BURSA MALAYSIA

Listing Requirements Enforcement In Focus

Inaccurate Disclosures/ Announcements

- ***Paragraph/Rule 2.18(1) of the LR requires, amongst others, a listed issuer/corporation to ensure that any application, proposal, statement, information or document presented, submitted or disclosed pursuant to the LR is clear, unambiguous and accurate, does not contain any material omission and is not false or misleading.***

- ***Paragraph 9.35A(1)/Rule 9.35(1) of the LR (i.e. paragraph/Rule 9.16(1) of the LR prior to 3 June 2019) requires that each public announcement and any circular issued to the securities holders of the listed issuer/corporation is, amongst others –***
  - ***factual, clear, unambiguous, accurate, succinct and contains sufficient information to enable securities holders and investors to make informed investment decisions;***
  - ***is not false, misleading or deceptive;***
  - ***does not contain any language which is inflammatory, defamatory or scandalous of another person; and***
  - ***balanced and fair.***

CASES 1 & 2 – MISREPRESENTATION ON SOLVENCY DECLARATION

Relevant Facts

Case 1 - Company NN

Arising from defaults in payments of credit facilities, Company NN announced on 19 December 2008 that the company was solvent and it was able to provide the solvency declaration (i.e. that it will be able to pay all its debts within a period not exceeding 12 months from the date of the said announcement) to Bursa Securities. However, on 24 December 2008, the company announced that it was unable to provide the solvency declaration and further announced that it was a PN17 company. The circumstances provided for the subsequent retraction of the solvency declaration on 24 December 2008 were not new and existed at the juncture of the company's announcement on 19 December 2008. The directors had failed to undertake reasonable enquiries and assessment in confirming that the company was solvent in the announcement on 19 December 2008.

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Case 2 - Company KS

In another case, Company KS had on 8 August 2019 announced its default in payment to a creditor bank and that notwithstanding the default, the company was still solvent i.e. it would be able to pay all its debts as and when they fall due within the period of 12 months. The Board then provided a solvency declaration dated 13 August 2019 ("**SD1**") to Bursa Securities. In less than 12 months after the announcement on 8 August 2019, Company KS had on 23 June 2020 and 6 July 2020 further announced its defaults in payment to various creditor banks and reiterated in the said announcements and a subsequent statutory declaration dated 29 June 2020 ("**SD2**") provided to Bursa Securities, that the company was still solvent. However, there was no proper basis for the solvency declarations in the announcement dated 8 August 2019 and SD1 which were mainly predicated on a proposed corporate exercise which was still preliminary and uncertain and Company KS' explanations that there were amount owing from a third party and the company had excluded the repayment to creditor banks in the assessment of its solvency position as the sums owing were in dispute, did not justify the solvency declarations in the subsequent announcements and SD2. In this regard, the directors had failed to undertake reasonable assessment to ensure that there was proper basis in approving the solvency declarations despite numerous engagements and even indication by Bursa Securities that both SD1 and SD2 were invalid and inaccurate. Company KS had avoided being classified as a PN17 issuer upon announcement of the default in payment on 8 August 2019 due to the inaccurate solvency declaration and the subsequent repeated failures to provide an accurate solvency declaration had led to the issuance of Bursa Securities' directive on 10 July 2020 for the company to make the First Announcement that the Company had triggered the prescribed criteria under paragraph 2.1(f) of PN17.

Enforcement Decision

(i) Company NN and Company KS **– public reprimand.**

(ii) Directors of Company NN **–** Premised on the roles and responsibilities of the directors, the following penalties were imposed on the directors who had approved the issuance of the announcement:-

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(a) **Public reprimand and fine of RM50,000 against the Executive Chairman** being the director primarily responsible for the financial management of the company and who was involved in the negotiation with the potential investor to address the critical cash flow position of the company.

(b) **Public reprimand and fine of RM25,000 against the Managing Director** who was involved in the operations of the company and aware of the critical cash flow position of the company.

(c) **Public reprimand on the Non-Executive Directors** as in approving the said announcement they had merely relied on the management with regard to the solvency of the company and did not undertake the necessary/reasonable enquiries to ascertain the basis and accuracy of the management's view.

(iii) Directors of Company KS – Premised on the directors' equal knowledge of the facts and circumstances, basis and assumptions in approving the solvency declarations, the following penalties were imposed on the directors:-

(a) **Public reprimand and fine of RM50,000 against the Chairman** who had approved the solvency declarations in the announcement dated 8 August 2019 and SD1 without undertaking reasonable assessment and ensuring proper basis for the same.

(b) **Public reprimand and fine of RM75,000 each against the Executive Director cum Chief Executive Officer** and **three Non-Executive Directors** who had also failed to undertake reasonable assessment to ensure that there was proper basis in approving the solvency declarations. An aggravating fine was imposed on the directors as they had repeatedly failed to ensure an accurate solvency declaration in the subsequent SD2 and announcements dated 23 June 2020 and 6 July 2020 despite the numerous engagements/indications by Bursa Securities.

No action was taken against a Non-Executive Director and an alternate director who did not approve the announcement dated 8 August 2019 and SD1.

More information on the cases can be found in the Media Releases dated 19 January 2011 and 29 June 2022.

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CASE 3 – DISPOSAL OF SECURITIES

Relevant Facts

Company MM made an announcement on 12 December 2007 that the disposal of 29 million shares in PLC Berhad which represented 17% of PLC Berhad's share capital to XYZ Sdn. Bhd. had been completed on 12 December 2007. However, in fact the disposal was not made to XYZ Sdn. Bhd. as 16.6 million shares of PLC Berhad were disposed to various parties on the open market on 28 November 2007 ("**Open Market Disposal**") and 12.842 million shares of PLC Berhad were disposed to 2 individuals via direct business transactions on 12 December 2007, none of which was to XYZ Sdn. Bhd. The breach was material in view of the following:-

(a) the announcement on the completion of the disposal of 17% shareholding in PLC Berhad was material particularly as this provided an indication as to XYZ Sdn. Bhd. being a major/controlling shareholder of PLC Berhad as well as high possibility of XYZ Sdn. Bhd. acquiring Company MM's remaining stake of 20.9 million (i.e. 11.9%) shares in PLC Berhad pursuant to the call and put option between XYZ Sdn. Bhd. and Company MM;

(b) the Open Market Disposal of 16.6 million shares of PLC Berhad represented 9.4% of PLC Berhad's share capital and 36.8% of the total 45.04 million shares of PLC Berhad transacted on 28 November 2007 (the date of the Open Market Disposal); and

(c) the share price of PLC Berhad had decreased significantly from RM0.53 to RM0.41 (i.e. decrease of 22.64%) on 28 November 2007.

Enforcement Decision

(i) Company MM – **public reprimand**.

(ii) Directors – **public reprimand** and a **fine of RM10,000 each against the Non-Executive Chairman and Managing Director** who were involved in the disposal and approved the issuance of the announcement on 12 December 2007 taking into consideration, amongst others, the degree of impact on the market. No enforcement against the other directors who were not involved in the preparation and issuance of the announcement.

More information on this case can be found in the Media Release dated 17 August 2010.

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CASE 4 – NON-DISLOSURE OF MATERIAL CONDITIONS IN TAKE OVER OFFER

Relevant Facts

Company K announced on 4 February 2010 that the company had on even date received from a limited company ("**Offeror**"), an entity controlled by its Managing Director and major shareholder, a proposal to acquire the entire business and undertakings of Company K ("**Proposed Offer**"). It was further disclosed that the proposed price offered was equivalent to RM0.90 per issued ordinary share of Company K.

Company K however failed to disclose in its announcement the following material conditions imposed by the Offeror as set out in the letter on the Proposed Offer ("**the Conditions**"):-

(a) the Proposed Offer will be fully settled by the issuance of redeemable convertible preference shares ("**RCPS**") in a new entity and the RCPS can be converted into non-voting ordinary shares in the Offeror or redeemed by cash; and

(b) the Offeror intended to include one of the condition precedent of the Proposed Offer which was that as at the day prior to or the day of Company K's extraordinary general meeting to consider and approve the Proposed Offer, there must not be:-

   i. any new shareholder holding 5% or more in Company K or existing shareholder increasing their shares by 5% or more; and

   ii. more than 10 new shareholders holding 1% or more in Company K's shares, compared to at the day of announcement of the transaction by Company K.

The announcement on the Proposed Offer had a material effect on Company K's share price and volume traded. The Proposed Offer subsequently lapsed on 14 April 2010.

Company K explained and justified the non-disclosure of the Conditions on the basis that the Conditions were preliminary, in a state of flux, uncertain, subject to negotiations/due diligence and unresolved when the announcement was made on 4 February 2010.

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Enforcement Decision

Finding of breach was made against Company K for the incomplete/inaccurate announcement in contravention of paragraphs 9.16(1)(a) & (c)(i) of the Main LR and the directors for permitting Company K to breach the Main LR and the following penalties were imposed:-

(i) Company K – **public reprimand**.

(ii) Directors – **public reprimand and a fine of RM25,000 each** against all the eight directors of Company K at the material time. The finding of breach and penalties imposed were premised on the fact that:-

(a) The Conditions formed an integral part of the Proposed Offer and were clearly material to shareholders and investors to enable them to make an informed decision regarding the Proposed Offer. In particular, the Conditions were material as to, amongst others, the reasonableness and certainty of the acceptance by Company K of the Proposed Offer. The announcement of the Proposed Offer without stating the Conditions had resulted in a one-sided/unbalanced announcement. Regardless of the explanations/ justifications for the non-disclosure of the Conditions, it was unacceptable for the company not to disclose all the material terms and conditions (including the Conditions) of the Proposed Offer when it announced the same on 4 February 2010.

(b) All the eight directors of Company K were in possession of the letter of offer and aware of/in a position to ascertain the Conditions. In addition, notwithstanding that three of the directors were interested and hence, abstained from deliberation and voting in respect of the Proposed Offer, they were aware of the said announcement made by Company K.

More information on this case can be found in the Media Release dated 6 October 2011.

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CASE 5 – INACCURATE RESPONSE/ANNOUNCEMENT IN RESPECT OF MEDIA ARTICLE

Relevant Facts

On 10 December 2008, Company A denied and announced as incorrect the following statements in a media article published on 4 December 2008 entitled "Company A may default on RM200 million worth of loans" ("**First Announcement on 10 Dec 08**"):-

- "*Troubled A …is believed to be close to defaulting on RM200 million worth of loans.*"
- "*….RM200 million worth of A's loans have been classified by the financial institutions it owes as pre-nonperforming loans (NPLs).*"

On the same day (i.e. 10 December 2008), Company A made a second announcement stating that the company had made due enquiries and clarified with the editor of the media on the statements ("**Second Announcement on 10 Dec 08**"). Both the announcements by Company A on 10 December 2008 failed to clarify/address the following statement which also appeared in the media article:-

> "*…A is currently in discussions with the financial institutions to restructure its debt to avoid defaulting on the loans…*"

Subsequently, on 11 December 2008, Company A announced that it was not close to defaulting on close to RM200 million of its debts owing to the financial institutions as reported in the media article on 4 December 2008 ("**11 Dec 08 Announcement**").

The First Announcement on 10 Dec 08, Second Announcement on 10 Dec 08 and 11 Dec 08 Announcement were not factual, inaccurate, not succinct, not balanced and fair and did not contain sufficient information to enable investors to make informed investment decisions particularly in light of the following:-

(a) Company A and its major subsidiaries had in fact defaulted in payment of the banking facilities since 31 July 2008 and the total debts defaulted by Company A Group from July

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2008 until prior to the announcements on 10 and 11 December 2008 amounted to RM129 million representing 99.7% of the Group's net assets at the material time;

(b) Company A had in fact liaised/discussed with its financial adviser in respect of the company's debt restructuring since November 2008; and

(c) an article entitled "Company A's debt restructuring plan is on schedule" was published on 11 December 2008 stating that its Managing Director had clarified that Company A was in the process of resolving its debt obligations which was in fact RM150 million by end of the month.

Enforcement Decision

(i) Company A – **public reprimand**.

(ii) Directors – three of its Executive Directors were imposed a **public reprimand** and **fine of RM50,000** each taking into consideration that they had or should have knowledge of the defaults in payments, their roles and responsibilities in the company, their involvement with the financial management of the company and/or financial adviser on the debt restructuring and their involvement in the issuance of the relevant announcements on 10 and 11 December 2008.

More information on this case can be found in the Media Release dated 26 April 2012.

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CASE 6 – DELAY AND INACCURATE DISLOSURE OF MATERIAL EVENTS/INFORMATION

Relevant Facts

(I) Company M breached the requirement to make immediate disclosure of material information pursuant to paragraph 9.03(1) of the Main LR in relation to the termination/non-completion of certain vessel acquisitions as follows:-

(a) the termination/non-completion of the Memorandum of Agreement ("**MOA**") entered with a third party to purchase a vessel at the purchase price of USD41 million ("**1st Vessel Acquisition**") and forfeiture of the deposit of USD3 million (i.e. RM11 million); and

(b) the termination of the agreements with another third party for bare boat charter cum option to purchase 4 brand new chemical tankers ("**2nd Vessel Acquisition**") and the non-refund of the deposit of USD2.6 million (i.e. approximately RM9 million).

The termination/non-completion of the 1st and 2nd Vessel Acquisitions were material as, amongst others:-

i. the deposits forfeited or lost each represented approximately 20% of Company M's unaudited net assets and 33%-37% of Company M's cash and bank balances (including deposits with banks); and

ii. the effect/implications of these events towards Company M's financial position including triggering of PN17 (i.e. classification as a company with inadequate financial condition/financially distressed company).

Notwithstanding that these events occurred in July and November 2009, these were only disclosed by Company M in its 4th quarterly report which was announced on 31 May 2010 where Company M had written-off the deposits paid for vessels totalling RM33.7 million.

(II) In addition, Company M failed to comply with the standard of disclosure set out under paragraph 9.16(1) of the Main LR in relation to the 1st and 2nd Vessel Acquisitions as follows:-

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(a) The following disclosures on the 1st Vessel Acquisition in Company M's 1st, 2nd and 3rd quarterly reports announced on 27 August 2009, 25 November 2009 and 12 February 2010 respectively:-

"The deposit (of USD3.11 million) was paid as there was confirmation of receipt of funding from a consortium of funders, mainly based in the Middle East but led by a Malaysian financial institution (MFI). However, given the financial and economic downturn in the Middle East coupled with the uncertainties of the world economy, the consortium of funders failed to deliver on the commitment and the Company has commenced legal action against the MFI.

In the meantime, the Board is pleased to announce that the Company has already obtained funding from another financial institution to fund the purchase of the vessel. However, the treatment of the deposit paid earlier, is still under discussion with the various parties concerned. When the discussions are finally completed, an appropriate announcement shall be made, if required";

(hereinafter referred to as "**the QR Disclosures**").

The QR Disclosures were in particular misleading in respect of:-

i. the termination/non-completion of the 1st Vessel Acquisition and forfeiture of the deposit; and

ii. the funding of the 1st Vessel Acquisition as there was no evidence of any confirmation from lenders prior to the entry of the MOA on the 1st Vessel Acquisition and payment of deposit.

(b) The following disclosure on the status of the 2nd Vessel Acquisition in Company M's 2nd quarterly results announced on 25 November 2009 as follows:-

"Four (4) new vessels have been ordered by the Company and announced. These vessels were expected to come on board in the middle of 2009 but the earthquake in

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Sichuan province, China, had disrupted the shipbuilder's operations somewhat. The shipbuilder has advised the Company's management that the delivery date will be pushed back by a few months as a result of that incident. As a result, the Group's revenue generation capability will also be deferred. The management is currently looking at this Titan deal to evaluate the way forward."

The above disclosure was in particular misleading as to the continuance of the 2nd Vessel Acquisition in light of the termination of the same as evidenced from the correspondences between Company M and/or the shipbroker.

(c) The material omission in Company M's 3rd quarterly results announced on 12 February 2010 which failed to disclose any status of the 2nd Vessel Acquisition notwithstanding that Company M had consistently disclosed the status of the 2nd Vessel Acquisition in the Company's quarterly reports since the financial period ended 30 June 2008 until 30 September 2009 and the material development (i.e. the termination and non-refund of the deposit).

(d) The disclosure in Company M's 2nd quarterly results announced on 25 November 2009 which failed to either make a provision or write-off the forfeited deposit of USD3 million (i.e. RM11 million) paid in respect of the 1st Vessel Acquisition in accordance with the accounting standards/principles.

Enforcement Decision

(i) Company M – **public reprimand** for each of the breaches.

(ii) Directors – **four directors were imposed a public reprimand and fines ranging from RM175,000 (against the Executive Deputy Chairman) and RM25,000 (against the three Non-Executive Directors).** The determination of breach and the penalties imposed were made after taking into consideration the awareness, knowledge and respective roles and responsibilities of the directors in Company M and in respect of the termination/non-

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completion of the vessel acquisitions and the outstanding financial statements such as:-

(a) the Executive Deputy Chairman who was also the Chief Executive Officer, Chief Financial Officer, sole executive director of Company M and the director primarily responsible for the financial management of Company M during the material time of the breaches was aware of the termination/non-completion of the 1st and 2nd Vessel Acquisitions and the forfeiture/non-refund of the deposit paid and the issues pertaining to issuance of the said financial statements. He was also aware of the materiality of the disclosure of the 'negative news' vis- à-vis termination/non-completion of the 1st Vessel Acquisition which would be detrimental to the company and he had advised the board to withhold the disclosure of the same; and

(b) the Independent Non-Executive Directors were aware/informed of the termination/non- completion of the MOA, forfeiture of the deposit and the materiality of the disclosure of the "negative news" which would be detrimental to Company M and they had permitted/consented/acceded to the decision to withhold announcement of the same. Their purported reliance on the management (including the advice to withhold/cover up material bad news) was unreasonable in the discharge of their duties.

More information on this case can be found in the Media Release dated 21 January 2013.

CASES 7, 8, 9 & 10 – INACCURATE ANNOUNCEMENT IN RESPONSE TO BURSA SECURITIES' UNUSUAL MARKET ACTIVITY QUERY ("UMA QUERY")

CASE 7 – COMPANY C

Relevant Facts

On 5 January 2012, the Federal Court had communicated its decision to allow the appeal by the Liquidator of Company K to proceed with the completion of the sale of 146,000,000 ordinary shares of RM0.25 each held by Company K in the target company at RM1.65 per share for an

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aggregate consideration of approximately RM240 million to Company C's wholly-owned subsidiary ("**the Proposed Acquisition**"). On the same day, an unusual market activity query ("**UMA Query**") was issued by Bursa Securities to Company C arising from the increase in the price and volume traded in the shares of Company C on that day. Despite Company C and its directors being aware of the Federal Court's decision, in response to the UMA Query, Company C in its announcement dated 5 January 2012 had represented that:-

(a) There was no corporate development relating to the Group's business and affairs that had not been previously announced that might account for the unusual market activity including those in the stage of negotiation/discussion;

(b) The Board of Directors was not aware of any rumour or report concerning the business and affairs of the Group that might account for the unusual market activity; and

(c) The company was not aware of any other possible explanation to account for the unusual market activity.

As such, the announcement dated 5 January 2012 was inaccurate, not factual and hence, in contravention of its disclosure obligation under the LR.

In this regard, the denial of knowledge of any corporate development/rumour/possible explanation relating to the company's business and affairs that may account for the unusual market activity in response to the UMA Query on the basis that it was necessary to procure written confirmation from the solicitors was unreasonable and unacceptable. This is particularly as the directors have been informed of the said court's decision by both the Liquidator's representative and their company's solicitors.

Enforcement Decision

(i) Company C – **public reprimand**.

(ii) Directors - **all its seven directors were publicly reprimanded** and **fined RM50,000 each**. In determining the breach and the penalties imposed, the following were, amongst others, considered:-

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(a) the materiality of the breach including materiality of the Proposed Acquisition vis-à- vis Company C where the consideration involved represented about 180% of Company C's net assets, impact of the Federal Court's decision on that day to Company C's share price and volume traded and the importance of accurate and timely disclosures by listed issuers/corporations to its shareholders and investors including a listed issuer/corporation's response/announcement to an UMA Query which would be relied upon by shareholders and investors in making informed investment decision. In particular, with regard to Company C, the negative implication and detrimental impact on the shareholders and investors who might have taken certain trading positions based on the announcement dated 5 January 2012 which was inaccurate and misleading; and

(b) the knowledge, role, responsibilities and conduct of the directors including the directors' awareness of the Federal Court's decision, the unusual market activity, the UMA Query from Bursa Securities and Company C's response to the UMA Query vide announcement dated 5 January 2012.

More information on this case can be found in the Media Release dated 22 February 2013.

CASE 8 – COMPANY T

Company T had in its announcement dated 7 September 2015, in response to Bursa Securities' UMA Query, stated/confirmed the following:-

"- *There is no corporate development relating to the Group's business and affairs that have not been previously announced that may account for the trading activity including those in the stage of negotiation/discussion.*

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- *Company T is an affected issuer under PN16/17 and pursuant to the LR, the Board of Directors are currently studying various options to regularise its financial condition and/or to consider new business for Company T. However at this juncture, no formal decision or negotiations has been entered into. Any progress in this regard shall be announced to Bursa Securities in due course.*

- *The Board of Directors and major shareholders are not aware of any rumour or report concerning the business and affairs of the Group that may account for the trading activities.*

- *The Board of Directors and major shareholders are not aware of any other possible explanation to account for the trading activity.*

- *The Board of Directors are of the view that the Company is in compliance with Paragraph 9.03 of the LR."*

Company T's announcement was not factual, unclear, inaccurate and did not contain sufficient information to enable investors to make informed investment decisions as the announcement did not disclose and in fact denied knowledge of the negotiation/discussion on a proposed reverse take-over by Company REH ("**Proposed RTO Negotiation**"). The Proposed RTO Negotiation had commenced since July 2015 and subsequently led to the signing of the Memorandum of Understanding between Company T and Company REH announced on 21 September 2015 (i.e. approximately two weeks after Company T's response to the UMA Query on 7 September 2015).

Pursuant to the disclosure obligations/framework under the LR, notwithstanding that listed issuers/corporations are allowed to withhold material information in circumstances where the information is in a state of flux, the right to withhold ceases where there is unusual market activity which signifies that a 'leak' of the information may have occurred. In such a situation and particularly in view that the UMA Query was very specific/clear as to the scope requiring the company's confirmation which covered any corporate development including 'those in the stage of negotiation/discussion' that may account for the trading activity, the company must ensure the

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accuracy and comprehensiveness of its response to the UMA Query. Further, the Corporate Disclosure Guide provides clear guidance and illustrations of a listed issuer's obligation in responding to an UMA Query such as the listed issuer must disclose an impending proposal that may give rise to the unusual market activity.

Hence, Company T in responding to the UMA Query must make factual disclosure of the Proposed RTO Negotiation in its announcement on 7 September 2015. Instead, Company T's material omission in failing to highlight the Proposed RTO Negotiation as well as the misstatement in its denial of any corporate development including those in the stage of discussion/negotiation in its announcement was a clear contravention of its disclosure obligations under the LR.

Enforcement Decision

(i) Company T – **public reprimand.**

(ii) Directors – **three of its directors were publicly reprimanded** and **fined RM50,000 each**.

In determining the breach and the penalties imposed, the following were, amongst others, considered:-

(a) the materiality of the breach including the materiality of the Proposed RTO Negotiation and the significant increase of 33% in Company T's share price and volume traded on 7 September 2015; and

(b) the directors were involved in and/or had knowledge of the meetings, discussions and/or email communications on the Proposed RTO Negotiation. The directors were also aware of the possibility that the Proposed RTO Negotiation might/could have accounted for the unusual market activity. Their total reliance on the adviser with regard to the response to the UMA Query was unreasonable in the absence of any evidence of proper inquiries and independent assessment made.

More information on this case can be found in the Media Release dated 3 April 2017.

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CASE 9 – COMPANY L

Relevant Facts

In response to the UMA Queries from Bursa Securities, Company L had on 3 November 2015 and 19 January 2016 announced that there was no corporate development relating to the Group's business and affairs that had not been previously announced that might account for the trading activity including those in the stage of negotiation/discussion (other than those announced by the company in its announcements on 3 November 2015 and 19 January 2016).

Company L's announcements dated 3 November 2015 and 19 January 2016 were not accurate, balanced and fair and failed to contain sufficient information to enable investors to make informed investment decisions as the announcements did not disclose and in fact denied an impending corporate exercise involving, amongst others, a proposed bonus issue, share split and issuance of free warrants ("**the Proposals**"). The Proposals were subsequently announced on 2 February 2016 i.e. approximately two weeks after Company L's announcement dated 19 January 2016 denying any other corporate development in the company including those in the stage of negotiation/discussion.

Enforcement Decision

(i) Company L – **public reprimand.**

(ii) Directors – **all of its eight directors were publicly reprimanded**. In addition, **four Executive Directors** were **fined RM100,000** each while **four Non-Executive Directors** were **fined RM50,000** each.

In determining the breach and the penalties imposed, the following were, amongst others, considered:-

(a) The Board of Company L had in fact agreed and confirmed to undertake/proceed with the Proposals prior to the UMA Queries and hence, Company L must make factual disclosure of the Proposals in responding to the UMA Queries. It was not acceptable for Company L and its directors to take the position that the Proposals were not material as they were only at a

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conceptual stage and had yet to be finalised or approved by the Board, particularly in view that the Proposals were clearly a prescribed material information under the LR and the disclosure obligations.

(b) Further, the disclosures made pertaining to the negotiations/discussions with foreign parties on taking a strategic investment stake in Company L and possible joint ventures in the Company's replies to the UMA Queries did not and could not supercede, dilute or render the Proposals to be immaterial/less material under the LR. Company L and its directors had an obligation to make full disclosure of all material information that might have accounted for the trading activity in response to the UMA Queries.

(c) The four Executive Directors were imposed a higher fine as they were responsible for and/or involved in the Proposals and were primarily responsible for the approval and issuance of announcements to Bursa Securities.

(d) The materiality of the breach including the materiality of the Proposals.

More information on this case can be found in the Media Release dated 20 June 2017.

CASE 10 – COMPANY D

Relevant Facts

In response to the UMA Query from Bursa Securities, Company D had on 1 March 2021 announced that other than the announcements made on 16 & 23 February 2021 in relation to a proposed private placement and the announcement made on 15 February 2021 in relation to the proposed acquisition of a company, Company D was not aware of, amongst others, any corporate development relating to Company D's business and affairs that has not been previously announced that may account for the unusual market activity/trading activity, including those in the stage of negotiation/discussion ("**UMA Response**").

The UMA Response was not factual, was inaccurate and did not contain sufficient information to enable investors to make informed investment decisions as the company did not disclose and in

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fact denied knowledge of the negotiation/discussion on the proposed acquisitions of 2 companies ("**Proposed Acquisitions**") from Company AC to undertake the proposed contracts to provide an integrated solution technology for Covid-19 screening to Kementerian Kesihatan Malaysia ("**Proposed Covid-19 Screening Contracts**"). This was despite the fact that the Board of Directors had on 17 February 2021 approved in principle the Proposed Acquisitions to undertake the Proposed Covid-19 Screening Contracts. Further, Company D had on 12 March 2021 (i.e. approximately 2 weeks after the UMA Response) announced that its subsidiary had entered into a memorandum of collaboration with Company AC to undertake the Proposed Covid-19 Screening Contracts and on 15 March 2021 announced the Proposed Acquisitions.

Notwithstanding Company D's representations that the Proposed Acquisitions were not material as the total purchase consideration was only RM561 and the Proposed Covid-19 Screening Contracts were uncertain/still in negotiations/in a state of flux and subject to conditions, the Proposed Acquisitions were for the purpose of undertaking the Proposed Covid-19 Screening Contracts which clearly had material prospects and the company must disclose any impending proposal including those in the stage of negotiation/discussion in accordance with the disclosure obligations/framework under the LR and clear/specific wordings of the UMA Query (as set out in Case 8 above).

Further, it was not acceptable for Company D to represent that the Proposed Covid-19 Screening Contracts was a government contract and it was bound by a non-disclosure agreement where it did not obtain consent from Company AC to make public disclosure of the Proposed Covid-19 Screening Contracts as this was in clear contravention of the Corporate Disclosure Guide and paragraph 9.07C of the Questions and Answers in relation to Bursa Securities Main LR (as at 13 August 2020) which state that: -

- a listed issuer cannot withhold immediate disclosure of material information due to confidentiality obligations pursuant to terms of negotiations or agreements or where consent is required from the counter party for the disclosure of the terms of the agreements; and
- a listed issuer must avoid putting itself in a position where it is bound by confidentiality

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obligations or required to seek consent from the counter party that may defeat its obligation to disclose material information on an immediate basis.

Enforcement Decision

(i) Company D – **public reprimand.**

(ii) Directors – **all 5 directors at the material time were publicly reprimanded and fined RM100,000 each**.

In determining the breach and the penalties imposed, the following were, amongst others, considered:-

(a) The materiality of the breach and the significant increase of 1358% in Company D's share price during a span of 1 month from 15 February 2021 to 15 March 2021 and Bursa Securities had on 10 March 2021 issued a market alert to advise investors to exercise caution in the trading of Company D's shares.

(b) There was blatant conduct by the directors where they had merely approved and/or agreed to release the UMA Response as a 'standard reply' without undertaking any or reasonable enquiry/assessment on the need to announce the Proposed Acquisitions to undertake the Proposed Covid-19 Screening Contracts so as to ensure compliance with the Main LR.

More information on this case can be found in the Media Release dated 19 September 2023.

CASE 11 – MISLEADING DISCLOSURE OF DIRECTOR'S QUALIFICATIONS

Relevant Facts

Company A, B and C ("**the Companies**") had disclosed that one of its directors ("**the said Director**") had certain medical qualification in various announcements and annual reports which were later found to be inaccurate ("**the false statement**"). This was in breach of the Companies' obligations under the LR to ensure that any statement, information or document presented, submitted or disclosed pursuant to the LR must be clear, unambiguous and accurate as well as not false or misleading.

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Enforcement Decision

(i) Companies – **no enforcement action** was taken against the Companies in light of, amongst others, the Companies' representations that the information made in the relevant announcements and annual reports were premised on the confirmation and representations made by the said Director as well as verifications/assessment by the Companies from, amongst others, the online medical register of the Malaysian Medical Council.

(ii) The said Director – **public reprimand** and **fine of RM30,000** were imposed on the said Director for causing the Companies to issue the false statement in the relevant announcements and annual reports.

More information on this case can be found in the Media Release dated 30 July 2015.

CASE 12 – NON-DISCLOSURE OF OUTCOME OF EXTRAORDINARY GENERAL MEETING

Relevant Facts

Company A had failed to make immediate announcements to disclose/clarify the events that took place at the Company's extraordinary general meeting on 28 May 2014 ("**the EGM**") and/or the outcome of the EGM as well as failed to comply with the numerous directives of Bursa Securities to make an immediate announcement to disclose the same.

Company A also failed to make an immediate announcement of the receipt of notices of the EGM from the requisitionists as well as the receipt of court documents pertaining to the removal of the directors of Company A and the appointment of new directors at the EGM.

Based on Company A's announcement on 10 June 2014 and press statement provided by the requisitionists to Bursa Securities, it was noted that the Chairman declared the adjournment of the EGM and left the meeting, but the EGM was continued by the remaining shareholders where the former directors were removed and new directors were appointed. Despite being aware of

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the continuation of the EGM, Company A had insisted to issue an announcement on the cancellation of the EGM and refused to clarify or respond to the press statement made by the requisitionists (which was also copied to Company A).

Enforcement Decision

(i) Company A – **public reprimand.**

(ii) Directors – **public reprimand** in addition to **fines** of **RM100,000 and RM50,000 against the Executive Director and the Independent Non-Executive Chairman** respectively.

The determination of breach and penalties were made premised on, amongst others, the following:-

(a) there was a necessity for Company A to accurately update and clarify to the market the matter/material development of the EGM particularly in the light of the press statement made by the requisitionists;

(b) the directors of Company A who were in a position/had control over the preparation and issuance of announcements had blatantly refused and failed to make the appropriate disclosures on the outcome of the EGM notwithstanding the clear provisions of the LR as well as the directives for immediate disclosure of the outcome of the EGM;

(c) the Executive Director of Company A at the material time was the principal person in charge of the preparation and issuance of the announcements in respect of the EGM; and

(d) the failure of Company A to make the required disclosure and refusal to adhere to the directives of Bursa Securities pertaining to its disclosure obligations had resulted in the market trading in the dark/without the benefit of comprehensive and timely material information which was crucial towards facilitating informed investment decisions.

More information on this case can be found in the Media Release dated 29 October 2015.

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