

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 in the Auditors’ Report of the financial statements of the Company for the financial year ended 31 December 2022.

Material uncertainty related to going concern

“We draw attention to Note 2 to the Financial Statements which indicates that the Group incurred net loss of RM20,174,901 during the financial year and as of that date, the total current liabilities of the Group exceeded its total current assets by RM49,903,403. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Group’s ability to continue as going concern. The ability of the Group to continue as a going concern is dependent on attaining future profitable operations of the Group and the continue financial support from a major corporate shareholder of the Company. 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 –

The carrying amount of the Group’s vessels might exceed their recoverable amounts and therefore the carrying amount had to be impaired. The recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use.

We have identified the 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 and amount due from subsidiaries

The risk –

We identified the carrying amount of the Company's investment in subsidiaries and amount due from 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 and amount due from subsidiaries.

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 and amount due from 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

2022 has been a year of commendable growth for the Group with our revenue surging by about 72%. The Group successfully secured several long-term charter contracts and witnessed a surge in utilisation rates and average charter rates. The Group has also successfully grown its customer base over the past year. This is evidenced by the significant growth in operational performance. The Group expects FYE 2023 to be promising and is looking forward to secure more new charters. We have already embarked on initiatives to enhance our bidding competitiveness. These will augment our business and operational resilience and help us deliver projects in line with our customers’ needs and expectations. We believe that our focused efforts will drive better results for the Group moving forward.

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

No plans required as not applicable.

This announcement is dated 12th day of April 2023.