

**AVILLION BERHAD (“AVILLION” OR “COMPANY”)
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF AVILLION BERHAD**

Report on the Audit of Financial Statements

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 of 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 incurrence 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.

Basis of Qualified Opinion (continued)

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.

Independence and Other Ethical Responsibilities

We are independent 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 the IESBA Code.

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.

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. As described in the Basis for Qualified Opinion section above, we were unable to perform appropriate audit procedures to obtain sufficient and appropriate audit evidence that we considered necessary in relation to the fair value of the freehold land and buildings during our audit of the financial statements of the Group. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

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 of 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 Basis of Qualified Opinion, we have determined the matters below to be the key audit matters to be communicated in our report.

Group

Right-of-use assets (Note 6 to the financial statements)

The Group has significant balances of right-of-use assets relating to its hotel operations. The recent Movement Control Order (“MCO”) has adversely affected the hotel’s operating assets. This indicates that the right-of-use assets may be impaired. As such, there is risk the future performance of these assets may not lead to carrying values being recoverable in full. The Group has performed an impairment assessment to estimate the recoverable amount of these assets which involved significant judgement.

Our audit response:

Our audit procedures included, among others:

- reviewing the valuation methodology on recoverable amount adopted by the Group in accordance with the requirements of MFRS 136 *Impairment of Assets*;
- obtaining the external valuation reports and discussed with the external valuers about the results of their work;
- understanding the methodologies used by the external valuer to estimate market values; and
- testing the mathematical accuracy of the impairment assessment.

Key Audit Matters (continued)

Group (continued)

Inventories (Note 11 to the financial statements)

The Group has significant balances of completed properties and properties held for development as at 31 March 2021. We focused on this area because the assessment of the net realisable value of these completed properties and properties held for development requires the application of significant judgements made by the directors.

Our audit response:

Our audit procedures included, among others:

- understanding the assumption used by the directors in determining the value of properties held for development; and
- comparing the recent listed selling prices and transacted prices of comparable properties.

Revenue and corresponding costs recognition for property development activities (Note 22 and Note 23 to the financial statements)

The amount of revenue of the Group's property development activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The performance obligation is determined by the survey of work performed and is determined by the architects and engineers for the stage of completion. We focused on this area because significant Group's judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events.

Our audit response:

Our audit procedures included, among others:

- understanding the Group's process in the calculation of the progress towards complete satisfaction of performance obligation;
- comparing the reasonableness of computed progress towards complete satisfaction of performance obligation for identified projects against architect or consultant certificate; and
- checking the mathematical computation of recognised revenue and corresponding costs for the projects during the financial year.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

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 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- (a) we have not acted as auditors of the subsidiaries as disclosed in Note 10 to the financial statements;
- (b) the accounting and other records for the matters as described in the Basis for Qualified Opinion section have not been properly kept by the Company in accordance with the provision of the Act; and
- (c) we have not obtained all the information and explanations that we required for the matters described in Basis for Qualified Opinion.

Other Matters

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.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Ong Teng Yan
No. 03076/07/2023 J
Chartered Accountant

Kuala Lumpur

Date: 30 August 2021