



MAIN MARKET, ACE MARKET AND LEAP MARKET

ISSUERS COMMUNICATION

DISCLOSURE GUIDANCE ON COVID-19 RELATED IMPACTS AND INVESTMENTS

(ICN 1/2020)

Issuance Date: 10 June 2020

A. INTRODUCTION

1. Bursa Malaysia Securities Berhad (“the Exchange”) takes cognisance of the unprecedented circumstances of the COVID-19 pandemic and noted its potential impact to the business and operations of listed issuers.
2. The Exchange is committed to assist and support listed issuers in this challenging time, amid the current uncertainty surrounding the recovery of the COVID-19 pandemic. Based on the Exchange’s observation of the recent disclosures made by listed issuers in connection with the impact of COVID-19, it is noted that there is room for improvement especially in respect of quality and adequacy of information. Investors and securities holders need more transparent and entity-specific disclosures, including information about the impact of COVID-19 on the listed issuers’ operations and financial performance.
3. The Exchange recognises the immense uncertainties arising from the COVID-19 pandemic and the inherent unpredictability in the rapidly evolving market conditions have posed significant challenges for listed issuers to respond and make timely disclosures to the market. In light of the above, the Exchange issues this ICN 1/2020 to provide guidance and clarity to listed issuers to aid and facilitate a clear, balanced, fair and full disclosure when making COVID-19 related disclosures.
4. Listed issuers are reminded of the importance of high-quality, reliable, timely, and transparent business and financial information to investors, especially during this challenging time of heightened uncertainty. In this regard, listed issuers are expected to observe the guidance set out in this ICN 1/2020 to enhance the contents and quality of COVID-19 related disclosures, where applicable.

B. DISCLOSURE OF COVID-19 RELATED IMPACTS

5. Listed issuers are reminded to continuously assess and disclose material information under paragraph/Rule 9.03 of the Main Market Listing Requirements (“Main LR”) and ACE Market Listing Requirements (“ACE LR”) and Rule 6.08 of the LEAP Market Listing Requirements (“LEAP LR”), and may be guided by the general guidance provided under the Corporate Disclosure Guide (“CD Guide”).
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6. Information is considered material if it is reasonably expected to have a material effect on:
- (a) the price, value or market activity of any of the listed issuer's securities; or
 - (b) the decision of a holder of securities of the listed issuer or an investor in determining his choice of action.

7. As a guide for assessment and better disclosure of the listed issuers' business and financial impacts arising from COVID-19, listed issuers should consider assessing and disclosing, among others, the following information (which is not exhaustive) and should consider providing additional disclosures that are specific and relevant to the sector and industry they operate in:

(1) *Impact on the listed issuer's business operations*

- (a) Any impact to business operations both locally and overseas. For example, a suspension of licence or permit, or receipt of a Government's or other authorities' directive that may lead to a halt, suspension or cessation of any business operation and how material or critical is this business operation to the Group.
- (b) Any impact to the listed issuer's workforce, supply chain (such as raw materials and inventories level), distribution networks or logistic of its products and services.
- (c) Any variation to material contracts, i.e. terms that have been waived, modified or newly imposed and the impact of such changes to the listed issuer.

(2) *Impact on the listed issuer's cash-flows, liquidity, financial position and financial performance*

- (a) Impact on the listed issuer's cash-flows and liquidity such as:
 - (i) The listed issuer's ability or resources to fulfil its financial obligations to meet the operating expenditure and sustain its business in the foreseeable future, and the impact of not meeting the financial obligations.
 - (ii) Whether the listed issuer anticipates any financial difficulties in meeting its debt obligations in the foreseeable future, and the impact of not meeting the debt obligations.
 - (iii) Whether the listed issuer has sufficient working capital to sustain the business operations.
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- (b) Impact on the listed issuer's financial position
 - (i) Whether the listed issuer expects any material impairment to its assets, inventories or receivables and where possible, the quantum of such impairment.
 - (ii) Whether there will be any material changes to capital expenditure and operating expenditure previously planned or allocated for.
 - (iii) Whether it will affect the listed issuer's ability to continue its business as a going-concern.
- (c) Impact on the listed issuer's financial performance such as revenue, costs or expenses, earnings before interest, tax, depreciation and amortisation (EBITDA) and profit after tax and minority interests (PATAMI).

(3) *Impact on business and earning prospects*

Any material changes to the business and earning prospects announced previously and the impact of these changes.

(4) *Strategy and steps taken to address the impact of COVID-19*

- (a) The listed issuer's plan to ensure continuity and sustainability of its business, for example, cost control measures or to restructure its business model.
 - (b) Measures by the listed issuer to operate under the "new normal" environment.
8. Where information is fluid or insufficient to disclose the impact with certainty, listed issuers are expected to use the best available information in making well-reasoned and supported judgements and estimates.

C. DISCLOSURE OF COVID-19 RELATED INVESTMENTS

9. The Exchange also observed lately that there is a surge in COVID-19 related disclosures where listed issuers are taking advantage of business opportunities arising from the COVID-19 pandemic to venture into various new investments or business collaborations, including by way of Memorandum of Understanding ("MOU"), Letter of Intent ("LOI") and distributorship agreement, relating to, among others, manufacturing of personal protective equipment, ventilators, hand sanitisers, face masks, distribution of COVID-19 rapid diagnostic test kits or to develop or distribute health supplements ("COVID-19 related Investments").
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Fair and accurate disclosure

10. Whilst the COVID-19 related Investments may potentially contribute positively to the future earnings and improve the financial position of listed issuers, we wish to remind listed issuers that in making such disclosures, they should ensure that the information is factual, accurate, relevant, up to-date and be presented in a clear and balanced manner.
11. The disclosures should contain material information such as total capital and investment outlay, plans to bring the venture onstream, impact on profitability, relevant regulatory approvals required, business risks or exposure and prospects of such investments to aid investors and shareholders in making an informed assessment and investment decision. Further, listed issuers should proactively monitor and provide regular updates on the COVID-19 related Investments, in the event of any material development or on a periodic basis as required under the Main LR and ACE LR.
12. In this regard, listed issuers are reminded of paragraph 9.35A of the Main LR, Rule 9.35 of the ACE LR and Rule 6.10 of the LEAP LR on the standards of disclosure for announcement.

Avoid promotional disclosure

13. More importantly, listed issuers are also reminded to avoid using vague and ambiguous words that may be exaggerated, flamboyant, over-stated or over-zealous, or to engage in any promotional disclosure activity which may mislead investors or cause unwarranted price movement and activity in the trading of the listed issuers' securities.
14. In this regard, listed issuers are reminded of paragraph/Rule 9.12 of Main LR and ACE LR and Rule 6.07(e) of LEAP LR which require listed issuers to refrain from any form of promotional disclosure activity.

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