

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M)
The Edge – April 14, 2022 (C) Part 1

MSWG tells investing public to respect regulator’s decision to compound Serba Dinamik officers



KUALA LUMPUR (April 14): While the move to penalise Serba Dinamik Holdings Bhd’s executives via compound instead of charging the executives may have raised some eyebrows among the investing fraternity, a shareholders watchdog group and a corporate governance monitor do not see the need to challenge the regulator’s decision.

Commenting on the compound imposed on the officials of the beleaguered company, Minority Shareholders Watchdog Group (MSWG) chief executive officer Devanesan Evanson also said the regulator's decision should be respected.

“MSWG looks forward to the resolution of all issues and the eventual lifting of the suspension,” he told *theedgemarkets.com*.

In June last year, Evanson had said there were two matters that were of concern to Serba Dinamik’s minority shareholders.

Firstly, the matters highlighted by the external auditors, which need to be resolved in a timely manner. Secondly, the audited financial statements should be issued in a timely manner.

“The audited financial statements will take some time to be issued. The pressing need now is the resolution of the audit matters highlighted by the external auditors.

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“This information is vital information for the minority shareholders to see the whole picture and make their informed investment decisions.

“Without the satisfactory resolution of these matters, there will be much speculation as to the truth and veracity of these audit matters. It should be noted that, generally, rumours tend to abound where there is a vacuum of information,” he had said.

Serba Dinamik's institutional shareholders had also voiced their concerns regarding the audit issue.

In an email responding to *theedgemarkets.com* in June last year, the Employees Provident Fund (EPF) said it was concerned with the issues surrounding Serba Dinamik and was engaging with the company.

“Rest assured that the EPF’s priority is to safeguard members’ interest by ensuring that our investee companies adhere to the highest level of transparency and corporate governance,” the fund said.

Reuters also reported in May last year that Permodalan Nasional Bhd (PNB) had said there is no merit in removing the appointed auditor before they finish the annual audit.

Separately, Malaysian Institute of Corporate Governance (MICG) chairman David W Berry on Thursday said it is good news that the issues surrounding Serba Dinamik are beginning to find some resolution.

However, he said MICG could not comment on the sanctions announced by the authorities.

“They will view this matter from their own perspective,” he told *theedgemarkets.com*.

“It can only be beneficial to the company and its stakeholders, who have faced a prolonged period of uncertainty. We look forward to seeing how a restructured board and management address the issues,” he said.

Securities Commission Malaysia (SC) on Wednesday compounded Serba Dinamik's chief executive officer (CEO), executive director and two officers for a sum of RM3 million each for a false statement in relation to the revenue figure of RM6.01 billion contained in Serba Dinamik’s quarterly report on consolidated results for the quarter and year ended Dec 31, 2020.

The individuals involved are Serba Dinamik CEO/group managing director Datuk Dr Mohd Abdul Karim Abdullah, executive director Datuk Syed Nazim Syed Faisal, group chief financial officer Azhan Azmi, and vice president of accounts and finance Muhammad Hafiz Othman.

“This follows the decision of the public prosecutor to accept the representation made to the Attorney-General’s Chambers by Serba Dinamik and the individuals involved regarding the charges pending in court,” said SC.

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According to SC, this is the maximum amount of compound permissible under Section 369(a)(B) of the Capital Market Services Act 2007 (CMSA) for submission of false information in the company's financial statement.

Muhammad Hafiz was also issued with another compound of RM1 million, also the maximum amount permissible, for falsifying the accounting records of the company's subsidiary Serba Dinamik Sdn Bhd, an offence under Section 368(1)(b)(i) of the CMSA.

He was earlier charged for being involved in instructing the preparation of false documentations relating to the sales of Serba Dinamik Sdn Bhd.

Serba Dinamik has been in the news since May last year when it announced its intention to conduct a special independent review (SIR) after the company's board of directors was informed by its external auditor KPMG of some accounting issues pertaining to its statutory audit.

KPMG had raised issues relating to the group's sales, trade payables and receivables balance and materials on site balance.

The incident resulted in Serba Dinamik issuing legal action against KPMG for alleged negligence in the course of the audit process for the company. This also led KPMG to resign from its post, saying it is unable to independently continue to discharge its duties.

Subsequently, Bursa Securities ordered Serba Dinamik to conduct a SIR on KPMG's claims, for which Serba Dinamik appointed Ernst & Young Consulting Sdn Bhd (EY Consulting) to do.

However, Serba Dinamik later sued Bursa Malaysia for acting "in excess of power". It also sued EY Consulting to restrain the auditor from sharing any findings or opinions on the company.

While SC's criminal charges against Serba Dinamik have been settled, Serba Dinamik is still facing Bursa Malaysia in court, after the latter filed a civil suit against the group for failing to comply with its directive to release the factual finding update of the SIR by EY Consulting.

Shares of Serba Dinamik have been suspended since Oct 22, 2021. The counter was last traded at 35, plunging 78.36% from RM1.61 on May 25 last year when the audit issue was first revealed.