

AVILLION BERHAD

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2021.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 March 2021 under the Malaysian Financial Reporting Standards (MFRSs) framework except for the adoption of the following MFRSs :

Effective for annual period beginning on or after 1 January 2021

MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above standards did not have a significant financial impact to the Group.

Effective for annual period beginning on or after 1 January 2022

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

Effective for annual periods beginning on or after 1 January 2023

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

A1 Basis of Preparation (continued)

The Group will adopt the above MFRSs when they become effective in the respective financial periods. These MFRSs may have an impact on the amounts reported and disclosure made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of the above accounting standards until the Group performs the detailed review.

A2 Audit Report of Preceding Annual Financial Statement

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

a) Qualified Opinion

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

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

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

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

b) Material Uncertainty Related to Going Concern

As disclosed in Note 2.7 to the financial statements, which disclosed that the Group and the Company incurred a net loss of RM14.201 million and RM16.317 million respectively during the financial year ended 31 March 2021 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM2.519 million and RM53.909 million respectively thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

A3 Seasonal or Cyclical Factors

The Group is principally engaged in the following business operations:

- a) Hotel
- b) Property
- c) Travel

The major festivities and school holidays generally affect the performance of Hotel & Travel Division. The performance of Property Division is affected by the sentiments of the property cycle, as the division's profitability is dependent on the sale of its properties.

A4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

A5 Accounting Estimates

There were no changes in estimates of amounts reported in prior financial quarters of the current financial year or in prior financial years that have a material effect in the current financial quarter.

A6 Issuance or Repayment of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date except for the following:

	Period ended 31.12.2021	
	Number of Shares Unit ('000)	Amount (RM'000)
Ordinary Shares		
At 1 April 2021	944,407	213,429
Issued end of current period	188,881	22,666
At 31 December 2021	1,133,288	236,095

A7 Dividend Paid

There were no dividends paid during the year under review.

A8 Segmental Reporting**a) Revenue**

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2021 (RM'000)	Preceding Quarter Ended 31.12.2020 (RM'000)	Current Year Ended 31.12.2021 (RM'000)	Preceding Year Ended 31.12.2020 (RM'000)
Continuing Operations				
Hotel	11,136	3,183	13,440	11,928
Property	1,857	1,374	4,144	4,920
Travel	803	213	1,767	253
Grand Total	13,796	4,770	19,351	17,101

b) Loss before tax

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2021 (RM'000)	Preceding Quarter Ended 31.12.2020 (RM'000)	Current Year Ended 31.12.2021 (RM'000)	Preceding Year Ended 31.12.2020 (RM'000)
Continuing Operations				
Hotel	3,010	(2,246)	(4,245)	(4,960)
Property	(377)	(611)	(1,551)	(1,875)
Travel	(126)	54	(531)	(260)
Holding company & others	(2,111)	(1,429)	(5,395)	(4,852)
Grand Total	396	(4,232)	(11,722)	(11,947)

A9 Material Subsequent Events

There were no material events subsequent to the current financial period ended 31 December 2021 and up to the date of this report except:

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

A10 Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 December 2021 and up to the date of this report.

A11 Significant related party transactions

There were no significant related party transactions for the current financial period ended 31 December 2021 and up to the date of this report.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Performance of the Company and its Principal Subsidiaries

Revenue of the Group for the current quarter recorded RM13.8 million, an increase of 189% compared with the previous year's corresponding quarter's revenue of RM4.77 million. The earnings before interest, depreciation and tax ("EBITDA") of the Group for the current quarter was RM4.349 million compared with loss before interest, depreciation and tax ("LBITDA") of M0.657 million in the previous year's corresponding quarter, an improvement of 762% attributed mainly to the Hotel Division.

The Hotel Division recorded higher revenue in the current quarter compared with previous year's corresponding quarter mainly due to the lifting of interstate and COVID-19 restriction in mid-October 2021. In the previous year's corresponding quarter, the imposition of Conditional Movement Control order from October 2020 to early December 2020 has led to cancellations and stoppage of all MICE groups in our hotels. As a result, occupancies and revenue quickly spiraled downwards to negligible levels in previous year's same quarter.

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

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

Group revenue of RM13.8 million for the current quarter months was higher compared with RM3.2 million in the preceding quarters. The earnings before interest, depreciation and tax ("EBITDA") of the Group for the current quarter was RM4.349 million compared with loss before interest, depreciation and tax ("LBITDA") of RM1.963 million in the preceding quarter, an improvement of 322% attributed mainly to the Hotel Division.

The Hotel Division recorded higher revenue in the current quarter compared with preceding quarter mainly due to the lifting of interstate and COVID-19 restriction in mid-October 2021. An improved EBITDA was recorded compared with preceding quarter due to higher revenue.

B3 Variance from Profit Forecast

Not applicable.

B4 Commentary on Prospect

Sustaining The Momentum in the Face of Omicron

Even as we celebrate the turnaround in our fortunes, we need to temper the elation brought by the results posted in the 3rd Quarter with the reality that fears arising from the spread of the Omicron variant may dampen future outlook. However, with the firm acknowledgement that there will not be a reimposition of the Movement Control Order by the Government, there is confidence that major disruptions to our business is something we can put behind us. However, we also need to note that the 3rd Quarter was a pleasant reversal of the Group's fortunes and we remain cautious but hopeful that the momentum can be sustained at the same pace moving into the 4th Quarter.

As schools reopen and as the festive period of Christmas, New Year and Chinese New Year has ended, fewer people are expected to travel and this will be especially evident going into the second half of the 4th Quarter. While some travel is still expected, this is likely to be confined to the weekends when we will continue to see good occupancy rates at all our hotel properties.

With the decision on the reopening of borders still pending, we believe the Group's fortunes will be mostly dependent on the vibrancy of the local tourism market. That in turn is dependent on the levels of comfort among Malaysians as the numbers of cases brought on by the Omicron variant continues to rise. One bright spark could be in the forthcoming decision between the Governments of Malaysia and Singapore for the expansion of the VTL facility to private vehicles as well. The reopening of the Causeway to private vehicles will definitely be a boon for all our sectors, more so our tourism and hotel sectors.

Hotel Division

The prospects and outlook of the Hotel Division remain upbeat, although they may not reach the same heights as the 3rd Quarter. The national school holidays which begin on 26th February to 20th March should translate into good news for the hotel division. The onset of Ramadan in April however will have a negative impact but we are hopeful that this will be short term.

As the country moves to reopen its borders and increase the number of countries qualifying for VTL travel, we are hopeful that the overseas market will see a cautious return in subsequent quarters. At the same time, the high cost of overseas travel for most Malaysians may be a deterrent that in turn could be a positive for the Group as more Malaysians confine their holidays to within the country's borders.

At the same time, the Group will continue to explore new opportunities within this sector, be it in developing new and innovative packages as well as in looking for potential management contracts.

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

The Property Division will remain focused on the selling of commercial units of the on-going Phase 2A of the Desa Impian Project. The planning and launching of Phase 2B of the Desa Impian Project will be reviewed and launched at the appropriate time.

As earlier mentioned, the gradual reopening of borders with Singapore will hopefully lead to greater demand for our property units, while a new and more stable state government will hopefully lead to an inflow of new investment into Johor.

Travel Division

The Travel Division which is based in Hong Kong and Singapore will continue to face headwinds and challenges. Hong Kong still seems to be struggling as to how it wants to move forward while Singapore is taking an extra cautious approach to entering the endemic stage of the virus.

It is our hope that the re-opening of the Causeway will happen in the near future as even a limited opening to private vehicles will impact positively on the travel division. As and when more countries relax mandatory quarantine regulations and allow for the fully vaccinated to travel freely, so too will the travel division start to see greater positive movement.

B5 Profit / (Loss) before tax

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

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2021 (RM'000)	Preceding Quarter Ended 31.12.2020 (RM'000)	Current Year Ended 31.12.2021 (RM'000)	Preceding Year Ended 31.12.2020 (RM'000)
Interest income	3	(2)	(3)	(8)
Rental income	(17)	(4)	(50)	(16)
Gain on disposal of investment property	0	(29)	0	(29)
COVID-19 related rent concessions income	(8)	(16)	(37)	(16)
COVID-19 fund from government	(45)	(425)	(203)	(958)

B6 Taxation

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2021 (RM'000)	Preceding Quarter Ended 31.12.2020 (RM'000)	Current Year Ended 31.12.2021 (RM'000)	Preceding Year Ended 31.12.2020 (RM'000)
a) Income Tax				
i) Underprovision in prior year	1	16	8	16

The Group tax rate is higher than the statutory tax rate applicable due to the Provision of taxation on profit by certain subsidiary companies.

B7 Status of Corporate proposals

On 17 October 2019, the Company announced the proposed listing and quotation of up to 188,881,350 Placement Shares and an issuance of up to 566,644,050 free warrants on the basis of one Warrant for every two ordinary shares of the Company held on an entitlement date to be determined by the Board and announced at a later date.

In June 2021, the Company had placed out 2,083,334 Placement Shares at RM0.12 each to a Placee, and listed on the Main Market of Bursa Securities on 21 June 2021. The Company had further placed out 96,333,330 Placement Shares at RM0.12 each and 90,464,686 Placement Shares at RM0.12 each in August and November 2021 respectively, of which such Placement Shares were listed on the Main Market of Bursa Securities on 24 August and 19th November 2021 respectively.

The status of utilization of proceeds raised from the abovementioned Placement Shares as at 31 December 2021 were as follows:

	Circular dated	Actual proceeds	Approved	Amount	Amount	Intended
	3rd Dec 2019	Raised	Revised	Utilised	Unutilised	Timeframe for
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	Utilisation
Repayment of bank borrowings	6,000	6,000	4,889	2,375	2,514	Within 5 mths
Asset enhancement & refurbishment programme	10,000	10,000	5,611	199	5,412	Within 12 mths
Part funding of Desa Impian Project	3,000	3,000	3,000	153	2,847	Within 3 mths
General working capital	7,093	3,316	8,816	7,516	1,300	immediate
Estimated expenses	350	350	350	350	0	immediate
Total	26,443	22,666	22,666	10,593	12,073	

B8 Group Borrowings**a) Banking Facilities**

	As at 31.12.2021			As at 31.12.2020		
	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings						
i. Overdraft	10,962	1,631	12,593	19,938	1,896	21,834
ii. Revolving Credit	9,475	-	9,475	11,050	-	11,050
iii. Long term loans repayable within 12 months	8,400	-	8,400	5,400	-	5,400
iv. Lease Liabilities / Finance lease liability repayable within 12 months	814	-	814	929	-	929
	<u>29,651</u>	<u>1,631</u>	<u>31,282</u>	<u>37,317</u>	<u>1,896</u>	<u>39,213</u>
v. Total						
b) Long term borrowings						
i. Long term loans	60,714	-	60,714	61,206	-	61,206
Less portion payable within 12 months	<u>(8,400)</u>	<u>-</u>	<u>(8,400)</u>	<u>(5,400)</u>	<u>-</u>	<u>(5,400)</u>
	<u>52,314</u>	<u>0</u>	<u>52,314</u>	<u>55,806</u>	<u>0</u>	<u>55,806</u>
ii. Lease Liabilities / Finance lease liability	3,152	-	3,152	1,238	-	1,238
Less portion payable within 12 months	<u>(814)</u>	<u>-</u>	<u>(814)</u>	<u>(929)</u>	<u>-</u>	<u>(929)</u>
	<u>2,338</u>	<u>0</u>	<u>2,338</u>	<u>309</u>	<u>0</u>	<u>309</u>
iii. Total	54,652	0	54,652	56,115	0	56,115
c) Total borrowings	84,303	1,631	85,934	93,432	1,896	95,328

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 31 December 2021 was RM0.316 million (HKD0.589 million) and as at 31 December 2020 was RM0.442 million (HKD0.853 million).

B9 Derivative Financial Instruments

The Group is not a party to any financial instruments, which may have an effect to the derivative financial instruments at the date of this report.

B10 Material Litigation

There was no material litigation pending as at the date of this announcement except:

Our Company has filed a suit (Civil Suit No.: WA-22NCC-120-03/2019) against Dato' Gan Eng Kwong ("Dato' Gan"), Reliance Holdings Sdn Bhd ("RHSB") and Alpha Vantage Sdn Bhd ("AVSB") (collectively, the "Defendants") on 12 March 2019 for a sum of RM5,591,892.09, being the advances made by our Company to Vacation Asia Holdings Sdn Bhd ("VAH") and Reliance Shipping and Travel Agencies Sdn Berhad ("RSTA"), both being our former subsidiaries (the "Suit").

In 2011, our Company disposed of its 100% equity interest in VAH and RSTA to AVSB, a company owned by Dato' Gan, the former director and major shareholder of our Company. Pursuant to the said disposal, it was agreed that Dato' Gan, RHSB (the former major shareholder of our Company which Dato' Gan has equity interest in) and AVSB shall settle all the outstanding advances extended by our Company to VAH and RSTA according to the agreed payment schedule.

However, the Defendants failed to settle the outstanding advances as agreed which has led to our Company filing the Suit to recover the said amount. On 15 April 2019, the Defendants filed an application to strike out the Suit and the said application was subsequently allowed by the High Court on 23 May 2019 on the basis that our Company should, among others, include VAH and RSTA as parties to the Suit as the advances were extended to VAH and RSTA.

Our Company has appealed to the Court of Appeal (Civil Appeal No.: W-02(IM)(NCC)-1159-06/2019) against the striking out of the Suit. Our appeal against the High Court Judge's to strike out our claim was allowed on 25 August 2020. The matter has gone for full trial on 21 April 2021.

Judgement has been entered and the court has allowed our full claim against the defendants on 19 May 2021. The company is now proceeding to enforce the judgement against the defendants.

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

Basic earnings /(losses) per share is calculated by dividing the net profit / (loss) attributable to the shareholders for the current financial period ended 31 December 2021 as follows:

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31.12.2021 (RM'000)	Preceding Quarter Ended 31.12.2020 (RM'000)	Current Year Ended 31.12.2021 (RM'000)	Preceding Year Ended 31.12.2020 (RM'000)
Net profit/(loss) attributable to Equity holders of the Parent (RM'000)	418	(4,141)	(11,528)	(11,621)
Basic ('000)				
Total Weighted average number of ordinary shares	1,008,945	944,407	1,008,945	944,407
Basic earnings/(losses) per share(sen)	0.04	(0.44)	(1.14)	(1.23)

b) Diluted

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue as at the end of the current financial period ended 31 December 2021.

B12 Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 February 2022.