

Serba Dinamik needs directors who are independent in form and substance

The company needs to restore balance of independent directors on its board, says expert

by RAHIMI YUNUS

SERBA Dinamik Holdings Bhd needs to strengthen its board with new directors who are independent in form as required under the corporate governance code and substance.

Minority Shareholders Watch Group CEO Devanesan Evanson said the company needs to restore the balance of independent directors on its board following the five independent non-EDs' resignation recently.

He said the Malaysian Code of Corporate Governance (MCCG) introduced by the Securities Commission Malaysia advocates the practice of having more than 50% independent directors for large companies and at least 50% for other companies.

"Four of the resigning directors gave granular reasons for their resignation, and that is commendable on their part. The definition

of an independent director is in the listing requirements.

"Independent directors may satisfy this definition in form — but they must also be perceived as independent in substance," Devanesan told *The Malaysian Reserve*.

He said minority shareholders see independent directors as their last bastion of protection at the board level.

In late June, four independent and non-EDs of Serba Dinamik resigned, citing reasons due to disagreement or differences in opinions over legal action commenced against its external auditors, KPMG PLT.

The then independent and non-EDs Rozilawati Basir, Sharifah Irina Syed Ahmad Radzi, Tengku Datuk Seri Hasmuddin Tengku Othman and Hasman Yusri Yusoff have quit their post, according to the company's exchange filings.

Independent non-ED Masleena Zaid, who was recently appointed to the board, stated her resignation was due to a personal commitment.

Masleena was one of the three new independent non-EDs appointed to the board, besides Datuk Mohamed Ilyas Pakeer

Mohamed and Johan Mohamed Ishak.

Mohamed Ilyas, 65, who was redesignated to be Serba Dinamik chairman, holds the same position at Hartanah AP Rakyat Bhd, AP Holding Bhd and Awesome Media Network Sdn Bhd (Awesome TV), among others.

Johan, 45, is currently the MD of Awesome TV.

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

Serba Dinamik has not made new board appointments yet since the five directors' resignation, despite it being one of the critical steps needed to resolve its audit matters quickly.

The MCCG, introduced in 2000, has been an important tool for corporate governance reform and has influenced corporate governance practices of companies positively.

In a recent filing, Serba Dinamik stated that Ernst & Young Consulting Sdn Bhd (EY) has agreed to act as the independent reviewer subject to the conditions previously

announced, which primarily involves KPMG providing cooperation with EY to facilitate an effective independent review.

Besides the appointment of an independent reviewer and new board members, Devanesan said Serba Dinamik must appoint external auditors as soon as possible.

Bursa Malaysia has set a deadline of July 2 (today) on this matter.

He said there would be a learning curve for new auditors and they might take more time to audit the financial statements, what more given the matters raised by the resigning auditors.

"The deadline to publish the audited financial statements is Oct 31, 2021. There is nothing like audited financial statements to soothe the frayed nerves of minority shareholders," he said.

The audit matters at Serba Dinamik have dragged its share price towards fresh lows as investors pulled back.

The Employees' Provident Fund ceased to be the substantial shareholder of the company after disposing of 96 million shares in the open market on June 25, thus trimming its stake in the company to

4.99% at 185.08 million shares.

It followed the footsteps of the Retirement Fund Inc which ceased being a substantial shareholder earlier last month after the audit issues became public.

The drop in Serba Dinamik's share price has put led to force selling of shares held by founding directors Datuk Dr Mohd Abdul Karim Abdullah and Datuk Awang Daud Awang Putera.

According to the company's filing, Mohd Abdul Karim forced sold some 61.71 million shares on June 29 and 46.3 million shares on June 28.

The stock price rebounded by five sen or 15% to 38 sen yesterday, with some 1.74 billion shares exchanging hands.

Trading of its shares and warrants accounted for 30% of the 7.18 billion securities traded yesterday.

Devanesan said minority shareholders are advised to make informed investment decisions as information, often, is never complete and evolving.

"The choice of whether to wait for more information or not is a choice guided by the minority shareholders' risk appetite," he said.