

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 recalibration 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:

	Year ended 31.03.2022	
	Number of Shares Unit ('000)	Amount (RM'000)
Ordinary Shares		
At 1 April 2021	944,407	213,429
Issued end of current period	188,881	22,666
At 31 March 2022	1,133,288	236,095

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 31.03.2022 (RM'000)	Preceding Quarter Ended 31.03.2021 (RM'000)	Current Year Ended 31.03.2022 (RM'000)	Preceding Year Ended 31.03.2021 (RM'000)
Continuing Operations				
Hotel	8,326	2,841	21,766	14,769
Property	3,768	739	7,912	5,659
Travel	767	271	2,534	524
Grand Total	12,861	3,851	32,212	20,952

b) Profit / (Loss) before tax

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2022 (RM'000)	Preceding Quarter Ended 31.03.2021 (RM'000)	Current Year Ended 31.03.2022 (RM'000)	Preceding Year Ended 31.03.2021 (RM'000)
Continuing Operations				
Hotel	2,354	(1,363)	(1,891)	(6,323)
Property	103	(1,247)	(1,448)	(3,122)
Travel	(1,384)	(40)	(1,915)	(300)
Holding company & others	(415)	(1,002)	(5,810)	(5,854)
Grand Total	658	(3,652)	(11,064)	(15,599)

A9 Material Subsequent Events

There were no material events subsequent to the current financial year ended 31 March 2022 and up to the date of this report.

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 2022 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 2022 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

Revenue of the Group for the current quarter recorded RM12.861 million, an increase of 234% compared with the previous year's corresponding quarter's revenue of RM3.851 million. The earnings before interest, depreciation and tax ("EBITDA") of the Group for the current quarter was RM3.924 million compared with EBITDA of M0.723 million in the previous year's corresponding quarter, an improvement of 443% attributed mainly to the Hotel & Property Division.

The Hotel Division recorded higher revenue in the current quarter compared with previous year's corresponding quarter mainly due to the lifting of interstate and COVID-19 restriction since mid-October 2021. Higher revenue was also recorded by the Property Division from the sale of inventories (completed units)

An improved EBITDA was recorded compared with previous year's corresponding quarter due to higher revenue.

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

Group revenue of RM12.861 million for the current quarter months was decreased compared with RM13.796 million in the preceding quarters. The earnings before interest, depreciation and tax ("EBITDA") of the Group for the current quarter was RM3.924 million compared with EBITDA of RM4.349 million in the preceding quarter. The decrease in both revenue and EBITDA for the current quarter was mainly due:

- a) The onset of Omicron variant at the end of January 2022 resulted in a dip in revenue for the Hotel Division.
- b) Impairment loss on trade & other receivables amounting to RM0.227 million

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

Recovery, But Still Fraught with Uncertainties and New Challenges

As anticipated, the recovery and performance experienced in the 3rd Quarter could not be repeated in the 4th Quarter. This was largely due to the onset of the Omicron variant which spiked at the end of January 2022, causing a dip in revenue especially for the Hotel Division during the 4th Quarter. Even though the Omicron threat tapered towards the Chinese New Year, the damage had been done. On a more positive note, the Government's firm assertion that there will not be a reimposition of the Movement Control Order coupled with further relaxations of Covid-19 related SOPs, augurs well for the Group as we look forward to minimal major disruptions to our business thereby allowing us to focus fully on sustaining the recovery of our business.

Whilst the reopening of our borders was widely cheered and welcomed, it is premature to conclude there will be an immediate influx of foreign tourists into the country and concomitant uptick in the tourism and hospitality related services. Whilst the threat of the pandemic has abated somewhat, the whole world is still adjusting to the new normal and countries are still adapting, changing and removing Covid-19 related SOPs, testing and quarantine requirements. The resultant effect is tourists are still deferring and postponing their travel plans until certainty and confidence levels return in their respective countries. We also need to factor in the lag-time for international travel, tourism plans and reservations which ranges from three to six months. The Group, meanwhile will focus on domestic tourism and MICE groups while preparing for the return of international tourists to our resorts.

The Group has also not been spared by the recent spike in inflation and higher related operating costs will be a real challenge in the coming quarters. The situation will become problematic if these spikes in cost are not followed in tandem by revenue and productivity. Efforts will be intensified to ensure that cost are kept in check and we will spare no effort in our search for new income and revenue streams. The period of MCO to RMCO has given our hotels invaluable lessons on cost optimization, flattening structures and efficient deployment of human capital and we must remain resolute in order to face these new challenges.

Hotel Division

The prospects and outlook of the Hotel Division remain upbeat, albeit cautious in light of inflationary pressures and operating costs. We had intensified our asset enhancement and refurbishment programmes for some of our hotels and resorts and we are confident these efforts too will result in both higher occupancy and average rates for our resorts.

We expect domestic tourism and MICE groups to continue to remain strong as fears of the Covid-19 pandemic abate. At the same time, the Group will continue to explore new opportunities within this sector, be it in developing new and innovative packages as well as in looking for potential management contracts.

B4 Commentary on Prospect (continued)**Property Division**

The Property Division will remain focused on the selling of commercial units of the on-going Phase 2A of the Desa Impian Project. We received a letter of offer from a vocational training institute to purchase a block of Phase 2A as their training centre in Bandar Tenggara. This augurs well for our plans for Phase 2B as the local institution will spur and generate interest for both dwellings as well as commercial units as supporting services and industry. Plans for Phase 2B will be finalised once this particular sale is confirmed.

Travel Division

The Travel Division which is based in Hong Kong and Singapore will continue to face headwinds and challenges. As mentioned, whilst the whole world adapts and adjust to the new normal post-Covid-19 era, it will be a while before international tourism and tourist related activities return to pre-covid days. As such, our focus in both Hong Kong and Singapore is to ensure that both divisions are ready to capitalize at the first instance of recovery and confidence in international travel. In particular, we believe the beginning of the winter season in the Northern Hemisphere will result in an influx of tourists from Europe looking to escape the cold weather. At the same time, as Singapore removes and relaxes more and more Covid-19 related SOPs, the division is poised to benefit from this potential for increased travel into Singapore.

B5 Profit / (Loss) before tax

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2022 (RM'000)	Preceding Quarter Ended 31.03.2021 (RM'000)	Current Year Ended 31.03.2022 (RM'000)	Preceding Year Ended 31.03.2021 (RM'000)
Interest income	(3)	(2)	(6)	(10)
Rental income	(16)	(8)	(66)	(24)
COVID-19 related rent concessions income	(242)	(1,664)	(279)	(1,680)
COVID-19 fund from government	(118)	(114)	(321)	(1,072)
Waiver of trade & other payables	(398)	(14)	(398)	(14)

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2022 (RM'000)	Preceding Quarter Ended 31.03.2021 (RM'000)	Current Year Ended 31.03.2022 (RM'000)	Preceding Year Ended 31.03.2021 (RM'000)
a) Income Tax				
i) Underprovision in prior year	(2)	118	6	134
ii) Current year	390	8	390	8
b) Deferred tax				
iii) Overprovision in prior year	(508)	(63)	(508)	(63)
iv) Current year	(1,135)	(1,477)	(1,135)	(1,477)
Total	(1,255)	(1,414)	(1,247)	(1,398)

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 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 and 90,464,686 Placement Shares at RM0.12 each in August and November 2021 respectively, of which such Placement Shares were listed on the Main Market of Bursa Securities on 24 August and 19th November 2021 respectively.

The status of utilization of proceeds raised from the abovementioned Placement Shares as at 31 March 2022 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	6,000	4,889	4,030	859	Within 3 mths
Asset enhancement & refurbishment programme	10,000	10,000	5,611	529	5,082	Within 9 mths
Part funding of Desa Impian Project	3,000	3,000	3,000	982	2,018	Within 2 mths
General working capital	7,093	3,316	8,816	8,816	0	
Estimated expenses	350	350	350	350	0	
Total	26,443	22,666	22,666	14,707	7,959	

B8 Group Borrowings**a) Banking Facilities**

	As at 31.03.2022			As at 31.03.2021		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	13,018	1,615	14,633	23,275	1,901	25,176
ii. Revolving Credit	9,475	-	9,475	10,772	-	10,772
iii. Long term loans repayable within 12 months	7,750	-	7,750	6,000	-	6,000
iv. Lease Liabilities / Finance lease liability repayable within 12 months	3,506	-	3,506	2,758	-	2,758
	<u>33,749</u>	<u>1,615</u>	<u>35,364</u>	<u>42,805</u>	<u>1,901</u>	<u>44,706</u>
v. Total						
b) Long term borrowings						
i. Long term loans	61,070	-	61,070	61,642	-	61,642
Less portion payable within 12 months	<u>(7,750)</u>	<u>-</u>	<u>(7,750)</u>	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
	<u>53,320</u>	<u>0</u>	<u>53,320</u>	<u>55,642</u>	<u>0</u>	<u>55,642</u>
ii. Lease Liabilities / Finance lease liability	4,071	-	4,071	4,592	-	4,592
Less portion payable within 12 months	<u>(3,506)</u>	<u>-</u>	<u>(3,506)</u>	<u>(2,758)</u>	<u>-</u>	<u>(2,758)</u>
	<u>565</u>	<u>0</u>	<u>565</u>	<u>1,834</u>	<u>0</u>	<u>1,834</u>
iii. Total	53,885	0	53,885	57,476	0	57,476
c) Total borrowings	87,634	1,615	89,249	100,281	1,901	102,182

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 March 2022 was RM0.322 million (HKD0.6 million) and as at 31 March 2021 was RM0.259 million (HKD0.485 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 as at the date of this report.

B11 Earnings /(Losses) Per Share**a) Basic**

Basic earnings /(losses) per share is calculated by dividing the net profit / (loss) attributable to the shareholders for the current financial year ended 31 March 2022 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.03.2022 (RM'000)	Preceding Quarter Ended 31.03.2021 (RM'000)	Current Year Ended 31.03.2022 (RM'000)	Preceding Year Ended 31.03.2021 (RM'000)
Net profit/(loss) attributable to Equity holders of the Parent (RM'000)	1,853	(1,739)	(9,675)	(13,360)
Basic ('000) Total Weighted average number of ordinary shares	1,008,945	944,407	1,008,945	944,407
Basic earnings/(losses) per share(sen)	0.18	(0.18)	(0.96)	(1.41)

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 2022.

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 2022.