THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

AVILLION
BERHAD
(Registration No. 199201013018 (244521-A))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

(I) PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF AVILLION BERHAD ("AVILLION"); AND

(II) PROPOSED ISSUANCE OF UP TO 566,644,050 FREE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) ORDINARY SHARES IN AVILLION HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

RHB InvestmentBank

RHB Investment Bank Berhad
(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of the Extraordinary General Meeting ("**EGM**") of Avillion which will be held at Commodore 1, Admiral Marina & Leisure Club, Batu 5½, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia on Wednesday, 18 December 2019 at 11:00 a.m. or at any adjournment thereof, together with the Proxy Form are enclosed in this Circular.

You are entitled to vote at the EGM. If you are unable to attend and vote in person at the EGM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. In such event, you should complete and deposit the Proxy Form at our registered office at Unit 8E, Level 8, Wisma YPR, No. 1, Lorong Kapar, Off Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 3 December 2019

DEFINITIONS

Except where the context otherwise requires, the following abbreviations and definitions shall apply throughout this Circular:

Act	:	Companies Act 2016
Avillion or Company	:	Avillion Berhad
Avillion Group or Group	:	Collectively, Avillion and its subsidiaries
Avillion Shares or Shares	:	Ordinary shares in Avillion
Board	:	Board of Directors of Avillion
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular dated 3 December 2019 in relation to the Proposals
Deed Poll	:	The document constituting the Warrants to be executed by our Company
Desa Impian Project	:	A 165-acre township development project located in Bandar Tenggara, Bukit Tinggi, Johor which is expected to comprise mainly affordable housing and commercial properties. The project commenced in 2009 and the remaining phases are expected to be developed over the next nine (9) years till 2028
EGM	:	Extraordinary general meeting
Entitled Shareholders	:	Our shareholders whose names appear in our Record of Depositors on the Entitlement Date
Entitlement Date	:	A date to be determined by our Board and announced by our Company at a later date, on which the names of our shareholders must appear in our Record of Depositors as at 5:00 p.m. in order to be entitled to the Warrants
EPS	:	Earnings per Share
Exercise Price	:	Exercise price of the Warrants which will be determined by our Board and announced by our Company at a later date
First Placement	:	Private placement of 85,855,000 new Shares, representing approximately 10% of the then total number of issued shares of our Company to independent third party investors at the issue price of RM0.15 per Share, which was undertaken in accordance with the general mandate pursuant to Section 75 of the Act obtained from our shareholders at our 26th annual general meeting convened on 30 August 2018. The First Placement was completed on 2 August 2019
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	21 November 2019, being the latest practicable date prior to the printing of this Circular

LPS	:	Loss per Share
NA	:	Net assets
Placement Shares	:	All or part of the 188,881,350 new Shares to be issued pursuant to the Proposed Placement
Proposals	:	Collectively, the Proposed Placement and the Proposed Free Warrants Issue
Proposed Free Warrants Issue	:	Proposed issuance of up to 566,644,050 free Warrants on the basis of one (1) Warrant for every two (2) Shares held on the Entitlement Date
Proposed Placement	:	Proposed private placement of up to 20% of the total number of issued shares of our Company
Record of Depositors	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991
RHB Investment Bank	:	RHB Investment Bank Berhad
VWAP	:	Volume weighted average market price
Warrants	:	All or part of the 566,644,050 free warrants to be issued pursuant to the Proposed Free Warrants Issue

Currency

RM and sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia

References to "**our Company**" in this Circular are to Avillion and references to "**our Group**" are to our Company and our subsidiaries. References to "**we**", "**us**", "**our**" and "**ourselves**" in this Circular are to our Company and where the context otherwise requires, shall include our subsidiaries. All references to "**you**" in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by our Company, such as in our quarterly results or annual reports, is due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's and/or our Group's plans and objectives will be achieved.

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AVILLION

BERHAD

(Registration No. 199201013018 (244521-A))
(Incorporated in Malaysia)

Registered office:
Unit 8E, Level 8, Wisma YPR
No. 1, Lorong Kapar
Off Jalan Syed Putra
58000 Kuala Lumpur
Malaysia

3 December 2019

Board of Directors

Tan Sri Dato' Sri Dr. Samsudin Bin Hitam *(Chairman/Independent Non-Executive Director)*
See Ah Sing *(Group Managing Director)*
Datuk Roslan Bin Abdul Rahman *(Independent Non-Executive Director)*
Norizan Binti Idris *(Independent Non-Executive Director)*
Onn Kien Hoe *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

(I) PROPOSED PLACEMENT; AND
(II) PROPOSED FREE WARRANTS ISSUE

1. INTRODUCTION

On 17 October 2019, RHB Investment Bank had, on behalf of our Board, announced that our Company proposes to undertake the Proposed Placement and the Proposed Free Warrants Issue.

On 22 November 2019, RHB Investment Bank had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 21 November 2019, approved the following:

(i) listing and quotation of up to 188,881,350 new Shares to be issued pursuant to the Proposed Placement;

(ii) admission to the Official List of Bursa Securities and the listing and quotation of up to 566,644,050 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and

(iii) listing and quotation of up to 566,644,050 new Shares to be issued arising from the exercise of the Warrants,

subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Placement

2.1.1 Placement size

The Proposed Placement will entail the issuance of up to 188,881,350 Placement Shares, representing up to 20% of the total number of issued shares of our Company of 944,406,750 Shares as at LPD.

2.1.2 Placement arrangement

The Placement Shares will be placed out to independent third party investors ("**Placees**") to be identified at a later date. The Placees shall be persons or parties who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

The Placement Shares will not be placed to the following persons:

(i) a director, major shareholder or chief executive of our Company ("**Interested Person**");

(ii) a person connected with the Interested Person; and

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The identity of the Placees, the number of Placement Shares to be placed out to each of the Placees as well as the issue price of the Placement Shares will be determined and finalised by our Board at a later date.

Subject to, among others, the prevailing market conditions and investors' interest at the point of implementation, the Proposed Placement may be implemented in tranches within six (6) months from the date of approval of Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities, or any extended period as may be approved by Bursa Securities.

2.1.3 Basis and justification for the issue price of the Placement Shares

The issue price of the Placement Shares for each tranche of the Proposed Placement will be determined by our Board and announced by our Company at a later date(s) upon receipt of all relevant approvals for the Proposed Placement ("**Price-Fixing Date**").

The Placement Shares will not be priced at more than 10% discount to the five (5)-day VWAP of our Shares immediately preceding the Price-Fixing Date. Solely for illustrative purposes throughout this Circular, the issue price of the Placement Shares is assumed to be RM0.14 per Placement Share, which approximates the five (5)-day VWAP of our Shares up to and including LPD of RM0.1441.

2.1.4 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing Shares, save and except that the Placement Shares will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of the Placement Shares.

2.1.5 Listing and quotation of the Placement Shares

Bursa Securities had, vide its letter dated 21 November 2019, approved the listing and quotation of up to 188,881,350 Placement Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

2.1.6 Use of proceeds

Based on the illustrative issue price of RM0.14 per Placement Share, our Company is expected to raise gross proceeds of up to approximately RM26.44 million. The gross proceeds are expected to be used in the following manner:

Purpose	Note	(RM'000)	Estimated timeframe for the use of proceeds*
Repayment of bank borrowings	(1)	6,000	Within one (1) month
Asset enhancement and refurbishment program for our hotels and resort	(2)	10,000	Within 36 months
Part funding of our Desa Impian Project	(3)	3,000	Within six (6) months
General working capital	(4)	7,093	Within six (6) months
Estimated expenses in relation to the Proposals	(5)	350	Within one (1) month
Total proceeds		**26,443**	

Notes:

* *From the date of listing of each tranche of the Placement Shares.*

(1) *Our Company intends to use RM6.00 million to partially repay our Group's outstanding borrowings. As at LPD, the total bank borrowings of our Group stood at approximately RM93.86 million. Based on our Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019, the repayment of borrowings amounting to RM6.00 million is expected to result in an annual gross interest savings of approximately RM0.44 million. For information purposes, our Company had allocated RM6.00 million of the proceeds raised from the First Placement for part repayment of our Group's bank borrowings. As at LPD, the said proceeds have been fully utilised. Further details of the use of the proceeds raised by our Company from the First Placement are set out in Section 3.1 of this Circular.*

(2) *Our Group commenced an asset enhancement and refurbishment program in August 2019 with the aim of revitalising our hotel business. Our Company had allocated RM4.00 million of the proceeds raised from the First Placement to partially fund the refurbishment and maintenance works of our hotels and resort, namely Avillion Hotel and Avillion Admiral Cove Hotel & Resort, both located in Port Dickson. As at LPD, approximately RM2.20 million remains unutilised. In order to improve the competitiveness and attractiveness of these hotels and resort, our Company intends to use RM10.00 million from the proceeds to be raised from the Proposed Placement to further improve these hotels through the following:*

   (a) *extension of the existing Avillion Hotel Port Dickson to include new conference/meeting rooms facilities, additional restaurants, cafeterias and retail shops as well as a new open space car park with a private park; and*

(b) *construction of an eco-tourism park within the Avillion Admiral Cove Hotel & Resort which is expected to provide new extreme sports activities and new accommodation types within the lush green rainforest for hotel guests as well as the conversion of the existing office and retail shoplots at the resort's club house to restaurants, cafeterias as well as meeting room facilities.*

*Our Group is still in the midst of finalising the building/site plans for the abovementioned extension and construction works (**"E&C Works"**). Our Group intends to submit the building/site plans to the relevant authorities for their approval in the 1st quarter of 2020. Notwithstanding this, our Group expects the total costs for the E&C Works for Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort to be approximately RM7.00 million and RM4.00 million respectively. The E&C Works for Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort are expected to take 24 months and 36 months respectively.*

Our Company intends to allocate RM7.00 million and RM3.00 million of the proceeds to be raised from the Proposed Placement to fund the E&C Works of Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort respectively. Any shortfall in the actual costs will be funded using our Group's internal funds and/or bank borrowings. On the other hand, in the event the actual proceeds used for either hotel is lower than the gross proceeds allocated for such purpose, the excess will be used for the other hotel (if applicable) and/or general working capital purposes.

(3) *The Desa Impian Project, a 165-acre township development project is expected to be launched in seven (7) phases. Phase 1 is completed and the units were handed over to the end purchasers during the FYE 31 March 2016. Our Group subsequently launched Phase 2A in July 2018 which comprises 50 residential units and 52 commercial units with an expected gross development value of RM30.00 million. As at LPD, our Group has achieved 80% and 15% take-up rates for the residential and commercial units respectively. Construction works for Phase 2A commenced in July 2018 and our Group has completed 27% of the construction works as at LPD, with the remaining construction works expected to be completed by the 2nd half of 2020. As at LPD, the undeveloped land area of Desa Impian Project is approximately 132.82 acres and the development of the remaining phases of the Desa Impian Project is currently expected to be completed in 2028.*

The gross development costs for Phase 2A is expected to be RM25.00 million. Our Company had allocated RM2.17 million of the proceeds raised from the First Placement to partially fund the development costs for Phase 2A, and our Company intends to allocate another RM3.00 million from the proceeds to be raised from the Proposed Placement to partially fund the same. The remaining costs will be funded through a combination of internal funds (including sales proceeds from the units sold under Phase 2A) and bank borrowings.

(4) *The proceeds amounting to approximately RM7.09 million will be used to fund the working capital requirements of our Group, which includes staff related expenses such as salaries, wages and allowances, payment to suppliers and creditors, interest expenses, as well as other operating expenses which may include general upkeep of offices of our Group, utilities and maintenance of our Group's hotels and resorts. The breakdown of the actual utilisation cannot be determined at this juncture and will depend on the operating and funding requirements of our Group at the point of utilisation.*

(5) *The estimated expenses consist of professional fees, placement fees, regulatory fees, printing and despatch costs for this Circular, costs to convene the EGM and other incidental expenses to be incurred for the Proposals. Any variation in the actual amount of expenses will be adjusted to or from the gross proceeds allocated for general working capital.*

The actual gross proceeds to be raised from the Proposed Placement would depend on the final issue price and the number of Placement Shares to be issued. In the event the actual gross proceeds to be raised from the Proposed Placement is higher or lower than the estimated gross proceeds as set out in the table above, such variance will be adjusted to or from the gross proceeds allocated for general working capital purposes.

Pending the use of the proceeds to be raised from the Proposed Placement for the purposes as set out above, such proceeds will be placed in interest-bearing deposit(s) with licensed financial institution(s) and/or short-term money market financial instrument(s), as our Board may deem fit. Any interest income earned from such deposit(s) and/or instrument(s) will be used to fund the working capital requirements of our Group.

2.2 Proposed Free Warrants Issue

2.2.1 Basis and number of Warrants to be issued

The Proposed Free Warrants Issue will entail the issuance of up to 566,644,050 Warrants on the basis of one (1) Warrant for every two (2) Shares held by the Entitled Shareholders.

The Proposed Free Warrants Issue will be implemented after the completion of the Proposed Placement and hence, the independent third party investors who subscribe for the Placement Shares will also be entitled to the Warrants. Pursuant thereto, the maximum number of 566,644,050 Warrants to be issued pursuant to the Proposed Free Warrants Issue was arrived at after taking into consideration the following:

(i) the issued share capital of our Company of 944,406,750 Shares as at LPD; and

(ii) the issuance of up to 188,881,350 Placement Shares pursuant to the Proposed Placement.

The actual number of Warrants to be issued pursuant to the Proposed Free Warrants Issue will be determined based on the total number of Shares in issue on the Entitlement Date, which will be determined by our Board and announced by our Company at a later date upon receipt of all relevant approvals for the Proposed Free Warrants Issue and after the completion of the Proposed Placement.

Fractional entitlements arising from the Proposed Free Warrants Issue, if any, shall be disregarded and dealt with in such manner as our Board in its absolute discretion deems fit, expedient and in the best interest of our Company.

The entitlement basis for the Proposed Free Warrants Issue was determined after taking into consideration the following:

(a) amount of proceeds which our Company could potentially raise as and when the Warrants are exercised during the exercise period of the Warrants;

(b) dilutive effects arising from the full exercise of the Warrants on the consolidated EPS and NA per Share of our Company; and

(c) compliance with Paragraph 6.50 of the Listing Requirements which states that the number of new Shares which will arise from all outstanding Warrants, when exercised, shall not exceed 50% of the total number of issued shares of our Company (excluding treasury shares, if any, and before the exercise of the Warrants) at all times.

The Proposed Free Warrants Issue will be implemented in a single issuance and will be issued in registered form and constituted by the Deed Poll. The indicative salient terms of the Warrants are set out in Appendix I of this Circular.

2.2.2 Basis and justification for the issue price and exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The Exercise Price will be determined by our Board and announced by our Company at a later date upon receipt of all relevant approvals for the Proposed Free Warrants Issue but before the announcement of the Entitlement Date. Such announcement will entail the final Exercise Price and the basis of determining the final Exercise Price together with justifications for any premium/discount applied.

For information purposes, the Exercise Price will be determined by our Board after taking into consideration, among others, the following:

(i) the historical trading prices of our Shares;

(ii) the five (5)-day VWAP of our Shares immediately preceding the price-fixing date for the Proposed Free Warrants Issue;

(iii) the prevailing market conditions; and

(iv) the future working capital requirements of our Group.

Solely for illustrative purposes throughout this Circular, the Exercise Price is assumed to be RM0.14 per Warrant, which approximates the five (5)-day VWAP of our Shares up to and including LPD of RM0.1441.

2.2.3 Ranking of the Warrants and the new Shares to be issued arising from the exercise of the Warrants

The Warrant holders will not be entitled to any voting right in any general meeting of our Company or to participate in any form of distribution and/or offer of securities in our Company until and unless such Warrant holders exercise their Warrants into new Shares.

The new Shares to be issued and allotted arising from the exercise of the Warrants shall, upon issuance and allotment, rank equally in all respects with the then existing Shares, save and except that they will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of such new Shares to be issued arising from the exercise of the Warrants.

2.2.4 Listing and quotation of the Warrants and the new Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, vide its letter dated 21 November 2019, approved the admission of the Warrants to the Official List of Bursa Securities as well as the listing and quotation of up to 566,644,050 Warrants and up to 566,644,050 new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

2.2.5 Use of proceeds

The Proposed Free Warrants Issue will not raise any immediate funds as the Warrants will be issued at no cost to the Entitled Shareholders.

The exact amount of proceeds that may be raised by our Company would depend on the actual number of Warrants exercised during the exercise period of the Warrants and the Exercise Price. As such, the exact timeframe and manner in which the said proceeds will be used cannot be determined at this juncture.

Based on the illustrative Exercise Price of RM0.14 per Warrant and in the event the Warrants are fully exercised, our Company will raise gross proceeds of up to approximately RM79.33 million. The gross proceeds to be raised, as and when the Warrants are exercised, are expected to be used to fund the future working capital requirements of our Group, which may include defraying selling and administrative expenses such as staff related expenses as well as payment to contractors, suppliers and other creditors, and other operating expenses such as maintenance of our hotels and resorts. The proceeds to be used for each component of working capital are subject to the operating and funding requirements of our Group at the point of utilisation and therefore cannot be determined at this juncture.

Pending the use of the proceeds to be raised as and when the Warrants are exercised, such proceeds will be placed in interest-bearing deposit(s) with licensed financial institution(s) and/or short-term money market financial instrument(s), as our Board may deem fit. Any interest income earned from such deposit(s) and/or instrument(s) will also be used to fund the working capital requirements of our Group.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Placement

On 2 August 2019, our Company had completed the First Placement. The First Placement which raised total gross proceeds of approximately RM12.88 million was undertaken in accordance with the general mandate pursuant to Section 75 of the Act obtained from our shareholders at our 26th annual general meeting convened on 30 August 2018, whereby our Board was authorised to issue and allot new Shares not exceeding 10% of the total number of issued shares of our Company for the time being ("**General Mandate**").

The details and status of the use of proceeds raised from the First Placement as at LPD are as follows:

Purpose	**Proposed utilisation**	**Actual utilisation as at LPD**	**Unutilised balance as at LPD**	**Estimated timeframe for the use of proceeds***
	(RM'000)	**(RM'000)**	**(RM'000)**	
Repayment of bank borrowings	6,000	6,000	-	Within six (6) months
Refurbishment and maintenance of our hotels and resort (1)	4,000	1,800	2,200	Within nine (9) months
Part funding of our Desa Impian Project (2)	2,170	2,170	-	Within three (3) months
General working capital	568	568	-	Within six (6) months
Estimated expenses in relation to the First Placement	140	130	10#	Within one (1) month
Total	**12,878**	**10,668**	**2,210**	

Notes:

* *From the date of listing of the new Shares which were issued pursuant to the First Placement.*

\# *In view that the amount of gross proceeds allocated for the defrayment of estimated expenses in relation to the First Placement is higher than the actual expenses incurred, the difference has been utilised for general working capital purposes.*

(1) Our Company had allocated RM4.00 million of the proceeds raised from the First Placement to partially fund the refurbishment and maintenance works of the Avillion Hotel and Avillion Admiral Cove Hotel & Resort, both located in Port Dickson. The total costs to refurbish and maintain these hotels and resort were initially estimated to be RM15.00 million. However, our Group subsequently decided to increase the refurbishment works for Avillion Hotel Port Dickson to include, among others, repair works for the hotel's roof and this has resulted in an increase in the overall costs by RM5.55 million to RM20.55 million. The remaining costs not funded using the proceeds raised from the First Placement will be funded through a combination of internal funds and bank borrowings. The refurbishment and maintenance works have commenced in August 2019 and are expected to complete by July 2021.

*For the avoidance of doubt, the proceeds to be raised from the Proposed Placement which has been allocated for the extension and construction works ("**E&C Works**") for both these hotels and resort are for different purposes. The E&C Works are for extension and construction of new areas and facilities, further details of which are set out in Section 2.1.6 of this Circular.*

(2) Our Company had allocated RM2.17 million of the proceeds raised from the First Placement to partially fund the development costs for Phase 2A of the Desa Impian Project.

Since the First Placement was undertaken by our Company under the General Mandate, it allowed our Company to raise funds expeditiously to meet our Group's immediate working capital requirements. However, our Company foresees that our Group's internal funds as well as the proceeds raised from the First Placement may be insufficient to address our Group's financial concerns in the longer term. Hence, our Company is proposing to undertake the Proposed Placement to raise additional funds to meet the future funding requirements of our Group as set out in Section 2.1.6 of this Circular.

Our Company has been exploring various debt and equity financing options which include bank borrowings and a rights issue exercise. However, amidst the challenging operating environment for our Group, debt financing is currently not a viable option. On the other hand, a rights issue which typically entails a longer implementation timeline, would require our Company to price our securities at a higher discount in order to attract our shareholders to subscribe for such new securities. With a higher discount, our Company would be required to issue more Shares to our shareholders to raise the same amount of proceeds and this would result in greater dilution to the shareholdings of our existing shareholders who do not subscribe to their entitlements. In addition, procuring underwriting arrangements at favourable rates would also be challenging.

Notwithstanding the above, our Company had in end July 2019 been offered new banking facilities amounting to RM18 million which our Company accepted in August 2019. Of this amount, RM16 million will be used to fund the refurbishment and maintenance works of Avillion Hotel Port Dickson and RM2 million will be used to fund the working capital requirements of our Group. However, as at LPD, our Group has not drawndown on the banking facilities. Our Group also recognises that any further increase in our Group's gearing level will result in higher interest expenses and this will in turn weaken our Group's financial performance.

After due consideration, our Board is of the view that the Proposed Placement is the most appropriate avenue for our Company to raise funds as the Proposed Placement will:

(i) allow our Company to raise the requisite funds without having to incur additional interest expense or service principal repayments as opposed to bank borrowings, thereby minimising any potential cash outflow and creating more headroom for our Group to obtain new bank borrowings in the future to fund our business operations and future property development activities;

(ii) allow our Company to raise funds expeditiously as compared to other methods of equity fund raising such as rights issue; and

(iii) strengthen the financial position and capital base of our Company and potentially the liquidity of our Shares.

In addition to the rationale for the Proposed Placement, our Board has also considered the following factors before embarking on the Proposed Placement:

(a) Steps taken/to be taken to address our Group's financial concerns and adequacy of proceeds raised from the Proposed Placement

Our Group has three (3) different business divisions, namely the hotel division, property division and travel division. The hotel division operates a chain of hotels and resorts in Malaysia and Indonesia, which consists of Avillion Hotel Port Dickson, Avillion Admiral Cove Hotel & Resort in Port Dickson, Avillion Legacy Melaka Hotel, Avillion Hotel Cameron Highlands and Avillion Villa Cinta in Bali, whereas the property division is involved in property development and the travel division operates travel and tours services which mainly caters to inbound tourist markets in Hong Kong and Singapore.

Our Group has recorded losses in the last four (4) FYEs 31 March 2016 to 2019 as well as the six (6)-month FPE 30 September 2019. The losses were mainly due to low occupancy rates for our hotels and resorts as a result of the competitive business landscape, lower pricing strategy adopted by our Group for our hotel business in order to attract customers, lack of property development activities as well as the weak performance of our travel division resulting from lower business volume and compressed margins. Further information on the financial performance of our Group for the said financial years and period is set out in Appendix II of this Circular.

Our Board took cognisance of our Group's financial performance and our Group has undertaken various steps to address our financial condition. In 2016, our Group revamped its sales and marketing strategies for our hotel business division. Such strategies involved the restructuring of our sales team, incentivising our Group's agents to promote our hotels and resorts as well as expanding our Group's clientele coverage through online and offline channels. Such efforts paid off when our hotel division recorded a turnaround in the 3rd quarter of FYE 31 March 2017. For the FYE 31 March 2017, our hotel division recorded an operating profit of approximately RM0.03 million as opposed to an operating loss of approximately RM1.23 million for the FYE 31 March 2016. In 2018, our hotel division had also invested in information technology systems such as a sales management system to monitor and manage the performance of our sales team, and a property management system which is linked to third party online hotel reservation platforms which allows our Group to keep track of reservations made through different channels more effectively. Our Group hopes that with the introduction of these systems, our Group will be able to compete efficiently and more effectively, which will in turn lead to an improvement in the financial performance of this segment.

Our hotel division has also implemented a rebranding strategy by introducing a new brand under the name of "AVI by Avillion" in addition to our Group's existing brand, "Avillion". This rebranding exercise aims to differentiate "AVI by Avillion", a three (3) to four (4)-star hotel chain from "Avillion", an upper four (4) to five (5)-star deluxe hotel chain. This enables our Group to provide a more comprehensive range of hotels and resorts to cater for different markets. In line with the rebranding exercise, our Group has been actively pursuing new hotel management contracts to add more hotels and resorts to our Group's hotel portfolio. Since 2018, our Group has secured two (2) management contracts to operate two (2) new hotels in Malaysia, namely AVI Pangkor Beach Resort by Avillion which is due to commence operations in January 2020, and AVI Johor Bahru by Avillion which is currently under construction and is scheduled to complete and commence operations in 2023. For the avoidance of doubt, such initiatives to expand our Group's hotel chain through securing hotel management contracts do not involve any investment in or purchase of hotel properties. Instead, our Group enters into hotel management contracts with various hotel property owners, to manage and run the hotel properties in exchange for a management fee. To-date, save for Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort in Port Dickson which are fully and partially-owned by our Group respectively, all other hotels and resorts managed by our Group are owned by third parties.

To further improve the performance of our hotel business, our Group has also commenced an asset enhancement and refurbishment program on some of our hotels and resorts, beginning with our flagship, Avillion Hotel Port Dickson, with the aim of giving a new, refreshing and unique experience to our hotel guests in pursuit of our goals to reclaim our position as the preferred hotels and resort in Port Dickson as well as all the other locations where our hotels and resorts are located. As such, our Company has allocated a substantial portion of the proceeds to be raised from the Proposed Placement to fund the extension and construction works for Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort.

Our Group has also carried out cost rationalisation exercises for our travel business division. For example, our Group has downsized our offices in Hong Kong and Singapore and shifted our offices to locations with lower rental rates in order to reduce costs. Our Group has also exited certain non-profit tourism markets such as India and is now focused on deploying our resources in markets which generate better returns such as the Eastern Europe market.

As at LPD, our Group's cash and bank balances (including the proceeds raised from the First Placement which remained unutilised and fixed deposits) stood at approximately RM7.62 million. While our Group's current cash flows are adequate to meet our Group's day-to-day operations, it is not sufficient to support our plans to accelerate the growth of our businesses, especially our hotel business and property business, and to turnaround our Group's financial position. Barring any unforeseen circumstances, our Board is of the view that the proceeds to be raised from the Proposed Placement is expected to be adequate to finance our Group's short to medium term business turnaround plans.

(b) Value expected to be created from the Proposed Placement to our Company and our shareholders as well as the impact of the Proposed Placement including the potential dilution to the shareholding of our existing shareholders

Our Board recognises that the Proposed Placement is not expected to result in an immediate turnaround of our Group's financial performance. However, the Proposed Placement will continue to help ease our Group's cash flow requirements by providing our Group with immediate funds to fund the asset enhancement and refurbishment program for our hotels and resort, our Group's existing property development project as well as the working capital requirements of our Group, without incurring additional interest costs which could further weaken our Group's financial performance. The use of part of the proceeds to be raised from the Proposed Placement to further pare down some of our Group's bank borrowings would also immediately result in an additional annual gross interest savings of approximately RM0.44 million based on our Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019. For shareholders' information, our Group has been incurring annual interest costs of around RM7.60 million to RM9.00 million for the last three (3) FYEs 31 March 2017 to 2019.

The First Placement had resulted and the Proposed Placement will result in dilution to the shareholdings of our existing shareholders. Solely for illustrative purposes only, assuming a shareholder holds 8,585,517 Shares or 1% of the total number of issued shares of our Company prior to the First Placement which was completed on 2 August 2019, the dilutive effects of the First Placement and the Proposed Placement on the shareholding of such shareholder are as follows:

	Assumed number of Shares held	**% of shareholding in our Company**
Prior to the First Placement	8,585,517	1.00
After the First Placement	8,585,517	0.91
After the Proposed Placement (1)	8,585,517	0.76

Note:

(1) Assuming all of the 188,881,350 Placement Shares will be issued to other third party investors.

Notwithstanding the dilutive impact of the First Placement and the Proposed Placement on the shareholdings of our existing shareholders and our Group's EPS, our Company is hopeful that the anticipated benefits from the proposed utilisation of the proceeds to be raised from the Proposed Placement coupled with the successful implementation of our Group's strategies as detailed in item (a) above will enable our Group to improve our Group's financial performance moving forward. This in turn is expected to create value for our shareholders and help restore the confidence of our stakeholders. The Proposed Placement will also enlarge the share capital base of our Company.

For information purposes, save for the First Placement and the Proposed Placement, our Company has not undertaken any other equity fund raising exercise in the past three (3) years preceding the date of this Circular.

3.2 Proposed Free Warrants Issue

The Proposed Free Warrants Issue is intended to:

(i) reward our shareholders for their continuous support by enabling them to own the Warrants which are tradable on Bursa Securities without incurring any cost;

(ii) provide our shareholders with an opportunity to increase their equity participation in our Company through the exercise of the Warrants at a pre-determined price during the tenure of the Warrants; and

(iii) strengthen the capital base of our Company as well as enable our Group to raise additional funds to fund our working capital requirements, as and when the Warrants are exercised, without incurring additional interest expense as compared to bank borrowings.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew moderately by 4.4% in the 3rd quarter ("**3Q**") of 2019 (2nd quarter ("**2Q**") 2019: 4.9%), primarily attributed to the lower growth in key sectors and the decline in mining and construction activities. On the demand side, most domestic demand components and net exports registered slower growth momentum. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (2Q 2019: 1.0%).

Domestic demand continued to anchor growth, albeit at a slower momentum at 3.5% in 3Q 2019 (2Q 2019: 4.6%), with the private sector expenditure remaining the key contributor to growth. Private consumption grew by 7.0% (2Q 2019: 7.8%) as household spending normalised towards its long-term trend. This partly reflected the strong base effects from the tax holiday spending in 2018. Nevertheless, spending remained supported by continued growth in both income and employment as well as selected measures carried out by the Government of Malaysia.

Public consumption spending increased by 1.0% (2Q 2019: 0.3%). While emolument growth remained positive, expenditure on supplies and services continued to decline, albeit at a slower pace. This is in line with the Government of Malaysia's commitment to optimise expenditure. Gross fixed capital formation (GFCF) contracted by 3.7% (2Q 2019: -0.6%) on account of slower growth in private sector capital expenditure and a larger contraction in public sector investment. By type of assets, investment in structures contracted by 2.4% (2Q 2019: +1.2%) while investment in machinery and equipment declined further to -7.4% (2Q 2019: -4.2%). However, investment in other types of assets improved to 3.6% (2Q 2019: 1.0%) mainly due to higher research and development (R&D) spending.

Private investment growth expanded marginally by 0.3% (2Q 2019: 1.8%), weighed down by lower capital spending across major economic sectors. Investment continued to be affected by heightened uncertainty surrounding external conditions and continued weakness in the broad property segment. Public investment remained in contraction (-14.1%; 2Q 2019: -9.0%) reflecting lower capital spending by both the Federal Government and public corporations.

On the supply side, the services sector grew by 5.9% in 3Q 2019 (2Q 2019: 6.1%) as most key subsectors moderated. The agriculture sector also grew by 3.7% (2Q 2019: 4.2%) as the pace of recovery in oil palm output slowed while forestry and logging activities contracted further. These factors outweighed the improvement in rubber and livestock production. However, growth in the manufacturing sector moderated to 3.6% (2Q 2019: 4.3%) due to the slower growth in the electrical and electronics and consumer-related industries. Meanwhile, the mining sector contracted by 4.3% (2Q 2019: +2.9%) mainly due to maintenance works that has affected oil production. This partially offset the ongoing output recovery in natural gas.

The construction sector contracted by 1.5% (2Q 2019: +0.5%) mainly contributed by the larger contraction in the non-residential subsector amid the continued oversupply of commercial properties. In the residential subsector, activities declined further amid high number of unsold residential properties. The growth of the civil engineering subsector moderated following the near completion of large petrochemical and highway projects. Growth in the special trade subsector was also lower reflecting fewer early works activities from large projects that were already at mid-stages of completion.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 1.3% in 3Q 2019 (2Q 2019: 0.7%). The higher inflation was mainly due to the lapse in the impact from the goods and services tax (GST) zerorisation between June and August 2018. This was despite the lapse in the impact of the sales and service tax (**"SST"**) implementation in September 2018, which contributed to lower headline inflation the said month (September: 1.1%; August: 1.5%; July: 1.4%). There was a slightly larger negative contribution to headline inflation from fuel products during the 3Q 2019. This reflected a decline in the RON97 petrol price amid lower average global oil prices (average RON97 petrol price per litre 3Q 2019: RM2.56; 2Q 2019: RM2.65). Core inflation, excluding the impact of consumption tax policy changes, was steady at 1.5% (2Q 2019: 1.6%). Demand-driven inflationary pressures remained broadly stable and contained amid the absence of excessive wage pressure and some degree of spare capacity in the capital stock.

The Malaysian economy continued to expand in 3Q 2019, bringing the overall performance of the first three (3) quarters of 2019 to 4.6%. The pace of growth is expected to be sustained for the remainder of the year and going into 2020. Household spending will remain to be the key driver of growth, supported by continued employment and income growth. Private investment growth is projected to remain modest, supported partly by the realisation of approved projects. Public investment will be a smaller drag to growth, following the planned higher capital spending which will mainly be in the transportation segment. On the external front, support from net exports will likely moderate as imports are expected to grow faster than exports in line with the projected improvement in investment activity. The balance of risks to growth remains tilted to the downside arising from protracted trade tensions, uncertainties in the global economic and financial conditions, as well as weakness in commodity-related sectors.

The annual average headline inflation is expected to be low in 2019. For the remainder of the year, headline inflation will reflect the downward contribution from the lapse in the impact of SST and domestic fuel prices as fuel price ceilings remain in place until the end of 2019. Moving into 2020, headline inflation is projected to average higher but remain modest. This reflects the lapse in the impact of consumption tax policy changes, the lifting of fuel price ceilings amid the relatively subdued outlook on global oil prices, and policy measures in place to contain food prices. The trajectory of headline inflation will, however, be dependent on the development of the global oil and commodity price. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and the absence of strong demand pressures.

(Source: Economic and Financial Developments in the Malaysian Economy in 3Q 2019, Bank Negara Malaysia)

4.2 Overview and outlook of the Malaysian tourism market

Tourism is one of the major contributors to the Malaysian economic growth and is identified as the main sources of foreign exchange earnings of Malaysia. In 2018, the gross value added of tourism industries grew by 10% to RM220.6 billion, accounting for 15.2% of Malaysia's gross domestic product ("**GDP**"). The growth was mainly supported by retail trade (46.4%) as well as food and beverage serving services (17.2%) segments. In addition, the industry provided 3.5 million jobs, constituting 23.5% of the total employment in the country. Meanwhile, in the current account, the travel component recorded a net inflow of RM30 billion in 2018.

In 2018, Malaysia was ranked 1st in the Global Muslim Travel Index and Kuala Lumpur was identified as one of the Top 100 Cities Destinations. Furthermore, Malaysia was ranked 15th in terms of tourist arrivals and 21st for tourism receipts in 2018. According to Hanafiah & Harun (2010), factors attracting tourists to Malaysia include, among others, rising middle-income population, particularly in Asia, lower inflation and short-haul destinations.

Despite higher tourism receipts as compared to other regional peers such as Indonesia, the Philippines, Singapore and Vietnam, tourist arrivals in Malaysia have been on a declining trend in recent years. In 2018, tourist arrivals declined by 0.4% to 25.8 million due to reduction in arrivals from the ASEAN countries, particularly Singapore (-14.7%) and Brunei (-16.8%). Malaysia's tourism industry is facing several issues and challenges including high dependence on tourist arrivals from Singapore, lack of new tourism products, limited air routes and concerns over safety and security.

Although Singapore is the largest source market, accounting for 41% of tourist arrivals to Malaysia, the number of tourist arrivals have declined to 10.6 million in 2018 as compared to 12.4 million in 2017, mainly due to high congestion at the entrance gateway in Johor Bahru. Meanwhile, the closure of major European routes, especially to Amsterdam and Paris in February 2016 has also affected the number of tourist arrivals. Furthermore, the lack of accessibility through air transport and flights with low seating capacity dampens the industry. As of July 2019, seat capacity by flight to Malaysia was 2.7 million as compared to Thailand (4.3 million) and Singapore (3.4 million). At the same time, there were only 68 airlines serving routes to Malaysia while Thailand and Singapore have 129 and 79 respectively. Apart from lacking in new tourism products, safety and security issues, particularly in the east coast of Sabah have caused tourist arrivals from countries such as Australia, Japan, the United Kingdom and the United States of America to remain subdued.

In terms of the hotel industry in Malaysia, the industry has recorded an average occupancy rate of 60.8% in 2018, an increase of 0.2 percentage point compared to 60.6% in 2017. However, in the 1st quarter ("**1Q**") of 2019, the hotel industry in Malaysia recorded an average occupancy rate of 58.0%, a decrease of 1.0 percentage point compared to 59.0% in 1Q 2018.

For 1Q 2019, the states that recorded higher occupancy rate than national average rate were Pahang (79.9%), Sabah (74.4%), Putrajaya (63.1%) and Kedah (58.8%). The total hotel guests in 1Q 2019 was 18.34 million, representing a drop of 0.2% and comprised 34.0% (6.23 million – a decrease of 4.2%) international guests and 66.0% (12.11 million – an increase of 2.6%) domestic guests.

The five (5) states that recorded the most number of hotel guests were Kuala Lumpur (3.9 million), Pahang (3.0 million), Johor (1.8 million), Sabah (1.7 million) and Penang (1.4 million). A total of 84.4% (15.5 million) guests (international and domestic) stayed in Peninsular Malaysia and Kuala Lumpur registered the highest share of international hotel guests.

Recognising the importance of the tourism industry to Malaysia's socio-economic development, the Government of Malaysia has once again embarked on Visit Malaysia 2020 campaign to attract more tourists to Malaysia. Various efforts have also been undertaken by the Government of Malaysia and media partners to market and brand Malaysia as one of the most preferred tourist destinations in the region, while promoting innovative tourism products. The Government of Malaysia has also intensified efforts to improve safety and security in the country, including measures to curb intrusion and other threats. These efforts are expected to raise the number of tourist arrivals and receipts, which in turn will increase business opportunities and income, particularly to small and medium enterprises. Following the launch of Visit Malaysia 2020, the number of tourist arrivals and receipts are expected to expand, with tourist arrival expected to reach 28.1 million and total receipts estimated at RM92.2 billion in 2019.

(Sources: Economic Outlook 2020, Ministry of Finance Malaysia and Hotel Occupancy Survey January – December 2017/2018 and January – March 2018/2019, Tourism Malaysia)

4.3 Overview and outlook of the property market in Malaysia

The Malaysian property market performance recorded a marginal increase in the 1st half ("**1H**") 2019 as compared to the same period last year (1H 2018). The property sector recorded 160,172 transactions worth RM68.30 billion in 1H 2019, increased by 6.9% in volume and 0.8% in value as compared to 1H 2018, which recorded 149,862 transactions worth RM67.74 billion. Residential subsector continued to support the overall property sector with 62.4% market share, followed by agriculture subsector with 21.6% share.

Residential property

There were 99,922 transactions worth RM34.65 billion that were recorded in 1H 2019, increased by 6.1% in volume and 9.5% in value. Performance across the states improved in 1H 2019. All states recorded higher market volume except for Wilayah Persekutuan Labuan and Perak. The uptrend in major states namely Kuala Lumpur (7.0%), Selangor (5.8%), Johor (1.2%) and Pulau Pinang (0.5%) led to the overall increase in the subsector.

In the primary market, the number of new launches in 1H 2019 were far behind those recorded in 1H 2018. There were 23,591 units launched, down by 49.4% as compared to 46,617 units in 1H 2018. Sales performance was moderate at 30.9%, better compared to 1H 2018 (20.1%) and 2nd half ("**2H**") of 2018 (29.2%).

The residential subsector overhang continued to increase but at a lower rate than the year before. There were 32,810 overhang units worth RM19.76 billion, increased by 1.5% in volume (2H 2018: 32,313 units) whereas the overhang value decreased by 0.5% against the preceding half (2H 2018: RM19.86 billion). Construction activities remained on a low tone. Completed units reduced by 33.0% (27,281 units) as compared to 1H 2018 (40,710 units). Starts and new planned supply also decreased by 20.4% to 47,413 units (1H 2018: 59,589 units) and 33.9% to 36,727 units (1H 2018: 55,548 units) respectively.

The Malaysian House Price Index continued to increase at a moderating trend. As at 2Q 2019, the Malaysian House Price Index stood at 194.8 points (at base year 2010: 100), up by 0.9% on annual basis. However, on quarterly basis, the index points decreased marginally by 0.6% against 1Q 2019.

Commercial property

There were 12,960 transactions worth RM12.53 billion recorded, up by 20.4% in volume but value declined by 20.8%. Performance across the states improved in the review period. All states recorded higher market volume except for Putrajaya. The uptrend in major states namely Kuala Lumpur (13.4%), Selangor (37.0%), Johor (0.1%) and Pulau Pinang (8.4%) led to the overall increase in the subsector.

Shop subsector recorded 6,922 transactions worth RM5.8 billion, dominating 53.4% of the commercial property transactions and 46.3% of the total value, recorded a positive movement of 25.1% in volume and 32.7% in value as compared to 1H 2018 with 5,530 transactions worth RM4.4 billion.

The shop subsector overhang continued to increase, recording a total of 5,760 units with a value of RM4.98 billion, up by 13.9% in volume and 22.0% in value against the preceding half. The unsold under construction and not constructed scenario however, improved with volume declined to 6,370 units and 371 units, down by 11.9% and 3.6% respectively. On the supply front, construction activity continued to be slow as indicated by the contraction in completions, starts and new planned supply, each down by 25.6% (2,734 units), 6.8% (2,943 units) and 60.8% (1,440 units) respectively.

The retail subsector recorded a stable performance, recording an overall occupancy rate of 79.7%, increased slightly from 79.3% recorded in 2H 2018. The higher take-up in Johor, Kuala Lumpur and Selangor helped to support the overall occupancy. Kuala Lumpur and Selangor recorded an encouraging performance, securing more than 83.0% occupancy rate whereas Johor and Pulau Pinang managed to secure an average occupancy of 77.7% and 72.3% respectively.

The performance of purpose-built office was stable at 82.4% in 1H 2019, similar to that of 2H 2018. Take-up was quite commendable in Kuala Lumpur and Selangor at 100,430 square metres ("**s.m.**") and 82,376 s.m. respectively whilst Johor saw a lower take-up of 13,618 s.m.. However, Pulau Pinang recorded a contraction in take-up at 9,006 s.m.. Kuala Lumpur and Pulau Pinang secured more than 80.0% occupancy rate whilst Selangor and Johor managed to secure 74.6% and 75.9% respectively.

Outlook

The Malaysian property market is expected to remain resilient in the coming half-year, underpinned by the strong GDP growth in 2Q 2019 at 4.9% and several government-driven initiatives to further support the market activities in the housing sector.

Affordable housing and finding the right solutions to the property overhang continue to be the main agenda of the Government of Malaysia. The launching of the National Housing Policy 2.0 (2018 – 2025) and the incentives introduced in the Home Ownership Campaign ("**HOC**") 2019, which has been extended to 31 December 2019 are expected to help improve home ownership among Malaysians and residential overhang situation in the coming half-year.

The expected strong GDP growth, coupled with the lower borrowing cost, the HOC and other housing incentives for the first time house buyers, new rate for real property gain tax (RPGT) on the disposal of properties after five (5) years and the increase in stamp duty rates from 3% to 4% for the transfer of properties valued above RM1 million are anticipated to have direct and indirect impact on the property sector. Given time, the property sector will undergo market adjustments and corrections accordingly.

(Source: Press release dated 23 September 2019 - "Malaysian Property Market 1H 2019", Valuation and Property Services Department, Ministry of Finance Malaysia)

4.4 Prospects of our Group

Our Group's core businesses can be categorised into three (3) divisions, namely the hotel division, property division and travel division which mainly caters to inbound tourist markets in Hong Kong and Singapore. For information purposes, the revenue and profit contribution by each of our business divisions for the FYE 31 March 2019 are as follows:

	Revenue		Operating loss	
	(RM'000)	**(2) %**	**(RM'000)**	**(2) %**
Hotel division	38,859	35	(992)	10
Property division	11,694	11	(7,467)	74
Travel division	60,297	54	(1,671)	16
Total (1)	**110,850**	**100**	**(10,130)**	**100**

Notes:

(1) Excludes corporate income and expenses (as the case may be) which are not directly attributable to any of our three (3) business divisions stated above.

(2) Calculated based on the revenue or operating loss for each business division (as the case may be) over the total contribution by all three (3) business divisions as set out above.

The management of our Group has put in place plans and strategies to improve our Group's business. With regards to the hotel division, our Group has embarked on an asset enhancement and refurbishment program for some of our hotels and resorts, with the aim to reclaim our position as the preferred hotels and resort in Port Dickson and all the other locations where our hotels and resorts are located, as well as actively pursuing new hotel management contracts to add more hotels and resorts to our Group's hotel portfolio in order to provide a more comprehensive range of hotels and resorts to cater for different markets.

To complement and reinforce such efforts, our Group will also continue implementing aggressive marketing and sales strategies to boost the occupancy rate of our hotels and resorts, continue providing training to all our staff to improve their customer service skills as well as streamlining our hotel operations and systems to further improve efficiency and productivity, which in turn are expected to improve the performance of our hotel division.

For further details on the turnaround plans of our Group, please refer to Section 3.1(a) of this Circular.

In anticipation of higher number of tourist arrivals to Malaysia with the upcoming Visit Malaysia 2020, our Group is also in the midst of exploring various business opportunities with various parties domestically and other countries to enable our travel division to capitalise on the potential spike in tourist arrivals. Our offices in Singapore and Hong Kong will also assist in diverting tourists to Malaysia and our hotels and resorts.

However, given the recent disruptions in Hong Kong which has resulted in a drastic drop in the number of tourist arrivals recorded by our Group and affected our tour bookings for the next few months, our Group will continue to monitor and assess the performance of our travel business in Hong Kong.

Presently, the only ongoing property development project of our Group is Phase 2A of the Desa Impian Project. However, our Group has embarked on the planning works for the development of Phase 2B of the Desa Impian Project in June 2019 and is working towards the completion of the development of the undeveloped area of Desa Impian Project by 2028. Notwithstanding that planning works for Phase 2B of the Desa Impian Project has commenced, our Group will continue to observe the property market conditions closely and carefully time the launch of Phase 2B and the subsequent phases of the Desa Impian Project. Our Group will also cautiously plan and time the development of the other parcels of land in Port Dickson and Kuala Lumpur owned by our Group. In addition to this, our property division will also be carrying out the refurbishment, extension and construction works for Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort in Port Dickson. This will in turn enable our Group to better manage the overall project costs for such works.

Our Company is hopeful that with the successful implementation of our Group's strategies coupled with the anticipated benefits from the proposed utilisation of the proceeds to be raised from the Proposals, our business operations would be placed on a better footing to compete more effectively and contribute positively to our Group's financial performance moving forward.

(Source: Management of our Company)

5. EFFECTS OF THE PROPOSALS

The pro forma effects of the Proposals are illustrated below:

5.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of our Company are as follows:

	No. of Shares	(RM)
Issued share capital as at LPD	944,406,750	213,429,600
To be issued pursuant to the Proposed Placement [(1)]	188,881,350	26,443,389
	1,133,288,100	239,872,989
To be issued pursuant to the full exercise of the Warrants [(2)]	566,644,050	79,330,167
Enlarged issued share capital	**1,699,932,150**	**319,203,156**

Notes:

(1) Calculated based on 20% of the total number of issued Shares of our Company as at LPD and the illustrative issue price of RM0.14 per Placement Share.

(2) Calculated based on the illustrative Exercise Price of RM0.14 per Warrant.

For the avoidance of doubt, the Proposed Free Warrants Issue will not have any immediate effect on the issued share capital of our Company until such time the Warrants are exercised.

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5.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposals on the shareholdings of the substantial shareholders of our Company as at LPD are as follows:

	As at LPD				(I) After the Proposed Placement			
	<--------- Direct ----------->		<--------- Indirect ---------->		<--------- Direct ----------->		<--------- Indirect ---------->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mazmur Capital Sdn Bhd	248,178,113	26.28	-	-	248,178,113	21.90	-	-
Ibu Kota Developments Sdn Bhd	247,297,590	26.19	-	-	247,297,590	21.82	-	-
See Ah Sing	-	-	248,178,113	(1) 26.28	-	-	248,178,113	(1) 21.90
Hedy Gan See Tong	-	-	248,178,113	(1) 26.28	-	-	248,178,113	(1) 21.90
Daza Holdings Sdn Bhd	-	-	247,297,590	(2) 26.19	-	-	247,297,590	(2) 21.82
Dani Bin Abdul Daim	-	-	247,297,590	(3) 26.19	-	-	247,297,590	(3) 21.82
Mahani Binti Idris	-	-	247,297,590	(3) 26.19	-	-	247,297,590	(3) 21.82

	(II) After (I) and the full exercise of the Warrants			
	<--------- Direct ----------->		<--------- Indirect ---------->	
	No. of Shares	%	No. of Shares	%
Mazmur Capital Sdn Bhd	372,267,169	21.90	-	-
Ibu Kota Developments Sdn Bhd	370,946,385	21.82	-	-
See Ah Sing	-	-	372,267,169	(1) 21.90
Hedy Gan See Tong	-	-	372,267,169	(1) 21.90
Daza Holdings Sdn Bhd	-	-	370,946,385	(2) 21.82
Dani Bin Abdul Daim	-	-	370,946,385	(3) 21.82
Mahani Binti Idris	-	-	370,946,385	(3) 21.82

Notes:

(1) Deemed interested by virtue of his/her and his/her spouse's interest in Mazmur Capital Sdn Bhd pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of its interest in Ibu Kota Developments Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of his/her interest in Daza Holdings Sdn Bhd pursuant to Section 8 of the Act.

5.3 NA per Share and gearing

For illustrative purposes only, based on the audited consolidated statement of financial position of our Company as at 31 March 2019 and on the assumption that the Proposals had been effected on that date, the pro forma effects of the Proposals on the consolidated NA per Share and gearing of our Company are as follows:

		(I)	(II)	(III)	(IV)
	Audited as at 31 March 2019	Subsequent events up to LPD [(3)]	After (I) and the Proposed Placement	After (II) and the Proposed Free Warrants Issue	After (III) and the full exercise of the Warrants
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Share capital	200,551	213,430	[(4)] 239,873	239,873	[(7)] 319,203
Fair value reserve	(4,689)	(4,689)	(4,689)	(4,689)	(4,689)
Foreign currency translation reserve	8,209	8,209	8,209	8,209	8,209
Revaluation reserve	104,677	104,677	104,677	104,677	104,677
Accumulated losses	(91,957)	(92,087)	[(5)] (92,437)	(92,437)	(92,437)
Equity attributable to owners of our Company/NA	**216,791**	**229,540**	**255,633**	**255,633**	**334,963**
Non-controlling interests	3,928	3,928	3,928	3,928	3,928
Total equity	**220,719**	**233,468**	**259,561**	**259,561**	**338,891**
Number of Shares in issue ('000)	858,552	944,407	1,133,288	1,133,288	1,699,932
NA per Share (RM) [(1)]	0.25	0.24	0.23	0.23	0.20
Interest-bearing borrowings (RM'000)	101,776	93,863	[(6)] 87,863	87,863	87,863
Gearing (times) [(2)]	0.47	0.41	0.34	0.34	0.26

Notes:

(1) Calculated based on NA over number of Shares in issue.

(2) Calculated based on total interest-bearing borrowings over NA.

(3) After taking into consideration the First Placement which was completed on 2 August 2019 and the repayment of our Group's bank borrowings amounting to RM7.91 million of which RM6.00 million was repaid using the proceeds raised from the First Placement, and after deducting the expenses of approximately RM130,000 in relation to the First Placement.

(4) Calculated based on the illustrative issue price of RM0.14 per Placement Share.

(5) After deducting estimated expenses in relation to the Proposals of RM350,000.

(6) After taking into consideration the repayment of our Group's bank borrowings amounting to RM6.00 million using the proceeds to be raised from the Proposed Placement.

(7) Calculated based on the illustrative Exercise Price of RM0.14 per Warrant.

5.4 Earnings and EPS

The Proposals are not expected to have any material effect on the consolidated earnings of our Company for the FYE 31 March 2020.

For illustrative purposes only, based on the audited consolidated statement of comprehensive income of our Company for the FYE 31 March 2019 and the assumption that the Proposals had been effected at the beginning of the said financial year, the pro forma effects of the Proposals on the consolidated LPS of our Company are as follows:

			(RM'000)
Audited consolidated loss attributable to owners of our Company ("**LATAMI**")			(35,616)
After adjusting for subsequent events up to LPD:			
Add	:	Estimated annual interest savings arising from the repayment of our Group's bank borrowings using the proceeds raised from the First Placement [(1)]	440
Less	:	Expenses in relation to the First Placement [(2)]	(130)
			(35,306)
After adjusting for the Proposals:			
Add	:	Estimated annual interest savings arising from the repayment of our Group's bank borrowings using the proceeds to be raised from the Proposed Placement [(3)]	440
Less	:	Estimated expenses in relation to the Proposals [(4)]	(350)
Pro forma consolidated LATAMI after the Proposals			**(35,216)**
Weighted average number of Shares in issue during the FYE 31 March 2019 ('000)			858,552
Pro forma weighted average number of Shares in issue			
▪ After the subsequent events up to LPD ('000)			944,407
▪ After the Proposals ('000)			1,133,288
▪ After full exercise of the Warrants ('000)			1,699,932
Basic LPS [(5)]			
▪ Based on the audited consolidated LATAMI (sen)			(4.15)
▪ Based on the pro forma consolidated LATAMI after the subsequent events up to LPD (sen)			(3.74)
▪ Based on the pro forma consolidated LATAMI after the Proposals (sen)			(3.11)
▪ Based on the pro forma consolidated LATAMI after full exercise of the Warrants (sen)			(2.07)

Notes:

(1) Represents the estimated annual interest savings arising from the repayment of our Group's bank borrowings amounting to RM6.00 million using the proceeds raised from the First Placement, calculated based on our Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019.

(2) Comprises professional fees, placement fees, regulatory fees and other incidental expenses incurred for the First Placement.

(3) Represents the estimated annual interest savings arising from the repayment of our Group's bank borrowings amounting to RM6.00 million using the proceeds to be raised from the Proposed Placement, calculated based on our Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019.

(4) Comprises professional fees, placement fees, regulatory fees, printing and despatch costs for this Circular, costs to convene the EGM and other incidental expenses to be incurred for the Proposals.

(5) Calculated based on the relevant LATAMI divided by the relevant weighted average number of Shares in issue.

Notwithstanding the above, the Proposals are expected to contribute positively to the future consolidated earnings of our Company as and when the benefits arising from the proposed use of proceeds as detailed in Sections 2.1.6, 2.2.5 and 3 of this Circular are realised. However, as a result of the increase in the number of Shares in issue as a result of the Proposed Placement and the exercise of the Warrants, there will be a corresponding dilution to the consolidated EPS of our Company moving forward.

5.5 Convertible securities

As at the date of this Circular, our Company does not have any convertible securities in issue.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of our Shares traded on the Main Market of Bursa Securities for the past 12 months from December 2018 to November 2019 are as follows:

	High	**Low**
	(RM)	**(RM)**
2018		
December	0.270	0.200
2019		
January	0.255	0.225
February	0.260	0.235
March	0.250	0.130
April	0.200	0.130
May	0.180	0.130
June	0.175	0.150
July	0.175	0.145
August	0.170	0.120
September	0.140	0.115
October	0.165	0.120
November	0.155	0.140
Last transacted market price of our Shares on 16 October 2019 (being the last full trading day prior to the announcement of the Proposals on 17 October 2019)		RM0.130
Last transacted market price of our Shares as at LPD		RM0.140

(Source: Bloomberg)

7. APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to approvals being obtained from the following:

(i) Bursa Securities for the following:

(a) listing and quotation of up to 188,881,350 new Shares to be issued pursuant to the Proposed Placement;

(b) admission to the Official List of Bursa Securities and the listing and quotation of up to 566,644,050 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and

(c) listing and quotation of up to 566,644,050 new Shares to be issued arising from the exercise of the Warrants,

which was obtained vide its letter dated 21 November 2019 subject to, among others, the following conditions:

No.	Condition	Status of compliance
1.	Avillion and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	Noted.
2.	Avillion and RHB Investment Bank to inform Bursa Securities upon completion of the Proposals;	To be complied.
3.	Avillion to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed; and	To be complied.
4.	Avillion to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detail computation of listing fees payable.	To be complied.

(ii) our shareholders at the forthcoming EGM; and

(iii) any other relevant authority and/or party, if required.

The Proposed Placement and the Proposed Free Warrants Issue are not conditional upon each other. However, the Proposed Free Warrants Issue will be implemented after the Proposed Placement.

The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise which our Company has announced on Bursa Securities which is pending completion.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of our Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposals, save for their respective entitlements as shareholders of our Company under the Proposed Free Warrants Issue which are also available to all the other shareholders of our Company on a pro-rata basis.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposals including the rationale and pro forma effects of the Proposals, is of the opinion that the Proposals are in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and parties being obtained, the Proposals are expected to be completed in the 1st quarter of 2020.

The tentative timeline for the implementation of the Proposals is as follows:

Date/Month	Events
18 December 2019	EGM to approve the Proposals
December 2019	Price fixing for the Placement Shares
January 2020	▪ Announcement of the final Exercise Price and Entitlement Date for the Proposed Free Warrants Issue ▪ Listing and quotation of the Placement Shares on the Main Market of Bursa Securities ▪ Entitlement Date for the Proposed Free Warrants Issue
February 2020	Listing and quotation of the Warrants

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Commodore 1, Admiral Marina & Leisure Club, Batu 5½, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia on Wednesday, 18 December 2019 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the forthcoming EGM, please complete and deposit the enclosed Proxy Form in accordance with the instructions therein, so as to arrive at our registered office at Unit 8E, Level 8, Wisma YPR, No. 1, Lorong Kapar, Off Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of our Board
AVILLION BERHAD

See Ah Sing
Group Managing Director

INDICATIVE SALIENT TERMS OF THE WARRANTS

The indicative salient terms of the Warrants to be issued pursuant to the Proposed Free Warrants Issue are as follows:

Issue size and basis of allotment	: Up to 566,644,050 Warrants on the basis of one (1) Warrant for every two (2) existing Shares held by the Entitled Shareholders on the Entitlement Date
Form and constitution	: The Warrants will be issued in registered form and constituted by the Deed Poll
Tenure	: Five (5) years commencing from and inclusive of the date of issuance of the Warrants
Expiry date	: The day preceding the 5th anniversary of the date of issuance of the Warrants and if such date is not a market day, then it shall be the market day immediately preceding the said non-market day
Exercise period	: The period commencing from and including the date of issuance of the Warrants and ending at the close of business at 5:00 p.m. in Malaysia on the expiry date. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid
Exercise Price	: The Exercise Price of the Warrants will be determined by our Board and announced by our Company at a later date upon receipt of all relevant approvals for the Proposed Free Warrants Issue but before the announcement of the Entitlement Date
Exercise rights	: Each Warrant entitles the Warrant holders to subscribe for one (1) new Share at the Exercise Price at any time during the exercise period, subject to the adjustments in accordance with the provisions of the Deed Poll
Mode of exercise	: The Warrant holders must complete and sign the exercise form (which shall be irrevocable) and deliver the duly completed and executed exercise form to our Company's warrant registrar together with payment of the Exercise Price by way of cashier's order or banker's draft drawn by a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia or electronic means
Board lot	: For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Shares at any time during the exercise period, or such other denomination as may be varied from time to time by Bursa Securities
Ranking of new Shares to be issued arising from the exercise of the Warrants	: The new Shares to be issued and allotted arising from the exercise of the Warrants shall, upon issuance and allotment, rank equally in all respects with the then existing Shares, save and except that they will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of such new Shares to be issued arising from the exercise of the Warrants
Rights in general meeting and in any distribution and/or offer of securities	: The Warrant holders will not be entitled to any voting right in any general meeting of our Company or to participate in any form of distribution and/or offer of securities in our Company until and unless such Warrant holders exercise their Warrants into new Shares

INDICATIVE SALIENT TERMS OF THE WARRANTS *(Cont'd)*

Rights in the event of winding up, liquidation, compromise and/or arrangement	:	If a resolution is passed for a members' voluntary winding up of our Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then: (i) for the purposes of such winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purpose by a special resolution, shall be a party, the terms of such winding up, compromise or arrangement shall be binding on all the Warrant holders; and (ii) in any case and to the extent permitted by law, every Warrant holder shall be entitled (subject to the conditions in the Deed Poll) at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of our Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to our Company by submitting the duly completed exercise form(s) and payment of the Exercise Price, elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the exercise rights represented by such Warrants to the extent specified in the exercise form(s) and be entitled to receive out of the assets of our Company which would be available in liquidation as if he had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly. Upon the expiry of the above six (6) weeks, all exercise rights of the Warrants shall lapse and cease to be valid for any purpose
Adjustments to the Exercise Price and/or number of Warrants	:	The Exercise Price and/or number of unexercised Warrants may be adjusted if any alteration is made to the share capital of our Company at any time during the tenure of the Warrants, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital or otherwise
Modification of rights of the Warrant holders	:	Save for manifest error or to comply with the prevailing laws of Malaysia and/or the Listing Requirements, any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the Warrant holders sanctioned by special resolution; be subjected to the approval of the relevant authorities, if any; and be effected by a supplemental deed poll executed by our Company and expressed to be supplemental and comply with the requirements of the Deed Poll
Listing status	:	Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities as well as for the listing and quotation of the Warrants and the new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities
Governing law	:	Laws of Malaysia

FINANCIAL INFORMATION OF OUR GROUP

A summary of the financial information of our Group for the last four (4) FYEs 31 March 2016 to 2019 as well as for the six (6)-month FPE 30 September 2019 are as follows:

	Audited				**Unaudited**	
	FYE 31 March				**Six (6)-month FPE 30 September**	
	2016 (Restated)	**2017 (Restated)**	**2018 (Restated)**	**2019**	**2018**	**2019**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	194,199	154,201	131,421	111,348	63,515	34,924
Gross profit	49,568	50,899	49,958	44,376	21,376	19,348
Loss before taxation ("**LBT**")	(27,062)	(22,941)	(15,980)	(38,839)	(6,723)	(8,005)
Loss after taxation ("**LAT**")/Net loss for the year/period	(28,360)	(24,457)	(17,214)	(38,112)	(7,562)	(8,692)
Loss attributable to:						
- Owners of our Company	(28,020)	(24,521)	(16,919)	(35,616)	(7,218)	(8,733)
- Non-controlling interests	(340)	64	(295)	(2,496)	(344)	41
Net loss for the year/period	**(28,360)**	**(24,457)**	**(17,214)**	**(38,112)**	**(7,562)**	**(8,692)**
Weighted average number of Shares in issue ('000)	858,552	858,552	858,552	858,552	858,552	915,789
Basic LPS (sen) [(1)]	(3.26)	(2.86)	(1.97)	(4.15)	(0.84)	(0.95)
Current assets	162,916	110,026	86,216	62,144	93,649	63,899
Current liabilities	93,716	88,448	70,989	79,998	80,841	76,883
Equity attributable to owners of our Company/NA	313,194	253,254	233,654	216,791	271,659	221,180
Number of Shares in issue ('000)	858,552	858,552	858,552	858,552	858,552	944,407
NA per Share (RM) [(2)]	0.36	0.30	0.27	0.25	0.32	0.23
Interest-bearing borrowings (RM'000)	142,845	124,340	111,087	101,776	110,448	94,809
Current ratio [(3)]	1.74	1.24	1.21	0.78	1.16	0.83
Gearing (times) [(4)]	0.46	0.49	0.48	0.47	0.41	0.43

Notes:

(1) Calculated based on loss attributable to the owners of our Company over weighted average number of Shares in issue.

(2) Calculated based on NA over number of Shares in issue.

(3) Calculated based on current assets over current liabilities.

(4) Calculated based on total interest-bearing borrowings over NA.

(i) Commentary of the financial performance for the FYE 31 March 2016

For the FYE 31 March 2016, our Group recorded revenue of approximately RM194.20 million, representing an increase of approximately RM5.46 million or 2.89% as compared to revenue of approximately RM188.74 million for the FYE 31 March 2015. The increase in revenue was mainly due to the following:

(a) higher revenue recorded by our property division by approximately RM7.08 million or 40.35% to approximately RM24.63 million (2015: approximately RM17.55 million) as a result of the completion of Phase 1 of the Desa Impian Project during the FYE 31 March 2016; and

(b) higher revenue recorded by our travel division by approximately RM4.45 million or 3.64% to approximately RM126.76 million (2015: approximately RM122.31 million) as a result of depreciation of RM against the currencies of other countries in which our Group operates.

However, our Group's revenue was partly offset by the lower revenue recorded by our hotel division by approximately RM4.28 million or 9.54% to approximately RM40.57 million (2015: approximately RM44.85 million) as a result of the overall slowdown in the hotel industry.

Notwithstanding the higher revenue recorded by our Group during the financial year, our Group recorded LAT of approximately RM28.36 million as compared to profit after taxation of approximately RM0.81 million for the FYE 31 March 2015. The LAT was mainly as a result of the following:

(a) the overall slowdown in the hotel industry which was further dampened by four (4) months of haze in Malaysia which had, among others, resulted in a substantial drop in corporate spending at our hotels and resorts which our hotel business commands better yields and margins as compared to our property development and travel businesses;

(b) lower margins from our property division as the bulk of the revenue was mainly derived from affordable housing in Desa Impian, Bandar Tenggara, Johor; and

(c) lower margins from our travel division as our Group lowered our prices to remain competitive.

In view of the challenging operating environment, our Group also recognised impairment loss on goodwill for our property division and travel division of approximately RM1.93 million and RM10.39 million respectively. Basic LPS was 3.26 sen for the FYE 31 March 2016 as compared to basic EPS of 0.07 sen for the FYE 31 March 2015.

As a result of our Group's losses, our Group's NA decreased by approximately RM33.96 million or 9.78% from approximately RM347.15 million as at 31 March 2015 to approximately RM313.19 million as at 31 March 2016. As a result of the lower NA, the gearing ratio of our Group increased slightly from approximately 0.41 times as at 31 March 2015 to approximately 0.46 times as at 31 March 2016.

(ii) Commentary of the financial performance for the FYE 31 March 2017

For the FYE 31 March 2017, our Group recorded revenue of approximately RM154.20 million, representing a decrease of approximately RM40.00 million or 20.60% as compared to revenue of approximately RM194.20 million for the FYE 31 March 2016. The decrease in revenue was mainly attributable to the following:

(a) lower revenue from our property division by approximately RM12.47 million or 50.64% to approximately RM12.16 million (2016: approximately RM24.63 million) as our Group has not started any new property development or property launches following the completion of Phase 1 of the Desa Impian Project in the FYE 31 March 2016, except for the planning works for Phase 2A of the said project. Revenue from this division was mainly generated from the sale of existing stocks; and

(b) lower revenue from our travel division by approximately RM28.33 million or 22.35% to approximately RM98.44 million (2016: approximately RM126.76 million) as our Group achieved lower tourist arrivals in Hong Kong and Singapore from countries such as the People Republic of China ("**PRC**"), the Philippines and Indonesia.

During the FYE 31 March 2017, our Group also recorded provision for impairment of financial assets and write-off of bad debts of approximately RM8.74 million and RM7.22 million respectively. However, our Group's LAT shrunk by approximately RM3.90 million or 13.76% from approximately RM28.36 million for the FYE 31 March 2016 to approximately RM24.46 million for the FYE 31 March 2017 as a result of the following:

(a) our hotel business recorded a turnaround in the 3rd quarter of FYE 31 March 2017 as our new management team had revamped our Group's sales and marketing strategies for our hotel business division. Such strategies involved the restructuring of our sales team, incentivising our agents to promote our hotels and resorts as well as expanding our clientele coverage through online and offline channels; and

(b) profit registered by our property division of approximately RM2.15 million from the sale of existing stocks and approximately RM0.20 million from the sale of two (2) small parcels of leasehold land measuring approximately 3,200 square metres in aggregate which are located in Shah Alam.

Basic LPS shrunk from 3.26 sen for the FYE 31 March 2016 to 2.86 sen for the FYE 31 March 2017.

In line with the loss recorded by our Group coupled with the additional provision of deferred tax arising from the revaluation of land and buildings of our Group and the charge out of the interest previously capitalised for undeveloped and deferred property development projects, NA further decreased by approximately RM59.94 million or 19.14% from approximately RM313.19 million as at 31 March 2016 to approximately RM253.25 million as at 31 March 2017. In view of the lower NA, our Group's gearing also increased to approximately 0.49 times as at 31 March 2017 from approximately 0.46 times as at 31 March 2016.

(iii) Commentary of the financial performance for the FYE 31 March 2018

For the FYE 31 March 2018, our Group recorded revenue of approximately RM131.42 million, representing a decrease of approximately RM22.78 million or 14.77% as compared to revenue of approximately RM154.20 million for the FYE 31 March 2017. The lower revenue was mainly due to the decline in revenue from our travel division by approximately RM22.24 million or 22.59% to approximately RM76.20 million (2017: approximately RM98.44 million) as a result of the following:

(a) drop in tourist arrivals from the PRC to Hong Kong as EVA Air (which was previously a major revenue contributor to our travel business in Hong Kong) had set up its own travel services and tours agency and had stopped its business relationship with our Group;

(b) lower sales generated from the Hong Kong Trade Development Council ("**TDC**") due to stiff competition; and

(c) drop in outbound ticketing sales in Singapore as our Group stopped offering credit sales to corporate clientele in view of the increasingly challenging business environment, except for long standing customers although our Group had also reduced credit limits and shortened the repayment periods.

Despite the lower revenue, our Group's LAT shrunk by approximately RM7.24 million or 29.62% from approximately RM24.46 million for the FYE 31 March 2017 to approximately RM17.21 million for the FYE 31 March 2018. The lower LAT for the FYE 31 March 2018 was mainly due to lower provision for impairment loss on goodwill and write-off of bad debts of approximately RM0.97 million as compared to the combined provision and write-offs amounting to approximately RM15.96 million for the FYE 31 March 2017. Basic LPS shrunk from 2.86 sen for the FYE 31 March 2017 to 1.97 sen for the FYE 31 March 2018.

Our Group's NA further decreased by approximately RM19.60 million or 7.74% from approximately RM253.25 million as at 31 March 2017 to approximately RM233.65 million as at 31 March 2018 mainly as a result of the continued losses recorded by our Group for the FYE 31 March 2018. However, our Group's gearing reduced slightly from approximately 0.49 times as at 31 March 2017 to approximately 0.48 times as at 31 March 2018 as our Group repaid some of our borrowings during the year.

(iv) Commentary of the financial performance for the FYE 31 March 2019

For the FYE 31 March 2019, our Group recorded revenue of approximately RM111.35 million, representing a decrease of approximately RM20.07 million or 15.27% as compared to revenue of approximately RM131.42 million for the FYE 31 March 2018. The lower revenue was mainly attributable to the following:

(a) lower revenue from our hotel division by approximately RM4.04 million or 9.42% to approximately RM38.86 million (2018: approximately RM42.90 million) as a result of lower corporate and government spending, lower pricing strategy adopted by our Group in order to attract customers amidst the challenging and poor market sentiment as well as the drop in the overall tourist arrival volume from the PRC to Malaysia due to stiff regional competition; and

(b) lower revenue from our travel division by approximately RM15.90 million or 20.86% to approximately RM60.30 million (2018: approximately RM76.20 million) as our Group has yet to recover from the effect arising from the loss of key customers such as EVA Air and lower demand from TDC as mentioned above.

During the FYE 31 March 2019, our Group recognised impairment losses on investment properties and goodwill amounting to approximately RM0.50 million and RM23.37 million respectively. Our Board has decided to fully impair the goodwill associated with our property division (approximately RM10.90 million) and travel division (approximately RM12.47 million) in view of the challenging environment and since these divisions continued to record losses. As a result of the impairment losses recorded, our Group's LAT widened by approximately RM20.90 million or 121.40% from approximately RM17.21 million for the FYE 31 March 2018 to approximately RM38.11 million for the FYE 31 March 2019. Basic LPS increased from 1.97 sen for the FYE 31 March 2018 to 4.15 sen for the FYE 31 March 2019.

However, our Group's NA decreased by only approximately RM16.86 million or 7.22% from approximately RM233.65 million as at 31 March 2018 to approximately RM216.79 million as at 31 March 2019 as a result of the recognition of revaluation surplus of approximately RM18.08 million arising from the revaluation of the Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort in Port Dickson by an independent valuer, Henry Butcher Malaysia Sdn Bhd. Our Group's gearing ratio also decreased slightly from approximately 0.48 times as at 31 March 2018 to approximately 0.47 times as at 31 March 2019 as our Group repaid some of our borrowings during the year.

(v) Commentary of the financial performance for the six (6)-month FPE 30 September 2019

For the six (6)-month FPE 30 September 2019, our Group recorded revenue of approximately RM34.92 million, representing a decrease of approximately RM28.59 million or 45.01% as compared to revenue of approximately RM63.52 million for the six (6)-month FPE 30 September 2018. The lower revenue was mainly attributable to the following:

(a) lower revenue from our hotel division by approximately RM1.13 million or 6.15% to approximately RM17.22 million (FPE 30 September 2018: approximately RM18.35 million) as a result of the competitive pricing strategy adopted by our Group and the haze in Malaysia in the month of September which led to many booking cancellations; and

(b) lower revenue from our travel division by approximately RM30.16 million or 75.34% to approximately RM9.87 million (FPE 30 September 2018: approximately RM40.04 million) due to the recent disruptions in Hong Kong which resulted in a drastic drop in the number of tourist arrivals recorded by our Group.

However, our property division recorded a higher revenue of approximately RM7.83 million, representing an increase of approximately RM2.99 million or 61.78% as compared to revenue of approximately RM4.84 million for the six (6)-month FPE 30 September 2018 as a result of the sale of existing stocks.

As a result of the lower revenue, our Group recorded LAT of approximately RM8.69 million for the six (6)-month FPE 30 September 2019 as compared to LAT of approximately RM7.56 million for the six (6)-month FPE 30 September 2018. However, the losses were partially offset by the cost savings from the ongoing cost rationalisation exercises carried out by our Group which involves streamlining our staff structure and downsizing our travel business operation. Basic LPS increased from 0.84 sen for the six (6)-month FPE 30 September 2018 to 0.95 sen for the six (6)-month FPE 30 September 2019.

Notwithstanding the losses recorded by our Group during the six (6)-month FPE 30 September 2019, our Group's NA increased by approximately RM4.39 million or 2.02% from approximately RM216.79 million as at 31 March 2019 to approximately RM221.18 million as at 30 September 2019 due to the issuance of 85,855,000 new Shares at RM0.15 per Share pursuant to the First Placement which was completed on 2 August 2019. As a result of the higher NA and the repayment of our Group's bank borrowings using, among others, the proceeds raised from the First Placement, our Group's gearing ratio decreased from approximately 0.47 times as at 31 March 2019 to approximately 0.43 times as at 30 September 2019.

(Source: Management of our Company)

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board who collectively and individually accept full responsibility for the accuracy of the information given herein. Our Board hereby confirms that after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

RHB Investment Bank, being our Principal Adviser for the Proposals and Placement Agent for the Proposed Placement, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

RHB Investment Bank and its related and associated companies ("**RHB Banking Group**") engage in private banking, commercial banking and investment banking transactions which include, among others, brokerage, securities trading, assets and fund management as well as credit transaction services. RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group in addition to the role as set out in this Circular. In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide their services or to engage in any transaction (on their own account or otherwise) with any member of our Group, its affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or its affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or its affiliates.

As at LPD, RHB Banking Group has extended banking facilities amounting to approximately RM83.11 million (with an outstanding amount of approximately RM64.63 million) to our Group. Our Group is also expected to repay certain borrowings owing to RHB Banking Group using the proceeds to be raised from the Proposed Placement.

Notwithstanding the above, RHB Investment Bank is of the opinion that the abovementioned does not give rise to a conflict of interest situation in its capacity as our Principal Adviser for the Proposals and Placement Agent for the Proposed Placement as:

(i) the banking facilities were provided by RHB Banking Group on an arms' length basis and in its ordinary course of business, and the said facilities provided are not material when compared to the audited NA of RHB Banking Group as at 31 December 2018 of approximately RM23.36 billion;

(ii) RHB Investment Bank is a licensed investment bank and its appointment as our Principal Adviser for the Proposals and Placement Agent for the Proposed Placement, is in the ordinary course of its business. RHB Investment Bank does not receive or derive any financial interest or benefit save for the fees received in relation to its appointment as our Principal Adviser for the Proposals and Placement Agent for the Proposed Placement;

(iii) the Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;

ADDITIONAL INFORMATION *(Cont'd)*

(iv) the use of proceeds to be raised by our Company from the Proposed Placement and the decision on the amount and credit facilities to be repaid using such proceeds is at the sole and absolute discretion of our Company and RHB Investment Bank has not rendered any advice/recommendation on the use of proceeds by our Group; and

(v) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls and checks which include, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

Save as disclosed below, as at LPD, there is no material commitment contracted or known to be contracted by our Group which may have a material impact on the profits or NA of our Group:

	(RM'000)
Non-cancellable operating lease commitments	
Future minimum lease payable:	
- Not later than one (1) year	2,549
- More than one (1) year but not later than five (5) years	1,620
Total	**4,169**

3.2 Contingent liabilities

As at LPD, there is no contingent liability incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material and adverse impact on the financial position of our Group.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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. This 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.

ADDITIONAL INFORMATION *(Cont'd)*

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 fixed for hearing on 9 March 2020.

Our Company has been advised by our solicitors that based on case law, our Company has a fair chance of succeeding at the Court of Appeal.

Saved as disclosed above, as at LPD, our Group is not involved in any material litigation, claim and/or arbitration, either as plaintiff or defendant and our Board is not aware of any proceeding, pending or threatened against our Group, or of any fact which is likely to give rise to a proceeding which might materially affect the business or financial position of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Unit 8E, Level 8, Wisma YPR, No. 1, Lorong Kapar, Off Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

(i) Constitution of our Company;

(ii) audited consolidated financial statements of our Company for the last two (2) FYEs 31 March 2018 and 2019, and the latest unaudited consolidated financial results of our Company for the six (6)-month FPE 30 September 2019;

(iii) letter of consent referred to in Section 2 above;

(iv) cause papers for the material litigation referred to in Section 4 above; and

(v) draft Deed Poll.

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AVILLION

BERHAD

(Registration No. 199201013018 (244521-A))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Avillion Berhad ("**Avillion**" or "**Company**") will be held at Commodore 1, Admiral Marina & Leisure Club, Batu 5½, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia on Wednesday, 18 December 2019 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED PLACEMENT")

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue up to 188,881,350 new ordinary shares of the Company ("**Placement Shares**"), representing up to 20% of the total number of issued ordinary shares in the Company ("**Shares**"), to independent third party investors to be identified later;

THAT approval is given to the Board to determine the issue price of the Placement Shares for each tranche of the Proposed Placement at later date(s) provided that the said issue price is at discount of not more than 10% to the five (5)-day volume weighted average market price ("**VWAP**") of the Shares immediately preceding the price-fixing date;

THAT such Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing Shares, save and except that the Placement Shares will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of the Placement Shares;

THAT the Board be and is hereby authorised to use the proceeds to be raised from the Proposed Placement for such purposes and in such manner as set out in Section 2.1.6 of the Circular to shareholders of the Company dated 3 December 2019 ("**Circular**"), and the Board be authorised with full powers to vary the manner and/or purpose of the use of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitations, the affixing of the Company's common seal) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Placement and with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 2

PROPOSED ISSUANCE OF UP TO 566,644,050 FREE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED FREE WARRANTS ISSUE")

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Board to issue up to 566,644,050 Warrants (with an exercise price to be determined at a later date) to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at 5:00 p.m. on a date to be determined by the Board and announced by the Company at a later date, on the basis of one (1) Warrant for every two (2) Shares held, in accordance with the provisions of the deed poll to be executed by the Company constituting the Warrants ("**Deed Poll**");

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll and with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company, and with full powers for the Board to implement, finalise and give full effect to the aforesaid Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of Warrants in accordance with the provisions of the Deed Poll and where required, to adjust the exercise price and/or the number of the Warrants to be issued (including, without limitation, any additional Warrants as may be required or permitted to be issued) in consequence of the adjustments pursuant to the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new Shares pursuant to the exercise of the Warrants by the holders of the Warrants in accordance with the provisions of the Deed Poll;

THAT fractional entitlements arising from the Proposed Free Warrants Issue, if any, shall be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit, expedient and in the best interest of the Company;

THAT the new Shares to be issued and allotted arising from the exercise of the Warrants shall, upon issuance and allotment, rank equally in all respects with the then existing Shares, save and except that they will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of such new Shares to be issued arising from the exercise of the Warrants;

THAT the Board be and is hereby authorised to use the proceeds to be raised from the exercise of the Warrants for such purposes and in such manner as set out in Section 2.2.5 of the Circular, and the Board be authorised with full powers to vary the manner and/or purpose of the use of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitations, the affixing of the Company's common seal) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Free Warrants Issue and with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company."

By Order of the Board

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Kuala Lumpur
Date: 3 December 2019

Notes:

1. *A member entitled to attend and vote at the EGM of the Company shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the EGM.*
2. *A member may appoint not more than two (2) proxies to attend the EGM.*
3. *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend the EGM shall have the same rights as the member to speak and vote at the EGM. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The Proxy Form must be signed by the appointer or by his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.*
6. *The Proxy Form must be deposited at the Registered Office of the Company at Unit 8E, Level 8, Wisma YPR, No. 1, Lorong Kapar, Off Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend and vote at the EGM, the Company shall be requesting the Record of Depositors as at 12 December 2019. Only a depositor whose name appears in the Record of Depositors as at 12 December 2019 shall be entitled to attend and vote at the EGM as well as for appointment of proxy(ies) to attend and vote in his/her stead.*

AVILLION

BERHAD

(Registration No. 199201013018 (244521-A))
(Incorporated in Malaysia)

PROXY FORM

Extraordinary General Meeting

CDS Account No.	
No. of Shares Held	

* I / We ______________________________ NRIC No.______________
(Name in Block Letters)

of ____

____
(Full Address)

being (a) member(s) of **AVILLION BERHAD, HEREBY APPOINT:**

i) Name of Proxy: ______________________________ NRIC No.______________

Address: ____

______________________________ No. of Shares represented: ______________

ii) Name of Proxy: ______________________________ NRIC No. ______________

Address: ____

______________________________ No. of Shares represented: ______________

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting (**"EGM"**) of the Company to be held at Commodore 1, Admiral Marina & Leisure Club, Batu 5½, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia on Wednesday, 18 December 2019 at 11:00 a.m. or at any adjournment thereof.

Please indicate your voting instructions with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting on the resolutions at his/her discretion.

No.	Ordinary Resolutions	For	Against
1.	Proposed Placement		
2.	Proposed Free Warrants Issue		

____
Signature of Shareholder or Common Seal

Dated this ________day of____________

NOTES:

1. A member entitled to attend and vote at the EGM of the Company shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the EGM.
2. A member may appoint not more than two (2) proxies to attend the EGM.
3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend the EGM shall have the same rights as the member to speak and vote at the EGM. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The Proxy Form must be signed by the appointer or by his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
6. The Proxy Form must be deposited at the Registered Office of the Company at Unit 8E, Level 8, Wisma YPR, No. 1, Lorong Kapar, Off Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.
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AFFIX
STAMP

AVILLION BERHAD
(Registration No. 199201013018 (244521-A))

Unit 8E, Level 8, Wisma YPR
No. 1, Lorong Kapar, Off Jalan Syed Putra
58000 Kuala Lumpur, Malaysia

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