

AVILLION BERHAD (244521 A)

(formerly known as Reliance Pacific Berhad)

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting, Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2017.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 March 2017 under the Malaysian Financial Reporting Standards (MFRS) framework.

A2 Changes in Accounting Policies

The Group has not applied in advance the following accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Investment Property- Transfer of Investment Property

Effective for financial periods beginning on or after 1 January 2019

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements
MFRS 16	Leases
Amendments to MFRS 112	Income Taxes
Amendments to MFRS 119	Employee Benefits

A2 Changes in Accounting Policies (cont'd)

Amendments to MFRS 123	Borrowing Costs
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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The Group will adopt the above MFRSs and amendments to MFRSs when they become effective in the respective financial periods. These MFRSs and amendments to MFRSs may have an impact on the amounts reported and disclosure made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of the above accounting standards until the Group performs the detailed review.

A3 Audit Report of Preceding Annual Financial Statement

The annual audited financial statement in the preceding year was not qualified.

A4 Seasonal or Cyclical Factors

The Group is principally engaged in the following business operations:

- a) Hotel
- b) Property
- c) Travel

The major festivities and school holidays generally affect the performance of Hotel & Travel Division. The performance of Property Division is affected by the sentiments of the property cycle, as the division's profitability is dependent on the sale of its properties.

A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

A6 Accounting Estimates

There were no changes in estimates of amounts reported in prior financial quarters of the current financial year or in prior financial years that have a material effect in the current financial quarter.

A7 Issuance or Repayment of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date.

A8 Dividend Paid

There were no dividends paid during the year under review.

A9 Segmental Reporting

a) Revenue

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2018 (RM'000)	Preceding Quarter Ended 31.03.2017 (RM'000)	Current Year Ended 31.03.2018 (RM'000)	Preceding Year Ended 31.03.2017 (RM'000)
Continuing Operations				
Hotel	10,148	11,845	42,900	40,904
Property	2,545	3,758	11,661	12,159
Travel	15,768	26,629	76,195	98,435
Holding company & others	51	314	641	2,703
Grand Total	28,512	42,546	131,397	154,201

b) Profit/(Loss) before taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2018 (RM'000)	Preceding Quarter Ended 31.03.2017 (RM'000)	Current Year Ended 31.03.2018 (RM'000)	Preceding Year Ended 31.03.2017 (RM'000)
Continuing Operations				
Hotel	(1,241)	748	575	28
Property	(838)	1,625	(2,326)	1,273
Travel	(1,865)	(1,580)	(3,557)	(11,087)
Holding company & others	(1,696)	(1,199)	(5,353)	(13,139)
Share of results of associates	0	0	0	(16)
Grand Total	\$(5,640)	(406)	\$(10,661)	** (22,941)

Included impairment of goodwill / provision for and write off of receivables amounting to RM0.971 million

**** Included impairment of assets/financial assets, provision for and write off of receivables amounting to RM15.959 million**

A10 Material events subsequent to the end of the financial year

There were no material events subsequent to the end of the current financial year ended 31 March 2018 and up to the date of this report.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year ended 31 March 2018 and up to the date of this report.

A12 Significant related party transactions

There were no significant related party transactions for the current financial year ended 31 March 2018 and up to the date of this report.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Performance of the Company and its Principal Subsidiaries

Group Revenue performance compared to the preceding year's same quarter has reduced by 33%. The lower revenue was mainly as a result of challenging operating environment and the slow down of traveler to Hong Kong.

The Group registered a consolidated losses before tax, Depreciation and Finance cost of RM0.798 million as compared to RM3.369 million profit in preceding year same quarter.

B2 Material Changes in the Quarterly Results as compared to the Preceding quarter

The Group consolidated revenue for the reporting quarter has reduced by 17% in comparison to the preceding quarter. This is mainly due to the seasonality of the business in which 3rd quarter was traditional the strongest quarter.

The Group registered a consolidated losses before tax of RM0.798 million as compared to RM3.943 million profit in preceding quarter.

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

Hotel Division

We are cautiously optimistic that the Hotel Division will deliver improved results in the near future. Continuous improvement exercises to improve sales and marketing strategies, service excellence and improvement of hardware are ongoing. In addition, focus is given to yield and productivity.

The Group is seeing positive contributions from Avillion Cameron Highlands since its opening on 16th January 2018 and is expected to improve further as awareness of the hotel is improved.

The Group will continue to pursue new hotel management contracts by leveraging on its internationally recognised hotel brand name.

Property Division

The mix development project in Desa Impian, Bandar Tenggara, Johor is on its second phase and its expected to contribute positively to the Group this financial year and beyond. Continuous launches of subsequent phases are also in the plans to fully develop the 165 acres of land.

In addition to the above, we are also in the midst of planning for development of our landbank in Kuala Lumpur and Port Dickson for residential units and holiday villas and accommodations.

Travel Division

The Travel Division is undergoing a rationalization exercise hence it is expected to have a leaner structure and optimizing revenue. However, we remain cautious of the performance of this Division as margins are pressured and consolidation within the industry.

B5 Profit before taxation

Profit before taxation is derived after charging / (credited) of the following:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2018 (RM'000)	Preceding Quarter Ended 31.03.2017 (RM'000)	Current Year Ended 31.03.2018 (RM'000)	Preceding Year Ended 31.03.2017 (RM'000)
Interest income	(509)	(569)	(584)	(639)
Gain on disposal of investment in associate /land/ Property, plant & equipment	(382)	(529)	(1,499)	(1,103)
Impairment of assets / financial assets, provision for and write off of receivables	114	609	485	15,959
Impairment losses of quoted shares	22	0	82	0
Rental income	(8)	0	(24)	0
Realised gain on foreign exchange	0	(118)	(10)	(118)
Overprovision of payable	(76)	0	(76)	0

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2018 (RM'000)	Preceding Quarter Ended 31.03.2017 (RM'000)	Current Year Ended 31.03.2018 (RM'000)	Preceding Year Ended 31.03.2017 (RM'000)
a) Income Tax				
i) Current taxation	131	37	1,705	1,150
ii) Under provision in prior years	450	260	507	260
iii) Deferred Taxation	(1,686)	(66)	(1,686)	106
b) Total	(1,105)	231	526	1,516

The Group tax rate is higher than the statutory tax rate applicable due to the Provision of taxation on profit by certain subsidiary companies.

B7 Corporate proposals

There were no other corporate proposals announced during the current quarter.

B8 Group Borrowings

a) Banking Facilities

	As at 31.03.2018			As at 31.03.2017		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	23,317	288	23,605	32,033	1,812	33,845
ii. Revolving Credit	13,500	-	13,500	13,500	-	13,500
iii. Long term loans repayable within 12 months	11,532	-	11,532	14,875	-	14,875
iv. Hire Purchase repayable within 12 months	120	-	120	140	-	140
v. Total	<u>48,469</u>	<u>288</u>	<u>48,757</u>	<u>60,548</u>	<u>1,812</u>	<u>62,360</u>
b) Long term borrowings						
i. Long term loans	73,768	-	73,768	76,643	-	76,643
Less portion of long term loans payable within 12 months	<u>(11,532)</u>	<u>-</u>	<u>(11,532)</u>	<u>(14,875)</u>	<u>-</u>	<u>(14,875)</u>
	<u>62,236</u>	<u>0</u>	<u>62,236</u>	<u>61,768</u>	<u>0</u>	<u>61,768</u>
ii. Hire purchase	212	-	212	352	-	352
Less portion of Hire purchase payable within 12 months	<u>(120)</u>	<u>-</u>	<u>(120)</u>	<u>(140)</u>	<u>-</u>	<u>(140)</u>
	<u>92</u>	<u>0</u>	<u>92</u>	<u>212</u>	<u>0</u>	<u>212</u>
iii. Total	62,328	0	62,328	61,980	0	61,980
c) Total borrowings	110,797	288	111,085	122,528	1,812	124,340

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 March 2018 was RM3.837 million (HKD7.797 million) and as at 31 March 2017 was RM6.921 million (HKD12.149 million).

B9 Derivative Financial Instruments

The Group is not a party to any financial instruments, which may have an effect to the derivative financial instruments at the date of this report.

B10 Material Litigation

There was no material litigation pending as at the date of this announcement.

B11 Earnings Per Share

a) Basic

Basic earnings/(losses) per share is calculated by dividing the net profit attributable to the shareholders for the current financial year ended 31 March 2018 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2018 (RM'000)	Preceding Quarter Ended 31.03.2017 (RM'000)	Current Year Ended 31.03.2018 (RM'000)	Preceding Year Ended 31.03.2017 (RM'000)
Net loss attributable to Equity holders of the Parent (RM'000)	(4,466)	(793)	(10,879)	(24,521)
Basic ('000)				
Total Weighted average number of ordinary shares	858,552	858,552	858,552	858,552
Basic losses per share(sen)	(0.52)	(0.09)	(1.27)	(2.86)

b) Diluted

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue as at the end of the current financial year ended 31 March 2018.

B12 Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 May 2018.