

MINORITY SHAREHOLDER WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.200001022382 (524989-M))

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Serba Dinamik appoints new board members

More independent directors on board would mean better corporate governance

by RAHIMI YUNUS

SERBA Dinamik Holdings Bhd's audit review must be independent and objective and the company should do that quickly to end the governance setback and shareholders' woes.

Minority Shareholders Watch Group CEO Devanesan Evanson said it is crucial for the company to adopt the fastest way to address the audit issues as minority shareholders are making losses from its declining share price.

"They say there is more than one way to skin a cat, but what is important is that one adopts the fastest way.

"Minority shareholders have suffered from the falling share price due to the uncertainty arising from the unresolved audit issues — time is of the essence," Devanesan told *The Malaysian Reserve* (TMR).

Serba Dinamik board has agreed in principle to appoint Ernst & Young Advisory Services Sdn Bhd (E&Y) as

the independent reviewer to assess the veracity and accuracy of the matters highlighted by the external auditors KPMG PLT, according to a bourse filing yesterday.

The oil and gas support services provider also announced the appointment of three new independent non-EDs, namely Johan Mohamed Ishak, Datuk Mohamed Ilyas Pakeer Mohamed and Masleena Zaid, effective last Friday. Structure-wise, Devanesan said more independent directors on board would mean better corporate governance.

In Serba Dinamik's case, he said the company's move to bring the three new independent non-EDs on board appears meant to help it address the issues arising from the audit.

"Independent non-EDs and an independent advisory firm as the best and fastest way to resolve the issues. The board should know better the dynamics, competency and capacity of the current board. There is no need to second-guess the wisdom of the board in this instance," Devanesan added.

He said E&Y and the new independent non-EDs have no baggage as they are independent new-

comers. Hence, they should be able to look at things independently and objectively.

Serba Dinamik is entitled to a second opinion on KPMG's findings and it augurs well that the company is seeking that from another Big 4 accounting firm.

"E&Y does not replace KPMG as the external auditors, and as such, there is no sidelining of KPMG," he said.

A source, familiar with Serba Dinamik, said the company should opt for a forensic audit similar to what Tanjung Offshore Bhd went through after its UK project scandal broke out in 2014.

"Personally, I don't see any difference between KPMG and E&Y. But, of course, Serba Dinamik needs to come out with an action plan.

"They need to provide some comfort to shareholders, especially minorities, that the company is tackling the issues upfront," the source told TMR, adding the "pressure is now on E&Y.

Serba Dinamik shares jumped 23% or 14 sen higher to 74 sen on the news with over 1.23 billion shares traded after hitting a low of 54 sen in intraday.

An analyst with a local brokerage

said the news provided traders a reason to buy into the oversold shares but expects the rebound to be temporary as opportunistic traders will use it to sell shares at improved prices.

"The shares should settle around the 70 sen range because this process is going to take a month or more at least, before we can get some feedback to better value the counter," he said.

Serba Dinamik has changed its financial year end from Dec 31, 2020, to June 30, 2021, to prepare its financial reports partly due to the extension of the Movement Control Order in Malaysia and lockdowns in other countries.

Another source said the additional three independent non-EDs were roped in by Serba Dinamik to provide the best advice to the company on how to engage with authorities, including Securities Commission of Malaysia, Bursa Malaysia Bhd and Companies Commission of Malaysia.

One of the new board members, Johan, 45, is currently the MD of Awesome Media Network Sdn Bhd.

Mohamed Ilyas, 65, is a chairman of Koperasi Amanah Pelaburan

Bhd, Hartanah AP Rakyat Bhd and AP Holding Bhd.

Masleena, 45, is currently a managing partner at Messrs Masleena, Yee & Partners, also a director at Eastland Equity Bhd and AP Holdings.

In a separate filing yesterday, Serba Dinamik's board clarified it had identified the independent directors to form the independent committee.

It stated the board had tasked the independent directors to finalise the composition of the independent committee and its terms of reference.

KPMG raised concerns about billions of ringgits of sales transactions (RM2.3 billion), resultant trade receivables balances (RM652 million) and materials on-site balances (RM569 million) involving 11 customers' confirmations for the group's financial statements ended Dec 31, 2020.

KPMG also raised issues on 10 local suppliers with a total purchase transaction of RM798 million.

There were also issues with Serba Dinamik's customers and suppliers in Bahrain and local information and technology contracts.