



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

(Registration No.: 197501003884 (25583-W))

(Incorporated in Malaysia)

SUBJECT: AUDIT REPORT- MODIFIED OPINION

QUALIFIED OPINION

The Board of Directors of Sarawak Consolidated Industries Berhad (“SCIB” or “the Company”) wishes to announce that Nexia SSY PLT, the Company’s External Auditors, had expressed a qualified opinion on the Company’s Audited Financial Statements for the financial year ended 30 June 2022 (“AFS”) in respect of the matters arising from previous financial year ended 30 June 2021.

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company hereby sets out below the full details of the qualified opinion expressed on the Audited Financial Statements of the Company for year ended 30 June 2022 under the Independent Auditors’ Report on page 205 of the 2022 Annual Report of the Company:

A. DETAILS OF THE QUALIFIED OPINION DISCLOSED IN THE EXTERNAL AUDITORS’ REPORT

“Qualified Opinion

We have audited the financial statements of Sarawak Consolidated Industries Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 131.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

Matters arising from previous financial period ended 30 June 2021

Our independent auditors' report dated 30 December 2021 contains a qualified opinion on the financial statements for the previous financial period ended 30 June 2021 and the basis for our qualified opinion is as disclosed in Note 35.8 to the financial statements. Consequently, the matters referred in our qualifications for the financial period ended 30 June 2021 are included in the opening balances for the financial year ended 30 June 2022. We were unable to satisfy ourselves that the subsequent transactions, if any affecting these balances, that they do not contain material misstatements that materially affect the current period's financial statements. We are therefore unable to satisfy ourselves in respect of the following assertions and obtain sufficient appropriate audit evidence to determine whether the following do not contain material misstatements:

- (a) The accuracy, existence and completeness of trade receivable balances in relation to foreign project owners' as at 1 July 2021 of the Group and the Company amounting to RM60,673,723 and RM11,857,355 respectively as disclosed in Note 11 to the financial statements; and*
- (b) The accuracy and correctness of accumulated losses balance as at 1 July 2021 of the Group and the Company amounting to RM53,920,051 and RM38,106,746 respectively.*

As disclosed in Note 35.7 to the financial statements, the status of EPCC contracts have further developed to the extent that the termination clause of the Settlement Agreements have been triggered with the non-payment of the instalment due by 30 June 2022. Nonetheless, on 20 September 2022, Novation Agreements were entered into with the same parties and the Group and the Company had novated their liabilities due to the Sub-contractors, to the Project Owners ("Employer"). The Group's legal representative has agreed to be appointed as stakeholder for the purpose of payment, execution and/or administration of the Novation and Settlement Agreements.

Our opinion on the current year's financial statements of the Group and of the Company is also qualified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

B. STEPS TAKEN OR PROPOSED TO BE TAKEN TO ADDRESS THOSE AUDIT MATTERS PERTAINING TO THE MODIFIED OPINION

The Qualified Opinion for the financial year ended 30 June 2022 is in relation to the matters arising from previous financial period ended 30 June 2021. We do not foresee the audit matters pertaining to the qualified opinion shall be carried forward to next year. There is no financial impact in particular to the Trade Receivables balances in respect to the foreign project owners, which have been fully impaired in the financial statements for the financial year ended 30 June 2022.

C. TIMELINE FOR THE STEPS MENTIONED IN SECTION B

Barring any unforeseen circumstances, the Company do not foresee the audit matters pertaining to the previous year's qualified opinion to be extended to the subsequent financial years.

Date of Announcement : 8 November 2022