

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
YNH PROPERTY BERHAD**

(Incorporated in Malaysia)

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

We have audited the financial statements of **YNH PROPERTY BERHAD**, which comprise the statements of financial position as at 30 June 2024 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 material accounting policy information, as set out on pages 20 to 129.

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 30 June 2024, and of their financial performance and their cash flows for the year 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 Qualified Opinion**

During the previous financial period ended 30 June 2023, the Group was subject to queries and investigations by regulatory authorities regarding joint venture and turnkey contracts entered into for development work with joint venture parties or landowners.

In response, the predecessor auditors had requested the Group to undertake extended procedures for these joint venture and turnkey contracts. The Group agreed to conduct a special review of these transactions and had engaged independent law firms to examine if there is any potential involvement of related parties and non-compliance with applicable laws and regulations. Subsequently, the special review by the independent law firms was completed, as disclosed in Note 42(c) of the financial statements.

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In the current financial year, in conjunction with the ongoing regulatory investigations, management has performed an internal assessment on the independent law firms' results. Additionally, following our concurrence on the scope of work with the Group's Audit Committee, a professional services firm was appointed to undertake an additional special independent review of these contracts as disclosed in Note 42(i) of the financial statements.

Included in inventories as at 30 June 2023 was total consideration paid in prior years for the aforementioned joint venture and turnkey contracts with various joint venture parties or landowners for property development work, amounting to RM1,100,210,470. These land costs are subject to agreed entitlements outlined in the contracts with the joint venture parties or landowners. During the financial year, certain turnkey contracts were terminated or considered incomplete, resulting in a reclassification of RM66,883,000 from inventories to other receivables, with the remaining balance of RM1,033,327,470 recognised in inventories as at 30 June 2024. Details of these balances and events are disclosed in Notes 13, 19, 42(a), 42(e), 42(f), 42(h), 42(k) and 43 of the financial statements.

As of the date of our report, despite extensive audit procedures performed by us to address these developments, the outcome of the regulatory authorities' investigations remains unknown, and the special independent review by the Group is still pending completion. Hence, we were unable to obtain sufficient appropriate audit evidence to determine the possible consequential effects thereof, if any, on valuation and related disclosure for the aforementioned inventories and other receivables in the Group's financial statements.

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' *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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### **Information Other than the Financial Statement 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 obtain sufficient appropriate audit evidence to determine the possible consequential effects thereof, if any, on valuation and related disclosure for the aforementioned inventories and other receivables in the Group's financial statements. Accordingly, we were 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 for the current 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 matter 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.

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<b>Key Audit Matter</b>	<b>Our audit performed and responses thereon</b>
<p><b>Goodwill on consolidation</b></p> <p>As at 30 June 2024, the Group has goodwill of RM17,626,036, of which RM17,618,601 relates to a subsidiary, YNH Construction Sdn. Bhd., which is allocated to the property development segment cash generating unit (“CGU”).</p> <p>In performing the impairment assessment of goodwill, management is required to estimate the recoverable amount of the CGU. The recoverable amount is calculated based on the estimated of the present value of the future cash flows expected to be generated (“value-in-use model”).</p> <p>The key bases and assumptions used in the value-in-use model involve a significant degree of management judgements and estimates, such as projected profit margins, growth rates and discount rates.</p> <p>Refer to key bases and assumptions used as disclosed in Note 14 to the financial statements.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>(i) Performed inquiries with the management to understand and evaluate the process and controls in developing the value-in-use model;</li> <li>(ii) Evaluated the appropriateness of the methodology of the management’s value-in-use model, including the verification of the mathematical accuracy of the underlying calculations and understanding the basis for management judgements and estimates;</li> <li>(iii) Performed retrospective review of the cash flow projections used in the value-in-use model to assess the reliability of the management’s estimates;</li> <li>(iv) Challenged the reasonableness of the key bases and assumptions underpinning the value-in-use model, specifically the projected project margins and growth rates, by amongst others, comparing them against business plans, historical results and market data;</li> <li>(v) Evaluated and challenged the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects current market assessments of the time value of money and the risks specific to the asset;</li> </ul>

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<b>Key Audit Matter</b>	<b>Our audit performed and responses thereon</b>
	<p>(vi) Performed sensitivity analysis on the key assumptions to assess if any reasonably possible change in these assumptions can lead to an impairment loss; and</p> <p>(vii) Assessed the results of the impairment assessment by comparing the recoverable amount of the CGU to its carrying amount.</p>
<p><b>Revenue recognition for property development activities</b></p> <p>Revenue from property development during the financial year amounted to RM126,861,578 which represents 87% of the Group's revenue.</p> <p>Revenue from property development is recognised based on the cost-based input method, which is measured on the basis of the Group's effort or inputs to the property development costs incurred relative to the total expected property development costs.</p> <p>We determined this to be a key audit matter given its magnitude relative to the Group's revenue as well as the significant judgements and estimates involved in estimating the total property development costs to complete the project and progress of the project, which include relying on the opinion or service of experts, past experiences and continuous monitoring of the budgeting process.</p>	<p>Our audit procedures, amongst others, included the following:</p> <p>(i) Obtained an understanding of the relevant controls put in place by the Group in respect of revenue recognition for property development activities and performed procedures to evaluate the design and implementation of such controls;</p> <p>(ii) Verified gross development value and assessed the terms and conditions of the major sales contracts to determine that revenue recognised conforms with the Group policies and the requirements of MFRS 15 <i>Revenue from Contracts with Customers</i>;</p> <p>(iii) Evaluated and assessed the reasonableness and appropriateness of the estimated total budgets for property development projects by:</p> <p>(a) reviewing the basis of estimation of cost to complete;</p> <p>(b) challenging the reasonableness of management's assumptions and estimations on the budgeted total costs of development projects; and</p> <p>(c) performing retrospective review to establish the reliability of management-approved total budgeted costs;</p>

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<b>Key Audit Matter</b>	<b>Our audit performed and responses thereon</b>
	<p>(iv) Tested sample of costs incurred to the relevant supporting documents such as contractor's progress claims or suppliers' invoices, where costs have not been billed or certified, assessed the adequacy of management's accruals of such costs by reviewing to subsequent contractors' claims, supplier invoices or approved architect's certificates;</p> <p>(v) Checked the mathematical accuracy of the revenue and profit based on percentage of completion calculations and considered the implications of any changes in estimate; and</p> <p>(vi) Performed site visits for individually significant ongoing projects and discussed with the site team to arrive at an overall assessment as to whether the percentage of progress towards complete satisfaction of performance obligation determined on a cost-to-cost basis was reasonable.</p>
<p><b>Funding requirements and ability to meet short-term obligations</b></p> <p>As at 30 June 2024, the Group has reported current liabilities of RM301,087,112 relating to short-term payables and RM455,215,362 in short-term loans and borrowings (including lease liabilities), where certain revolving credit of the Group are subject to monthly limit reduction over a two to three-year period the a significant Sukuk Wakalah repayment of scheduled for 28 February 2025.</p> <p>We determined this as a key audit matter as the substantial short-term liability position necessitates an evaluation of the Group's capacity to meet its upcoming obligations and manage its liquidity effectively, particularly in light of cash flow requirements and funding sources.</p>	<p>Our audit procedures, amongst others, included the following:</p> <p>(i) Obtained and reviewed management-approved cash flow forecasts over the next 12 months;</p> <p>(ii) Discussed with management on key assumptions used in the cash flow forecasts including cash collection trends, payment profiles, development progress and significant transactions that may occur in developing the cash flow forecasts for the Group;</p>

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<b>Key Audit Matter</b>	<b>Our audit performed and responses thereon</b>
<p>The assessment of the Group's ability to meet its short-term obligations involves judgment and significant estimation, particularly regarding the cash flow forecasts, access to funding, planned realisation of certain inventories, and liquidity management. These factors are disclosed in Notes 4 and Note 37(ii) to the financial statements</p>	<p>(iii) Evaluated management's action plans to address finding gaps, including evaluating available financing options, existing loan agreements, realisation plan for certain inventories and other funding sources.;</p> <p>(iv) Performed retrospective review to establish the reliability of management-approved cash flow forecasts; and</p> <p>(v) Challenged the reasonableness of the scenario analysis and performed stress test with reference to the assumptions that used in the cash flow forecast.</p>

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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

The directors of the Company are responsible for the preparation of the 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.

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### **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 of 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.

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- 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 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) the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.
- (b) in our opinion we have not obtained all the information and explanations that we required in relation to the matters as disclosed in the *Basis for Qualified Opinion* section.

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**Other Matters**

- (a) The financial statements of the Group and of the Company for the financial period ended 30 June 2023 were audited by another firm of auditors who expressed a qualified opinion on those financial statements on 27 October 2023. Their basis for the qualified opinion was that, given the prevailing ongoing regulatory authorities' investigations and the Group's special review which have not been completed, they were unable to obtain sufficient appropriate audit evidence on whether the joint venture and turnkey contracts entered into with the respective joint venture parties or landowners are not related party transactions, and on the value of the inventories as of 30 June 2023 and the related disclosures. Consequently, they were unable to determine whether any adjustments to those financial statements were necessary.
- (b) 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 towards any other person for the content of this report.

**MORISON LC PLT (AF 002469)  
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Chartered Accountants**

**LIM KAI JIE  
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Chartered Accountant**

Petaling Jaya  
28 October 2024