

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 2021. 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 2021.

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 2021 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 2021

MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
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 period beginning on or after 1 January 2022

MFRS 3	Business Combinations
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes

A1 Basis of Preparation (continued)

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 independent auditors reported the following qualified opinion and material uncertainty related to going concern on the audited financial statements for the year ended 31 March 2021:

a) Qualified Opinion

As disclosed in Note 5(e) to the financial statements, included in property, plant and equipment are freehold land and buildings carried at valuation amounted to RM19.451 million. The Group's policy is to measure the freehold land and buildings at fair value, based on valuations performed by external independent valuers with sufficient regularity to ensure that the fair value of the freehold land and buildings does not differ materially from the carrying amount.

The Group did not engage external independent valuers to determine the fair value of freehold land and buildings due to the Group is reducing the operating costs following the re-calibration of the Group's operating structure by right sizing the workforce and opt for furloughs its workers without sacrificing the quality of services during COVID-19 outbreak. In addition, the Group is avoiding incurrence of non-operating cost such as valuation cost to maintain sufficient cash flow for the Group's operation.

Based on internal assessment, the Group did not expect significant change in the fair value as compared with the carrying amount of the freehold land and buildings despite the prevailing impact of COVID-19 outbreak on the hospitality industry.

The business situation of the Group is improving under Phase 3 and 4 of the National Recovery Plan. The Group will address this matter in the current financial year.

b) Material Uncertainty Related to Going Concern

As disclosed in Note 2.7 to the financial statements, which disclosed that the Group and the Company incurred a net loss of RM14.201 million and RM16.317 million respectively during the financial year ended 31 March 2021 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM2.519 million and RM53.909 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.

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 except for the following:

	Period ended 30.06.2021	
	Number of Shares Unit ('000)	Amount (RM'000)
Ordinary Shares		
At 1 April 2021	944,407	213,429
Issued on 21 June 2021	2,083	250
At 30 June 2021	946,490	213,679

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 30.06.2021 (RM'000)	Preceding Quarter Ended 30.06.2020 (RM'000)	Current Year Ended 30.06.2021 (RM'000)	Preceding Year Ended 30.06.2020 (RM'000)
Continuing Operations				
Hotel	1,305	1,159	1,305	1,159
Property	647	1,510	647	1,510
Travel	367	19	367	19
Grand Total	2,319	2,688	2,319	2,688

b) Loss before tax

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2021 (RM'000)	Preceding Quarter Ended 30.06.2020 (RM'000)	Current Year Ended 30.06.2021 (RM'000)	Preceding Year Ended 30.06.2020 (RM'000)
Continuing Operations				
Hotel	(3,759)	(3,362)	(3,759)	(3,362)
Property	(983)	(824)	(983)	(824)
Travel	(151)	(200)	(151)	(200)
Holding company & others	(1,282)	(1,488)	(1,282)	(1,488)
Grand Total	(6,175)	(5,874)	(6,175)	(5,874)

A9 Material Subsequent Events

There were no material events subsequent to the current financial period ended 30 June 2021 and up to the date of this report except:

on 24 August 2021, the Company has issued and allotted the second tranche of private placement of 96,333,330 new ordinary shares at an issue price of RM0.12 per share to raise a gross proceed of RM11,559,999.

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 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 period ended 30 June 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 14%. The lower revenue was mainly due to the impact of COVID-19 pandemic and Movement Control Order (MCO) which has affected the business of the Property Division.

The Group registered consolidated loss before interest, depreciation and tax of RM2.193 million as compared to consolidated loss before interest, depreciation and tax of RM2.232 million in preceding year same quarter. The lower losses were mainly due to the further cost reduction measure taken by the Group.

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

The Group consolidated revenue for the reporting quarter has reduced by 45% in comparison to the preceding quarter. The lower revenue was mainly due to the reimposition of CMCO and MCO during the quarter under review which has severely affected the performance of Hotel and Property Division.

The Group registered consolidated loss before interest, depreciation and tax of RM2.193 million as compared to consolidated loss before interest, impairment, depreciation and tax of RM0.61 million in preceding quarter. The losses were mainly due to the weak business performance as a result of interstate restriction and MCO.

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

Surviving the Pandemic and Getting Ready for the Post-Pandemic Era

We believe that there is light at the end of the tunnel. Despite the imposition of MCO3.0 from May 2021 and subsequent transitioning into different phases of National Recovery Plan, the announcements of easing of restrictions for fully vaccinated individuals as well as the gradual reopening of the tourism sector, provide some hope that the current financial year will see us entering into greener pastures.

The "Langkawi Travel Bubble Experiment" that was implemented by the Government in September 2021 proved to be a great success. Given the enthusiastic return of visitors to Langkawi and the announcements for the re-opening of more tourist destinations, we are upbeat about the immediate future, especially for the Hotel sector. We had a similar experience during the RMCO in 2020 whereby the occupancy at our hotels in Port Dickson inches towards pre-pandemic levels.

B4 Commentary on Prospect (continued)

Similarly, as more and more countries prepare to enter the “endemic” stage of Covid-19, we believe that the number of positive cases will no longer be a determinant in the re-opening of more international borders. Our Travel Division in both Hong Kong and Singapore should be able to benefit from the move into the endemic phase. With the reopening of borders, we are confident this can and will also lead to investors and purchasers’ interest and confidence in the property sector especially for the unsold units in Desa Impian, Bandar Tenggara.

Hotel Division

The prospects and outlook of the Hotel Division have started to turn rosy with the move to reopen tourism destinations. It is our hope that the Government will in the very near future announce the reopening of Port Dickson to local tourists. Based on the influx of visitors to Langkawi under the first tourism bubble, we are quietly upbeat that our resorts in PD will be bustling with activity soon. We are also quietly confident that our properties in Pangkor and Cameron Highlands will also benefit from future announcements on new travel bubbles and/or re-opening of inter-state travel.

With most of our hotels serving as resort destinations, the prospects of a revival are far brighter than if we were heavily invested in business hotels. The sun and seas of Port Dickson and Pangkor Island, as well as the cool, clean air of Cameron Highlands, will serve as a panacea for lockdown-weary Malaysians as soon as more and more travel bubbles are established and/or when inter-state travels are permitted. While the hope is still very much for a reopening of international borders in the long-term, a semblance of normality for the local tourism sector will provide much needed short-term relief for the Hotel Division.

Property Division

The Property Division will focus on selling the commercial units of the on-going Phase 2A of the Desa Impian Project. At the same time, we will carefully consider the planning and launching of Phase 2B of the Desa Impian Project.

As earlier mentioned, the gradual reopening of borders with Singapore will hopefully lead to greater demand for our property units.

Travel Division

The Travel Division which is based in Hong Kong and Singapore will continue to face headwinds and challenges. A lot will depend on how quickly and confidently these countries move into the “endemic” stages of recovery. Given the high vaccination rates in both countries as well as in Malaysia, and the announcement of “travel and destination bubbles”, relaxations in quarantine requirements for fully vaccinated individuals, we believe that international travel is on the cusp of recovery, which would lead to an uptick for the Travel Division.

B5 Loss before tax

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2021 (RM'000)	Preceding Quarter Ended 30.06.2020 (RM'000)	Current Year Ended 30.06.2021 (RM'000)	Preceding Year Ended 30.06.2020 (RM'000)
Interest income	(6)	(5)	(6)	(5)
Rental income	(16)	(6)	(16)	(6)
COVID-19 related rent concessions income	(19)	(0)	(19)	(0)
COVID-19 fund from government	(103)	(236)	(103)	(236)

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2021 (RM'000)	Preceding Quarter Ended 30.06.2020 (RM'000)	Current Year Ended 30.06.2021 (RM'000)	Preceding Year Ended 30.06.2020 (RM'000)
a) Income Tax				
i) Current taxation	0	0	0	0

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 Status of Corporate proposals

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.

B7 Status of Corporate proposals (continued)

The Company has issued and allotted the first tranche of private placement of 2,083,334 new ordinary shares at an issue price of RM0.12 on 21 June 2021.

The status of utilization of proceeds raised from the abovementioned Placement Shares were as follows:

Details of utilization	Estimated Proceed and proposed utilization as per Circular dated 3 Dec 2019	Actual Proceeds Raised (First Tranche)	Intended Timeframe For Utilization	Utilisation as at 30 June 2021
	(RM'000)	(RM'000)		(RM'000)
Repayment of bank borrowings	6,000		Immediately	125
Asset enhancement & refurbishment program	10,000			-
Part funding of Desa Impian Project	3,000			-
General working capital	7,093			-
Estimated expenses in relation to the proposal	350		Immediately	125
Total	26,443	250		250

Subsequent to the end of the current period under review, the Company has issued and allotted the second tranche of private placement of 96,333,330 new ordinary shares at an issue price of RM0.12 per share to raise a gross proceed of RM11,559,999 on 24 August 2021.

B8 Group Borrowings**a) Banking Facilities**

	As at 30.06.2021			As at 30.06.2020		
	Secured	Unsecured	Total	Secured	Unsecured	Total
a) Short term borrowings	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
i. Overdraft	24,802	1,997	26,799	19,935	1,927	21,862
ii. Revolving Credit	10,457	-	10,457	11,275	-	11,275
iii. Long term loans repayable within 12 months	8,400	-	8,400	10,000	-	10,000
iv. Lease Liabilities / Finance lease liability repayable within 12 months	1,464	-	1,464	2,054	-	2,054
	<u>45,123</u>	<u>1,997</u>	<u>47,120</u>	<u>43,264</u>	<u>1,927</u>	<u>45,191</u>
v. Total						
b) Long term borrowings						
i. Long term loans	61,598	-	61,598	61,004	-	61,004
Less portion payable within 12 months	<u>(8,400)</u>	<u>-</u>	<u>(8,400)</u>	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
	<u>53,198</u>	<u>0</u>	<u>53,198</u>	<u>51,004</u>	<u>0</u>	<u>51,004</u>
ii. Lease Liabilities / Finance lease liability	3,825	-	3,825	2,671	-	2,671
Less portion payable within 12 months	<u>(1,464)</u>	<u>-</u>	<u>(1,464)</u>	<u>(2,054)</u>	<u>-</u>	<u>(2,054)</u>
	<u>2,361</u>	<u>0</u>	<u>2,361</u>	<u>617</u>	<u>0</u>	<u>617</u>
iii. Total	55,559	0	55,559	51,621	0	51,621
c) Total borrowings	100,682	1,977	102,679	94,885	1,927	96,812

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 30 June 2021 was RM0.276 million (HKD0.516 million) and as at 30 June 2020 was RM0.493 million (HKD0.892 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. The company is now proceeding to enforce the judgement against the defendants.

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 2021 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.06.2021 (RM'000)	Preceding Quarter Ended 30.06.2020 (RM'000)	Current Year Ended 30.06.2021 (RM'000)	Preceding Year Ended 30.06.2020 (RM'000)
Net loss attributable to Equity holders of the Parent (RM'000)	(6,018)	(5,721)	(6,018)	(5,721)
Basic ('000)				
Total Weighted average number of ordinary shares	945,101	915,789	945,101	915,789
Basic losses per share(sen)	(0.64)	(0.62)	(0.64)	(0.62)

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 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 September 2021.