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 2019. 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 2019.

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 2019 under the Malaysian Financial Reporting Standards (MFRSs) framework except for the adoption of the following MFRSs and Amendments to MFRSs:

Effective for annual period beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
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
Amentments to MFRS	Annual Improvements to MFRSs (2015-2017) Cycle

The adoption of the above standards and interpretation did not have a significant financial impact to the Group except for MFRS 16 as disclosed below:

<u>MFRS 16 Leases</u>

Under MFRS 16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

MFRS 16 requires the lessee to recognise in the statements of financial position, a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payment for most leases, thus increasing the assets and liabilities of the lessee. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognized in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption.

The adoption of MFRS16 impacts the Group's financial performance in the current financial period as below:

a) On the statements of profit or loss, expenses which previously included operating lease rentals were replaced by interest expense on lease liabilities (included within finance cost) and depreciation of the right-of-use assets (included with depreciation)

b) On the statements of cashflow, lease rental outflows previously recorded within "net cash flows from operating activities were reclassified as "net cashflows used in financing activities" for repayment of the principal and interest of lease liabilities.

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 2020

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

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 quarter.

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

Continuing Operations	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2020 (RM'000)	Preceding Quarter Ended 31.03.2019 (RM'000)	Current Year Ended 31.03.2020 (RM'000)	Preceding Year Ended 31.03.2019 (RM'000)
Hotel	6,786	9,368	34,750	38,859
Property	3,237	4,158	14,624	11,694
Travel	2,721	8,501	17,095	60,297
Holding company & others	0	86	0	498
Grand Total	**12,744**	**22,113**	**66,469**	**111,348**

b) Profit/(Loss) before taxation

Continuing Operations	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2020 (RM'000)	Preceding Quarter Ended 31.03.2019 (RM'000)	Current Year Ended 31.03.2020 (RM'000)	Preceding Year Ended 31.03.2019 (RM'000)
Hotel	(6,490)	(13,354)	(6,428)	(13,749)
Property	(503)	(3,032)	(892)	(7,569)
Travel	(437)	44,822	(1,664)	43,964
Holding company & others	(7,402)	(57,044)	(13,753)	(61,485)
Grand Total	**(14,832)**	**(28,608)**	**(22,737)**	**(38,839)**

A9 Material events subsequent to the end of the financial year

There were no material events subsequent for the current financial year ended 31 March 2020 and up to the date of this report except:

a) On 5 July 2019, Bursa Malaysia Securities Berhad had approved the listing and quotation of up to 85,855,175 new shares to be issued pursuant to the Proposed Placement on the Main Market of Bursa Securities.

The Placement was completed following the listing and quotation of 85,855,000 Placement Shares on the Main Market of Bursa Securities on 2 August 2019.

b) On 17 October 2019, the Company announced the proposed listing and quotation of up to 188,881,350 Placement Shares and an issuance of up to 566,644,050 free warrants on the basis of one Warrant for every two ordinary shares of the Company held on an entitlement date to be determined by the Board and announced at a later date.

The Company had submitted the Listing application to Bursa Securities on 15 November 2019 and approved by Bursa on 21 November 2019. The Proposed Private Placement was duly passed by the shareholders of the Company at the Extraordinary General Meeting held on 18 December 2019.

The Company had granted an extension of time until 21 November 2020 to complete the implementation of the Proposals from Bursa Securities vide its letter dated 14 May 2020.

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 2020 and up to the date of this report other than the following:

a) Reliance Travel Pty Ltd, a wholly-owned subsidiary of the Company had been deregistered from Australian Securities Investment Commission on 13 February 2020

A11 Significant related party transactions

There were no significant related party transactions for the current financial year ended 31 March 2020 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 42.4%. The lower revenue was mainly due to the impact of 2019 Novel Coronavirus (Covid-19) and Movement Control Order (MCO) which has severely affected the business of the Hotel and Travel Division.

The Group registered consolidated loss before tax of RM14.832 million as compared to consolidated loss of RM28.608 million in preceding year same quarter.

For the current quarter under review, the Group consolidated loss was mainly arising from the impairment loss on trade & other receivables RM7.548 million, impairment loss on right-of-use assets RM2.304 million, impairment loss on property, plant & equipment RM0.696 million, written off of Available-for-sale RM0.324m and the impact of Covid-19 and MCO. The Group consolidated loss for the preceding year same quarter was mainly due to the impairment of goodwill amounting RM23.373 million.

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

The Group consolidated revenue for the reporting quarter has reduced by 32.2% in comparison to the preceding quarter. The lower revenue was mainly due to the impact of Covid-19 and MCO which has severely affected the performance of Hotel and Travel Division.

The Group registered loss before tax of RM14.832 million as compared to consolidated profit before tax of RM0.1 million in preceding quarter. The losses for the current quarter was mainly due:

a) Impairment loss on trade & other receivables amounting to RM7.548 million
b) Impairment loss on right-of-use assets amounting to RM2.304 million
c) Impairment loss on property, plant & equipment amounting to RM0.696 million
d) Written off of Available-for-sale amounting to RM0.324m
e) Impact of Covid-19 and MCO

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

The outbreak of the 2019 novel coronavirus (COVID-19) which began in the last quarter OF 2019, worsened through-out the first half of 2020, causing the entire country to go into a period of lockdown. The MCO and CMCO saw unprecedented restriction of movements for the entire population until the phased RMCO was implemented on 10 June to run until 31 August 2020. The MCO and CMCO resulted in the total shutdown of all our hotels locally and caused untold disruption to our travel business in Singapore and Hong Kong. Similarly, all construction work at our Desa Impian project came to a complete halt.

The COVID-19 pandemic has been described as a Black Swan event beginning with a global health pandemic and quickly imploding into an economic crisis, forcing countries around the globe to go into lockdown to contain the outbreak. The scalable impact of economic and financial losses is deeper compared to 1930s Great Depression as it comes at a time when the global economy had already been affected by a slowdown since mid-2018 – a slowdown that was further punctuated by the on-going US-China trade tension.

As the country transits into the RMCO, a new normal is changing the country's business and social landscapes drastically. Post-COVID-19, the new normal path would eventually become "normal" as people and businesses accept social distancing as a social norm in our daily routine. Remote office and interface as well as virtual social networking, and Standard Operating Procedures (SOPs) will be around for a long time for both our hotel and property sector. These robust protocols and processes for social distancing, sanitization, contact-less services and contact tracing will add to the cost of doing business as well as reduced capacity, turnover and opportunities for our hotels. Cross-border travel restrictions are still in place and are expected to be lifted only gradually. Coupled with the prevailing high degree of fear for air travel, the situation for international tourism remains tough and is likely to persist for quite some time. Against such a bleak and new normal backdrop, the roadmap to recovery for the Group is likely to be arduous, protracted, and costly. The Management has taken proactive and counter measures, plans and strategies to weather through the current storm.

Throughout the MCO, CMCO and RMCO, the Hotel Division has been actively promoting and selling attractive stay packages at all our hotels. The response has been encouraging and we will continue with such promotions and attractive packages in the coming quarters. The commencement of the RMCO has seen occupancy reaching pre-COVID-19 days during weekends at our flagship hotel, Avillion Port Dickson. Enquiries have been coming in for MICE, in particular from the public sector. While we will intensify efforts to draw MICE groups from the corporate sector, constraints imposed under the SOP and new normal, particularly in terms of the size of groups allowed, will make this a challenging exercise. The period of MCO to RMCO has given our hotels invaluable lessons on cost optimization, flattening structures and efficient deployment of human capital. These and other creative and proactive measures adopted in meeting the challenges will bear fruit and we expect a mild recovery in the coming quarters. We had intensified our asset enhancement and refurbishment program for some of our hotels and resorts and we are confident such efforts too will result in both higher occupancy and rates.

The Property Division will focus on securing more sales on the on-going Phase 2A of the Desa Impian Project. To-date, we have sold 94% of the residential units in this phase and efforts are now focussed on selling the commercial units which we have received enquiry on potential block sale prior to the MCO. We will carefully consider the planning and launching of Phase 2B of the Desa Impian Project in the coming quarter. The division is also assisting in the refurbishment, extension and construction works of the Avillion Hotel and Avillion Admiral Cove Hotel & Resort in Pork Dickson

The Travel Division which is based in Hong Kong and Singapore will continue to face headwinds and challenges. Besides COVI-19 which affected travel and tourism in both these countries, Hong Kong continue to face uncertainties due to the resumption of street protests which will further dampen travel and MICE activities. The Division has undergone a rationalization exercise and this is expected to assist in any recovery post COVID-19 and when protests in Hong Kong eventually abate. We remain cautious of the performance of the Division as margins remain under pressure. We will continue to monitor and assess the performance of the business in the coming quarters.

B5 Loss before taxation

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

	Individual Quarter		**Cumulative Period**	
	Current Quarter Ended 31.03.2020 (RM'000)	**Preceding Quarter Ended 31.03.2019 (RM'000)**	**Current Year Ended 31.03.2020 (RM'000)**	**Preceding Year Ended 31.03.2019 (RM'000)**
Interest income	(22)	(105)	(72)	(544)
Termination fee	0	0	(2,380)	0
Gain on disposal of Property, plant & Equipment / land	(22)	(168)	(184)	(530)
Rental income	(6)	(6)	(24)	(24)
Realized gain on foreign exchange	0	(3)	0	(6)
Waiver of other payables	(232)	0	(232)	0
Impairment loss on trade & other receivables	7,548	00	7,548	0
Impairment loss on right-of-use assets	2,304	0	2,304	0
Impairment loss on property, plant & equipment	696	0	696	0
Impairment loss of investment properties	0	501	0	501
Bad Debts written off	0	17	0	17
Impairment loss on goodwill	0	23,373	0	23,373

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2020 (RM'000)	**Preceding Quarter Ended 31.03.2019 (RM'000)**	**Current Year Ended 31.03.2020 (RM'000)**	**Preceding Year Ended 31.03.2019 (RM'000)**
a) Income Tax				
i) Current taxation	(335)	(499)	706	625
ii) Under provision in prior years	223	(434)	334	(434)
iii) Deferred taxation	(1,264)	(918)	(1,264)	(918)
b) Total	**(1,376)**	**(1,851)**	**(224)**	**(727)**

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 except:

a) On 17 October 2019, the Company announced the Proposed Listing and Quotation of up to 188,881,350 Placement Shares and Proposed issuance of up to 566,644,050 free warrants on the basis of one Warrant for every two ordinary shares of the Company held on an entitlement date to be determined by the Board and announced at a later date.

   The Company had submitted the Listing application to Bursa Securities on 15 November 2019 and approved by Bursa on 21 November 2019. The Proposed Private Placement was duly passed by the shareholders of the Company at the Extraordinary General Meeting held on 18 December 2019.

   The Company had granted an extension of time until 21 November 2020 to complete the implementation of the Proposals from Bursa Securities vide its letter dated 14 May 2020.

B8 Group Borrowings

a) Banking Facilities

	As at 31.03.2020			As at 31.03.2019		
	Secured	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
a) Short term borrowings	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
i Overdraft	19,874	1,356	21,230	21,202	1,994	23,196
ii. Revolving Credit	11,275	-	11,275	13,000	-	13,000
iii. Long term loans repayable within 12 months	10,000	-	10,000	17,815	-	17,815
iv. Hire Purchase repayable within 12 months	52	-	52	86	-	86
v. Total	41,201	1,356	42,557	52,103	1,994	54,097
b) Long term borrowings						
i. Long term loans	60,247	-	60,247	65,301	-	65,301
Less portion of long term loans payable within 12 months	(10,000)	-	(10,000)	(17,815)	-	(17,815)
	50,247	0	50,247	47,486	0	47,486
ii. Hire purchase	186	-	186	279	-	279
Less portion of Hire purchase payable within 12 months	(52)	-	(52)	(86)	-	(86)
	134	0	134	193	0	193
iii. Total	50,381	0	50,381	47,679	0	47,679
c) Total borrowings	91,582	1,356	92,938	99,782	1,994	101,776

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 March 2020 was RM0.528 million (HKD0.951 million) and as at 31 March 2019 was RM1.66 million (HKD3.193million).

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 except:

Our Company has filed a suit (Civil Suit No.: WA-22NCC-120-03/2019) against Dato' Gan Eng Kwong ("Dato' Gan"), Reliance Holdings Sdn Bhd ("RHSB") and Alpha Vantage Sdn Bhd ("AVSB") (collectively, the "Defendants") on 12 March 2019 for a sum of RM5,591,892.09, being the advances made by our Company to Vacation Asia Holdings Sdn Bhd ("VAH") and Reliance Shipping and Travel Agencies Sdn Berhad ("RSTA"), both being our former subsidiaries (the "Suit").

In 2011, our Company disposed of its 100% equity interest in VAH and RSTA to AVSB, a company owned by Dato' Gan, the former director and major shareholder of our Company. Pursuant to the said disposal, it was agreed that Dato' Gan, RHSB (the former major shareholder of our Company which Dato' Gan has equity interest in) and AVSB shall settle all the outstanding advances extended by our Company to VAH and RSTA according to the agreed payment schedule.

However, the Defendants failed to settle the outstanding advances as agreed which has led to our Company filing the Suit to recover the said amount. On 15 April 2019, the Defendants filed an application to strike out the Suit and the said application was subsequently allowed by the High Court on 23 May 2019 on the basis that our Company should, among others, include VAH and RSTA as parties to the Suit as the advances were extended to VAH and RSTA.

Our Company has appealed to the Court of Appeal (Civil Appeal No.: W-02(IM)(NCC)-1159-06/2019) against the striking out of the Suit and the appeal is originally fixed for hearing on 9 March 2020. The dates were postponed to 25 August 2020 because of the Movement Control Order (MCO).

Our Company has been advised by our solicitors that based on case law, our Company has a fair chance of succeeding at the Court of Appeal.

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 2020 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2020 (RM'000)	**Preceding Quarter Ended 31.03.2019 (RM'000)**	**Current Year Ended 31.03.2020 (RM'000)**	**Preceding Year Ended 31.03.2019 (RM'000)**
Net loss attributable to Equity holders of the Parent (RM'000)	(13,059)	(24,706)	(22,119)	(35,616)
Basic ('000) **Total Weighted average number of ordinary shares**	**915,789**	**858,552**	**915,789**	**858,552**
Basic losses per share(sen)	(1.43)	(2.88)	(2.42)	(4.15)

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 2020.

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 26 June 2020.