

Independent Auditors' Report

To the members of Vivocom Intl Holdings Berhad
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **VIVOCOM INTL HOLDINGS BERHAD**, which comprise the statements of financial position as at 30 June 2020 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 115.

In our opinion, 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 2020, and of their financial performance and their cash flows for the financial period 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 Opinion

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 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' 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.

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 for the current financial period. 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.

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill on consolidation</p> <p>The carrying value of goodwill on consolidation as at 30 June 2020 is RM146,412,540/-. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually.</p> <p>We focused on these areas as the determination of recoverable amounts of cash generating unit ("CGU") are based on value-in-use calculations, which are highly subjective and involving management's judgements on performing cash flow projections based on financial budgets approved by the management. The impairment test also involves significant judgements and estimation uncertainty in making key assumptions about the future market and economic conditions, growth rates, profit margins, discount rate, etc.</p> <p>Changes in these assumptions may impact the recoverable amount of goodwill. Management concluded that the goodwill was not impaired.</p>	<p>Our audit procedures in relation to the impairment of goodwill on consolidation include the following:-</p> <ul style="list-style-type: none">- Assessed the cash flows projections against recent performance and compared the current period's actual results with previous forecasts to assess the historical accuracy of the forecasts;- Evaluated whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances;- Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method;- Verified the discount rate for the CGUs by comparing to market data and weighted average cost of capital of the Group;



Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
<p>Goodwill on consolidation (Continued)</p> <p>Refer to summary of significant accounting policies in Note 2.3(b) and Note 2.3(j)(ii), significant accounting estimates and judgement in Note 2.4(b) and the disclosure in Note 5 to the financial statements.</p>	<ul style="list-style-type: none"> - Evaluated whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc; - Agreed the input data used by management to supporting evidence such as actual results and financial budgets approved by management; and - Performed stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of the recoverable amount.
<p>Expected credit loss on trade and other receivables, contract assets and amount owing by subsidiaries</p> <p>MFRS 9 introduces an expected credit loss ("ECL") impairment model, which takes into account the credit behaviour and reasonable and supportable forward-looking information.</p> <p>The Group and the Company assessed at each reporting date whether the trade and other receivables, contract assets and amount owing by subsidiaries carried at amortised cost are credit-impaired. The Group and the Company have applied simplified method to determine the allowance for impairment of trade and other receivables, contract assets and amount owing by subsidiaries. The ECL model involves the use of various assumptions, economic factors and historical credit behaviour of trade and other receivables.</p> <p>We identified the ECL on trade and other receivables, contract assets and amount owing by subsidiaries as a key audit matter due to estimation and judgements significantly used by management in the calculation of ECL and the inherent uncertainties during the estimation process.</p> <p>As at 30 June 2020, the carrying amount of trade and other receivables of the Group is amounted to RM285,624,148/-. During the financial period, the Group recognised a reversal allowance for impairment losses of trade and other receivables of RM1,042,792/-.</p> <p>As at 30 June 2020, the carrying amount of contract assets of the Group is amounted to RM24,328,059/-. During the financial period, the Group recognised allowance for impairment losses of contract assets of RM3,002,609/-.</p> <p>As at 30 June 2020, the carrying amount of amount owing by subsidiaries of the Company is amounted to RM189,125,728/-. During the financial period, the Group recognised allowance for impairment losses of amount owing by subsidiaries of RM18,182,115/-.</p> <p>Refer to summary of significant accounting policies in Note 2.3(d) and Note 2.3(j)(i), significant accounting estimates and judgement in Note 2.4(d) and the disclosures in Note 9, Note 11 and Note 12 to the financial statements.</p>	<p>Our audit procedures in relation to the expected credit loss on trade and other receivables, contract assets and amount owing by subsidiaries include the following:-</p> <ul style="list-style-type: none"> - Evaluated the methodologies of ECL model developed by the Group in accordance with MFRS 9; - Tested the accuracy and completeness of the underlying data used in the model and the arithmetical accuracy of the calculation of ECL; and - Challenged the reasonableness of the key assumptions and judgements used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of the forward-looking factors used to determine expected credit loss.

Independent Auditors' Report (cont'd)

To the members of Vivocom Intl Holdings Berhad
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Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
<p>Revenue and cost of sale from property development activities and construction services</p> <p>The amount of revenue of the Group's property development activities and construction services are recognised over the period of contract by reference to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of development costs incurred for works performed to date compared to the estimated total costs for each project.</p> <p>We focused on this area because significant Group's judgement is required, in particular with regards to determining the progress towards satisfaction of performance obligation, the extent of the development costs incurred, the estimated total development revenue (applicable to property development activities) 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 are dependent on the outcome of future events.</p> <p>We identified that revenue and cost of sales recognised on percentage of completion method or over time from property development activities as matters requiring audit focus as these areas involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group).</p> <p>Refer to summary of significant accounting policies in Note 2.3(o)(i) and Note 2.3(o)(ii), significant accounting estimates and judgement in Note 2.4(f) and Note 2.4(j) and the disclosure in Note 24 to the financial statements.</p>	<p>Our audit procedures in relation to the assessment of the appropriateness of the extent of costs incurred, total estimated costs of construction and total estimated revenue include the following:-</p> <ul style="list-style-type: none"> - Obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as examining the progress claims from contractors, architect certification, and performing site visits on a sampling basis; - Evaluated the assumptions applied in estimating the property development costs for property development phases on a sampling basis by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs; - Verified the gross development value against the signed sales and purchase agreements and estimated selling price of the unsold development to the latest transacted selling price; - Considered the expected handover date of ongoing development projects on a sampling basis to determine the adequacy of provision for liquidated ascertained damages, if any; and - Checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of identified errors and changes in estimates.

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 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.



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.

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.
- 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.

Independent Auditors' Report (cont'd)

To the members of Vivocom Intl Holdings Berhad
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Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 period 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.

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.

STYL ASSOCIATES PLT
LLP0019500-LCA & AF 001929
Chartered Accountants

Petaling Jaya, Selangor Darul Ehsan

Date: 23 October 2020

ONG THIAN GHIM
No. 03331/10/2021(J)
Chartered Accountant