

AVILLION 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 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 Group's unaudited financial statements for the year ended 31 March 2020. These explanatory notes attached to the unaudited 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 2020.

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 2020 under the Malaysian Financial Reporting Standards (MFRSs) framework except for the adoption of the following MFRSs :

Effective for annual period beginning on or after 1 January 2020

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above standards did not have a significant financial impact to the Group.

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 when they become effective in the respective financial periods. These 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.

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**

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.20 (RM'000)	Preceding Quarter Ended 30.06.2019 (RM'000)	Current Year Ended 30.06.2020 (RM'000)	Preceding Year Ended 30.06.2019 (RM'000)
Continuing Operations				
Hotel	1,159	7,781	1,159	7,781
Property	1,510	2,840	1,510	2,840
Travel	19	4,391	19	4,391
Holding company & others	0	87	0	87
Grand Total	2,688	15,099	2,688	15,099

b) Profit/(Loss) before taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2020 (RM'000)	Preceding Quarter Ended 30.06.2019 (RM'000)	Current Year Ended 30.06.2020 (RM'000)	Preceding Year Ended 30.06.2019 (RM'000)
Continuing Operations				
Hotel	(3,362)	(1,762)	(3,362)	(1,762)
Property	(824)	(744)	(824)	(744)
Travel	(200)	(827)	(200)	(827)
Holding company & others	(1,488)	(1,868)	(1,488)	(1,868)
Grand Total	(5,874)	(5,201)	(5,874)	(5,201)

A9 Material Subsequent Events

There were no material events subsequent for the current financial period ended 30 June 2020 and up to the date of this report except:

- a) 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 period ended 30 June 2020 and up to the date of this report.

A11 Significant related party transactions

There were no significant related party transactions for the current financial period ended 30 June 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 82%. 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 interest, depreciation and tax of RM2.232 million as compared to consolidated loss before interest, depreciation and tax of RM0.495 million in preceding year same quarter. The losses was mainly due to the reduction in revenue as a result of COVID-19 and MCO.

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

The Group consolidated revenue for the reporting quarter has reduced by 79% 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 consolidated loss before interest, depreciation and tax of RM2.232 million as compared to consolidated loss before interest, impairment, depreciation and tax of RM0.581 million in preceding quarter. The losses was mainly due to the reduction in revenue as a result of COVID-19 and MCO.

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

Hotel Division

Amidst all the headwinds arising from COVID-19, the Hotel Division will continue to be the mainstay for the Group. The MCO has taught us the invaluable lessons about being lean and efficient in terms of manning, productivity and operating cost whilst maintaining standards and excellence in service. This has resulted in 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 assist in a faster recovery in the coming quarters.

Our flagship hotel, Avillion Port Dickson has seen occupancy improving towards pre-COVID-19 days especially during weekends. Similar recoveries have been seen at our other hotels, Avillion Admiral Cove, Avillion Cameron Highland and our latest addition, AVI Pangkor Beach Resort.

To further improve yield, market share and our positioning above our competitors, the Hotel Division has begun progressively an asset enhancement and refurbishment program on some of its properties, beginning with our flagship, Avillion Port Dickson. The expected outcome is a new, refreshing and invigorating coupled with a unique experience for all our guests to all Avillion hotels and resorts.

These efforts will complement and support our objective of securing and adding more hotels to our stable of managed hotels on behalf of owners under the Avillion brand. This will lead to the ultimate objective and ambition of spreading our wings and franchising the Avillion brand in the Asia Pacific region.

Property Division

The main activity of the division will be focused Taman Desa Impian, the 165-acre mix development/township consisting of commercial, residential and education hubs in Bandar Tenggara, Johor. Phase 2 A is on-going and sales for the residential units have been very encouraging and more efforts will be concentrated to sales and marketing of the commercial units which have been sluggish. This includes the possibility of block sale to interested buyers.

The division will also intensify sales and marketing efforts to sell the remaining bungalow and semi-detached lots surrounding Avillion Admiral Cove. In addition, we will continue to review and engage interested buyers and developers of our land bank. The interests are currently centered on leveraging our resorts and surrounding land to develop an eco-system for targeted medical tourism.

Travel Division

As international borders remained closed with very restricted international travel due to the COVID-19 pandemic, the division will continue to face very challenging times and uncertainty. The Group has rationalized both the Hong Kong and Singapore operations prior to COVID-19 with leaner structure, its business strategies and optimizing revenue and this has helped both these offices to weather the pandemic better.

However, we remain cautious of the performance of the Division as margin 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 30.06.2020 (RM'000)	Preceding Quarter Ended 30.06.2019 (RM'000)	Current Year Ended 30.06.2020 (RM'000)	Preceding Year Ended 30.06.2019 (RM'000)
Interest income	(5)	(155)	(5)	(155)
Gain on disposal of Property, plant & Equipment / land	0	(162)	0	(162)
Rental income	(6)	(6)	(6)	(6)

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2020 (RM'000)	Preceding Quarter Ended 30.06.2019 (RM'000)	Current Year Ended 30.06.2020 (RM'000)	Preceding Year Ended 30.06.2019 (RM'000)
a) Income Tax				
i) Current taxation	0	343	0	343
b) Total	0	343	0	343

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 30.06.2020			As at 30.06.2019		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	19,935	1,927	21,862	20,705	1,994	22,699
ii. Revolving Credit	11,275	-	11,275	12,500	-	12,500
iii. Long term loans repayable within 12 months	10,000	-	10,000	17,625	-	17,625
iv. Finance lease repayable within 12 months	52	-	52	52	-	52
v. Total	<u>41,262</u>	<u>1,927</u>	<u>43,189</u>	<u>50,882</u>	<u>1,994</u>	<u>52,876</u>
b) Long term borrowings						
i. Long term loans	61,004	-	61,004	65,111	-	65,111
Less portion of long term loans payable within 12 months	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>(17,625)</u>	<u>-</u>	<u>(17,625)</u>
	<u>51,004</u>	<u>0</u>	<u>51,004</u>	<u>47,486</u>	<u>0</u>	<u>47,486</u>
ii. Finance lease liability	173	-	173	225	-	225
Less portion of Hire purchase payable within 12 months	<u>(52)</u>	<u>-</u>	<u>(52)</u>	<u>(52)</u>	<u>-</u>	<u>(52)</u>
	<u>121</u>	<u>0</u>	<u>121</u>	<u>173</u>	<u>0</u>	<u>173</u>
iii. Total	51,125	0	51,125	47,659	0	47,659
c) Total borrowings	92,387	1,927	94,314	98,541	1,994	100,535

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 30 June 2020 was RM0.493 million (HKD0.892 million) and as at 30 June 2019 was RM2.084 million (HKD3.929 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 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 appeal against the High Court Judge's to strike out our claim was allowed on 25 August 2020. The matter is now fixed for case management at the High Court in Kuala Lumpur on 3 September 2020.

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 period ended 30 June 2020 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2020 (RM'000)	Preceding Quarter Ended 30.06.2019 (RM'000)	Current Year Ended 30.06.2020 (RM'000)	Preceding Year Ended 30.06.2019 (RM'000)
Net loss attributable to Equity holders of the Parent (RM'000)	(5,721)	(5,427)	(5,721)	(5,427)
Basic ('000)				
Total Weighted average number of ordinary shares	915,789	858,552	915,789	858,552
Basic losses per share(sen)	(0.63)	(0.63)	(0.63)	(0.63)

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 period ended 30 June 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 25 August 2020.