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# Caution needed on Serba Dinamik

## Informed decisions crucial in trading of the stock

**CORPORATE**

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**PETALING JAYA:** For some investors, the lifting of the trading suspension on Serba Dinamik Holdings Bhd is good news as there is finally an “exit path” after being stuck with the stock for over six months.

But from a different perspective, there are questions on whether Bursa Malaysia has lifted the suspension a little too soon, considering that doubts still remain over the validity of its accounts.

The whole controversy over the accounts of Serba Dinamik’s is far from over but the stock exchange operator said the trading suspension was lifted because the company had complied with its directive to announce the findings from the Factual Findings Update (FFU) by its special auditor.

From May 9 onwards, investors can once again trade the Serba Dinamik stock, which was suspended on Oct 27, 2021.

Bursa Malaysia, however, advised investors to “exercise caution and to make informed decisions” in the trading of the Serba Dinamik stock.

Commenting on the risks of trading the stock, investment analyst Pankaj C. Kumar told *StarBiz* that investors do not have the right tools to assess the value of Serba Dinamik.

Hence, investors will be at high risk trading the stock, according to him.

**“Bursa Malaysia obviously feels that there is now sufficient information out there to enable minority shareholders to make informed investment decisions.”**

Devanesan Evanson

Pankaj noted that Serba Dinamik has yet to provide in detail the special independent review and the impact from the FFU.

Not to mention that the auditors too are unable to express an opinion on the status of Serba Dinamik’s financial statements.

“As rightly highlighted by Bursa Malaysia in its Investor Alert, caution is the word for investors wishing to trade on the stock,” he said.

Minority Shareholders Watch Group CEO Devanesan Evanson, who had previously questioned the reason behind compounding four top-most executives of Serba Dinamik instead of charging them in court, said Serba Dinamik – like other listed companies – is subject to market risk.

He also noted that share prices move due to both internal and external events. When asked whether he concurred with the lifting of the trading suspension, Devanesan said that the resumption of trading benefits minority shareholders in two ways. Firstly, there is price discovery for the stock

after a long period of inactivity.

Secondly, there is an active market for shareholders to execute their informed investment decisions.

“Bursa Malaysia obviously feels that there is now sufficient information out there to enable minority shareholders to make informed investment decisions.

“This is probably the premise for the resumption of trading.

“Resumption of trading benefits minority shareholders in two ways,” he said.

Corporate lawyer Philip Koh pointed out that the lifting of the trading suspension is not necessarily a negative move.

“As trading resumes, the market can evaluate a company and take necessary actions (either to buy, hold or sell). This would help to ‘discipline’ the company.

“Prolonged suspension of a stock can reflect badly on the stock exchange in the eyes of fund managers, because such a move impacts

## Regulators right to ensure fair, orderly market

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their investment decisions.

“We must remember that we are competing with regional exchanges and we shouldn’t create negative perceptions that a stock could be suspended for a long time in Malaysia,” he said.

Pankaj, on the other hand, said that he was “baffled” by Bursa Malaysia’s decision to allow trading to resume when the regulator itself has issued a clear Investor Alert statement on the status of matters outstanding.

“Furthermore, why is Bursa Malaysia allowing trading to resume only after key changes at the Securities Commission (SC) have taken place? If the 26-page letter issued on April 21 was so clear to Bursa Malaysia, why didn’t Bursa Malaysia allow trading in Serba Dinamik shares to take place soon after?”

Both Pankaj and Devanesan agreed that regulators have every right to take any necessary action – including trading suspension, to ensure a fair and orderly market. Devanesan said it is difficult to speculate as to what would have been the right decision in this case.

“When making a decision, the regulator is sometimes privy to information that the market does not have,” according to him.

Meanwhile, Pankaj does not think that Serba Dinamik’s shareholders have been unfairly punished as “everyone should know the risk involved.” He also opined that regulators have acted professionally by the book.

“The issue of trading suspension on Serba Dinamik was not all sudden and was built up over a course of time. Some investors got out earlier as troubles loomed, others got stuck, but perhaps took their chances as events unfolded,” he said.

Pankaj also said that the SC’s hands were tied when the Attorney-General’s Chambers (AGC) decided to compound Serba Dinamik.

“It leaves investors licking their wounds as both equity and bond investors are now sitting on losses, while creditors are left with no choice but to serve a winding up petition on the company,” he said.

It is noteworthy that Serba Dinamik and its four top executives have been compounded RM3mil each by the SC, in order to settle the criminal charges they face for submitting a false statement on revenue.

The four individuals are chief executive officer and group managing director Daruk Dr Mohd Abdul Karim Abdullah, executive director Daruk Syed Nazim Syed Faisal who was chief financial officer (CFO) from June 2016 until mid-2020, its current group CFO Azhan Azmi, and vice-president of accounts and finance Muhammad Hafiz Othman.

The SC said the compounds were made after the public prosecutor accepted the representation made to the AGC by Serba Dinamik.

Interestingly, it was reported that the SC and Bursa Malaysia had objected to the AGC’s decision to settle the criminal charges via mere compounds. An investment banker said the AGC must explain its basis to issue compounds to Serba Dinamik’s executives, instead of prosecuting in the court of law.

“Some executives of certain companies are prosecuted for their offense and some are just compounded. We need to know how the AGC decides on these cases. This is necessary, considering that the Serba Dinamik has become a major issue and a matter of public discourse,” she said.

Echoing a similar stance, lawyer Koh said the investing public has legitimate expectations as to the basis of why compound fines or prosecution is preferred in any one case.

He further explained that the law is dependent on the enforcement authorities’ discretion on whether an enforcement process should be pursued or whether compound fines are sufficient. From the legal perspective, Koh said there are concerns on whether a resolution would eliminate questions regarding the integrity of financial reporting and consequences of infringement of the rules. This is considering the impact it has on the governance of the capital market.

“Under the Companies Act 2016, there are significant provisions on whether accounts reflect ‘true and fair’ view.”

“It will be important to see whether such provisions have been complied with,” he told *StarBiz*.

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