

# 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 year ended 31 March 2021 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 31.03.2021 (RM'000)	Preceding Quarter Ended 31.03.2020 (RM'000)	Current Year Ended 31.03.2021 (RM'000)	Preceding Year Ended 31.03.2020 (RM'000)
<b>Continuing Operations</b>				
Hotel	2,841	6,785	14,769	34,749
Property	1,074	3,129	5,994	14,516
Travel	271	2,727	524	17,101
Holding company & others	0	0	0	0
<b>Grand Total</b>	<b>4,186</b>	<b>12,641</b>	<b>21,287</b>	<b>66,366</b>

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2021 (RM'000)	Preceding Quarter Ended 31.03.2020 (RM'000)	Current Year Ended 31.03.2021 (RM'000)	Preceding Year Ended 31.03.2020 (RM'000)
<b>Continuing Operations</b>				
Hotel	(1,364)	(5,191)	(6,324)	(5,129)
Property	(1,247)	(557)	(3,122)	(946)
Travel	(93)	(552)	(353)	(1,779)
Holding company & others	(1,001)	(8,395)	(5,853)	(14,746)
<b>Grand Total</b>	<b>(3,705)</b>	<b>(14,695)</b>	<b>(15,652)</b>	<b>(22,600)</b>

**A9 Material Subsequent Events**

There were no material events subsequent for the current financial year ended 31 March 2021 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 submitted the application on 6 May 2021 and approved by Bursa on 3 June 2021 for further extension of time until 21 November 2021 to complete the implementation of the Proposals.

## **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 2021 and up to the date of this report.

## **A11 Significant related party transactions**

There were no significant related party transactions for the current financial year ended 31 March 2021 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 67%. 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 profit before interest, depreciation and tax of RM0.61 million in the quarter under review compared to consolidated profit before interest, depreciation and tax of RM0.019 million in the preceding year same quarter. The current quarter results included the following:

- a) Covid-19 related rent concession income of RM1.582 million and
- b) Covid-19 funds from Hong Kong and Singapore local government to our overseas subsidiaries RM0.374m.

### **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 12% in comparison to the preceding quarter.

The lower revenue was mainly due to the impact CMCO and MCO 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 RM0.61 million for the quarter under review, against the consolidated profit before interest, depreciation and tax of RM0.657 million in preceding quarter. The performance of the group was severely affected by COVID-19 and the reimposition of CMCO and MCO.

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

Not applicable.

## **B4 Commentary on Prospect**

The unabated Covid-19 pandemic worldwide, the imposition of MCO 2.0 in the country continued to weigh heavily and negatively on all the divisions of the group, namely Hotel, Property and Travel. The reintroduction of inter-state travel prohibition effective 13 January 2021 led to cancellations by guests and stoppage of all MICE groups in our hotels. As a result, occupancies and revenue quickly spiralled south and downwards to negligible levels.

The much-awaited lifting of MCO 2.0 did not happen in the 4<sup>th</sup> Quarter and as a result, any hope a recovery in the Hotel Division was quickly dashed as the whole country largely remained under MCO or CMCO and inter-state travel continued to be banned. Similarly, the Property and Travel Divisions continued to perform poorly as a result of state and international borders remaining closed and dampened consumer and investor confidence and interest in the property market.

The fortunes of the group in the coming quarters will largely be dependent on the containment of the Covid-19 pandemic both nationally and internationally. Its performance will hinge greatly on lifting of MCO 3.0, freeing up on inter-state travel, international travel and confidence and optimism returning to the battered economy, including the property market. We await in anticipation that as the country rolls out and intensify the national vaccination plan for Covid-19, domestic tourism, MICE will soon return to our hotels. Similarly, as the pandemic situation worldwide abates, our travel divisions in both Hong Kong and Singapore will be able to ride along the wave of recovery. Should such a recovery happen, we are confident it will also lead to investors and purchasers' interest and confidence in the property sector especially for the unsold units in Desa Impian, Bandar Tenggara.

Amidst such strong headwinds and challenges, the Group will focus on internal rationalization, optimization of resources in preparation to ride on any such recovery in the coming quarters. We will continue with our asset enhancement and refurbishment program for some of our hotels and resorts in preparation for the post-pandemic period. The Group will continue to add new revenue streams by seeking and securing and adding more hotels to our stable of managed hotels and other income-generating ventures. We will continue to evaluate and rationalize all our business activities, cost and utilization of resources to remain lean but poised to ride on the onset of any recovery in the hospitality and property sectors when the current pandemic ends.

The short-term prospect and visibility may be dim and blurred but it is our belief that the pent-up demand for tourism, vacations and getaways from within the domestic and international markets will bring about better performances in the near future. 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 any resurgence of the travel, hotel and property sectors.

**B5 Loss before taxation**

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2021 (RM'000)	Preceding Quarter Ended 31.03.2020 (RM'000)	Current Year Ended 31.03.2021 (RM'000)	Preceding Year Ended 31.03.2020 (RM'000)
Interest income	(1)	(131)	(9)	(181)
Termination fee	0	1	0	(2,379)
Gain on disposal of Property, plant & Equipment / land	0	(22)	0	(184)
Rental income	(8)	(6)	(24)	(24)
Waiver of other payables	0	(232)	0	(232)
Impairment loss on trade & other receivables	148	6,807	148	6,807
Impairment loss on right-of-use assets	0	3,295	0	3,295
Gain on disposal of investment property	0	0	(29)	0
COVID-19 related rent concession income	(1,582)	0	(1,582)	0
COVID-19 fund from government	(374)	0	(1,033)	0

**B6 Taxation**

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2021 (RM'000)	Preceding Quarter Ended 31.03.2020 (RM'000)	Current Year Ended 31.03.2021 (RM'000)	Preceding Year Ended 31.03.2020 (RM'000)
a) Income Tax				
i) Current taxation	13	(441)	13	711
ii) Under provision for prior years	113	337	129	337
b) Deferred taxation	(1,540)	(1,249)	(1,540)	(1,249)
<b>b) Total</b>	<b>(1,414)</b>	<b>(1,353)</b>	<b>(1,398)</b>	<b>(201)</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 31.03.2021			As at 31.03.2020		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	23,275	1,901	25,176	19,874	1,356	21,230
ii. Revolving Credit	10,772	-	10,772	11,275	-	11,275
iii. Long term loans repayable within 12 months	8,000	-	8,000	10,000	-	10,000
iv. Lease Liabilities/Finance lease repayable within 12 months	1,125	-	1,125	2,713	-	2,713
v. Total	<u>43,172</u>	<u>1,901</u>	<u>45,073</u>	<u>43,862</u>	<u>1,356</u>	<u>45,218</u>
b) Long term borrowings						
i. Long term loans	61,642	-	61,642	60,247	-	60,247
<b>Less</b> portion of long term loans payable within 12 months	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
	<u>53,642</u>	<u>0</u>	<u>53,642</u>	<u>50,247</u>	<u>0</u>	<u>50,247</u>
ii. Lease Liabilities/Finance lease liability	2,095	-	2,095	3,565	-	3,565
<b>Less</b> portion of Hire purchase payable within 12 months	<u>(1,125)</u>	<u>-</u>	<u>(1,125)</u>	<u>(2,713)</u>	<u>-</u>	<u>(2,713)</u>
	<u>970</u>	<u>0</u>	<u>970</u>	<u>852</u>	<u>0</u>	<u>852</u>
iii. Total	<u>54,612</u>	<u>0</u>	<u>54,612</u>	<u>51,099</u>	<u>0</u>	<u>51,099</u>
c) Total borrowings	97,784	1,901	99,685	94,961	1,356	96,317

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 March 2021 was RM0.259 million (HKD0.485 million) and as at 31 March 2020 was RM0.528 million (HKD0.951 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. Our appeal against the High Court Judge's to strike out our claim was allowed on 25 August 2020. The matter has gone for full trial on 21 April 2021.

Judgement has been entered and the court has allowed our full claim against the defendants on 19 May 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 year ended 31 March 2021 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2021 (RM'000)	Preceding Quarter Ended 31.03.2020 (RM'000)	Current Year Ended 31.03.2021 (RM'000)	Preceding Year Ended 31.03.2020 (RM'000)
<b>Net loss attributable to Equity holders of the Parent (RM'000)</b>	(1,792)	(12,945)	(13,413)	(22,005)
<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>	(0.19)	(1.41)	(1.42)	(2.40)

**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 2021.

**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 2021.