

**AVILLION BERHAD (“AVILLION” OR “COMPANY”)
ISSUANCE OF QUALIFIED OPINION IN RESPECT OF AVILLION'S AUDITED FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Avillion Berhad (“the Company”) wishes to announce that the Company’s External Auditors, Messrs.’ Baker Tilly Monteiro Heng PLT had expressed the following qualified opinion in the Company’s Audited Financial Statements for the financial year ended 31 March 2021.

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

The details of qualified opinion as disclosed in the Independent Auditors’ Report is reproduced below:-

Qualified Opinion

We have audited the financial statements of Avillion Berhad, which comprise the statements of financial position as at 31 March 2021 of the Group and of the Company, 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 7 to 107.

In our opinion, except for the possible effects of the matter 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 March 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis For the Qualified Opinion

As disclosed in Note 5(e) to the financial statements, included in property, plant and equipment of the Group as at 31 March 2021 are freehold land and buildings carried at valuation amounted to RM19.451 million. The Group’s policy is to measure the freehold land and buildings at fair value, based on valuations performed by external independent valuers with sufficient regularity to ensure that the fair value of the freehold land and buildings does not differ materially from the carrying amount as disclosed in Note 3.5(a) to the financial statements.

As disclosed in Note 2.7 and Note 5(e) to the financial statements, the Group is reducing the operating costs following the re-calibration of the Group’s operating structure by right sizing the workforce and opt for furloughs its workers without sacrificing the quality of services during COVID-19 outbreak. In addition, the Group is avoiding incurrance of non-operating cost such as valuation cost to maintain sufficient cash flow for the Group’s operation. Therefore, the Group did not engage external independent valuers to determine the fair value of freehold land and buildings in the current financial year.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on the fair value of the freehold land and buildings in property, plant and equipment as at 31 March 2021. Therefore, we could not determine, the effect of adjustment, if any, on the financial position of the Group as at 31 March 2021 or on its financial performance for the financial year then ended.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.7 to the financial statements, which disclosed that the Group and the Company incurred a net loss of RM14.201 million and RM16.317 million respectively during the financial year ended 31 March 2021 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM2.519 million and RM53.909 million respectively thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

B. STEPS TAKEN OR PROPOSED TO BE TAKEN TO ADDRESS THE KEY AUDIT MATTERS THAT RELATES TO THE QUALIFIED OPINION

The Group had performed an internal assessment based on the value of the land and building within the vicinity and did not expect significant change in the fair value as compared with the carrying amount of the freehold land and buildings despite the prevailing impact of COVID-19 outbreak on the hospitality industry. Moving forward, the Group hopes the business situation will improve and will engage external independent valuer to value the property.

C. STEPS TAKEN OR PROPOSED TO BE TAKEN TO ADDRESS THE MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Group and the Company have implemented certain measures to weather through the challenging time, among which:

I. Working capital management

Manage burn rate by implementing various cost containment and optimisation exercise which includes:

- a) Right sizing of manpower and flattening of structures;
- b) Negotiation for the waiver and discount of lease rentals in arrears as well as reducing future lease rates;
- c) Operation cost containment by limiting spending within budgeted limit whilst maintaining standard and excellence in service; and
- d) To reduce and avoid non-essential operating expenses.

II. Fund raising and management

- a) Subsequent to the financial year end, the Group has completed 2 tranches of private placement of 98.4 million ordinary shares in total, raising total proceeds of RM11.8 million. The Group will raise more funds through private placement at appropriate time;
- b) Disposal of low or non-yielding land bank;
- c) Intensify sales and marketing efforts to sell the remaining units from the current development project and completed properties; and
- d) Continuous financial support from the bankers.

D. TIMELINE

Barring any unforeseen circumstances, the Company expects to resolve the abovementioned issues relating to the qualified opinion in the subsequent financial year.

E. ALL KEY AUDIT MATTERS DISCLOSURE IN THE EXTERNAL AUDITORS' REPORT

For details on the key audit matters, please refer to the Independent Auditors' Report as attached.

This announcement is dated 30 August 2021.