

Technical e-Newsletter

August 2007 Issue

COVER STORY

*Collaboration between
University of Malaya and AXP Solutions*

FINANCIAL REPORTING

*A Study of
ED 56 Financial Instruments: Disclosure*

TECHNICAL DIAGNOSTIC CENTRE

*Salient Points of the
Companies (Amendment) Act 2007*



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Editors' Notes ~ An Eventful Month

While Malaysian investors are starting to reap the benefits from the growing share market where Composite Index is moving above 1,300 points, the emergence of the subprime issue in U.S. has ruined the confidence of many investors worldwide. The subprime crisis worsens when American Home Mortgage Investment Corporation (AHM), the 10th largest retail mortgage lender in the U.S., filed for bankruptcy protection, which causes a sharp decrease in Malaysian Composite Index in mid-August 2007. The week before the filing, many of its lenders had demanded their money back, and it was also unable to deliver on about USD 800 million in commitments for housing loans.

One may wonder, what is subprime mortgage? Subprime mortgage is loans made to borrowers with poor or limited credit histories or high debt. Interest rates on the loans are usually fixed for two years, usually at least two percentage points higher than the safest mortgages. In layman's term, these are high risk businesses.

Some commentators even comment that the worst may not be here yet. As a prudent investor, we believe that this is a good time for us to learn to invest in high quality stocks with moderate risks, and of course, we shall not put all our eggs into one basket ~ a golden investment rule.

Here at AXP Solutions, 28 August 2007 marks another important milestone for us as we have signed a **Memorandum of Understanding** (MoU) with University of Malaya (UM) for incorporating our products into UM's syllabus. As such, in this issue's cover story, we have a topic on the MoU.

For FRS Section, we have summarised the **ED 56 Financial Instruments: Disclosure** in Questions and Answers style. We hope that this write-up will give you a good understanding of what's new for ED 56.

On AXP TDC's section, we have summarised the **Companies (Amendment) Act 2007**, gazetted on 15 August 2007, which emphasise a lot on improving the corporate governance.

Happy reading!

Editors
AXP Technical e-Newsletter
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AXP Technical e-Newsletter welcomes your contributions on contemporary issues encountered by the profession. We also wish to hear from you on how this e-Newsletter can be improved for more timely and useful information. Your contributions or comments may be sent directly to us at:

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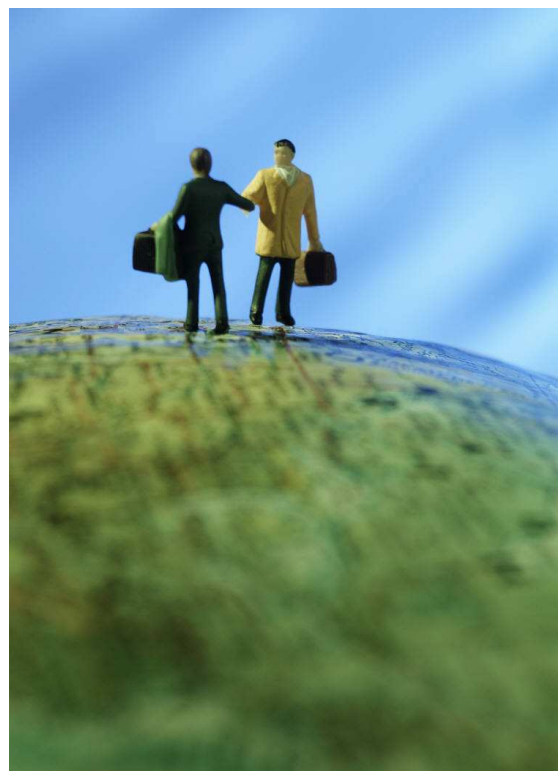
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Memorandum of Understanding

**Collaboration between
University of Malaya and AXP Solutions**



Background

The MoU was signed on 28 August 2007 at Crystal Crown Hotel, Petaling Jaya. The speeches of the MoU are delivered by Y. Bhg Datuk Rafiah Salim, Vice-chancellor of University of Malaya (UM), and Mr. Goh Hiang Kwee, Chairman of AXP Solutions.

This collaboration is supported by Malaysian Institute of Accountants (MIA) and the MoU signing ceremony was addressed by the President of MIA, En. Nik Mohd. Hasyudeen Yusoff. We are also honoured to invite Ms. Ng Wang Peng, Vice President, Capacity Development Division of Multimedia Development Corporation Sdn. Bhd. (MDeC) to sign as witness of the MoU.



Standing in the middle: **En. Nik Mohd. Hasyudeen Yusoff** is standing to witness the signing ceremony. Sitting (from left): **Ms. Ng Wan Peng**, *Vice President, Capacity Development Division of MDeC*, **Mr. Goh Hiang Kwee**, *Chairman of AXP Solutions*, **Y. Bhg Datuk Rafiah Salim**, *Vice-chancellor of UM*, **Professor Dr Ainin Sulaiman**, *Dean of Business and Accountancy of UM*.

The Collaboration

AXP Solutions will integrate its specialism into UM's syllabus to expose students at an early stage to the practical aspects of auditing in a computer based environment with hands-on experience.

This industry-academia collaboration also aims to narrow the competency gap between graduates and commercial practitioners. It will therefore facilitate the objectives of the Ministry of Higher Education in producing competent graduates and enhancing graduates' employment marketability.

Y Bhg. Datuk Rafiah Salim believe that this collaboration will provide golden opportunities for UM's staff and student to have a hands-on interactive learning experience which will help them understand and apply theories in accounting and auditing. She hope that this collaboration will help to upgrade the quality of UM's programme and undergraduates, and maintain the highest standards of professional practice of accountancy.



In his foreword, Mr. Goh Hiang Kwee believes that exposure to practical experience at the undergraduate level which the MoU will facilitate will greatly enhance the learning experience, and produce graduates with the range of skills, including knowledge,



understanding, application and the ability to question and critically appraise business decisions, which are highly sought after by employers. It is also imperative that auditing practitioners embrace the latest technology to ensure the integrity and transparency of financial statements which underlies the confidence of investors.

En. Nik Mohd. Hasyudeen Yusoff points out that in the knowledge economy, a firm understanding of the importance of technology is an imperative for all graduates. Information technology is one of the main catalysts in today's age of globalisation. It is also a key enabler of many processes and thus it is important for graduates to be highly conversant in it. He hopes that the practical IT applications provided by AXP Solutions will add value and broaden the scope of the courses offered to UM students.



Moving Forward

UM is the oldest higher learning institute in Malaysia and the Faculty of Business and Accountancy has an enviable record for producing accounting graduates of the highest calibre. **AXP Solutions** is the ONLY local MSC-status company providing solutions to the audit industry in Malaysia and Singapore. We believe that our collaboration will catalyse a synergetic effect and contributing to the development of the industry.

We are proud of this collaboration in producing undergraduates who will be technological savvy. We are envisaged that the collaboration will encourage audit practitioners to utilise the power of information technology to enhance their professionalism, audit efficiency, and competitiveness.

At AXP Solutions, we are also committed to creating value to the accountancy profession in Malaysia and we enjoy the support from the MIA in this collaboration.



FINANCIAL REPORTING STANDARDS

A study of the Exposure Draft 56

Financial Instruments: Disclosures

EXPOSURE DRAFT (ED) 56 – FINANCIAL INSTRUMENTS: DISCLOSURES

Introduction

On 2 July 2007, Malaysian Accounting Standards Board (MASB) has issued the Exposure Draft (ED) 56 on Financial Instruments: Disclosures, seeking greater transparency on the exposure to risks arising from companies' involvement in financial instruments.

MASB invites comments on ED 56 from the public by 28 September 2007. Thus, interested parties are encouraged to raise their concerns on the application of ED 56.

Main features of ED 56

- ✓ Applies to all risks arising from all financial instruments, except as specified in paragraph 3.
- ✓ Applies to all entities, including entities that have few financial instruments, and those that have many financial instruments.
- ✓ The extent of disclosure required depends on the extent of the entity's use of financial instruments, and its exposure to risk.
- ✓ Requires disclosure of the significance of financial instruments for an entity's financial position and performance.
- ✓ Requires disclosure of the **qualitative** and **quantitative** information about exposure to risks arising from financial instruments.
 - *Qualitative disclosures ~ management's objectives, policies and processes for managing those risks.*
 - *Quantitative disclosures ~ provide information about the extent to which the entity is exposed to risk.*
- ✓ Supersedes the disclosure requirements of FRS 132.

Frequently-asked Questions on ED 56

1. What types of financial instruments are excluded from the scope of ED 56?

- (a) Interests in subsidiaries, associates and joint venture that are accounted for under FRS 127, FRS 128 and FRS 131 respectively. However, if they are proposed to be accounted for using FRS 139, the disclosure requirements of both this FRS and the respective FRS shall be disclosed. Derivatives linked to interests in subsidiaries, associates or joint ventures shall also apply this FRS *unless* the derivative meets the definition of an equity instrument.
- (b) Employers' rights and obligations arising from employee benefit plans.
- (c) Contracts for contingent consideration in a business combination for the acquirer.
- (d) Insurance contract.
- (e) Financial instruments, contracts and obligations under share-based payment transactions, except that this FRS applies to contracts within the scope of paragraph 5 – 7 of FRS 139.

2. What are the minimum categories of the carrying amounts of financial assets and financial liabilities to be disclosed either on the face of the balance sheet or in the notes?

- (a) Financial assets at fair value through profit or loss (*designated as such upon initial recognition, and classified as held for trading*) in accordance with FRS 139;
- (b) Held-to-maturity investments;
- (c) Loans and receivables;
- (d) Available-for-sale financial assets;
- (e) Financial liabilities at fair value through profit or loss (*designated as such upon initial recognition, and classified as held for trading*) in accordance with FRS 139; and
- (f) Financial liabilities measured at amortised cost.

3. What are the minimum disclosures if an entity designated a loan or receivable as at fair value through profit or loss?

- (a) Maximum exposure to credit risk at the reporting date.
- (b) Amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk.

- (c) Amount of change in the fair value that is attributable to changes in the credit risk of the financial asset, and the method used to comply with the requirements.
- (d) Amount of the change in the fair value of any related credit derivatives or similar instruments that have occurred.

4. What are the minimum disclosures if an entity designated a financial liability as at fair value through profit or loss?

- (a) Amount of change in the fair value that is attributable to changes in the credit risk of the financial liability, and the method used to comply with the requirements.
- (b) Difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

5. What are the disclosure requirements if the entity has reclassified a financial asset from cost or amortised cost, to fair value, and vice-versa?

The amount reclassified into and out of each category and the reason for that reclassification.

6. If an entity has transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition, what items are required to be disclosed?

- (a) Nature of the assets;
- (b) Nature of the risks and rewards of ownership to which the entity remains exposed;
- (c) When the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and
- (d) When the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

7. What are the disclosure requirements for financial assets pledged as collateral for liabilities or contingent liabilities?

The carrying amount of the financial assets pledged, and the terms and conditions relating to its pledge shall be disclosed.

8. What disclosures are required if an entity holds collateral and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral?

- (a) Fair value of the collateral held;
- (b) Fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
- (c) Terms and conditions associated with its use of the collateral.

9. Where there are any defaults or breaches of the covenants of the loan payable, what are the disclosure requirements?

- (a) Details of any defaults during the period of principal, interest, sinking fund, or redemption terms;
- (b) Carrying amount of the loans payable in default at the reporting date; and
- (c) Whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

10. What are the minimum items of income, expense, gains or losses to be disclosed on the face of the financial statements or in the notes?

- (a) Net gains or net losses on :
 - (i) Financial assets or financial liabilities at fair value through profit or loss;
 - (ii) Available-for-sale financial assets;
 - (iii) Held-to-maturity investments;
 - (iv) Loans and receivables; and
 - (v) Financial liabilities measured at amortised cost.
- (b) Total interest income and total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss;
- (c) Fee income or expense (*other than amounts included in determining the effective interest rate*) arising from financial assets or financial liabilities that are not at fair

value through profit or loss; and trust and other fiduciary activities that result in the holding or investing of assets.

- (d) Interest income on impaired financial assets.
- (e) Amount of any impairment loss for each class of financial asset.

11. What are the minimum items to be disclosed for each type of hedge (*fair value hedges, cash flow hedges, and hedges of net investments in foreign operations*)?

- (a) Description of each type of hedge.
- (b) Description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and
- (c) Nature of the risks being hedged.

12. What are the additional items to be disclosed for cash flow hedges?

- (a) Periods when the cash flows are expected to occur and when they are expected to affect profit or loss;
- (b) Description of any forecast transaction previously used, but no longer expected to occur;
- (c) Amount that was recognised in equity;
- (d) Amount that was removed from equity and included in profit or loss (each line item);
- (e) Amount that was removed from equity and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction; and
- (f) Ineffectiveness recognised in profit or loss.

13. As the fair values of the financial instruments are required to be disclosed, what is the information required to be disclosed?

- (a) Method and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities.
- (b) Whether fair values are determined directly by reference to published price quotations in an active market or are estimated using a valuation technique.

- (c) Whether fair values are determined using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data.
- (d) If (c) applies, the total amount of the change in fair value estimated using such a valuation technique that was recognised in profit or loss.

14. What are the circumstances that the disclosure of fair value is not required?

- (a) When the carrying amount is reasonable approximation of fair value.
- (b) For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that are measured at cost in accordance with FRS 139 because its fair value cannot be measured reliably.
- (c) For a contract containing a discretionary participation features if the fair value of that feature cannot be measured reliably.

15. What are the further disclosure requirements if the fair values of the financial instruments are not given?

- (a) The fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;
- (b) A description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;
- (c) Information about the market for the instruments;
- (d) Information about whether and how the entity intends to dispose of the financial instruments; and
- (e) If financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

16. In respect of credit risk, what are the disclosure requirements stipulated in ED 56?

- (a) Amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements;

- (b) Description of collateral held as security and other credit enhancements;
- (c) Information about the credit quality of financial assets that are neither past due nor impaired; and
- (d) Carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

If the financial assets are either past due or impaired, to disclose:

- (a) An analysis of the age of financial assets that are past due at the reporting date but not impaired;
- (b) Analysis of financial assets, and the factors, that are individually determined to be impaired at the reporting date; and
- (c) For (a) and (b), a description of collateral held by the entity as security and other credit enhancements and an estimate of their fair value.

17. What is required to be disclosed for an entity's liquidity risk?

- (a) Maturity analysis for financial liabilities that shows the remaining contractual maturities; and
- (b) Description of how it manages the liquidity risk inherent in (a).

18. What are the disclosure requirements for an entity's exposure to market risk?

- (a) Sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;
- (b) Methods and assumptions used in preparing the sensitivity analysis; and
- (c) Changes from the previous period in the methods and assumptions used, and the reasons for such changes.

However, if the sensitivity analysis disclosed is unrepresentative of a risk inherent in a particular (or a particular group of financial instruments), the entity shall disclose that fact and the reason it believes the sensitivity analyses considered to be unrepresentative.



AXP TECHNICAL DIAGNOSTIC CENTRE

*Salient Points of the
Companies (Amendment) Act 2007*



Introduction

On **15 August 2007**, an Act to amend the Companies Act 1965 has been gazetted and comes into operation on that date, i.e., Companies (Amendment) Act 2007.

The Companies (Amendment) Act 2007 has brought in a number of new rules to the Malaysian corporate world, although some of these rules may be found in other legislation or common laws, among others, facilitating electronic filing of documents, enhancing the corporate governance framework in Malaysia, obligation for the auditors to whistle-blow if they found any fraud or dishonesty, protection of whistle-blowing of breach of the Companies Act 1965 by officers, repeal of Section 132G and so on.

Particularly, we wish to draw attention to the extension of the definition of “directors” for the purpose of revised Section 132(2), 132C and 132E (*please refer to next section for further information*).

As the Companies (Amendment) Act 2007 is an important milestone to the Malaysian corporate law, we have analysed the amendments in this issue’s Technical Diagnostic Centre and hope that it will assist you in understanding the latest changes in the Companies Act 1965.

Salient Points of the Companies (Amendment) Act 2007

AMENDMENTS WHICH ENHANCE THE DISCLOSURE TO BE MADE BY THE DIRECTORS

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
Disclosure of interest in contract or proposed contract		
NA	131 (7A)	For the purpose of Section 131 in determining whether directors have interest in the contract and proposed contract, an interest of the spouse and a child (including adopted child or stepchild) of a director of a company in the shares or debenture of the company shall be treated as his/her interest.
NA	131 (7B)	Contract or proposed contract entered into in contravention of Section 131 is voidable EXCEPT if it is in favour of any person dealing with the company for any valuable consideration and without any actual notice of the contravention.
Interested director not to participate or vote		
NA	131A	<p>A director, who is interested in a contract or proposed contract, shall be counted only to make the quorum at the board meeting BUT shall not participate in the discussion of the said contract, and shall not vote on the contract or proposed contract.</p> <p>The above restriction shall NOT apply to:</p> <ul style="list-style-type: none">(a) A private company unless it is a subsidiary to a public company;(b) A private company which is a wholly-owned subsidiary of a public company, in respect of a contract or proposed contract to be entered into with its holding company or with another wholly-owned subsidiary of that same holding company;(c) Any contract or proposed contract of indemnity against any loss which any director may

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
		suffer by reason of becoming or being a surety for a company;
		(d) Any contract or proposed contract to be entered into by a public or a private company which is subsidiary of a public company where the interest of the director consist solely of:
		(i) in him being a director and the holder of shares NOT MORE THAN the number or value as is required to qualify him for the appointment as a director; or
		(ii) in him having an interest in NOT MORE THAN 5% of its paid-up capital.
Disclosure of directors' additional indirect interest in the Register		
NA	134 (12) (c)	A reference to an interest of the spouse and a child (including adopted child or stepchild) of a director of a company in the shares or debenture of the company shall be treated as his/her interest.

AMENDMENTS AFFECTING THE RESPONSIBILITIES, FUNCTIONS AND POWERS OF THE BOARD OF DIRECTORS AND DIRECTORS

<i>"Old" section</i>	<i>"New" section</i>	<i>Narration / Comments</i>
Function and power of the board		
NA	131B	Business and affairs must be managed by, or under the direction of, the board of directors. The board has all the powers necessary for managing, directing and supervising the management of the business and affairs SUBJECT TO any modification, exception or limitation contained in the Act and Article of Associations.
Responsibilities of the directors		
132 (1)	132 (1)	Original section has been substituted. A director shall now at all times exercise his powers for a proper purpose and in good faith in the best interest of the company.
NA	132 (1A)	A director shall exercise reasonable care, skill and diligence with reasonably expected knowledge, skill and experience of a director having the same responsibilities, and any additional knowledge, skill and experience which the director in fact has.
NA	132 (1B)	The director shall: <ul style="list-style-type: none"> (a) make the business judgement in good faith for a proper purpose; (b) not have a personal interest in the subject matter of the business judgement; (c) be informed about the subject matter of the business judgement to the extent the director reasonably believes to be appropriate under the circumstances; and (d) reasonably believes that the business judgement is in the best interest of the company.
Reliance on information provided by others		
NA	132 (1C) & (1D)	A director may rely on specific persons (such as officers, any other retained by the company, another director, any committee to the board, where appropriate) for information, professional or

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
		<p>expert advice, opinions, reports or statements including financial statements and other financial data.</p> <p>However, the reliance on the specified person must be made on reasonable grounds, in good faith and after making independent assessment of the information.</p>
Responsibility of a nominee director		
NA	132 (1E)	<p>A nominee director (<i>appointed by virtue of his position as an employee, or appointed by or as a representative of a shareholder, employer or debenture holder</i>) shall act in the best interest of the company.</p> <p>Where there is conflict of interest, the nominee director shall act in the best interest of the company and not his/her nominator.</p>
Responsibility for actions of delegate		
NA	132 (1F)	<p>Directors may delegate any power of the Board to any committee to the board of directors, director, officer, employee, expert or any other person.</p> <p>Where the directors have delegated any power, the directors are responsible for the exercise of such power by the delegate as if such power had been exercised by the directors themselves.</p>
NA	132 (1G)	<p>Directors are not responsible under 132 (1F) if directors believed on reasonable grounds at all times that the delegate would exercise the power in conformity with the duties imposed on the directors, and in good faith after making a proper inquiry.</p>

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
Prohibition against improper use of company's property, position, corporate opportunity or competing with the company		
132 (2)	132 (2)	<p>The original Section 132 (2) has been substituted to provide the type of prohibitions.</p> <p>The director or officer shall not, without the consent or ratification of a general meeting:</p> <ul style="list-style-type: none">(a) use the property of the company;(b) use any information acquired acting as a director or officer;(c) use his position as such director or officer;(d) use any opportunity which he become aware of, in the performance of his functions as the director or officer; or(e) engage in business which is in competition with the company, to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the company.
NA	132 (6)	<p>For the purpose of 132 (2), "director" includes the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called.</p>

AMENDMENTS REGULATING THE TRANSACTIONS UNDERTAKEN BY THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
132C (1)	132C (1)	<p>"any proposal or execute any transaction" found in the "old" Companies Act 1965 has been replaced with "any arrangement or transaction".</p> <p>Furthermore, "which would materially and adversely affect the performance or financial position of the company" has also been removed.</p>
NA	132C (1A)	<p>For the purpose of Section 132C (1), this sub-section elaborate that, for companies listed on a Stock Exchange as defined in the Securities Industry Act, 1983, the term "substantial value" or "substantial portion" shall mean the same value prescribed by the provisions in the listing requirements -</p> <ul style="list-style-type: none"> (a) which relates to acquisitions or disposals by a company or its subsidiaries to which such provision applies; and (b) which would require the approval of shareholders at a general meeting.
NA	132C (1B)	<p>For company other than a company to which Section 132C (1A) applies, i.e., non public listed companies, an undertaking or property is considered to be of a substantial value if the value of the transaction exceed the highest of:</p> <ul style="list-style-type: none"> (a) 25% of the total assets of the company; (b) net profits attributed to it amounts to more than 25% of the total net profit; or (c) 25% of the issued capital.
132C (3)	132C (3)	<p>If the transaction is in contravention of Section 132 (1), the arrangement or transaction shall be void EXCEPT in favour of any person dealing with the company for valuable consideration and without actual notice of the contravention.</p>

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
NA	132C (6)	For the purpose of 132C, "director" includes the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called.
132E	132E	<p>The revised section includes the following amendments:</p> <ul style="list-style-type: none">(a) Prohibition of transactions with a director or a substantial shareholder of the company or its holding company, or a person connected with such a director or substantial shareholder.(b) Transaction includes the acquisition or disposal of shares or non-cash assets of the requisite value.(c) Transaction which is contravened of Section 132E will be void UNLESS prior approval at a general meeting is obtained.(d) The interested director, substantial shareholder or person connected with such director or substantial shareholder shall be abstained from voting on the resolution whether or not to approve the arrangement or transaction.

AMENDMENTS TO ENHANCE CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
Enhancing internal control system		
NA	167A	Directors of public company or a subsidiary of a public company shall have in place a system of internal control that will provide a reasonable assurance to: (a) Safeguard the assets of the company against loss from unauthorised use or disposition; and (b) Ensure all transactions are properly authorised and recorded.
Protection of "whistle-blowers"		
NA	368B (1)	Where an officer has reasonable belief of any matter which may constitute a breach or non-observance of any requirement or provision of the Companies Act 1965 or its regulations, or belief of serious offence involving fraud or dishonesty, he may report the matter in writing to the Registrar.
NA	368B (2)	The company shall not remove, demote, discriminate against, or interfere with the lawful employment or livelihood of such officer by reason of the report submitted.
NA	368B (3)	No officer shall be liable to be sued in any court nor be subject to any tribunal process for any report submitted in good faith and in the intended performance of his duties as an officer.

AMENDMENTS AFFECTING STATUTORY AUDITORS

<i>"Old" section</i>	<i>"New" section</i>	<i>Narration / Comments</i>
Duty to inform upon ceasing to hold office as auditor		
NA	172A	Where an auditor has made written representations to the company [Section 172(5)], or gives notice to the directors of his desire to resign as auditor [172(15)], the auditor shall within 7 days of the submission, submit a copy of the written representations or his written explanation of his resignation to the Registrar, and to the Stock Exchange for listed companies.
Duties of auditors of public company		
NA	174 (8A)	Auditor, of a public company or a company controlled by a public company, shall forthwith report any serious offence involving fraud or dishonesty committed against the company or the Companies Act 1965 by officers of the company to the Registrar.
NA	174 (8B)	No duty to which an auditor may be subjected to shall be regarded as having been contravening by reason of his reporting the matter in Section 174 (8A) in good faith to the Registrar.
NA	174 (8C)	For the purpose of Section 174 (8A), a company is controlled by a public company if such public company is entitled to exercise or control the exercise of not less than 15% of the voting shares. Definition of "a serious offence involving fraud or dishonesty" is also available in this sub-section.
NA	174A (2A)	Auditors shall not be liable to be sued, or subject to any criminal or disciplinary proceedings for any report submitted in good faith and in the intended performance of any duty imposed on the auditor under the Companies Act 1965.

ELECTRONIC FILING OF DOCUMENTS

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
Filing of documents electronically		
NA	11A (6A) & (6B)	If a document is filed or lodged electronically, in the manner prescribed by the Registrar, statutory declaration will be replaced with an electronic declaration or statement.
NA	11A (6C)	Where documents required attestation filed and lodged electronically, the requirement for attestation of the signature does not apply.
NA	11A (9) & (10)	Registrar may serve on the person where the documents filed and lodged electronically do not comply with the requirements. Where a replacement is filed and lodged within 14 days of Registrar's notice and complied with the requirement, the document shall be deemed to have been filed and lodged.
NA	11B	Registrar may issue any document by electronic means.
NA	11C	Any information supplied by Registrar which is certified by Registrar shall be admissible in evidence.

AMENDMENTS TO REMOVE CURRENT LAWS

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
132G	NA	This much awaited section has been deleted. This section previously prohibited the company from acquiring shares or assets from a company in which the director or shareholder of acquirer has substantial interest.

AMENDMENTS TO REMOVE DUPLICATION WITH OTHER LEGISLATIONS

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
69I	69I	The reference to "the Stock Exchange as defined in the Securities Industry Act 1983 and" in relation to notification of or changes in substantial shareholders has been deleted. However, the notice shall be lodged with Bursa Malaysia.
132A & 132B	NA	Provisions on insider trading have been deleted, as Securities Industry Act 1983 has similar laws on regulating insider trading.
135(2A)	NA	The requirement to give notice to Bursa Malaysia on their shares, debentures, rights, interest, etc has been removed to eliminate duplication with Listing Requirements.

MEETINGS AND PROCEEDINGS

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
NA	145 (2A)	Annual general meeting of a public company shall be called by a notice in writing of not less than 21 days before the annual general meeting or longer (as specific in the articles).
145A	145A	The current requirement to hold general meeting in the States where its registered office is situated has been repealed. Under the new Section 145A, a company shall hold all meetings of its members within Malaysia, and may hold a meeting of its members within Malaysia at MORE THAN one venue using any technology that allows all members a reasonably opportunity to participate.

INTRODUCTION OF "INJUNCTIONS" IN THE COMPANIES ACT 1965

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
NA	368A (1)	Registrar, or any person whose interests have been, are or would be affected by the conduct, may apply to Court for injunction where a person's conducts would constitute: (a) A contravention of the Companies Act 1965; (b) An attempt to contravene the Companies Act 1965; (c) An attempt that aids, abets, advices or procures a person to contravene the Companies Act 1965; (d) An attempt to induce a person to contravene the Companies Act 1965; (e) Knowingly attempt to contravene the Companies Act 1965; or (f) An attempt of conspiracy with others to contravene the Companies Act 1965.

INTRODUCTION OF "DERIVATIVE ACTION" IN THE COMPANIES ACT 1965

<u>"Old" section</u>	<u>"New" section</u>	<u>Narration / Comments</u>
NA	181A	This section stipulates the proceedings that can be brought to Court on behalf of the company. Complainant must be: (a) A member of the company, or a person who is entitled to be registered as member; (b) A former member if the application relates to circumstances in which the member ceased to be a member; (c) Any director of a company; or (d) The Registrar (declared company under Investigation).
NA	181B	This section specifies the procedures of derivative action.
NA	181C	Proceedings brought, intervened in or defended under Section 181A shall not be discontinued, compromised or settled EXCEPT with the leave of the Court.
NA	181D	This section explains the effect of ratification by the members.
NA	181E	In addition to the granting of leave under Section 181C, this section addresses the powers of the Court in respect of derivative action.