

MEDIA NOTIFICATION

21 December 2023

BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS AND/OR FINES SERBA DINAMIK HOLDINGS BERHAD (IN LIQUIDATION) AND TEN (10) DIRECTORS

Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)] (**Bursa Malaysia Securities**) has publicly reprimanded Serba Dinamik Holdings Berhad (in liquidation) (**SERBADK**) and 10 of its directors for breaches of Bursa Malaysia Securities Main Market Listing Requirements (**Main LR**). In addition, 10 directors of SERBADK were imposed total fines ranging from RM355,200 to RM1,376,000.

SERBADK was publicly reprimanded for the breaches of the following provisions of the Main LR:-

Table 1

No.	Breaches
1.	<p data-bbox="284 797 1380 864"><u>Failure to announce the Factual Findings Update immediately and in accordance with Bursa Malaysia Securities' Directive</u></p> <p data-bbox="284 898 1380 1133">(A) Paragraph 9.03(1) of the Main LR for failing to make an immediate announcement of the material factual findings as at 30 September 2021 (FFU) prepared by Ernst & Young Consulting Sdn Bhd (formerly Ernst & Young Advisory Services Sdn Bhd) (EY) pursuant to an independent review, verification and assessment into the financial affairs of SERBADK (Special Independent Review) which were presented to SERBADK on 21 October 2021; and</p> <p data-bbox="284 1167 1380 1267">(B) Paragraph 2.23(1) of the Main LR for failing to comply with Bursa Malaysia Securities' directive dated 22 October 2021 to make an announcement of the FFU by 26 October 2021 (Directive).</p>
2.	<p data-bbox="284 1301 1038 1335"><u>Financial Reporting Breach - Delay in Issuance of AR 2021</u></p> <p data-bbox="284 1368 1380 1581">Paragraph 9.23(1) read together with paragraph 9.28(1) of the Main LR for failing to issue the annual report that included the annual audited financial statements (AFS) together with the auditors' and directors' reports for the 18-months financial period ended (FPE) 30 June 2021 (AR 2021) within the extended timeframe of 30 November 2021 (Extended Due Date) stipulated in Bursa Malaysia Securities' letter dated 25 October 2021.</p> <p data-bbox="284 1615 1380 1682">SERBADK had only issued the AR 2021 on 6 January 2022, after a delay of 26 market days.</p>
3.	<p data-bbox="284 1715 1031 1749"><u>Financial Reporting Breach - Inaccurate QR 30 June 2021</u></p> <p data-bbox="284 1783 1380 1951">Paragraph 9.35A(1)(a) of the Main LR for failing to ensure that SERBADK's quarterly report for the 18-months FPE 30 June 2021 (QR 30 June 2021) announced on 29 September 2021 was accurate and took into account the adjustments on impairment of trade receivables and write down of inventories stated in the company's announcement dated 6 January 2022 (collectively, Adjustments).</p>

	SERBADK had reported an unaudited profit after tax and minority interest of RM759.980 million in the QR 30 June 2021 announced on 29 September 2021 as compared to an audited loss after tax and minority interest of RM175.839 million in SERBADK's AFS for the 18-months FPE 30 June 2021 (AFS 2021) announced on 6 January 2022 which represented a variance of RM935.819 million/123%.
4.	<p><u>Disclosure Breach - Defaults in Payment</u></p> <p>Paragraphs 9.19A(1)(a) and (b) of the Main LR for failing to make an immediate announcement of various defaults in payment by SERBADK and its subsidiary on 9 December 2021, 20 December 2021, 1 April 2022 and 9 May 2022 which were only announced by SERBADK on 15 December 2021 and 10, 25 & 31 May 2022.</p>
5.	<p><u>Disclosure Breach - Disclaimer Opinion & Practice Note 17 (PN17) First Announcement</u></p> <p>(A) Paragraph 9.19(37) of the Main LR for failing to make an immediate announcement of the disclaimer of opinion (Disclaimer Opinion) in the Auditors' Report for the AFS 2021 dated 22 December 2021; and</p> <p>(B) Paragraph 8.04(3)(b) of the Main LR read together with paragraphs 2.1(d) and 4.1(a) of PN17 for failing to make the First Announcement pursuant to paragraph 4.1(a) of PN17 (PN17 First Announcement) on an immediate basis when the auditors, Nexia SSY PLT (Nexia) had expressed the Disclaimer Opinion in the Auditors' Report for the AFS 2021 dated 22 December 2021.</p> <p>SERBADK had only announced the Disclaimer Opinion and made the PN17 First Announcement upon issuance of the AR 2021 (which included the AFS 2021 and the Auditors' Report) on 6 January 2022, after a delay of 11 market days.</p>
6.	<p><u>Disclosure Breach - Material Litigations & Winding-Up Petition</u></p> <p>(A) Paragraph 9.03(1) read together with paragraph 9.04(f) of the Main LR for failing to make immediate announcement of various litigations and the material developments arising from the same during the period from November 2021 to December 2022, with delay ranging from 1 to 8 market days; and</p> <p>(B) Paragraph 9.19(19)(a)(i) of the Main LR for failing to: -</p> <ol style="list-style-type: none"> (1) make an immediate announcement of the winding-up petition (Winding-Up Petition) filed by various syndicated lenders on 26 April 2022 which was served on SERBADK and its wholly-owned subsidiary, Serba Dinamik Group Berhad and indirect wholly-owned subsidiaries, Serba Dinamik Sdn Bhd and Serba Dinamik International Ltd on 28 April 2022. The Winding-Up Petition was only announced on 29 April 2022, after a delay of 1 market day; and (2) include the information required under paragraphs (b) - (g), Part C of Appendix 9A of the Main LR in the announcement of the Winding-Up Petition on 29 April 2022. The information was only disclosed/announced on 10 May 2022, upon Bursa Malaysia Securities' query.

SERBADK was also required to review and ensure the adequacy and effectiveness of its financial reporting function and carry out a limited review on the company's quarterly report submission and comply with the training requirement imposed by Bursa Securities.

The following penalties were imposed on 10 directors of SERBADK at the material time who had breached paragraph 16.13(b) of the Main LR for permitting the company to commit the breaches as follows:-

Table 2

No.	Directors	Breaches	Penalties
1.	Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah (Dato' Karim) Group Managing Director/Chief Executive Officer	a) Failure to announce the FFU immediately; and	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively
		b) Failure to comply with Bursa Malaysia Securities' Directive to announce the FFU	
		c) Financial Reporting Breach - Delay in Issuance of AR 2021	Public Reprimand & Fine of RM26,000
		d) Financial Reporting Breach - Inaccurate QR 30 June 2021	Public Reprimand & Fine of RM500,000
		e) Disclosure Breach - Defaults in Payment	Public Reprimand & Fine of RM150,000
		f) Disclosure Breach - Disclaimer Opinion; and	Public Reprimand & Fine of RM100,000 for (f) and (g) collectively
		g) Disclosure Breach - PN17 First Announcement	
		h) Disclosure Breach - Material Litigations; and	Public Reprimand & Fine of RM100,000 for (h) and (i) collectively
i) Disclosure Breach - Winding-Up Petition			
Total Fines			RM1,376,000
2.	Datuk Syed Nazim bin Syed Faisal (Datuk Nazim) Executive Director	a) Failure to announce the FFU immediately; and	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively
		b) Failure to comply with Bursa Malaysia Securities' Directive to announce the FFU	
		c) Financial Reporting Breach - Delay in Issuance of AR 2021	Public Reprimand & Fine of RM26,000
		d) Financial Reporting Breach - Inaccurate QR 30 June 2021	Public Reprimand & Fine of RM500,000
		e) Disclosure Breach - Defaults in Payment	Public Reprimand & Fine of RM150,000
		f) Disclosure Breach - Disclaimer Opinion; and	Public Reprimand & Fine of RM100,000 for (f) and (g) collectively
		g) Disclosure Breach - PN17 First Announcement	
		h) Disclosure Breach - Material Litigations; and	Public Reprimand & Fine of RM100,000 for (h) and (i) collectively
i) Disclosure Breach - Winding-Up Petition			
Total Fines			RM1,376,000

No.	Directors	Breaches	Penalties
3.	Datuk Abdul Kadier Sahib Non-Independent Non-Executive Director <i>(re-designated as Non-Independent Non-Executive Chairman on 20 December 2021)</i> Audit Committee member <i>(until 25 February 2022)</i>	a) Failure to announce the FFU immediately; and	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively
		b) Failure to comply with Bursa Malaysia Securities’ Directive to announce the FFU	
		c) Financial Reporting Breach - Delay in Issuance of AR 2021	Public Reprimand & Fine of RM10,400
		d) Financial Reporting Breach - Inaccurate QR 30 June 2021	Public Reprimand & Fine of RM100,000
		e) Disclosure Breach - Defaults in Payment	Public Reprimand & Fine of RM75,000
		f) Disclosure Breach - Disclaimer Opinion; and	Public Reprimand & Fine of RM100,000 for (f) and (g) collectively
		g) Disclosure Breach - PN17 First Announcement	
Total Fines			RM785,400
4.	Dato’ Awang Daud bin Awang Putera Non-Independent Non-Executive Director	a) Failure to announce the FFU immediately; and	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively
		b) Failure to comply with Bursa Malaysia Securities’ Directive to announce the FFU	
		c) Financial Reporting Breach - Delay in Issuance of AR 2021	Public Reprimand & Fine of RM10,400
		d) Financial Reporting Breach - Inaccurate QR 30 June 2021	Public Reprimand & Fine of RM100,000
		e) Disclosure Breach - Defaults in Payment	Public Reprimand & Fine of RM50,000
		f) Disclosure Breach - Disclaimer Opinion	Public Reprimand & Fine of RM50,000 for (f) and (g) collectively
		g) Disclosure Breach - PN17 First Announcement	
Total Fines			RM710,400
5.	Dato’ Mohamed Ilyas bin Pakeer Mohamed (Dato’ Ilyas) Independent Non-Executive Director <i>(re-designated as Independent Non-Executive Chairman on 15 June 2021 & resigned on 22 November 2021)</i>	a) Failure to announce the FFU immediately; and	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively
		b) Failure to comply with Bursa Malaysia Securities’ Directive to announce the FFU	
		c) Financial Reporting Breach - Delay in Issuance of AR 2021	Public Reprimand
		d) Financial Reporting Breach - Inaccurate QR 30 June 2021	Public Reprimand & Fine of RM100,000
Total Fines			RM600,000
6.	Johan bin Mohamed Ishak (Johan) Independent Non-Executive Director	a) Failure to announce the FFU immediately; and b) Failure to comply with Bursa Malaysia Securities’ Directive to announce the FFU	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively

No.	Directors	Breaches	Penalties
	Audit Committee Chairman (resigned on 22 November 2021)	c) Financial Reporting Breach - Delay in Issuance of AR 2021 d) Financial Reporting Breach - Inaccurate QR 30 June 2021	Public Reprimand Public Reprimand & Fine of RM100,000
Total Fines			RM600,000
7.	Datuk Seri Haji Mohamed Farid bin Abu Hassan Independent Non-Executive Director (re-designated as Independent Non-Executive Chairman on 22 November 2021 & resigned on 20 December 2021)	a) Failure to announce the FFU immediately; and b) Failure to comply with Bursa Malaysia Securities' Directive to announce the FFU c) Financial Reporting Breach - Delay in Issuance of AR 2021 d) Financial Reporting Breach - Inaccurate QR 30 June 2021 e) Disclosure Breach - Default in Payment which was announced on 15 December 2021 only	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively Public Reprimand & Fine of RM5,200 Public Reprimand & Fine of RM50,000 Public Reprimand & Fine of RM75,000
Total Fines			RM630,200
8.	Siti Zaleha binti Sulaiman Independent Non-Executive Director Audit Committee member (resigned on 20 December 2021)	a) Failure to announce the FFU immediately; and b) Failure to comply with Bursa Malaysia Securities' Directive to announce the FFU c) Financial Reporting Breach - Delay in Issuance of AR 2021 d) Financial Reporting Breach - Inaccurate QR 30 June 2021 e) Disclosure Breach - Default in Payment which was announced on 15 December 2021 only	Public Reprimand & Fine of RM500,000 for (a) and (b) collectively Public Reprimand & Fine of RM5,200 Public Reprimand & Fine of RM100,000 Public Reprimand & Fine of RM50,000
Total Fines			RM655,200
9.	Abu Bakar bin Uzir (Abu Bakar) Independent Non-Executive Director Audit Committee Chairman (appointed on 25 November 2021 & retired on 31 January 2022)	a) Failure to announce the FFU immediately; and b) Failure to comply with Bursa Malaysia Securities' Directive to announce the FFU c) Financial Reporting Breach - Delay in Issuance of AR 2021 d) Disclosure Breach - Defaults in Payment which were announced on 15 December 2021 and 10 May 2022 only e) Disclosure Breach - Disclaimer Opinion; and f) Disclosure Breach - PN17 First Announcement	Public Reprimand & Fine of RM250,000 for (a) and (b) collectively Public Reprimand & Fine of RM10,400 Public Reprimand & Fine of RM50,000 Public Reprimand & Fine of RM50,000 for (e) and (f) collectively

No.	Directors	Breaches	Penalties
Total Fines			RM360,400
10.	Noor Azri bin Dato' Sri Noor Azerai (Noor Azri) Independent Non-Executive Director (appointed on 25 November 2021) Audit Committee member (appointed on 25 February 2022) (resigned on 5 October 2022)	a) Failure to announce the FFU immediately; and b) Failure to comply with Bursa Malaysia Securities' Directive to announce the FFU c) Financial Reporting Breach - Delay in Issuance of AR 2021 d) Disclosure Breach - Defaults in Payment e) Disclosure Breach - Disclaimer Opinion f) Disclosure Breach - PN17 First Announcement	Public Reprimand & Fine of RM250,000 for (a) and (b) collectively Public Reprimand & Fine of RM5,200 Public Reprimand & Fine of RM50,000 Public Reprimand & Fine of RM50,000 for (e) and (f) collectively
Total Fines			RM355,200

The findings of breaches and imposition of the above penalties on SERBADK and its directors were made pursuant to paragraph 16.19 of the Main LR upon completion of due process and after taking into consideration all facts and circumstances of the matter including the materiality of the breaches, impact of the breaches to SERBADK and shareholders/investors and the roles, responsibilities, knowledge, involvement and conduct/action/inaction of the directors.

Bursa Malaysia Securities views the contraventions seriously as timely and accurate disclosure of financial statements and material information are fundamental obligations of listed companies and are of paramount importance in ensuring an orderly and fair market for securities traded on Bursa Malaysia Securities and maintaining market integrity and investor confidence. Further, it is mandatory for listed companies and its directors to comply with the directive issued by Bursa Malaysia Securities. All directors (be it executive or non-executive) of listed companies must also ensure compliance of the Main LR and maintain the highest standards of integrity, accountability, corporate governance and responsibility to its shareholders and the investing public. There was a serious dereliction of duties by the Board of Directors (**BOD**) of SERBADK and corporate governance failures in view of the numerous breaches by SERBADK and the directors, particularly in failing to ensure proper and timely disclosure of material information and transparency to the market and compliance with the regulator's directive. Bursa Malaysia Securities will not hesitate to take enforcement actions against culpable directors who fail to discharge their duties (including newly appointed directors and notwithstanding the director's resignation) and thus permitted/caused the listed company to commit breaches of the Main LR.

BACKGROUND

I. Failure to announce the FFU immediately and in accordance with Bursa Malaysia Securities' Directive

On 2 July 2021, EY was appointed as the independent reviewer to undertake the Special Independent Review to assess the accuracy and veracity of the matters raised by SERBADK's former external auditors, KPMG PLT (**KPMG**) in the course of carrying out the annual statutory audit of SERBADK for the year ended 31 December 2020. The audit issues raised by KPMG concerned recognition of SERBADK Group's revenue, purchases, receivables, payables and materials on site balances which might adversely affect, to a material extent, the financial position of SERBADK Group. On 21 October 2021, the FFU pursuant to the Special Independent Review were presented by EY during a joint meeting with the representatives from Bursa Malaysia Securities and 3 Independent Non-Executive Directors (**INEDs**) of SERBADK.

The information contained in the FFU was clearly material to SERBADK's shareholders and investors which required immediate disclosure pursuant to paragraph 9.03 of the Main LR. However, despite being advised of the obligation to announce the FFU immediately on 21 October 2021 and the Directive to make an announcement of the FFU by 26 October 2021, SERBADK and the directors at the material time had refused to make an immediate announcement of the FFU and comply with the Directive. The Board of SERBADK had instead on 25 October 2021 announced, amongst others, that there was no document on the FFU given to the INEDs and any document or report from EY did not fall within paragraphs 9.03 and 9.35A of the Main LR and further agreed to file legal action against Bursa Malaysia Securities on 3 November 2021 as announced by SERBADK on 8 November 2021 (**SERBADK's OS**) which was an attempt to delay compliance with and defeat/stifle the Directive.

The refusal and continued refusal to disclose the FFU and comply with the Directive had led to the suspension in the trading of SERBADK's securities with effect from 2.30 p.m. on 22 October 2021 and necessitated Bursa Malaysia Securities to initiate legal action on 23 November 2021 (**Bursa's OS 535**) to enforce and give effect to the Directive. SERBADK had only announced the FFU on 21 April 2022 as required by the High Court's order dated 7 February 2022 in allowing Bursa's OS 535 and following the Court of Appeal's decision to dismiss SERBADK's stay application on 11 April 2022.

An aggravating fine was imposed on the Board (including the INEDs) at the material time who had blatantly disregarded the Main LR and the Directive in refusing to announce the FFU immediately and as directed by Bursa Malaysia Securities.

Two other directors, namely Abu Bakar and Noor Azri, who were only appointed on 25 November 2021, were also fined as they had a duty, but failed to ensure SERBADK make an immediate announcement of the FFU and rectify the blatant contravention of the Directive, particularly where the Directive had not been set aside and SERBADK did not procure any interim injunction against Bursa Malaysia Securities pending the outcome of SERBADK's OS. There was no evidence of any reasonable enquiry or step taken by them to ascertain and ensure that SERBADK announce the FFU particularly in view of Bursa's OS 535 which was served on SERBADK on 25 November 2021 and announced on 30 November 2021, after their appointment.

II. Financial Reporting Breach - Delay in Issuance of AR 2021

SERBADK's failure to issue the AR 2021 by the Extended Due Date was mainly due to the failure to provide the necessary, proper and complete information/documents to its external auditors, Nexia to facilitate and expedite the audit and the numerous outstanding and unresolved audit issues.

The Board had failed to discharge their duties to ensure timely issuance of the AR 2021 where they had essentially merely relied on the management to finalise the audit and failed to discharge their duty of supervision to ensure SERBADK provided the necessary, proper and complete information/documents to the external auditors.

Notwithstanding that Dato' Ilyas and Johan had resigned on 22 November 2021, prior to the Extended Due Date, they were not absolved particularly as they were aware during the Special BOD meeting on 18 November 2021 that only about 50% of the audit was completed, SERBADK was unable to issue the AR 2021 by the Extended Due Date and of the potential Disclaimer Opinion by Nexia in the AFS 2021.

In addition, the Board at the material time (including Abu Bakar and Noor Azri who were newly appointed 5 days prior to the Extended Due date) had agreed and allowed the delay in issuance of the AR 2021 during the Special BOD meeting on 30 November 2021 and further delayed the issuance of the AR 2021 only on 6 January 2022 even though the AFS 2021 had been approved by the Board on 22 December 2021.

Upon issuance of the AR 2021, SERBADK also made the PN17 First Announcement on the triggering of the prescribed criteria under paragraph 2.1(d) of PN17 as the external auditors had expressed a Disclaimer Opinion in the AFS 2021.

III. Financial Reporting Breach - Inaccurate QR 30 June 2021

SERBADK had reported an unaudited profit after tax and minority interest of RM759.980 million in the QR 30 June 2021 announced on 29 September 2021. However, SERBADK had subsequently reported an audited loss after tax and minority interest of RM175.839 million in the AFS 2021 announced on 6 January 2022 which represented a difference of RM935.819 million or 123% between the QR 30 June 2021 and AFS 2021.

The deviation was mainly due to the adjustments for under provision of impairment of trade receivables amounting to RM395 million and inventories write down amounting to RM552.6 million.

There was no reasonable explanation/evidence of any change in circumstances post announcement of the QR 30 June 2021 which justified the adjustments being made only in the AFS 2021 where -

- the impairment of trade receivables was made specifically for the customers highlighted by KPMG in relation to collection that had been identified as uncollectable and management had yet to obtain any certainty of the issues; and
- the inventories write down of RM550 million were in respect of the customers highlighted by KPMG and had been impaired without any reason.

The Board had merely and overly relied on the management to ensure the QR 30 June 2021 complied with the Main LR and failed to undertake independent assessment in approving the QR 30 June 2021. There was no reasonable basis for the directors to accept that the QR 30 June 2021 was indeed accurate and reliable or free from material misstatements particularly in view of: -

- (a) the materiality of the audit issues raised by KPMG which were unresolved and the Special Independent Review and audit were still pending; and
- (b) the directors' failure to scrutinise and vigilantly probe, question and challenge the management on the numerous audit issues raised by KPMG and/or in approving the QR 30 June 2021.

IV. Disclosure Breach - Defaults in Payment

SERBADK had delayed in making an immediate announcement of the defaults in payment of various credit facilities as set out in **Table 3** below:

Table 3

No.	Facilities	Borrower	Lender	Total amount outstanding of the defaulted credit facility (A)	Date of default	% of (A) over SERBADK's net assets	Date of announcement/disclosure (length of delay)
1.	USD300 million trust certificates (USD SUKUK)	SD International Sukuk Limited	Various sukuk holders	USD222,221,000 USD235,720,000	9 December 2021 9 May 2022	24.4% 39.3%	15 December 2021 (4 market days) 31 May 2022 (3 weeks)
2.	Master Murabahah Agreement	SERBADK	Syndicated Lenders	RM1,001,960,000 and USD 42,376.67 (the unpaid Facility Agent Annual Fee due on 17 December 2021)	20 December 2021	26.13%	10 May 2022 (4 months 3 weeks)
3.	Multi-currency Islamic Commercial Papers Programme of up to RM500 million (ICP Programme)	SERBADK	Amanahraya Investment Management Sdn Bhd	RM104,300,000	1 April 2022	3.96%	25 May 2022 (1 month 3 weeks)

SERBADK and the Board had failed to ensure an immediate announcement of the default in payment of the USD Sukuk despite the following: -

- the news articles by The Edge entitled “*Serba Dinamik Misses Coupon Payment for US\$300m Sukuk*” dated 11 November 2021 and “*Serba Dinamik Subsidiary Defaults on Bond Coupon Payment*” dated 10 December 2021; and
- the advice of the company secretary that SERBADK was required to make an immediate announcement once an event of default was triggered during the Special BOD meeting on 30 November 2021 and various engagements of Bursa Malaysia Securities.

In addition, SERBADK had only announced the defaults in payment under the Master Murabahah Agreement and the ICP Programme upon initiation of legal actions by the

lenders. This was unacceptable and in clear contravention of paragraph 9.19A(1) of the Main LR as a listed issuer must make an immediate announcement of default in payment upon occurrence of a default, irrespective of whether a demand has been made by the lender or negotiations with the lenders.

SERBADK was unable to provide Bursa Malaysia Securities a solvency declaration pursuant to paragraph 9.19A(4) of the Main LR upon the announcement of the default in payment of the USD Sukuk and had triggered the prescribed criteria under paragraph 2.1(f) of PN17.

The Board had failed to demonstrate that they had discharged their duty of supervision and taken reasonable steps, assessment and enquiries to ensure compliance with paragraph 9.19A(1) of the Main LR.

V. Disclosure Breach - Disclaimer Opinion & PN17 First Announcement

On 22 December 2021, the Board had approved the AFS 2021 and the external auditors had finalised and issued the Auditors' Report to the AFS 2021 containing the Disclaimer Opinion. As such, SERBADK was required to make an immediate announcement of the Disclaimer Opinion in accordance with paragraph 9.19(37) of the Main LR and had triggered the prescribed criteria under paragraph 2.1(d) of PN17 on 22 December 2021 where SERBADK was required to, amongst others, make the PN17 First Announcement in accordance with paragraph 8.04(3)(b) of the Main LR read together with paragraph 4.1(a) of PN17.

However, SERBADK had only announced the [Disclaimer Opinion](#) and made the [PN17 First Announcement](#) upon issuance of the AR 2021 (which included the AFS 2021 and the Auditors' Report) on 6 January 2022.

The Board had failed to undertake reasonable enquiries and/or independent assessment to ensure an immediate announcement of the Disclaimer Opinion and PN17 First Announcement was made upon the Board's approval of the AFS 2021 and finalisation of the Auditors' Report containing the Disclaimer Opinion on 22 December 2021 despite the numerous advice from the company secretary and the implication/materiality of the Disclaimer Opinion and the PN17 First Announcement. They had further agreed and allowed the announcement of the Disclaimer Opinion and PN17 First Announcement together with the notice of annual general meeting/issuance of the AR 2021 on 6 January 2022, which was in contravention of the clear requirements of paragraph 9.19(37) of the Main LR and paragraph 2.1(d) of PN17.

VI. Disclosure Breach - Material Litigations & Winding-Up Petition

SERBADK had also failed to make an immediate announcement of various litigations, the material developments arising from the litigations and the Winding-Up Petition. The litigations and Winding-Up Petition concerned the veracity of SERBADK's financials or financial condition and compliance with the Directive and material developments arising from the Defaults in Payment which were important to the shareholders and investors of SERBADK to facilitate informed investment decision.

The numerous failures (i.e. a total of 25 instances) to ensure timely announcement of the litigations and the material developments arising therefrom and the Winding-Up Petition (which also did not comply with the prescribed contents) were blatant

disregard of the Main LR and reflected poor governance of the company to ensure compliance of the Main LR.

Dato' Karim, the Group Managing Director and Chief Executive Officer and Datuk Nazim, the Executive Director who were primarily responsible for the finance function and/or liaising with the lawyers on the material litigations and Winding-Up Petition had failed to ensure the company's compliance with the Main LR. Further, they had failed to escalate the material litigations to the Board on a timely basis to enable/ensure proper deliberation, assessment and compliance with the Main LR.

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About Bursa Malaysia

Bursa Malaysia is an Exchange holding company incorporated in 1976 and listed in 2005, and has grown to be one of the largest bourses in ASEAN today. Bursa Malaysia operates and regulates a fully-integrated exchange offering a comprehensive range of exchange-related facilities, and is committed to *Creating Opportunities, Growing Value*. Learn more at www.bursamalaysia.com.

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ADDENDUM

I. Failure to announce the FFU immediately and in accordance with Bursa Malaysia Securities' Directive

- **Paragraph 9.03(1) of the Main LR** states that a listed issuer must make immediate public disclosure of any material information, except as set out in paragraph 9.05 of the Main LR.

Paragraph 9.03(2) of the Main LR provides that information is considered material, if it is reasonably expected to have a material effect on (a) the price, value or market activity of any of the listed issuer's securities, or (b) the decision of a holder of securities of the listed issuer or an investor in determining his choice of action.

- **Paragraph 2.23(1) of the Main LR** states that the Exchange may, from time to time, issue any instruction or directive to or impose any condition on an applicant, a listed issuer, a management company, a trustee, a trustee-manager its directors, officers, employees, advisers or any other person to whom these Requirements are directed and such person as aforesaid must comply with the said instruction, directive or condition and within such time as may be specified by the Exchange.

II. Financial Reporting Breach - Delay in Issuance of AR 2021

- **Paragraph 9.23(1) of the Main LR** states that a listed issuer must issue its annual report that includes annual audited financial statements together with the auditors' and directors' reports of the listed issuer, to the Exchange and shareholders within 4 months from the close of the financial year of the listed issuer.
- **Paragraph 9.28(1) of the Main LR** further states that a listed issuer must comply with the timeframes stated in paragraphs 9.22, 9.23, 9.44, 9.45, 9.48, 9.49, 9.54 or 9.55, or such extension of time granted by the Exchange.

III. Financial Reporting Breach - Inaccurate QR 30 June 2021

- **Paragraph 9.35A(1)(a) of the Main LR** states that a listed issuer must ensure that each public announcement and any circular issued to the securities holders of the listed issuer is factual, clear, unambiguous, accurate, succinct and contains sufficient information to enable securities holders and investors to make informed investment decisions.

IV. Disclosure Breach - Defaults in Payment

- **Paragraph 9.19A(1) of the Main LR** states that a listed issuer must immediately announce to the Exchange any default in payment of either interest, principal sums, or both, in respect of any credit facility or debt securities (whether listed or unlisted on the Exchange) by the listed issuer, or any of its subsidiaries or associated companies, as the case may be, irrespective of whether a demand has been made, where: -
 - (a) the total amount outstanding of the defaulted credit facility or debt securities, either singly or collectively, is 5% or more of the net assets of

the listed issuer based on the latest published or announced financial statements; or

- (b) the default in payment is reasonably expected to have a material effect on the price, value or market activity of any of the listed issuer's securities or the decision of the listed issuer's securities holder or investor in determining his choice of action.
- **Paragraph 9.19A(4) of the Main LR** states that where a listed issuer states that it is solvent ("Solvency Declaration") in the announcement to the Exchange under paragraphs 9.19A(1) or (2) of the Main LR, the listed issuer must ensure that its board of directors executes and submits to the Exchange the Solvency Declaration within 3 market days from the announcement date. For this purpose, a listed issuer is regarded as "solvent" if the majority directors have formed the opinion that the listed issuer will be able to pay all its debts as and when they fall due within the period of 12 months from the date of the announcement.
- One of the prescribed criteria under **paragraph 2.1(f) of PN17** is where there is a default in payment by a listed issuer, its major subsidiary or major associated company, as the case may be, as announced by a listed issuer pursuant to paragraph 9.19A of the Listing Requirements and the listed issuer is unable to provide a solvency declaration to the Exchange.

V. Disclosure Breach - Disclaimer Opinion & PN17 First Announcement

- **Paragraph 9.19(37) of the Main LR** states that a listed issuer must immediately announce to the Exchange any modified opinion or material uncertainty related to going concern in an external auditors' report. The announcement must set out the full details of such modified opinion or material uncertainty related to going concern and include the following:
 - (a) all key audit matters disclosed in the external auditors' report;
 - (b) steps taken or proposed to be taken to address those key audit matters that relate to the modified opinion or material uncertainty related to going concern; and
 - (c) the timeline for the steps referred to in sub-paragraph (b) above.
- **Paragraph 8.04(3)(b) of the Main LR** states that a PN17 Issuer (i.e. a listed issuer that triggers any of the prescribed criteria in relation to the financial condition of a listed issuer as defined in paragraph 8.04(2) of the Main LR) must provide such information as may be prescribed by the Exchange from time to time for public release.

One of the prescribed criteria under **paragraph 2.1(d) of PN17** is where the auditors have expressed an adverse or disclaimer opinion in the listed issuer's latest audited financial statements.

Paragraph 4.1(a) of PN17 states that pursuant to paragraph 8.04(3)(b) of the Main LR, a PN17 Issuer must announce to the Exchange on an immediate basis upon the PN17 Issuer triggering one or more of the prescribed criteria -

- (i) that the listed issuer is a PN17 Issuer pursuant to PN17;
- (ii) the listed issuer's obligations pursuant to PN17;
- (iii) the consequences of non-compliance with such obligations; and
- (iv) the status of the listed issuer's regularisation plan or the status of its endeavours to formulate such a plan, whichever is applicable, or where

neither a plan nor any endeavour to formulate such a plan has been undertaken, an appropriate negative statement to such effect.

VI. Disclosure Breach - Material Litigations & Winding-Up Petition

- **Paragraph 9.03(1) of the Main LR** states that a listed issuer must make immediate public disclosure of any material information and **paragraph 9.04(f) of the Main LR** provides that one of the examples of events which may require immediate disclosure by the listed issuer is the commencement of or the involvement in litigation and any material development arising from such litigation.
- **Paragraph 9.19(19)(a)(i) of the Main LR** states that a listed issuer must immediately announce to the Exchange any presentation of a winding-up in relation to a listed issuer which is a corporation, or its subsidiary or its major associated company. An announcement to the Exchange pertaining to the winding-up must include the information contained in Part C of Appendix 9A i.e.:
 - (a) The date of the presentation of the winding-up petition and the date the winding-up petition was served on the listed issuer, its subsidiary or major associated company, as the case may be.
 - (b) The particulars of the claim under the petition, including the amount claimed for under the petition and the interest rate.
 - (c) The details of the default or circumstances leading to the filing of the winding-up petition against the listed issuer, its subsidiary or major associated company, as the case may be.
 - (d) Where the winding-up is against a subsidiary, a confirmation as to whether the subsidiary is a major subsidiary.
 - (e) Where the winding-up is against a subsidiary or major associated company, the total cost of investment in such subsidiary or major associated company.
 - (f) The financial and operational impact of the winding-up on the group.
 - (g) The expected losses, if any arising from the winding-up.
 - (h) The steps taken and proposed to be taken by the listed issuer in respect of the winding-up proceedings.