

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD**Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)**Report on the Audit of the Financial Statements****Disclaimer of Opinion**

We were engaged to audit the financial statements of FSBM Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, and the statements of 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 13 to 61.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion****A. Opening Balances**

Reference is made to our audit reports dated 27 May 2021, 27 July 2020 and 30 December 2019 in respect of the financial statements for the financial year ended 31 December 2020, financial period ended 31 December 2019 and for the financial year ended 30 June 2018 (and on the opening balances as at 1 July 2017) respectively, whereby a disclaimer of opinion was expressed.

We were unable to confirm or verify by alternative means the opening balances making up the statements of financial position due to matters mentioned in the disclaimer of opinion expressed on the financial statements for the financial year ended 30 June 2018, for the financial period ended 31 December 2019 and for the financial year ended 31 December 2020, the details of which were described in the previous audit reports.

During the financial year, the Directors of the Company and its subsidiaries had conducted a review of the assets, liabilities and equity of the Group and of the Company as majority of these balances have been outstanding and/or without movement for many years. Following the review, the details of which are stated in the respective notes to the financial statements, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the statement of comprehensive income for the current financial year ended 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, we were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the current financial year or to prior financial years.

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**Basis for Disclaimer of Opinion (cont'd)****B. Going Concern**

As disclosed in Note 2(e) to the financial statements, the financial statements of the Group and the Company have been prepared on the assumption that the Group and the Company will continue as going concern.

The following events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as going concern:

- (a) On 17 October 2019, the Board of Directors of the Company announced that the Company has triggered Paragraph 8.03A(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") whereby the Group and the Company have an insignificant business or operations and accordingly, the Company was classified as an affected listed issuer ("Affected Listed Issuer").
- (b) On 30 December 2019, the Board of Directors of the Company announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") under the MMLR of Bursa Securities. Hence, as of the date hereof, the Company is considered as a PN17 company.
- (c) On 26 March 2020, Bursa Securities has accorded additional relief measures to listed issuers, amongst other, a longer timeframe for listed issuers which trigger the criteria under Paragraphs 8.03A or 8.04 (Practice Note 17) of the MMLR and to announce the criteria under Paragraph 4.1(a) in Practice Note 17 of the MMLR to submit their regularisation plans to the Securities Commission Malaysia or Bursa Securities.
- (d) During the financial year ended 31 December 2021, the Group and the Company incurred net losses of RM9,270,000 and RM915,000 respectively, and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM5,307,000 and RM12,444,000 respectively, and the Group and the Company had a deficit in shareholders' equity of RM2,854,000 and RM12,084,000 respectively.

On 15 October 2021, the Board of Directors have announced their proposed regularisation plan ("Regularisation Plan"), which is summarised below:

- (i) a proposed shares issuance of 60.0 million new ordinary shares in FSBM ("FSBM Shares" or "Shares") ("Subscription Shares") representing approximately 30% of FSBM's enlarged issued shares after the shares issuance to the subscribers ("Proposed Shares Issuance");
- (ii) the proposed disposal of the following subsidiaries:
  - FSBM CTech Sdn. Bhd. ("CTech"), a wholly-owned subsidiary of FSBM; and
  - Unos Sdn. Bhd. ("Unos"), a wholly-owned subsidiary of FSBM,for a total cash consideration of RM2.0 million ("Proposed Disposals");

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**Basis for Disclaimer of Opinion (cont'd)**

**B. Going Concern (cont'd)**

On 15 October 2021, the Board of Directors have announced their proposed regularisation plan ("Regularisation Plan"), which is summarised below: (cont'd)

- (iii) a proposed renounceable rights issue of up to 250,006,290 new FSBM Shares on the basis of 1 rights share ("Rights Shares") for every 1 existing FSBM Share held, together with up to 125,003,145 free detachable warrants ("Warrants") on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later ("Proposed Rights Issue with Warrants"); and
- (iv) A proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Companies Act, 2016 ("Act") to reduce the share capital of the Company ("Proposed Capital Reduction"),

As at the date of this report, the Company is pending to submit the formal Regularisation Plan to the relevant authorities to address its affected listed issuer status in compliance with Paragraph 4.1(c) of PN17.

The ability of the Group and of the Company to continue as going concern is highly dependent on the successful submission, approval, and subsequent implementation of the Regularisation Plan of the Group and of the Company to restore their financial positions and to achieve sustainable and viable operations.

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the Regularisation Plan not be approved or not materialise, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

Moreover, as at the date of this report, we were unable obtain sufficient appropriate audit evidence to evaluate the appropriateness of management's use of the going concern basis of accounting for the Group and the Company. Therefore, we were unable to form an opinion as to whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and of the Company is appropriate.

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**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are also responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Group's and of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Group and of the Company.

*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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

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**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that in our opinion:

- (a) the accounting and other records for the matters as described in the *Basis for Disclaimer of Opinion* section have not been properly kept by the Company in accordance with the provision of the Act;
- (b) because of the auditors' reports on the financial statements of a subsidiary contain disclaimer of opinion as disclosed in Note 9 to the financial statements, we are unable to report whether we are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group; and
- (c) we have not obtained all the information and explanations that we required as described in the Basis for Disclaimer of Opinion.

The subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

**Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.



MOORE STEPHENS ASSOCIATES PLT  
201304000972 (LLP0000963-LCA)  
Chartered Accountants (AF002096)

Petaling Jaya, Selangor  
Date: 14 April 2022



CHUAH SOO HUAT  
03002/07/2022 J  
Chartered Accountant