

MATERIAL LITIGATION

BURSA MALAYSIA SECURITIES BERHAD VS SERBA DINAMIK HOLDINGS BERHAD ("SDHB" OR THE "COMPANY")

1. INTRODUCTION

The Board of Directors of SDHB wishes to inform that the Company, had on 25 November 2021, received an Originating Summons at the High Court of Malaya at Kuala Lumpur from Bursa Malaysia Securities Berhad ("**Bursa**").

2. PARTICULARS OF THE CLAIMS UNDER THE ORIGINATING SUMMONS ("OS")

The Originating Summons is to seek the following reliefs:

- i. A declaration that the Company has contravened or has breached and is in continuing contravention and breach of its binding obligations under the Main Market Listing Requirements ("**MMLR**") when it refused or failed to comply with the instructions or directive issued by the Plaintiff (*Bursa*) on 22.10.2021 to the Company pursuant to paragraph 2.23 (1) of the MMLR ("**Directive**") read together with paragraph 2.04 of the MMLR, namely, the Company was required but failed or refused to make a public announcement on or before 26.10.2021 for thorough public dissemination of the Factual Findings Update as at 30.9.2021 ("**Factual Findings Update**") prepared by Ernst & Young Consulting Sdn Bhd ("**EY**"), the independent reviewer ("**IR**") appointed by the Company, to carry out a special independent review ("**SIR**") of the financial affairs of the Company for the year ended 31.12.2020, and pursuant to which the Factual Findings Update was prepared by EY.
- ii. An order that the Company makes a public announcement of the Factual Findings Update of EY following its SIR pursuant to paragraph 2.23(1) of the MMLR within 2 clear days from the date of this order.
- iii. An order that the public announcement of the Factual Findings Update shall contain the statements set out in 3(a), 3(b), 3(c)(i),(ii)(iii) and (iv), 3(d), 3(e), 3(f) and 3(g) below.
 - (a) On 14.6.2021, EY was appointed by the Company as the IR to carry out the SIR to assess the accuracy and veracity of the matters raised by the Company's former external auditors, KPMG PLT ("**KPMG**"), pertaining to, and in the course of carrying out, the annual statutory audit of the Company for the year ended 31.12.2020.
 - (b) The matters raised by KPMG formed the subject matter of a report issued by KPMG under s. 320 of the CMSA dated 5.5.2021 ("**s.320 Report**") to the Securities Commission Malaysia ("**SC**") and the Plaintiff. The s320 Report relates to the recognition by the Company and its subsidiaries of its revenue, purchases,

receivables, payables and materials on site balances which may adversely affect to a material extent the financial position of the Company and its subsidiaries for the year ended 31.12.2020.

The scope of SIR undertaken by EY

- (c) The defined parameters of the SIR undertaken by EY comprises of 4 scopes. Th 4 scopes which were agreed upon between the Plaintiff, EY and the Company are as set out below.
1. Scope 1: To assess the validity and veracity of the transactions and balances highlighted by KPMG in the s. 320 Report in respect of 11 identified customers on sales transactions, trade receivables and materials on site and to quantify the possible financial impact, if any.
 2. Scope 2: to assess the validity and veracity of the Company's purchases from 6 identified local suppliers highlighted by KPMG in the s. 320 Report.
 3. Scope 3: To assess the validity and veracity of the IT contracts/ transactions entered into with 6 identified customers and 2 identified suppliers highlighted by KPMG in the s.320 Report and to assess the appropriateness of the revenue and costs recognized in the financial year in relation to the identified customers and suppliers.
 4. Scope 4: To assess the existence (where possible) and validity of the transactions and balances of 1 identified customer and 1 identified supplier located in Bahrain highlighted by KPMG in the s. 320 Report.

The updated factual findings of EY pursuant to the SIR

- (d) In relation to Scope 1, in respect of in respect of the highlighted concerns raised by KPMG in the s 320 Report concerning 11 identified customers of the Company, EY, following investigations, casts doubt on the veracity of the transactions with the 11 identified customers. The total sum involving the 9 out of the 11 identified customers are in excess of RM435 million.
- (e) In relation to Scope 2, in respect of the highlighted concerns raised by KPMG in the s 320 Report concerning 6 identified local suppliers, EY, following investigations, raised concerns on the veracity of the transactions with the 6 identified local suppliers. The recorded transactions and other amounts are in excess of RM638 million.
- (f) In relation to Scope 3, in respect of the highlighted concerns raised by KPMG in the s 320 Report concerning the veracity of IT contracts entered into by the Company's subsidiary, SDIT International Limited, with 6 identified customers and 2 identified suppliers and the inability of KPMG to determine the appropriateness of the contracts / transactions and to ascertain the appropriateness of the revenue and cost recognised, EY, following investigations, found anomalies with respect to the contracts with 5 of the identified customers and 1 of the identified suppliers. In addition, EY in conducting the SIR also found anomalies with respect to other customers and suppliers not identified by KPMG. The total sum involved is in excess of USD 76 million.

- (g) In relation to Scope 4, in respect of the highlighted concerns raised by KPMG in the s 320 Report in relation to 1 identified customer and 1 identified supplier in Bahrain, EY, following investigations, found that the Bahrain customer could be related to the Company and that EY also casts doubt with respect to the veracity of the transactions with the Bahrain supplier. Invoices and delivery orders of the Bahrain customer is in excess of USD 12 million.
- iv. An order directing the Company to include in the same public announcement the impact of the Factual Findings Update of EY pursuant to the SIR in the aggregate sum of RM1.073 billion and USD 88 million (making a total of RM1.438 billion, calculated as at 22.10.2021, being the date of the Directive) on the business, financial status and operations of the Company.
- v. An order directing the Company to include in the same public announcement:
 - (a) the impact of the Factual Findings Update of EY pursuant to the SIR on the Company's business, financial status and operations of the Company;
 - (b) the course of action or steps, which the Company proposes to take in order to address the Factual Findings Update of EY pursuant to the SIR; and
 - (c) the timeline required by the Company to carry out and complete each of the proposed course of action or steps.
- vi. An order directing the Company to complete the SIR with EY, and in the event of the premature resignation of EY to continue as IR, or termination of EY as IR by the Company, an order directing the Company to appoint an independent reviewer with international affiliation, which has adequate experience and resources and with a presence in Bahrain and such other overseas locations, where the customers and suppliers which were highlighted by KPMG are located, to replace EY as IR within 14 market days from the date of this order, to complete the SIR.
- vii. An order directing the Company, its agents or servants to furnish bi-weekly written updates of the SIR to the Plaintiff, whether formally demanded or not by the Plaintiff.
- viii. Costs on an indemnity basis;
- ix. Such further and/or other relief and/or directions as this Honourable Court deems fit.

3. STEPS TAKEN AND/OR PROPOSED TO BE TAKEN IN RESPECT OF THE SUIT

The Company sought legal advice and will be defending the suit vigorously.

On 26.11.2021, the Company filed an application to redact the Factual Findings Update and the relevant paragraphs in the affidavit in support that made reference to the Factual Findings Update.

On 29.11.2021, the Court presiding over the OS directed that the affidavit(s) which contain the Factual Findings Update be locked out from the court system for view and/or download by all parties except for Court. In the event that cannot be done, all the cause papers filed herein to be locked out from the Court system for view and/or download by all parties except for Court.

The Company will make further announcement as and when there are material developments on the above matter.

The Court has fixed the hearing of the OS on 3.1.2022 and a case management on 10.12.2021 for parties to update the Court on the status of the OS brought by the Company against Bursa.

4. FINANCIAL AND OPERATIONAL IMPACT ON THE COMPANY

Apart from the potential damages to be assessed and costs which may be awarded against Bursa and the corresponding legal costs, the OS is not expected to have any other material financial impact on the Company for the financial year ending 30 June 2022.

The OS is not expected to have any business and operational impacts on the Company.

This announcement is dated 30 November 2021.