



The Observer

06.10.2023

❖ **Timely material information disclosure**

Bursa Malaysia Securities recently publicly reprimanded a listed company and imposed fines on some directors for breaches of listing requirements over the Company's reply to an unusual market activity (UMA) query on some contracts and acquisitions.

Bursa Securities, as the front-line regulator, had issued a UMA query in relation to some unusual market activity in the shares of the Company. In response to the UMA query, the Company had stated that it was unaware of any corporate development relating to its business and affairs, including those in the stage of negotiation or discussion, that had not been previously announced which might account for the UMA.

Bursa Securities found that “the UMA response was not factual, inaccurate and did not contain sufficient information for investors to make informed investment decisions,”.

It also noted that the Company had denied knowledge of the negotiation on the proposed acquisitions, although the proposed acquisitions had been approved in principle by the Board some two weeks earlier.

The Exchange Operator pointed out that approximately two weeks after the UMA response, the Company had announced a memorandum of collaboration to undertake contracts and proposed acquisitions.

“Bursa Securities views the breach seriously as the requirement to ensure timely and accurate disclosure of material information is fundamental to ensure the investors and public are kept fully informed of and have equal access to all material information to facilitate informed investment decisions.

This is critical towards building and maintaining corporate credibility, market integrity and investor confidence,” it stressed.

Why timely disclosure

Timely material information disclosure by public listed companies is a critical aspect of maintaining transparency, ensuring fair markets, and upholding investor trust. This practice involves promptly and accurately disseminating information that could impact the company's stock price, financial performance, or strategic direction to the public. The reasons and the importance of timely material information disclosure are manifold.

- Transparency and investor confidence

Timely disclosure fosters transparency by providing investors with accurate and up-to-date information about a company's financial health, operations, and strategies. Investors can make informed decisions, which in turn builds confidence in the financial markets. GIGO stands for Garbage In, Garbage Out – the informed investor decision is only as good as the veracity, completeness, and truthfulness of the announcements.

- Fair and efficient markets

Rapid dissemination of material information ensures that all investors have equal access to critical data. This helps maintain fair and efficient markets, preventing information asymmetry, and reducing the likelihood of insider trading or market manipulation. And every time there is unusual market activity without a reason, there is prima facie suspicion that someone is taking advantage of the information asymmetry. There must be a level playing field.

- Compliance with regulatory standards

Publicly listed companies are required to adhere to regulatory requirements regarding timely disclosure. Complying with these standards not only ensures legal compliance but also demonstrates the commitment to maintaining ethical business practices. Listed companies must realise that they can commit breaches by both commission and omission – withholding a truth is just as bad as telling a lie.

- Market Integrity and credibility

Timely disclosure safeguards market integrity by preventing rumours or misinformation from spreading. It also enhances the credibility of the company, as stakeholders perceive the organisation as trustworthy and accountable for its actions. The brand name and reputation, though intangible, do impact the bottom-line. Customers shy away from companies with a sullied brand name or dubious reputation.

- Stakeholder inclusivity

Timely disclosure enables broader stakeholder inclusivity beyond investors, including employees, customers, suppliers, and the public. These stakeholders have vested interest in the company's performance and deserve timely updates to make informed decisions. The definition of corporate governance alludes to the importance of shareholders but also goes on to state that stakeholder interests should not be compromised.

- Risk mitigation

Swift disclosure of material information helps in managing risk effectively. Investors and analysts can evaluate the potential impact of the disclosed information and adjust their investment strategies accordingly - reducing financial losses or maximising gains. Research reports will be more up-to-date and price targets will be set based on the latest available information.

- Enhance market efficiency

When relevant information is promptly disseminated, market prices can adjust quickly to reflect the new data. This promotes market efficiency by minimizing price volatility and providing a more accurate reflection of the company's value. The much touted and coveted price discovery is allowed to take place.

- Legal compliance and liability reduction

Failure to disclose material information in a timely manner can expose the company to legal liabilities, lawsuits, and regulatory sanctions. Shareholders can take derivative actions under the Companies Act 2016 against the directors of the company. Adhering to disclosure requirements reduces these risks and protects the company's reputation and financial stability.

- Global competitiveness

In an interconnected global economy, timely disclosure enhances a company's competitiveness. It attracts international investors and enables the company to access capital markets on favourable terms. International investors are something we can do with. As such, Bursa Securities' firm stance against asymmetry of information – the non-disclosure of material information in a timely manner, is the right way to go towards building equity market confidence. And to borrow the words of Bursa Securities, it is all about 'corporate credibility, market integrity and investor confidence'.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 9 – 13 October 2023

For this week, the following are the AGMs/EGMs of companies in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Quick-take
09.10.23 (Mon) 10.30 am	Komarkcorp Berhad (EGM)	Komarkcorp proposes consolidating every 5 existing ordinary shares in Komarkcorp into 1 Komarkcorp share. The reduction in the number of shares available in the market may reduce the volatility of the trading price for the shares.
11.10.23 (Wed) 10.00 am	MMAG Holdings Berhad (EGM)	MMAG proposes a Share Consolidation, converting 10 existing shares into one, and a Rights Issue offering 6 Rights Shares and 3 warrants for each Consolidated Share.

11.10.23 (Wed) 02.00 pm	Tomypak Holdings Berhad (EGM)	<p>Tomypak is seeking shareholders' approval for the acquisition of 100% interest in EB Packaging Sdn Bhd for RM105 million, to be carried in two phases:</p> <ul style="list-style-type: none"> - Proposed acquisition of 70% equity interest in EB Packaging for RM73.5 million in cash. - Proposed call and put options for acquiring the remaining 30% equity interest for maximum cash consideration of RM31.5 million. <p>The acquisition is to enhance the revenue and profitability of Tomypak.</p>
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
MMAG Holdings Berhad (EGM)	<p>The Group has completed 3 private placements in the past 2 years. Fund raised as follows:</p> <ul style="list-style-type: none"> - RM13.6 million on 26 October 2022. - RM15.6 million on 30 August 2021. - RM37.4 million on 12 July 2021 (page 18-19 of the Circular). and another fund-raising proposal is to be tabled at the upcoming EGM. <p>When does the Board expect the Group to generate sufficient cashflow from operating activities so that it can reduce dependency on repeated fund-raising exercises?</p>
Tomypak Holdings Berhad (EGM)	<p>The previous MOUs signed between Tomypak, the Promoters (collectively Siow Chew Kiong, Teo Kee Lin, Hoo Jik Heng, and Teo Peng Hong) and RMCP Plastics Holdings Sdn Bhd (RMCP) to acquire stakes in EB Packaging lapsed on 31 October 2022. With the expiry of the MOUs and the non-fulfilment of a definitive agreement with RMCP to acquire its stake in EB Packaging within the Exclusivity Period, a deposit amounted to RM1.465 million paid to RMCP was forfeited.</p> <p>However, on 14 June 2023, Tomypak announced that it has entered into conditional share sale agreements with the Promoters and RMCP to acquire EB Packaging for up to RM105 million via the acquisition of 70% first and 30% later via call and put options.</p> <ul style="list-style-type: none"> a) Why did Tomypak decide to recommence negotiations with the Promoters and RMCP shortly after the lapse of MOUs, which resulted in the RM1.465 million deposit being forfeited and the RM1.8 million professional fees being incurred? b) Since the three parties (Tomypak, the Promoters and RMCP) are now at advanced stage of discussion to acquire and

	<p>dispose stake in EB Packaging, is the RM1.465 million deposit forfeited earlier refundable?</p> <p>c) The transaction is expected to incur estimated expenses of RM6 million, comprised of RM2.625 million brokerage fees and RM2.616 million professional fees. To which party is the brokerage fee being paid? Please provide the name(s) of the broker(s).</p>
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DISCLOSURE OF INTERESTS

•With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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