



The Observer

09.07.2021

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❖ Serba Dinamik – Some Progress while Awaiting other Significant Developments

1. The Special Independent Review (SIR)

Serba Dinamik Holdings Berhad has recently appointed Ernst & Young Consulting Sdn Bhd (EY) to conduct the Special Independent Review (SIR) to assess the accuracy and veracity of the matters raised by the resigning external auditor, Messrs KPMG PLT (KPMG). This is a step closer to resolving the issues highlighted by KPMG.

The minority shareholders are expecting two announcements - one on the indicative date for the finalization of the SIR Report and the other, of the findings in the Report.

Serba Dinamik must liaise with EY to arrive at the indicative date when the Report is expected to be finalized. This date should be announced as soon as possible. It should not take too long for the Company to announce an indicative date as it is presumed that EY has the cooperation of the outgoing auditor, and this cooperation would provide EY with some visibility on the indicative date.

The findings in the SIR Report must also be announced promptly to shareholders.

2. The Appointment of New Auditors

With the resignation of KPMG as the statutory auditor for Serba Dinamik, the Company is in the process of identifying a new auditor. As announced on 6 July, Serba Dinamik had already submitted Request of Proposal for Provision of External Audit to international audit firms.

The Company has also requested a meeting with Suruhanjaya Syarikat Malaysia (SSM) for a consultation in relation to the appointment of external auditors pursuant to Section 272 of the Companies Act 2016. Section 272 states that if a public company fails to appoint an auditor, the Registrar may appoint an auditor upon the application in writing by any member of the company.

Serba Dinamik has announced that it targets to appoint the new auditor by end July 2021 and will make immediate announcement upon the finalization of appointment of the new auditor.

In May 2021, Serba Dinamik changed its financial year end from 31 December 2020 to 30 June 2021. The appointment of the new auditor, in a timely manner, is essential for Serba Dinamik to meet the looming 31 October 2021 financial reporting deadline for its 18-month financial period ended 30 June 2021.

That deadline is less than 4 months away. To-date, 2 weeks have lapsed since the resignation of KPMG. Hopefully, the SIR Report, which should be completed well before the 31 October reporting deadline, will facilitate the timeliness of concluding the statutory audit.

The statutory audit is an important shareholder protection process under the Companies Act 2016. It is the independent opinion of an independent party, the auditor, directed to the shareholders, on the truth and fairness of the financial statements.

Not meeting the timeline for the audited financial statements will be perceived by minority shareholders as a huge red flag. Time is of essence.

3. The Appointment of New Independent Directors (IDs) on the Board

On 25 June, five IDs resigned. Four IDs resigned citing differences in opinion over the Company's decision to take legal action against KPMG while another ID resigned citing "personal commitment".

Within two weeks, on 7 July, the Company appointed two new IDs. They are former Bursa official, Puan Siti Zaleha Sulaiman and ex-police officer, Datuk Seri Haji Mohamed Farid Abu Hassan.

With these new appointments, Serba Dinamik's Board now comprises four IDs, constituting 50% of total board composition. With that, it has applied Practice 4.1 of Malaysian Code on Corporate Governance which states at least half of the board comprises independent directors.

Conclusion

It is good that the SIR has been appointed and the independent directors composition at the Board level has been replenished.

What minority shareholders are now looking forward to are;

- the announcement of an indicative date when the SIR Report will be finalized
- the announcement of the findings in the SIR Report as soon as they are available
- the announcement of the audited financial statements before the deadline of 31 October 2021

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 12 – 16 July 2021

For this week, the following are the AGMs/EGMs of companies which are 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
14.07.21 (Wed) 10.00 am	Sapura Resources Bhd (AGM)	For FY2021, Sapura Resources recorded a revenue of RM46.0 million, which is an 8.4% decline as compared to RM50.2 million recorded in the preceding year. Meanwhile, its loss amounted to RM21.3 million as compared to a loss of RM25.7 million in the previous year. The property segment and aviation segment remain the two core revenue contributors for the Group.
15.07.21 (Thur) 10.00 am	WZ Satu Bhd (AGM)	WZ Satu recorded RM303.3 million of revenue and pre-tax loss of RM63.5 million in the FP2020 as compared to RM388.4 million revenue and pre-tax loss of RM95.2 million in FY2019. The decrease in revenue in the FP2020 was mainly due to lower revenues contribution from the Civil Engineering and Construction (CEC) segment and Oil and Gas (OG) segment. Meanwhile, the lower pre-tax loss as compared to FY2019 was mainly due to the comparatively stronger result in the CEC segment, which registered a

		lower loss, followed by the OG segment, which registered a profit.
15.07.21 (Thur) 10.30 am	Yinson Holding Bhd (AGM)	Yinson's profit after tax ("PAT") increased significantly from RM293 million in the previous financial year to RM735 million in the current financial year. The main driving factors of this impressive growth include a full year lease contribution from FPSO Helang (which achieved first gas in December 2019), successful redeployment of FPSO Abigail-Joseph (which achieved first oil in October 2020) and progressive construction of FPSO Anna Nery.

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Sapura Resources Bhd (AGM)	<p>The Group currently owns three investment properties under its portfolio as detailed below:</p> <ul style="list-style-type: none"> • 10-storey office building at Sapura@Mines with an NLA of 260,000 square feet. • Warehouses with an NLA of 165,000 square feet at Jalan Tandang; and • Commercial showroom building with an NLA of 46,000 square feet at Jalan 219, Petaling Jaya. (Page 14 of AR) <p>a) Please provide the latest occupancy rates for each of the building mentioned above as at April 2021.</p> <p>b) What is the gross and net rental yield of each of the above commercial building?</p>
WZ Satu Bhd (AGM)	<p>There is an impairment loss on contract assets amounting to RM9,880,000 in the financial period ended 31 December 2020 ("FP2020") (FY2019: RM80,000) (Page 65 of the Annual Report 2020).</p> <p>a) What was the reason for the significant increase in impairment on contract assets in FP2020?</p> <p>b) What are the measures taken to recover the amount?</p> <p>c) What is the amount recovered, to-date?</p>

	d) Given the significant increase in impairment, is there a need to review the credit policy of the Group?
Yinson Holding Bhd (AGM)	The Group has expensed RM84 million as “deal deposit written off” in FY2021 (2020: Nil). (Pages of 247 & 248 AR) Please explain the nature of this expense. Why was it written off?

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DISCLOSURE OF INTERESTS

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

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