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Law allows firms to buy back shares

THE government has pushed through a law allowing companies to buy back their shares in the open market. Gazetted earlier than scheduled, partly to encourage sentiments in the badly battered stock market, the new law also allows companies to provide financial assistance to any individual to buy its shares.

Listed under Section 67A of the Companies Act 1965, the new law however requires companies to cancel any shares that have been bought back, which effectively would result in a drop in the company's paid-up capital.

This is predicted to improve the earnings per share and net tangible asset of the company's remaining shares in the open market.

The new law stipulates that any buy back initiative or the giving of financial aid to any individual to buy the shares must be made in good faith and in the interest of the company. It must also be reported to the KLSE.

Prime Minister Datuk Seri Dr Mahathir Mohamad has been a vocal supporter of the new law, and has reportedly asked big Malaysian companies to buy back their shares if the KLSE CI keeps on falling.

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