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Sr. Haji A'zmi bin Abdul Latif

**Pendaftar:**  
R. Mahaletchumi



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## CIRCULAR 21/2020

To : **ALL REGISTERED VALUERS, APPRAISERS, ESTATE AGENTS AND PROPERTY MANAGERS**

Date : **3 AUGUST 2020**

Dear Sir / Madam,

### **SECTION 23 – LIBERALIZATION**

Please be informed that there is still some misunderstanding and misinterpretation over the Circulars on liberalization and therefore the Board now provides further explanation on the subject matter. **It must be mentioned that the following provisions shall only apply if you are intending to liberalize your practice i.e. allow non-registered persons to own equity in your practice.**

#### **A. Equity Shareholding Structure for a Body Corporate**

- i) A Practicing Company shall comprise both registered persons and / or non-registered persons as shareholders **SUBJECT ALWAYS TO** the registered persons holding not less than 51% of the equity interest or ordinary shareholding in the Practicing Company;
- ii) The Registered Persons holding the equity interest in the Practicing Company shall incorporate a company as an investment holding company to hold the majority equity interest in the Practicing Company **SUBJECT ALWAYS TO** approval being granted by the Board.

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Such a company shall be recognized as an "Approved Holding Company". An Approved Holding Company's directors and shareholders shall be Registered Persons only with a **minimum of 2 shareholders who must also be directors at any given time.**

(iii) The Practicing Company (HQ) shall ensure that at all times not less than 51% of its equity interest shall be held by Registered Persons via the Approved Holding Company. For the purposes of clarity, the 51% equity shall be held solely by registered valuers in the case of a valuation practice or solely by registered appraisers in the case of an appraisal practice or solely by registered estate agents in the case of an estate agency practice or solely by registered property managers in the case of a property management practice, whichever is applicable;

(iv) A Practicing Company shall be permitted:

- a. to set up branch(es) for the purpose of undertaking the Practice(s); or
- b. to incorporate Companies for the purpose of undertaking the Practices **SUBJECT ALWAYS TO** each of such Companies (henceforth known as "Registered Subsidiary") having at all times not less than 51% of its equity interest being held by the Practicing company (HQ). The remaining shares in the registered subsidiary shall be held only by **other registered person(s)** who shall not hold any equity interest or shareholding in any other company, that is, in either Approved Holding Company or other Registered Subsidiary(ies) within the Group or other practicing company or registered subsidiary of other practicing company directly or indirectly or any direct or indirect interest in any partnership.

For clarity, an illustrative chart is enclosed herewith for reference.

- v) A Registered Person who practices in a Practicing Company shall only be entitled to hold equity in the Practicing Company where the Registered Person is practicing from. Similarly, the Other Registered Persons in the Registered Subsidiary of the Practicing Company shall only be entitled to hold equity in that Registered Subsidiary only. In that respect, such a Registered Person / Other Registered Person shall not be permitted to hold equity interest or shareholding in any other / unrelated Practicing Company or its Registered Subsidiary which is engaged in the Practice.

**B. Board of Directors and Management**

- i) The board of directors of a Practicing Company must have a minimum of at least 2 shareholders who shall also be directors and who are Registered Persons, subject to Condition (ii) hereunder;
- ii) The board of directors of a Practicing Company must have a majority of shareholders / directors who are Registered Persons **SUBJECT ALWAYS TO** the composition of the board of directors to reflect the proportion of equity interest between the Registered Persons and the Non-Registered Persons, with the number of directors appointed by Non-Registered Persons not exceeding the proportion of the equity interest held by Non-Registered Persons.
- iii) In the case of a Registered Subsidiary, its board of directors must have a majority of directors comprising shareholders / directors of its Approved Holding Company.
- iv) The Chairman of the board of directors of a Practicing Company or Registered Subsidiary shall always be a registered person who is a shareholder / director from the Approved Holding Company.

- v) At any meeting, there must be a minimum of 3 shareholders / directors to form a quorum, with a majority of whom must be registered persons who are shareholders / directors of the Approved Holding Company.
- vi) At any meeting at the Practicing Company or Registered Subsidiary, the Chairman of the meeting shall have a casting vote.
- vii) The Senior Management of the Practicing Company or Registered Subsidiary shall be vested in the hand of the Registered Person(s) only; and
- viii) The key executive officer and spokesperson for the Practicing Company or Registered Subsidiary shall be a Registered Person **only and a non-registered shareholder shall not be allowed to be the spokesperson of the company at all times.**

### **C. Equity Structure for a Partnership**

- i) A Partnership shall comprise both Registered Persons and / or non-Registered Persons as partners SUBJECT ALWAYS to the Registered Persons collectively holding not less than 51% equity interest in the Partnership;
- ii) The registered Partner(s) shall ensure that at all times 51% of the equity interest in the partnership shall be held by Registered Person(s) only;
- iii) A Registered Person who practices in a Partnership shall not be permitted to hold any direct or indirect interest (be it shareholding or otherwise) in any other Partnership or Practicing Company or its Approved Holding Company or Registered Subsidiary of a Practicing Company;

- iv) A Partnership shall be permitted to establish such number of branches as it deems fit for the purpose of undertaking practice(s).

**D. Management of a Company**

- i) The management and key persons of a Practicing Company, Approved Holding Company and Registered Subsidiary shall be vested in the hands of Registered Person(s) only.

**E. Exception to the General Rule – No requirement to incorporate an Approved Holding Company**

An exception to all the above would be applicable to small enterprises which may register a Practicing Company without having to incorporate an Approving Holding Company **SUBJECT TO** compliance of all the following conditions:

- (i) The Practicing Company shall always consist of a minimum of 2 registered persons as shareholders who shall also be directors, with one of them holding a minimum of 51% of the equity / shareholding and the balance of shares from the registered persons' shareholding may be held by non-registered persons;
- (ii) The Chairman of the board of directors of a Practicing Company shall always be a registered person who is a shareholder / director;
- (iii) At any general meeting, there must be a minimum of 3 shareholders / directors to form a quorum, with a majority of whom must be registered persons who are shareholders;
- (iv) The voting at any general meeting must be conducted by way of a poll. This must be stated in the Constitution of the Practicing Company;

- (v) The Shareholders Agreement must state that the shareholder(s) from / director(s) nominated by the non-registered persons does (do) not have any decision-making powers at any Board Meeting; and
- (vi) The Practicing Company is not allowed to open any branch or subsidiary. Should there be branch(es) / registered subsidiary(ies) to be incorporated in the future under this mode, strict compliance with the general rule is mandatory and the practicing company shall henceforth convert to the normal liberalization route by incorporating an Approved Holding Company to hold the majority equity interest in the Practicing Company.

Fresh applications from Registrants to incorporate Practicing Company / Registered Subsidiary under liberalization are now required to comply with the above provisions. **Henceforth, all Registered Subsidiary shall only have their Practicing Company and the other registered person(s) as shareholders.**

All current registrants whose structure is not in compliance with the above structure will be accorded three (3) years to do so. **Meanwhile the Board's Circular dated 28 December 2011 and Circular 11/2020 dated 9 March 2020 are hereby repealed.**

Kindly be guided accordingly.

Yours faithfully,



**R. MAHALETCHUMI**

Registrar

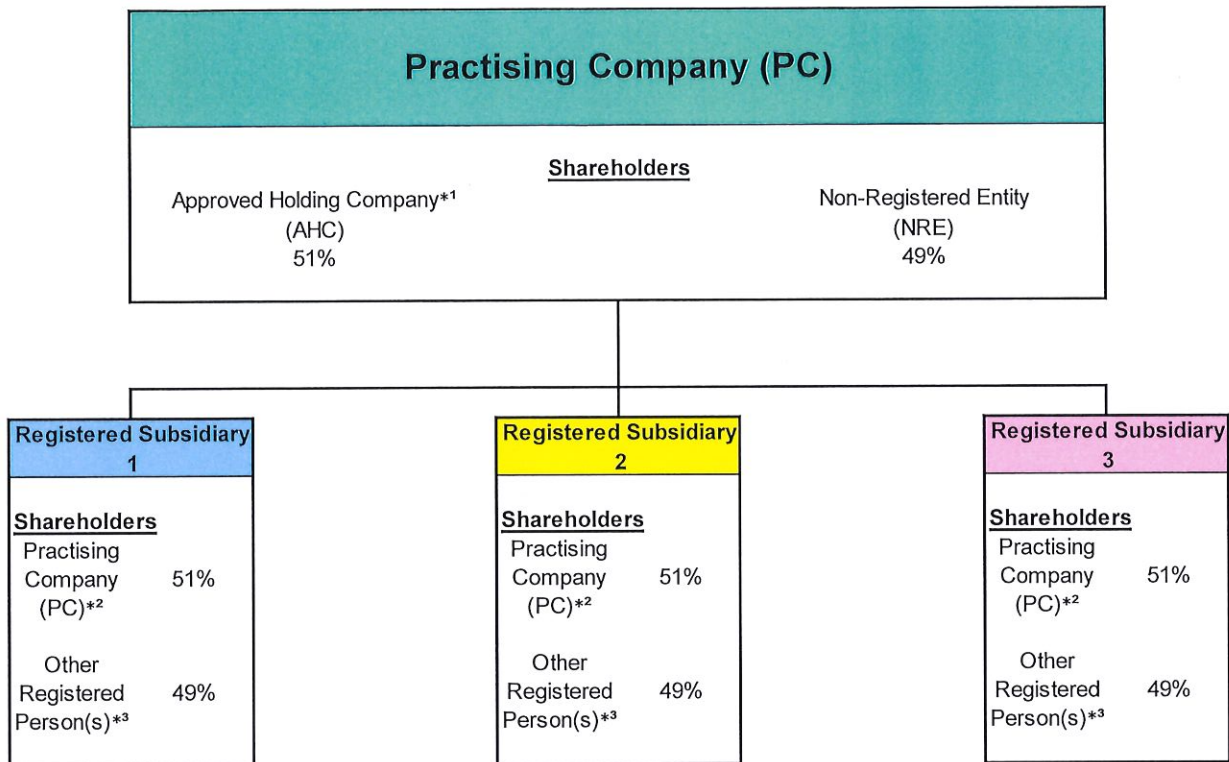
LEMBAGA PENILAI PENTAKSIR, EJEN HARTATANAH  
DAN PENGURUS HARTA

## GLOSSARY OF TERMS

“Approved Holding Company”	means a company which is approved by the Board to be an investment holding company. The shares in the Approved Holding Company must be 100% held by Registered Persons only.
“Branch”	means an office set up at another location from the main Practicing Company (HQ) and it is part, and not a separately incorporated unit, of a practicing company, carrying out practice(s)
“Company”	means a limited liability company incorporated under the Companies Act, 2016.
“Direct Interest”	means holding the equity interest in one’s own name.
“Equity Interest”	means ordinary shareholding in a Company or voting interest in a general meeting of a Company.
“Indirect Interest”	means holding equity interest in a Company or Partnership through another natural person or a separate company.
“Non-Registered Person / Shareholder / Director”	means a person / shareholder / director who is not registered under Act 242.
“Other Registered Person”	means, in the Registered Subsidiary, the registered person(s) other than those in the Practicing Company (HQ) or in the other Registered Subsidiary(ies) of the Practicing Company within the Group, or other / unrelated Practicing Company or Registered Subsidiary of other / unrelated Practicing Company directly or indirectly or any direct or indirect interest in any partnership.
“Persons”	means a natural person or an artificial person.
“Partnership”	means a business registered in Malaysia recognized under the laws of Malaysia whereby the management and control rests on 2 or more natural persons.

"Practice"	means a valuation practice, an appraisal practice, a property management practice or an estate agency practice; and "Practices" shall mean any combination of 2 or more of the practice areas aforementioned.
"Practicing Company"	means a Company (at HQ) that is undertaking or intends to undertake a Practice whose shareholdings have been duly approved by the Board.
"Registered Person"	means a registered valuer, a registered appraiser, a registered estate agent or a registered property manager.
"Registered Subsidiary"	means a Company incorporated for the purposes of undertaking the Practice, with not less than 51% of its equity interest being held by its Practicing Company (HQ) .The remaining shares in the registered subsidiary shall be held only by <b>other registered person(s)</b> who shall not hold any equity interest or shareholding in any other company, that is, in either Approved Holding Company or other Registered Subsidiary(ies) within the Group or other practicing company or registered subsidiary of other practicing company directly or indirectly or any direct or indirect interest in any partnership.
"Senior Management"	means the managing director, executive directors or chief executive officer or such other like positions carrying on the day-to-day management of a Practicing Company and its branch office(s) or its Registered Subsidiary(ies), or functions of similar nature notwithstanding how such position are styled, named or titled.





Footnotes :

- \*<sup>1</sup> The Shareholders / Directors of Approved Holding Company (AHC) must always consist of Registered Persons only
- \*<sup>2</sup> At any Registered Subsidiary, the Practising Company (PC) must hold a minimum of 51%.  
The balance can be held by Other Registered Person(s) only.
- \*<sup>3</sup> The Other Registered Person(s) at one Subsidiary CANNOT hold shares in AHC or any other Subsidiary(ies) within the Group or any other / unrelated Practising Company or Subsidiary(ies) of any other / unrelated Practising Company directly or indirectly; or in any direct or indirect interest in any Partnership.

**Note:** The above Chart must be read together with Circular 21/2020 of 3-August 2020

The above Chart does not apply to those under Item E Exception of the Circular 21/2020