

# 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 audited financial statements for the year ended 31 March 2020. 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 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 auditors' report on the Group's financial statement for the financial year ended 31 March 2020 contained a paragraph on material uncertainty related to going concern, as follows:

*"We draw attention to Note 2.7 to the financial statements, which disclosed that the Group and the Company incurred a net loss of RM22.224 million and RM13.165 million respectively during the financial year ended 31 March 2020 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM15.379 million and RM55.325 million respectively thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."*

## **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 for the current financial period ended 31 December 2020 and up to the date of this report except for the impact of Covid-19 pandemic which has disrupted the business environment.

## **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 31.12.2020 (RM'000)	Preceding Quarter Ended 31.12.2019 (RM'000)	Current Year Ended 31.12.2020 (RM'000)	Preceding Year Ended 31.12.2019 (RM'000)
<b>Continuing Operations</b>				
Hotel	3,183	10,745	11,928	27,964
Property	1,374	3,555	4,920	11,387
Travel	213	4,501	253	14,374
Holding company & others	0	0	0	0
<b>Grand Total</b>	<b>4,770</b>	<b>18,801</b>	<b>17,101</b>	<b>53,725</b>

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2020 (RM'000)	Preceding Quarter Ended 31.12.2019 (RM'000)	Current Year Ended 31.12.2020 (RM'000)	Preceding Year Ended 31.12.2019 (RM'000)
<b>Continuing Operations</b>				
Hotel	(2,246)	2,573	(4,960)	62
Property	(611)	(333)	(1,875)	(389)
Travel	54	(110)	(260)	(1,227)
Holding company & others	(1,429)	(2,030)	(4,852)	(6,351)
<b>Grand Total</b>	<b>(4,232)</b>	<b>100</b>	<b>(11,947)</b>	<b>(7,905)</b>

**A9 Material Subsequent Events**

There were no material events subsequent for the current financial period ended 31 December 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 announced on 13 November 2020, Bursa Securities has granted further extension of time of six (6) months from 21 November 2020 to 21 May 2021.

## **A10 Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current financial period ended 31 December 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 31 December 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 75%. The lower revenue was mainly due to the impact of 2019 Novel Coronavirus (COVID-19) Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) which has severely affected the business of the Hotel and Travel Division.

The Group reported a consolidated loss before interest, depreciation and tax of RM0.657 million in the quarter under review compared to consolidated profit before interest, depreciation and tax of RM4.89 million in the preceding year same quarter. The weak performance was mainly due to:

- a) Lower revenue achieved due to the impact of COVID-19, MCO and CMCO.
- b) The Group received termination fee from the termination of one of the Hotel Management Agreement in Melaka due to the disposal of the hotel in previous year 3<sup>rd</sup> quarter. There was no termination fee in the current quarter under review.

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

The Group consolidated revenue for the quarter under review has reduced by 50% in comparison to the preceding quarter.

The lower revenue was mainly due to the impact CMCO and interstate restriction which has severely affected the business of the Hotel and Travel Division.

The Group registered a consolidated loss before interest, depreciation and tax of RM0.657 million for the quarter under review, against the consolidated profit before interest, depreciation and tax of RM1.78 million in preceding quarter. The losses were mainly due to the drastic drop in revenue as a result of COVID-19 and the reimposition of CMCO from 14 Oct 2020 to 4 December 2020.

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

Not applicable.

## **B4 Commentary on Prospect**

The on-going COVID-19 pandemic worldwide continued to impact negatively on all the divisions of the group, namely Hotel, Property and Travel. The quarter under review started with optimism for the Hotel Division as the mild recovery from the extended RMCO spilled over into the first two weeks of October 2020. The reposition of the CMCO from 14 October 2020, however, quickly reversed the recovery from the preceding quarter as the ban on inter-state and inter-district within Peninsula Malaysia led to cancellations and stoppage of all MICE groups in our hotels. As a result, occupancies and revenue quickly spiraled downwards to negligible levels. There was a brief respite as inter-state travel was allowed from 5 December 2020 until the ban was reintroduced from 13 January 2021. The Property and Travel divisions continued to perform poorly as a result of the impact on travel and dampened consumer and investor confidence and interest in the property market.

The imposition of MCO 2.0 beginning 13 January 2021 and subsequent extension to 4 March 2021 will have similar negative impact on the Group in the next quarter as witnessed in the 3<sup>rd</sup> Quarter. Its performance will hinge greatly on the lifting on inter-state travel and confidence and optimism returning to the battered economy as the country rolls out the vaccination plan for COVID-19. Amidst such strong headwinds and challenges, the Group will focus on internal rationalization, optimization of resources in preparation to ride on the recovery as the pandemic abates or is reined under control thereby permitting travel and freedom of movement both domestically and internationally.

We will continue with our asset enhancement and refurbishment program for some of our hotels and resorts in preparation for the post-pandemic period. This augurs well for the group as post-pandemic guests will be treated to a fresh and invigorating experience at our hotels and resorts. Our continuing efforts and objective of securing and adding more hotels to our stable of managed hotels will be enhanced as we have the proven track record of weathering storms and challenges.

The Property Division will focus on selling the commercial units and hopes to ride on a post-pandemic renewed confidence of buyers and investors' as the nationwide vaccination plan is rolled out. Similarly, as Hong Kong and Singapore rolls out their COVID-19 vaccination nationwide, borders will reopen as confidence returns and this will bring about the beginning of the Travel Division. We are optimistic that both our Hong Kong and Singapore offices are poised to capitalize on any sight of green shoots in the travel and aviation industries when the current pandemic ends.

The prospect may be dire for now as darkness fills the tunnel ahead of us. However, it is our belief that the pent-up demand for vacations and getaways from within the domestic and international markets will bring about better performances in the near future for the travel and hotel sectors as the pandemic abates. The world cannot remain shut for an extended period. It is therefore imperative that we make the right preparations during this lull to ensure that we are poised to capitalize on the resurgence of the travel and hotel industries when the time comes.

**B5 Loss before taxation**

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2020 (RM'000)	Preceding Quarter Ended 31.12.2019 (RM'000)	Current Year Ended 31.12.2020 (RM'000)	Preceding Year Ended 31.12.2019 (RM'000)
Interest income	(2)	18	(8)	(50)
Termination fee	0	(2,380)	0	(2,380)
Gain on disposal of Property, plant & Equipment / land	0	(162)	0	(162)
Rental income	(4)	(6)	(16)	(18)
Gain on disposal of investment property	(29)	0	(29)	0

**B6 Taxation**

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2020 (RM'000)	Preceding Quarter Ended 31.12.2019 (RM'000)	Current Year Ended 31.12.2020 (RM'000)	Preceding Year Ended 31.12.2019 (RM'000)
a) Income Tax				
i) Current taxation	0	465	0	1,152
ii) Under provision for prior years	16	0	16	0
<b>b) Total</b>	<b>16</b>	<b>465</b>	<b>16</b>	<b>1,152</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 quarter.

**B8 Group Borrowings****a) Banking Facilities**

	As at 31.12.2020			As at 31.12.2019		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	19,938	1,896	21,834	19,491	1,975	21,466
ii. Revolving Credit	11,050	-	11,050	11,500	-	11,500
iii. Long term loans repayable within 12 months	5,400	-	5,400	15,000	-	15,000
iv. Finance lease repayable within 12 months	52	-	52	52	-	52
v. Total	<u>36,440</u>	<u>1,896</u>	<u>38,336</u>	<u>46,043</u>	<u>1,975</u>	<u>48,018</u>
b) Long term borrowings						
i. Long term loans	61,206	-	61,206	59,486	-	59,486
<b>Less</b> portion of long term loans payable within 12 months	<u>(5,400)</u>	<u>-</u>	<u>(5,400)</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
	<u>55,806</u>	<u>0</u>	<u>55,806</u>	<u>44,486</u>	<u>0</u>	<u>44,486</u>
ii. Finance lease liability	147	-	147	199	-	199
<b>Less</b> 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>95</u>	<u>0</u>	<u>95</u>	<u>147</u>	<u>0</u>	<u>147</u>
iii. Total	55,901	0	56,007	44,633	0	44,633
c) Total borrowings	92,341	1,896	94,237	90,676	1,975	92,651

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 December 2020 was RM0.442 million (HKD0.853 million) and as at 31 December 2019 was RM0.496 million (HKD0.943 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 full trial on 21 & 22 April 2021.



**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 31 December 2020 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2020 (RM'000)	Preceding Quarter Ended 31.12.2019 (RM'000)	Current Year Ended 31.12.2020 (RM'000)	Preceding Year Ended 31.12.2019 (RM'000)
<b>Net loss attributable to Equity holders of the Parent (RM'000)</b>	(4,141)	(327)	(11,621)	(9,060)
<b>Basic ('000)</b>				
<b>Total Weighted average number of ordinary shares</b>	<b>944,407</b>	<b>915,789</b>	<b>944,407</b>	<b>915,789</b>
<b>Basic losses per share(sen)</b>	(0.44)	(0.04)	(1.23)	(0.99)

**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 31 December 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 23 February 2021.