

INTRODUCTION

Pursuant to paragraph 9.19(37) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of Sealink International Berhad (“the Company”) wishes to announce that the Company’s Independent Auditors, Messrs. Grant Thornton Malaysia PLT has issued an audit opinion with the existence of an uncertainty related to going concern in view of the current economic conditions and the Covid-19 pandemic in the Auditors’ Report for the financial statements of the Company for the financial year ended 31 December 2021.

Material uncertainty related to going concern

“We draw attention to Note 2 to the Financial Statements which indicates that the Group and the Company had incurred net loss of RM65,369,312 and RM107,997,982 respectively during the financial year and as of that date, the total current liabilities of the Group and of the Company exceeded their total current assets by RM68,578,990 and RM8,873,944 respectively. This note also indicates that the COVID-19 outbreak has brought uncertainties to offshore marine sector. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Group’s and the Company’s ability to continue as a going concern. The ability of the Group and of the Company to continue as a going concern is dependent on the success of future operations of the Group and of the Company and the continue financial support from their bankers and a major corporate shareholder. Our opinion is not modified in respect of this matter.”

(A) ALL KEY AUDIT MATTERS DISCLOSED IN THE INDEPENDENT AUDITORS’ REPORT

“Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors’ responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Group

Impairment of vessels

The risk –

In view of the depressed economic conditions in the offshore marine sector, the carrying amount of the Group’s vessels might exceed their recoverable amounts and therefore the carrying amount had to be impaired.

We have identified the aforesaid carrying value of the Group’s vessels as a key audit matter because of its significance to total assets in the consolidated financial statements and the estimation of recoverable amount involved a significant degree of judgement and assumptions

made by the Group such as estimated fair value of the vessels as provided by an external valuer and estimated future cash flows for value-in-used which includes the assumptions on utilisation rates, disposal values, charter hire rates and discount rates applied.

Our response –

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- obtained an understanding on the management's assessment on the recoverability of the vessels and evaluated the appropriateness of the methodology and approach applied.
- evaluated and interviewed the external valuer on his competence, capabilities and objectivity and obtained an understanding of the valuation model used.
- compared the valuation with recent transactions of the Group involving other similar vessels
- evaluated adequacy of the Group's disclosures regarding the impairment of vessels as disclosed in Notes 3.6.1, 4.2, 4.4 and 5 to the Financial Statements.

Company

Impairment of investment in subsidiaries

The risk –

We identified the carrying amount of the Company's investment in subsidiaries as a key audit matter as it is significant to the total assets of the financial statements of the Company and it required significant judgements in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the impairment and recoverability on the investment in subsidiaries. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

Our response –

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- assessed the management's assessment on indicators of impairment of investment in subsidiaries.
- assessed the fair value of net tangible assets of the subsidiaries by taking into consideration of the valuation of their assets in subsidiaries.
- assessed the key assumptions used, focusing on projected revenue and related expenses, charter rates, revenue growth rates and residual value of vessels, taking into consideration the current and expected future economic conditions.
- assessed the discount rate used by benchmarking to industry and market data.

Information other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.”

(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

The Directors have taken various measures to streamline the Group's operations and will continue to actively monitor and manage its funds to enable the Group to maintain safety and quality services and remain competitive. Amongst others, the Group has increased bidding opportunities and secured several chartering contracts and disposed of certain vessels subsequent to the financial year end.

(C) THE TIMELINE FOR THE STEPS REFERRED TO IN SUB-PARAGRAPH (B) ABOVE

No plans required as not applicable.

This announcement is dated 14th day of April 2022.