

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 30.09.2021	
	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
Issued on 24 August 2021	96,333	11,560
At 30 September 2021	1,042,823	225,239

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 30.09.2021 (RM'000)	Preceding Quarter Ended 30.09.2020 (RM'000)	Current Year Ended 30.09.2021 (RM'000)	Preceding Year Ended 30.09.2020 (RM'000)
Continuing Operations				
Hotel	999	7,586	2,304	8,745
Property	1,640	2,036	2,287	3,546
Travel	597	21	964	40
Grand Total	3,236	9,643	5,555	12,331

b) Loss before tax

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.09.2021 (RM'000)	Preceding Quarter Ended 30.09.2020 (RM'000)	Current Year Ended 30.09.2021 (RM'000)	Preceding Year Ended 30.09.2020 (RM'000)
Continuing Operations				
Hotel	(3,496)	648	(7,255)	(2,714)
Property	(191)	(440)	(1,174)	(1,264)
Travel	(254)	(114)	(405)	(314)
Holding company & others	(2,002)	(1,935)	(3,284)	(3,423)
Grand Total	(5,943)	(1,841)	(12,118)	(7,715)

A9 Material Subsequent Events

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

On 19 November 2021, the Company has issued and allotted the third and final tranche of private placement of 90,464,686 new ordinary shares at an issue price of RM0.12 per share to raise a gross proceed of RM10,855,762.

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 September 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 September 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 66%. 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 Hotel Division.

The Group registered consolidated loss before interest, depreciation and tax of RM1.963 million as compared to consolidated profit before interest, depreciation and tax of RM1.78 million in preceding year same quarter. The losses were mainly due to the impact of MCO and interstate restriction which affected the business of the Hotel Division during the current quarter under review.

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

The Group consolidated revenue for the reporting quarter has increased by 39.5% in comparison to the preceding quarter. The higher revenue was mainly due to the improved performance from the Property Division from the sale of existing inventories.

The Group registered a lower consolidated loss before interest, depreciation and tax of RM1.963 million as compared to consolidated loss before interest, depreciation and tax of RM2.193 million in preceding quarter.

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

In this quarter under review, country ground to a virtual standstill, it is of little surprise that the Group's Q2 performance was dismal, to say the least. Pre-tax loss plunged a further to almost RM6 million from RM1.84 million in the preceding year same quarter. On a divisional basis, the Hotel Division registered the widest drop to register a negative EBITDA of RM1.18 million from a profit of RM2.51 million in preceding year same quarter, while the Travel Division's negative EBITDA widened further to RM0.277 million. As in the previous year same quarter, the Property Division was the only one to register a positive EBITDA, increasing 486% to RM0.334 million from RM0.057 million in preceding year same quarter.

It may seem like *déjà vu*, but we do firmly believe that the worst is behind us. With interstate travel resuming on 11 October 2021, the outlook for the Hotel Division especially looks bright indeed. Coupled with the year-end school holidays, and the continued hesitancy among many Malaysians and the limited overseas destinations available for tourism, we believe that domestic tourism will continue to grow exponentially in the coming quarters.

The outlook for the Hotel Division has brightened indeed, and especially for the properties in Port Dickson. With the onset of interstate travel in October, occupancy rates for the PD properties were very encouraging averaging 60% for the month. Occupancy at the other two properties in Cameron Highlands and Pangkor lagged but are catching very fast. Moving forward, we believe the coming quarter will see will see these rates improve further as "revenge travel and tourism" continues. We are confident Government and corporate meetings and functions will continue to grow and improve further. We look forward to the successful discussions for the implementation of the Vaccinated Travel Lane (VTL) facility for land crossings between Singapore-Malaysia as it will see the return of tourist from across the Causeways to our properties.

The sales of commercial units under Phase 2A of the Desa Impian Project remains the Property Division's catalyst for a better quarter for the Property Division. With the possible relocation of a public vocational training centre to our commercial units, this will be a further catalyst and magnet for supporting businesses to Desa Impian. As the country's economy recovers and improves, it is our hope that some spill-over effects for the remaining commercial units at Desa Impian and residential lots at Admiral Cove Port Dickson.

The limited reopening of travel between Malaysia and Singapore augurs well for the Travel Division. As more and more restrictions on overseas travellers are lifted, we believe that the Travel Division could see a revitalisation beginning in Q3. Much hinges on the continued effectiveness of vaccinations and the continuous easing of restrictions for overseas travel. We believe the beginning of the winter season in the Northern Hemisphere and the VTL for air travel into Singapore will usher for an influx of travellers from Europe looking to escape the cold weather.

We are cautiously optimistic the dark clouds from the prolonged COVID-19 pandemic have blown over. We will strive to remain proactive and innovative to ensure we are always ahead of the curve in improving efficiency, cost optimization, flattening structures and efficient deployment of human capital to ensure a healthier bottom-line in the coming quarters.

B5 Loss before tax

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.09.2021 (RM'000)	Preceding Quarter Ended 30.09.2020 (RM'000)	Current Year Ended 30.09.2021 (RM'000)	Preceding Year Ended 30.09.2020 (RM'000)
Interest income	(6)	(1)	(6)	(6)
Rental income	(17)	(6)	(33)	(12)
COVID-19 related rent concessions income	(10)	(0)	(29)	(0)
COVID-19 fund from government	(55)	(297)	(158)	(533)

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.09.2021 (RM'000)	Preceding Quarter Ended 30.09.2020 (RM'000)	Current Year Ended 30.09.2021 (RM'000)	Preceding Year Ended 30.09.2020 (RM'000)
a) Income Tax				
i) Underprovision in prior year	7	0	7	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.

In June 2021, the Company had placed out 2,083,334 Placement Shares at RM0.12 each to a Placee, and such Placement Shares were listed on the Main Market of Bursa Securities on 21 June 2021. The Company had further placed out 96,333,330 Placement Shares at RM0.12 each in August 2021, of which such Placement Shares were listed on the Main Market of Bursa Securities on 24 August 2021.

The status of utilization of proceeds raised from the abovementioned Placement Shares as at 30 September 2021 were as follows:

	Circular dated 3rd Dec 2019 (RM'000)	Actual proceeds Raised (RM'000)	Approved Revised (RM'000)	Amount Utilised (RM'000)	Amount Unutilised (RM'000)	Intended Timeframe for Utilisation
Repayment of bank borrowings	6,000	3,619	2,508	125	2,383	Within 4 mths
Asset enhancement & refurbishment programme	10,000	6,032	4,203	0	4,203	Within 12 mths
Part funding of Desa Impian Project	3,000	1,809	1,809	20	1,789	Within 4 mths
General working capital	7,093	0	2,940	441	2,499	Within 3 mths
Estimated expenses	350	350	350	333	17	immediate
Total	26,443	11,810	11,810	919	10,891	

Subsequent to the end of the current period under review, the Company has issued and allotted the final tranche of private placement of 90,464,686 new ordinary shares at an issue price of RM0.12 per share to raise a gross proceed of RM10,855,762 on 19th November 2021.

B8 Group Borrowings**a) Banking Facilities**

	As at 30.09.2021			As at 30.09.2020		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	15,957	-	15,957	18,710	1,619	20,329
ii. Revolving Credit	10,457	-	10,457	11,200	-	11,200
iii. Long term loans repayable within 12 months	8,400	-	8,400	5,250	-	5,250
iv. Lease Liabilities / Finance lease liability repayable within 12 months	1,162	-	1,162	1,567	-	1,567
	<u>35,976</u>	<u>0</u>	<u>35,976</u>	<u>36,727</u>	<u>1,619</u>	<u>38,346</u>
v. Total						
b) Long term borrowings						
i. Long term loans	61,598	-	61,598	61,149	-	61,149
Less portion payable within 12 months	<u>(8,400)</u>	<u>-</u>	<u>(8,400)</u>	<u>(5,250)</u>	<u>-</u>	<u>(5,250)</u>
	<u>53,198</u>	<u>0</u>	<u>53,198</u>	<u>55,899</u>	<u>0</u>	<u>55,899</u>
ii. Lease Liabilities / Finance lease liability	3,486	-	3,486	2,017	-	2,017
Less portion payable within 12 months	<u>(1,162)</u>	<u>-</u>	<u>(1,162)</u>	<u>(1,567)</u>	<u>-</u>	<u>(1,567)</u>
	<u>2,324</u>	<u>0</u>	<u>2,324</u>	<u>450</u>	<u>0</u>	<u>450</u>
iii. Total	55,522	0	55,522	56,349	0	56,349
c) Total borrowings	91,498	0	91,498	93,076	1,619	94,695

- b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 30 September 2021 was RM0.312 million (HKD0.579 million) and as at 30 September 2020 was RM0.481 million (HKD0.896 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 September 2021 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30.09.2021 (RM'000)	Preceding Quarter Ended 30.09.2020 (RM'000)	Current Year Ended 30.09.2021 (RM'000)	Preceding Year Ended 30.09.2020 (RM'000)
Net loss attributable to Equity holders of the Parent (RM'000)	(5,928)	(1,759)	(11,946)	(7,480)
Basic ('000)				
Total Weighted average number of ordinary shares	961,851	915,789	961,851	915,789
Basic losses per share(sen)	(0.62)	(0.19)	(1.24)	(0.82)

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 September 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 26 November 2021.