

MINORITY SHAREHOLDERS WATCH GROUP

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

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ALLEGED AUDIT ISSUES

INVESTORS TO FOCUS ON SERBA DINAMIK

Company has been in full cooperation with the external auditor, says group MD

KUALA LUMPUR

INVESTORS will be focusing on Serba Dinamik Holdings Bhd this week after the oil and gas service provider's external auditor KPMG PLT had flagged some audit issues over transactions worth about RM3 billion.

Serba Dinamik had requested for a trading suspension on Friday pending the release of further clarification of KPMG's announcement on May 25.

The company expects the voluntary suspension of its shares to be lifted today.

The counter last closed at RM1.61 per share, valuing the company at RM6 billion.

On Tuesday, Serba Dinamik announced to Bursa Malaysia that it wanted to commence a special

independent audit after KPMG flagged some audit issues.

Two days later, its second largest shareholder Datuk Abdul Kadier Sahib, who reportedly owns a 15.96 per cent stake, sent a notice to Serba Dinamik proposing to change the external auditor.

He had also proposed the appointment of BDO PLT as the company's new auditor for the financial year ending June 30.

In a filing with Bursa, Serba Dinamik said KPMG had raised issues relating to sales, trade payables and material on site balances involving 11 parties that accounted for total sales transactions of RM2.32 billion, a trade receivables balance of RM652 million and materials on site balance of RM569 million.

KPMG also raised issues



Serba Dinamik Holdings Bhd group managing director Datuk Dr Mohd Abdul Karim Abdullah says there is no genuine issue of legitimacy and value of the contracts as raised by KPMG PLT.

around Serba Dinamik's customer and supplier in Bahrain, involving total sales transactions of US\$101 million and trade receivables balance of US\$24 million.

Based on the unaudited accounts, Serba Dinamik's receivables had ballooned to RM1.86 billion as at the end of last year from RM880 million at end-2017.

Last Saturday, group managing director Datuk Dr Mohd Abdul Karim Abdullah reiterated at a virtual press conference that the management did nothing wrong.

"I would like to stress that there is no genuine issue of legitimacy and value of the contracts as

raised by the external auditor." He said the board of directors had decided to appoint an independent firm to assist the matters that the external auditor was unable to perform and to review the process of confirmation.

"From the onset when the external auditor presented the audit planning for the financial year and subsequent interim audit that commenced in October last year, we have been in full cooperation with the external auditor to ensure timely deliverables of the financial statements as per the listing requirements.

"The management was only informed of the audit finding early

this month and had reacted quickly to address the queries. However, the external auditor had decided to stop the audit and requested for an independent review without specifying the scope."

Abdul Karim said the company had felt that it was unfair for the external auditor to take such actions without further engagement with the management.

"We can only note that the only difference is that we have taken on new clients across a few more countries and that there was a change of audit partner for our external auditor recently," he added.

EXTERNAL AUDITOR

MSWG urges minority shareholders to reject KPMG removal

KUALA LUMPUR: The Minority Shareholders Watch Group (MSWG) has urged all minority shareholders of Serba Dinamik Holdings Bhd to vote against attempts to remove KPMG PLT as the company's external auditor.

MSWG said as part of good governance, KPMG should be allowed to complete its work and report to Serba Dinamik's shareholders at the forthcoming shareholders' meeting.

"The external auditors' opinion on a company's financial statements will be presented in the

annual report along with the audited financial statements.

"In addition, the external auditors will be present at the annual general meeting to address shareholders' queries in relation to their opinion," it said in a statement on Saturday.

MSWG said the external auditors were appointed by shareholders to provide an independent opinion on whether a company's financial statements presented a true and fair view.

"Since the company is setting up a special independent review

by appointing an independent firm to assess the veracity and accuracy of the matters brought up by the external auditors, the external auditor should be around to defend their findings and explain themselves.

"There is no urgency to remove the auditor at this juncture. As such, MSWG urges all shareholders to vote against the resolution to remove the auditor," it added.

KPMG had recently flagged some audit issues over Serba Dinamik's financial transactions worth about RM3 billion.



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