

## AVILLION BERHAD (244521 A)

### 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 2018. 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 2018.

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 2018 under the Malaysian Financial Reporting Standards (MFRSs) framework except for the adoption of the following MFRSs and interpretations:

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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

#### MFRS 9 Financial Instruments

MFRS 9 introduced expected credit losses ("ECL") model on impairment replacing the previously used, incurred loss impairment model in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has assessed the impact of the adoption of MFRS 9 and may not have any significant impact to the financial performance or position of the Group.

### MFRS 15 Revenue from Contracts with Customers

The adoption of MFRS 15 reform the timing of revenue recognition for the property development activities of the Group which requires distinct identification of separate performance obligation in the contract with customer where revenue are recognised when each distinct performance obligation is satisfied, depending on the substance of the contract which may be at a point in time (completion method) or over time (percentage of completion method). However, at the date of this report, there are no transaction of sale of properties completed.

### MFRS 123 Borrowing Cost

In accordance with MFRS 123 "Borrowing Cost", the Company shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets as proof of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for the intended use or sale.

The IFRS Interpretations Committee ("IFRIC") has issued an Agenda Decision ("Agenda Decision") on the capitalization of borrowing costs in relation to the construction of a residential multi-unit real estate development (building). The "IFRSIC" observed that the receivable, contract asset and inventory (work in progress) for unsold units under construction are not qualifying assets, and accordingly an entity should not capitalize borrowing costs on those assets in accordance to the principles and the requirements in IAS 23.

The effect arising for the change of accounting policies on the financial statement of the Group are as follows:

	As previously reported as at 31.03.18	As Restated
Land held for development	67,568	58,890
Development properties	46,642	38,178
Retained Profit	(25,805)	(42,947)

The Group have not adopted the following MFRSs, Amendments to MFRSs and interpretations that have been issued by the Malaysian Accounting Standard Board but are not yet effective:

#### **Effective for annual period beginning on or after 1 January 2019**

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements
Amendments to MFRS 112	Income Taxes
Amendments to MFRS 119	Employee Benefits
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

**Effective for annual period beginning on or after 1 January 2020**

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
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
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

**Effective for annual periods beginning on or after 1 January 2021**

MFRS 17	Insurance Contracts
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The Group will adopt the above MFRSs, Amendments to MFRSs and interpretations when they become effective in the respective financial periods. These MFRSs and interpretations 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.

**A2 Audit Report of Preceding Annual Financial Statement**

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

**A3 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.

#### **A4 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.

#### **A5 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 year.

#### **A6 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.

#### **A7 Dividend Paid**

There were no dividends paid during the year under review.

#### **A8 Segmental Reporting**

##### **a) Revenue**

	<b>Individual Quarter</b>		<b>Cumulative Period</b>	
	<b>Current Quarter Ended 31.03.2019 (RM'000)</b>	<b>Preceding Quarter Ended 31.03.2018 (RM'000)</b>	<b>Current Year Ended 31.03.2019 (RM'000)</b>	<b>Preceding Year Ended 31.03.2018 (RM'000)</b>
<b>Continuing Operations</b>				
Hotel	9,368	10,148	38,859	42,900
Property	3,628	2,569	11,164	11,685
Travel	8,501	15,768	60,297	76,195
Holding company & others	86	51	498	641
<b>Grand Total</b>	<b>21,583</b>	<b>28,536</b>	<b>110,818</b>	<b>131,421</b>

**b) Profit/(Loss) before taxation**

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2019 (RM'000)	Preceding Quarter Ended 31.03.2018 (RM'000)	Current Year Ended 31.03.2019 (RM'000)	Preceding Year Ended 31.03.2018 (RM'000)
<b>Continuing Operations</b>				
Hotel	(1,593)	(1,250)	(1,988)	566
Property	(3,032)	(838)	(7,569)	(2,326)
Travel	(955)	(1,864)	(1,813)	(3,556)
Holding company & others	(20,872)	(1,697)	(25,313)	(5,354)
Share of results of associates	(5)	0	(5)	0
<b>Grand Total</b>	<b>#{26,457}</b>	<b>**{5,649}</b>	<b>#{36,688}</b>	<b>**{10,670}</b>

**# Included impairment loss of goodwill and investment properties amounting to RM20.78 million and RM0.502 million respectively**

**\*\* Included impairment loss of goodwill and bad debts written off amounting to RM0.486 million and RM0.485 million respectively**

**A9 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 2019 and up to the date of this report.

**A10 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 2019 and up to the date of this report other than the following:

- a) Vacationland Tours (H.K.) Limited, a dormant wholly-owned subsidiary of the Company had been struck off from the Companies Registry of Hong Kong on 4 January 2019 under Gazette Notice No.73 pursuant to Section 751 of the Companies Ordinance (Cap.622) of Hong Kong.

**A11 Significant related party transactions**

There were no significant related party transactions for the current financial year ended 31 March 2019 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 24.4%. The Hotel division registered a 7.7% drop in revenue mainly due to the slowdown in demand. Travel division remained challenging due to the slowdown in tourist arrivals.

The Group registered a consolidated loss before tax of RM26.457 million compared to consolidated loss of RM5.649 million in preceding year same quarter. The losses registered in preceding year same quarter was mainly due to:

- a) Lower revenue registered in the current year 4<sup>th</sup> quarter.
- b) In compliance with FRSIC Consensus 28 and the Agenda Decision issued by IFRS Interpretations Committee ("IFRIC") on 20 March 2019
- c) Impairment loss of investment properties and goodwill amounting to RM0.502 million and RM20.78 million respectively

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

The Group consolidated revenue for the reporting quarter has reduced by 16% in comparison to the preceding quarter. The reduction was mainly due to the lower revenue registered by Travel Division.

The Group registered a consolidated loss before tax of RM26.457 million as compared to consolidated loss of RM3.508million in preceding quarter. The loss was mainly due to:

- a) Lower revenue registered
- b) In compliance with the Agenda Decision issued by IFRIC on 20 March 2019
- c) Impairment loss of investment properties and goodwill amounting to RM0.502 million and RM20.78 million respectively

### **B3 Variance from Profit Forecast**

Not applicable.

## B4 Commentary on Prospect

### Hotel Division

The next 6 months is expected to start with a soft first quarter especially in the month of the Ramadan. However, we expect the Hotel Division's performance to pick-up from June onwards to the remaining months of the first half of this new financial year.

This is in line with the expected increase in demand from the Malaysia and Singapore Holidays and the Hari Raya Holidays. It is also the peak period for inbound tourism from the Asia region especially from China and the Middle East.

### Property Division

The mix development project in Desa Impian, Bandar Tenggara, Johor is on its second phase. Phase 2A was launched in June 2018 and the sale of the residential unit is encouraging.

### Travel Division

The Travel Division is undergoing a rationalization exercise hence it is expected to have leaner structure and optimizing revenue. However, we remain cautious of the performance of this Division as margins remain under pressure as a result of industry headwinds.

We will continue to monitor and assess the performance of the business.

## B5 Loss before taxation

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2019 (RM'000)	Preceding Quarter Ended 31.03.2018 (RM'000)	Current Year Ended 31.03.2019 (RM'000)	Preceding Year Ended 31.03.2018 (RM'000)
Interest income	(106)	(114)	(545)	(583)
Gain on disposal of land for development / Property, plant & equipment	(168)	(5)	(530)	(1,122)
Rental income	(6)	(8)	(24)	(24)
Realized gain on foreign exchange	(1)	7	(4)	(3)
Gain on disposal of investment in associate	0	0	0	(376)
Bad Debts written off	17	114	17	485
Realized loss on foreign exchange	86	203	86	203
Property, plant & equipment written off	28	159	28	159

## B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2019 (RM'000)	Preceding Quarter Ended 31.03.2018 (RM'000)	Current Year Ended 31.03.2019 (RM'000)	Preceding Year Ended 31.03.2018 (RM'000)
a) Income Tax				
i) Current taxation	(563)	(241)	561	1,333
ii) Under provision in prior years	(433)	774	(433)	831
iii) Deferred taxation	(855)	(1,685)	(855)	(1,685)
<b>b) Total</b>	<b>(1,851)</b>	<b>(1,152)</b>	<b>(727)</b>	<b>479</b>

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 financial year.



## B8 Group Borrowings

### a) Banking Facilities

	As at 31.03.2019			As at 31.03.2018		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	21,203	1,993	23,196	23,320	288	23,608
ii. Revolving Credit	13,000	-	13,000	13,500	-	13,500
iii. Long term loans repayable within 12 months	17,815	-	17,815	11,532	-	11,532
iv. Hire Purchase repayable within 12 months	86	-	86	120	-	120
v. Total	<u>52,104</u>	<u>1,993</u>	<u>54,097</u>	<u>48,472</u>	<u>288</u>	<u>48,760</u>
b) Long term borrowings						
i. Long term loans	65,301	-	65,301	73,768	-	73,768
<b>Less</b> portion of long-term loans payable within 12 months	<u>(17,815)</u>	<u>-</u>	<u>(17,815)</u>	<u>(11,532)</u>	<u>-</u>	<u>(11,532)</u>
	<u>47,486</u>	<u>0</u>	<u>47,486</u>	<u>62,236</u>	<u>0</u>	<u>62,236</u>
ii. Hire purchase	279	-	279	211	-	211
<b>Less</b> portion of Hire purchase payable within 12 months	<u>(86)</u>	<u>-</u>	<u>(86)</u>	<u>(120)</u>	<u>-</u>	<u>(120)</u>
	<u>193</u>	<u>0</u>	<u>193</u>	<u>91</u>	<u>0</u>	<u>91</u>
iii. Total	47,679	0	47,679	62,327	0	62,327
c) Total borrowings	99,783	1,993	101,776	110,799	288	111,087

- b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 March 2019 was RM1.66 million (HKD3.193 million) and as at 31 March 2018 was RM3.839 million (HKD7.802 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 Losses Per Share

### a) Basic

Basic losses per share is calculated by dividing the net loss attributable to the shareholders for the current financial year ended 31 March 2019 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2019 (RM'000)	Preceding Quarter Ended 31.03.2018 (RM'000)	Current Year Ended 31.03.2019 (RM'000)	Preceding Year Ended 31.03.2018 (RM'000)
<b>Net loss attributable to Equity holders of the Parent (RM'000)</b>	(24,514)	(4,428)	(35,424)	(10,841)
<b>Basic ('000)</b>				
<b>Total Weighted average number of ordinary shares</b>	<b>858,552</b>	<b>858,552</b>	<b>858,552</b>	<b>858,552</b>
<b>Basic losses per share(sen)</b>	(2.86)	(0.52)	(4.13)	(1.26)

### 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 2019.

## 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 27 May 2019.