

COMINTEL CORPORATION BHD (“Comcorp” or “the Company”)  
Qualified Opinion on the Audited Financial Statements for the Financial Year Ended  
31 January 2019

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of the Company wishes to announce that the Company’s External Auditors, Messrs RSM Malaysia had expressed the following qualified opinion in the Company’s Audited Financial Statements for the financial year ended 31 January 2019.

Qualified Opinion

We have audited the financial statements of Comintel Corporation Bhd, which comprise the statements of financial position as at 31 January 2019 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 90.

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 31 January 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 January 2018 were audited by another firm of chartered accountants whose report dated 16 May 2018 expressed an unmodified opinion.

Basis for Qualified Opinion

We draw attention to notes to the financial statements, which state the following:

- (a) As disclosed in note 35(a), on 25 January 2018 and 26 January 2018, the directors announced that the Company had triggered Paragraph 8.03A of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and is classified as an affected listed issuer. The Company is required to submit a proposed regularisation plan for the Group and the Company (“Regularisation Plan”) to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe.

The Company submitted an application for an extension of time seeking approval for an extension of time for the Company to comply with Paragraph 5.0 of Practice Note 17 (“PN17”) of the MMLR as the Company had yet to finalise the Regularisation Plan for submission to the relevant authorities for approval. On 22 February 2019, Bursa Malaysia granted the Company an extension of time up to 24 July 2019 for the submission of the Regularisation Plan.

On 28 March 2019, the directors announced that the Company had further triggered Paragraph 2.1(a) of PN17 of the MMLR of Bursa Malaysia.

- (b) As disclosed in note 35(b), Comintel Sdn Bhd (“Comintel”) is unable to pay RM20,833,053 with interest at 8% per annum to Ansat Broadcast Sdn Bhd (formerly known as U Television Sdn Bhd or “UTV”) as ordered by the Federal Court on 18 August 2017. On 17 April 2019, the Shah Alam High Court has allowed the winding-up petition by UTV against Comintel and Mr Augustine A/L T.K. James of Messrs James & Co was appointed as Comintel’s liquidator.

Due to the impending winding up of Comintel, the financial statements of Comintel for the financial year ended 31 January 2019 is prepared on break up basis.

- (c) The financial statements of Comintel Green Technologies Sdn Bhd (“CGT”) for the financial year ended 31 January 2019 have been prepared on break up basis as CGT has not been operating at a capacity sufficient to generate profits during the financial year. As at the date of this report, CGT is only generating minimal revenue for the Group.

The abovementioned events and conditions indicate the existence of multiple uncertainties which may cast significant doubt about the ability of the Group and of the Company to continue as a going concern.

The ability of the Group and of the Company to carry on a going concern, amongst others, is dependent upon the following:

- (i) The timely and successful formulation and implementation of the key components of the Regularisation Plan; and
- (ii) The ability of the Group and of the Company to achieve sustainable and viable operations with adequate cash flows generated from their operating activities.

In the event that these are not forthcoming, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Accordingly, the financial statements of the Group and of the Company may require adjustment to restate the carrying amounts of the assets to their recoverable amounts and to provide further liabilities that may arise.

The financial statements of the Group and of the Company do not include any adjustments and classification relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concern, other than the assets and liabilities of Comintel and CGT that are stated on break up basis in the consolidated financial statements of the Group.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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.

## Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By- Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

## 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 Directors’ Report and Statement on Risk Management and Internal Control 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.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<u>Material litigation</u>  Refer to note 31 Material Litigation  On 18 August 2017, the Federal Court of Malaysia had allowed the appeal by Ansar Broadcast Sdn Bhd (formerly known as U Television Sdn Bhd or	The details of our work performed are as follows:  (a) reviewed the legal expenses incurred during the financial year and sent letters to the solicitors providing legal services to the Group’s entities, inquiring about litigations and actual

<p>“UTV”) and Tan Sri Dato’ Seri Vincent Tan on a litigation brought by Comintel Sdn Bhd (“Comintel”) and allowed a counter claim of RM20,833,053 by UTV and Tan Sri Dato’ Seri Vincent Tan against Comintel together with interest at 8% per annum with effect from the same date.</p> <p>On 7 March 2019, the Federal Court had dismissed Comintel’s application to review the Federal Court’s earlier order dated 18 August 2017.</p> <p>Subsequently, on 17 April 2019, the Shah Alam High Court allowed the Winding Up Petition (“Petition”) and that Comintel is to be wound up under the provision of the Companies Act 2016 and Mr. Augustine A/L T.K. James of James &amp; Co is appointed as Comintel’s liquidator.</p> <p>Whether a liability or contingent liability is recognised or disclosed in the financial statements is inherently uncertain and is dependent on a number of significant assumptions and judgements. The amounts involved are potentially significant and to determine the amount to be recognised or disclosed in the financial statements, is inherently subjective</p>	<p>or potential claims and disputes;</p> <p>(b) assessed the responses received to the above inquiries;</p> <p>(c) read minutes of meetings of the board of directors’ and audit committees of the Group’s key entities, and also inspected correspondences with regulators;</p> <p>(d) critically assessed the Group’s assumptions and estimates in respect of claims, including the liabilities recognised or contingent liabilities disclosed in the financial statements. Assessment of the probability of negative result of litigation and the reliability of estimates of related obligation;</p> <p>(e) assessed whether the Group’s disclosures detailing significant legal and regulatory proceedings adequately disclosed the potential liabilities of the Group; and</p> <p>(f) assessed and followed through with the Petition and status of the realisation of assets and liabilities of Comintel.</p>
<p><u>Impairment of property, plant and equipment</u></p> <p>Refer to note 6 Property, Plant and Equipment</p> <p>The Group is required to perform an impairment test on cash generating units (“CGUs”) whenever there is an indication that the CGU may be impaired.</p> <p>The Waste-to-Energy segment of the Group has not been operating at a capacity sufficient to generate profits during the financial year.</p>	<p>The details of our work performed are as follows:</p> <p>(a) evaluated the competency, capabilities and objectivity of the independent valuers which included the consideration of their independence, qualification and experience;</p> <p>(b) understand the scope and purpose of the valuation by reading the correspondences with the independent valuers and their valuation report;</p>

<p>In view of the significant losses incurred during the current financial year, there is indication that the carrying amount of these plant and equipment may not be recoverable.</p> <p>Accordingly, the Group estimated the recoverable amount of the plant and equipment by performing an impairment assessment in the current financial year to estimate the recoverable amount of these assets with reference to the valuation performed by independent valuers.</p>	<p>(c) read the valuation report and discussed with the independent valuers on their valuation approach and the significant judgements made; and</p> <p>(d) performed mathematical calculation of the impairment assessment.</p>
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**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 the timeline**

- (1) As per our announcements dated 3 May 2019 and 3 June 2019, the Company is targeting to submit the Regularisation Plan to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 10 July 2019.
- (2) For our Green Waste Management and Waste-to-Energy segment, we are increasing our efforts to source for alternative raw materials and/or suppliers to increase the quantity of raw materials supply to the plant to enable the plant to operate at an optimum level.

This announcement is dated 13 June 2019.