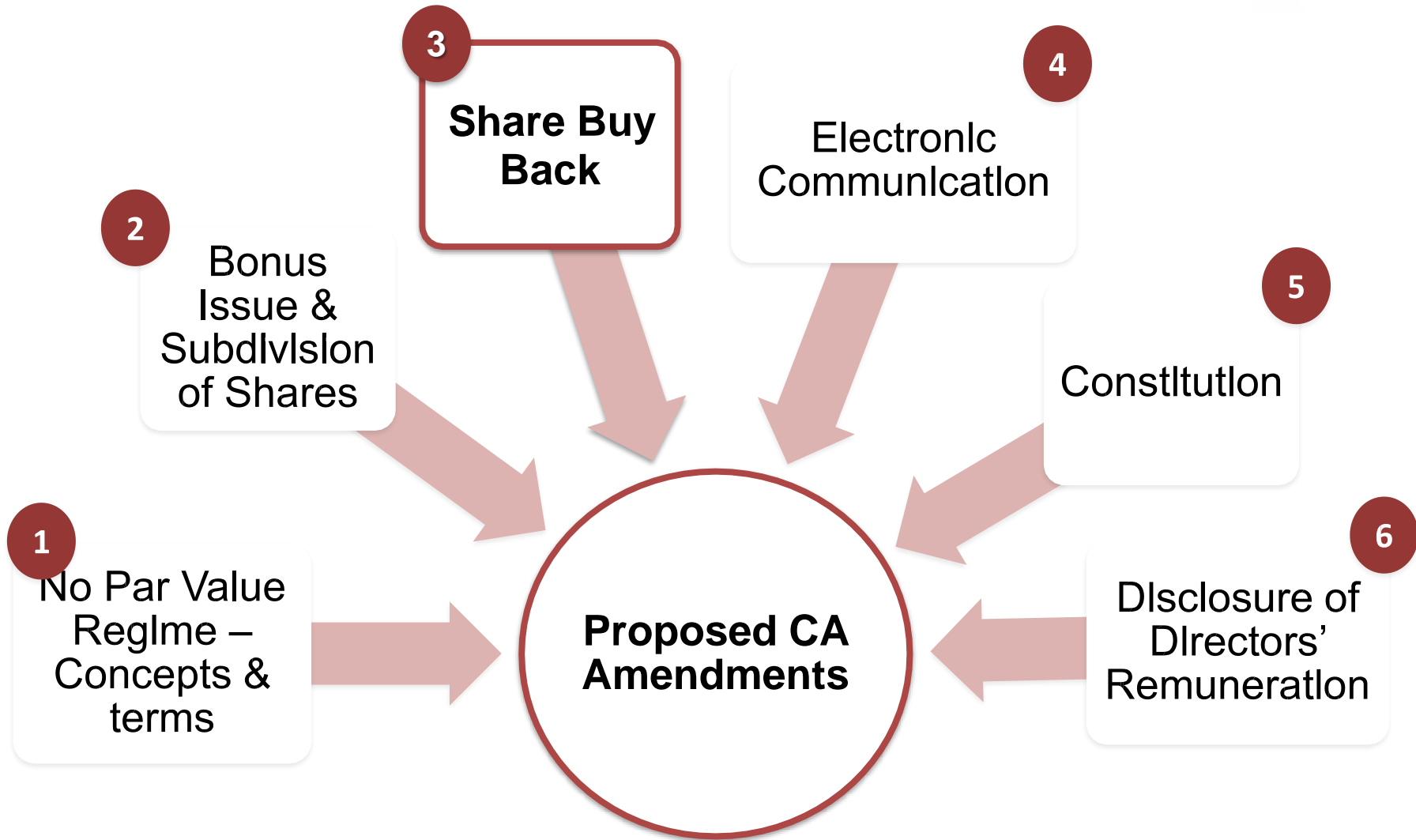
- Cash Company/PN17 Company **cannot undertake standalone subdivision which is not part of the regularisation plan.**
- **No such restriction for bonus issue.**



PROPOSAL

Similar to bonus issue, the **restriction is removed for subdivision.**

In addition, bonus issue and subdivision frameworks are also streamlined by having similar requirements for both i.e. **requirements and procedures** applicable to a bonus issue **in Chapter 6 of the LR are extended to a subdivision**, with modifications.

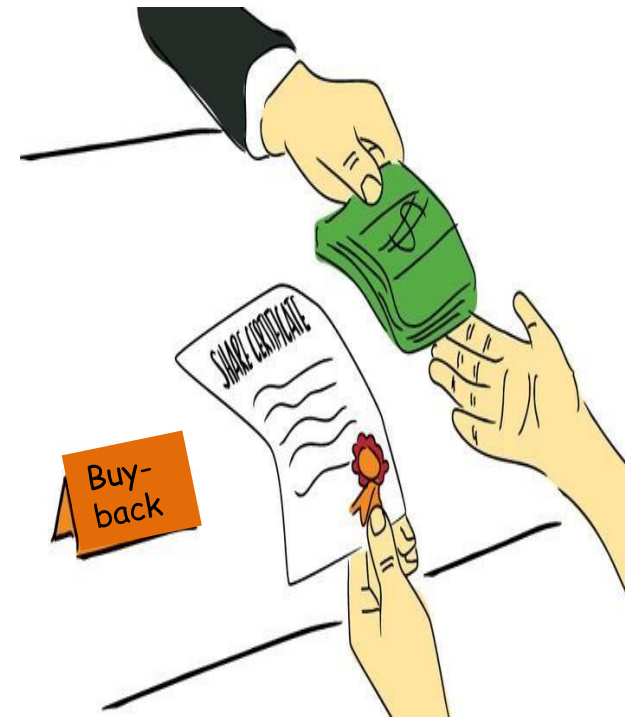


Share Buy-back Framework (1/3)



CA 2016

- ❑ S. 618: Share premium account is abolished and any amount outstanding in such account becomes part of the company's share capital.
- ❑ S. 112 & 113: A company must satisfy the prescribed solvency test when undertaking a share buy-back, supported by a solvency statement made by the directors.
- ❑ S. 127: Apart from distribution as share dividends, resale or cancellation, usage of treasury shares ("**TS**") is expanded to include –
 - transfer for purposes of an **employees' share scheme**;
 - transfer as **purchase consideration**;
 - **sell, transfer or otherwise use as the Minister may prescribe.**



Share Buy-back Framework (2/3)



CURRENT

Source of funds

Share buy-back is made wholly out of **retained profits or the share premium account or both.**

Circular & Share Buy-back (SBB) Statement

- **Circular** required if purpose is to seek **new authorisation** to purchase own shares
- **SBB Statement** required if purpose is to **renew** existing mandate for purchase

PROPOSAL

Share buy-back is made wholly out of **retained profits only.**

- **Simplify** framework – only require **SBB Statement** to be send to shareholders
- The SBB Statement must contain:
 - the **information currently required for a circular except for information on material contracts and material litigations;** and
 - **details of the transfer of treasury shares for the preceding 12 months - date & purpose, transfer price & basis for the price**

Share Buy-back Framework (3/3)

ANNOUNCEMENT REQUIREMENTS

Purchase of own shares & whether shares are retained as TS

Resale of TS

Cancellation of shares / TS

Transfer of TS

Information prescribed in Appendix 12C

Enhanced contents

- date of transfer
- number of shares transferred
- purpose of the transfer
- transfer price and the basis for such price
- total number of TS held after transfer

