AVILLION BERHAD ("AVILLION" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF AVILLION

1. INTRODUCTION

On behalf of the Board of Directors of Avillion ("**Board**"), RHB Investment Bank Berhad ("**RHB Investment Bank**") wishes to announce that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of Avillion ("**Proposed Placement**").

Further details of the Proposed Placement are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED PLACEMENT

The Proposed Placement will be undertaken in accordance with the general mandate pursuant to Section 75 of the Companies Act 2016 ("**Act**") obtained from the shareholders of the Company at the Company's 26th annual general meeting ("**AGM**") convened on 30 August 2018, whereby the Board has been authorised to issue and allot new ordinary shares in Avillion ("**Avillion Shares**" or "**Shares**") not exceeding 10% of the total number of issued shares of Avillion for the time being ("**General Mandate**"). The General Mandate shall continue to be in force until the conclusion of the next AGM of the Company.

2.1 Placement size

The Proposed Placement will entail the issuance of up to 85,855,175 new Avillion Shares ("**Placement Shares**"), representing up to 10% of the total number of issued shares of Avillion of 858,551,750 Avillion Shares as at 26 June 2019, being the latest practicable date prior to the date of this Announcement ("**LPD**").

2.2 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.

In accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Placement Shares will not be placed to the following persons:

(i) a director, major shareholder or chief executive of the 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 the Board at a later date.

The Proposed Placement will be implemented in a single tranche 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, subject always to the expiry of the General Mandate or a new mandate being obtained from the shareholders of the Company, as the case may be.

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

The issue price of the Placement Shares will be determined by the Board and announced at a later date after the 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 volume weighted average market price ("**VWAP**") of Avillion Shares immediately preceding the Price-Fixing Date. For illustration purposes throughout this Announcement, the illustrative issue price of the Placement Shares is assumed to be RM0.155 per Placement Share, representing approximately 7.02% discount to the five (5)-day VWAP of Avillion Shares up to and including LPD of RM0.1667.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing Avillion 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.

2.5 Listing and quotation of the Placement Shares

An application will be made to Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

2.6 Use of proceeds

Based on the illustrative issue price of RM0.155 per Placement Share, the Company is expected to raise gross proceeds of up to approximately RM13.31 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 six (6) months
Refurbishment and maintenance of hotels and resort	(2)	4,000	Within nine (9) months
Property development project	(3)	2,170	Within three (3) months
General working capital	(4)	998	Within six (6) months
Estimated expenses in relation to the Proposed Placement	(5)	140	Within one (1) month
Total proceeds		**13,308**	

***Notes**:*

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

*(1) The Company intends to use RM6.00 million to partially repay the Group's outstanding borrowings. As at 31 May 2019, the total bank borrowings of Avillion and its subsidiaries (collectively the "**Group**") stood at approximately RM102.25 million. Based on the average cost of borrowings of approximately 7.33% per annum for the financial year ended ("**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 the Group.*

(2) The Company intends to refurbish and maintain the Avillion Hotel and Admiral Cove Hotel & Resort, both located in Port Dickson in order for them to remain competitive and appealing to guests. The total costs to refurbish and maintain these hotels and resort is expected to be RM15.00 million. Refurbishment and maintenance works are expected to commence in the 3rd quarter of 2019 and complete in two (2) years. As such, the Company intends to use RM4.00 million from the proceeds to be raised from the Proposed Placement to partially fund the refurbishment and maintenance costs, and the remaining costs will be funded through a combination of internal funds and bank borrowings.

*(3) Desa Impian which is located in Bandar Tengarra, Bukit Tinggi, Johor, is a 165-acre township development project which comprises affordable housing and commercial properties ("**Desa Impian Project**"). Desa Impian 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. The Group subsequently launched Phase 2A in July 2018 which comprises 52 commercial units and 50 residential units with an expected gross development value of RM30.00 million. Construction works for Phase 2A commenced in July 2018 and are expected to be completed in the 2nd half of 2020 while the development of the remaining phases of the Desa Impian Project is expected to be completed in 2028. As at LPD, the undeveloped land area is approximately 132.82 acres.*

The gross development costs for Phase 2A is expected to be RM25.00 million. In this regard, the Company intends to use RM2.17 million from the proceeds to be raised from the Proposed Placement to partially fund the development costs for Phase 2A, and 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 RM1.00 million will be used to fund the working capital requirements of the Group, which includes staff costs, general administrative expenses, payment to suppliers and creditors as well as other operating expenses.

(5) Comprises professional fees, placement fees, fees payable to the authorities and other incidental expenses to be incurred for the Proposed Placement. If the actual expenses in relation to the Proposed Placement differ from the estimated amount, the excess/shortfall will be adjusted against to/from the proceeds allocated for general working capital purposes.

The actual gross proceeds to be raised from the Proposed Placement is dependent 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 utilisation 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 the Board may deem fit. Any interest income earned from such deposits and/or instruments will be used to fund the working capital requirements of the Group.

3. RATIONALE FOR THE PROPOSED PLACEMENT

The Proposed Placement will enable the Company to raise the requisite funds to partially repay the Group's bank borrowings which stood at RM102.25 million as at 31 May 2019 as well as to fund the refurbishment and maintenance costs of the Group's hotels and resort, the development costs of the Desa Impian Project and the working capital requirements of the Group.

The repayment of bank borrowings is expected to result in an annual gross interest savings of approximately RM0.44 million based on the average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019 whereas the proceeds allocated for the refurbishment and maintenance of the Group's hotels and resort will enable the Group to continue upkeeping and enhancing its assets in Port Dickson and ensure that they do not lose their appeal to guests and customers, especially with the emergence of newer hotels and resorts within the vicinity. The Group's ability to continue attracting guests and customers to stay and/or host their events or functions at the Group's hotels and resort will allow the Group to improve the revenue contribution from this business division.

In addition, the use of gross proceeds for the Desa Impian Project will help to fund the development costs without relying entirely on internal funds and borrowings which could hamper the overall progress of the said project. This is expected to enable the Group to complete the construction works of the project in a timely manner and recognise the corresponding revenue and profit contributions from the said project, which will in turn help to improve the Group's financial performance.

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

(i) allow the 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;

(ii) allow the Company to raise funds expeditiously as compared to other methods of equity fund raising such as rights issue since the General Mandate has been obtained; and

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

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

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

The 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, Avillion Legacy Melaka Hotel, Avillion Villa Cinta Bali and Avillion Hotel Cameron Highlands, whereas the property division is involved in property development and the travel division operates travel and tours services which caters to inbound tourist markets in Hong Kong and Singapore.

The Group has recorded losses for the last four (4) FYEs 31 March 2016 to 2019. The losses were mainly due to lower occupancy rates for the Group's hotels and resorts as a result of the competitive business landscape, lower pricing strategy adopted by the Group for its hotel business in order to attract customers, lack of property development activities as well as the weak performance of its travel division as a result of lower business volume and compressed margins. Further information on the financial performance of the Group for the said financial years is set out in Appendix I of this Announcement.

The Board took cognisance of the Group's financial performance and the Group has undertaken various steps to address its financial condition. In 2017, the Group revamped its sales and marketing strategies for its hotel business division. Such strategies involved the restructuring of the Group's sales team, incentivising the Group's agents to promote its hotels and resorts as well as expanding the Group's clientele coverage through online and offline channels. Such efforts paid off when the Group's hotel division began to turnaround from the 3rd quarter of 2017 onwards. For the FYE 31 March 2017, the Group's hotel division recorded operating profit of approximately RM0.28 million as opposed to the operating loss of approximately RM1.23 million for the FYE 31 March 2016. In 2018, the Group's hotel division had also invested in information technology systems such as a sales management system to keep track of its sales team's performance in improving sales productivity and a property management system which is linked to online reservation platforms where the Group can immediately keep track of the reservation. The Group hopes that with the introduction of these systems to the Group's hotel business, the Group will be able to compete more effectively and thereby improve the financial performance of this segment.

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

To further improve the performance of its hotel business, the Group intends to refurbish and maintain the Group's hotels and resorts in order to remain competitive and appealing to guests, especially families with children and corporate clients. As such, the Group has allocated a substantial portion of the proceeds to be raised from the Proposed Placement to partially fund the refurbishment and maintenance costs of two (2) of its hotels and resorts in Port Dickson namely, Avillion Hotel and Admiral Cove Hotel & Resort.

The proceeds to be raised from the Proposed Placement will also provide additional funds for the Group to part finance its property development costs for the Desa Impian Project without relying entirely on internal funds and borrowings which could hamper the overall progress of the said project, given the current financial performance and cash flows of the Group. This is expected to enable the Group to complete the construction works of the project in a timely manner and recognise the corresponding revenue and profit contributions from the said project, which will in turn help to improve the Group's financial performance.

As at 31 March 2019, the Group's cash and bank balances as well as fixed and call deposits stood at approximately RM3.49 million and RM4.17 million respectively. In addition, the Group has been recording negative net cash flows from operating activities for the last two (2) FYEs 31 March 2018 and 2019. In this regard, the management of the Company foresees that the Group's current cash and bank balances may not be adequate for the Group to meet its near term working capital requirements and that the Group will require additional cash flows to support the Group's business operation for the next 12 months.

While the proceeds to be raised from the Proposed Placement amounting to approximately RM13.31 million may not be sufficient to address the Group's financial concerns in the longer term, it allows the Group to meet its working capital requirements in the near term. The Proposed Placement is also expected to provide a better footing for the Group to continue to focus on revitalising its existing businesses that the Group has strength in.

(b) The impact of the Proposed Placement and the value expected to be created from the Proposed Placement to the Company and the shareholders of the Company

The Board recognises that the Proposed Placement is not expected to result in an immediate turnaround of the Group's financial performance. It is also stated in Section 4.4 of this Announcement that the Proposed Placement is not expected to have any material impact on the earnings and earnings per Share ("**EPS**") of the Group for the financial year ending 31 March 2020.

However, the Proposed Placement will help to ease the Group's cash flow requirements by providing the Group with immediate funds to fund the costs of refurbishment and maintenance of the Group's hotels and resort, the Group's existing property development project as well as the working capital requirements of the Group, without incurring additional interest costs which could further weaken the Group's financial performance. The use of part of the proceeds to be raised from the Proposed Placement to pare down some of the Group's bank borrowings would also immediately result in an annual gross interest savings of approximately RM0.44 million based on the average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019. For shareholders' information, the Group has been incurring annual interest costs of around RM7.00 million to RM8.00 million for the last three (3) FYEs 31 March 2017 to 2019.

The Proposed Placement will also enlarge the share capital base of the Company. Notwithstanding this, the percentage shareholdings of the shareholders of the Company will be diluted upon completion of the Proposed Placement. However, the Company is hopeful that the anticipated benefits from the proposed utilisation of the proceeds from the Proposed Placement coupled with the successful implementation of the Group's new sales and marketing strategies for its hotel division, deployment of information technology systems for its hotel division, refurbishment and maintenance of the Group's hotels and resorts and the rationalisation exercises carried out for its travel division will enable the Group to improve its financial performance moving forward. This in turn is expected to create value for the shareholders of the Company and help to restore the confidence of its stakeholders.

4. EFFECTS OF THE PROPOSED PLACEMENT

The pro forma effects of the Proposed Placement are illustrated below:

4.1 Issued share capital

The pro forma effects of the Proposed Placement on the issued share capital of the Company are as follows:

	No. of Shares	RM'000
Issued share capital as at LPD	858,551,750	200,551
To be issued pursuant to the Proposed Placement	(1) 85,855,175	(2) 13,308
Enlarged issued share capital	**944,406,925**	**213,859**

Notes:

(1) Calculated based on 10% of the total number of issued shares of the Company as at LPD.

(2) *Calculated based on the illustrative issue price of RM0.155 per Placement Share.*

4.2 Substantial shareholders' shareholdings

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

	As at LPD				**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	28.91	-	-	248,178,113	26.28	-	-
Ibu Kota Developments Sdn Bhd	247,297,590	28.80	-	-	247,297,590	26.19	-	-
Daza Holdings Sdn Bhd	-	-	247,297,590	(1) 28.80	-	-	247,297,590	(1) 26.19
Datuk Md Wira Dani Bin Abdul Daim	-	-	247,297,590	(2) 28.80	-	-	247,297,590	(2) 26.19
YAB Toh Puan Mahani Binti Idris	-	-	247,297,590	(2) 28.80	-	-	247,297,590	(2) 26.19
See Ah Sing	-	-	248,178,113	(3) 28.91	-	-	248,178,113	(3) 26.28
Hedy Gan See Tong	-	-	248,178,113	(3) 28.91	-	-	248,178,113	(3) 26.28

Notes:

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

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

(3) 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.

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4.3 Net assets ("NA") per Share and gearing

For illustrative purposes only, based on the audited consolidated statement of financial position of the Company as at 31 March 2018 and on the assumption that the Proposed Placement had been effected on that date, the pro forma effects of the Proposed Placement on the consolidated NA per Share and gearing of the Company are as follows:

	Audited as at 31 March 2018	**After the Proposed Placement**
	(RM'000)	**(RM'000)**
Share capital	200,551	(3) 213,859
Available-for-sale reserve	(4,681)	(4,681)
Foreign currency translation reserve	(675)	(675)
Revaluation reserve	108,634	108,634
Accumulated losses	(25,805)	(4) (25,945)
Equity attributable to owners of the Company/NA	**278,024**	**291,192**
Non-controlling interests	5,696	5,696
Total equity	**283,720**	**296,888**
Number of Shares in issue ('000)	858,552	944,407
NA per Share (RM) (1)	0.32	0.31
Interest-bearing borrowings (RM'000)	111,087	(5) 105,087
Gearing (times) (2)	0.40	0.36

Notes:

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

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

(3) Calculated based on the illustrative issue price of RM0.155 per Placement Share.

(4) After deducting estimated expenses in relation to the Proposed Placement of RM140,000.

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

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4.4 Earnings and EPS

The Proposed Placement is not expected to have any material effect on the earnings and EPS of the Group for the financial year ending 31 March 2020.

For illustrative purposes only, based on the audited consolidated financial statements of the Company for the FYE 31 March 2018 and the unaudited consolidated financial results of the Company for the FYE 31 March 2019, as well as the assumption that the Proposed Placement had been effected at the beginning of each of the said financial years, the pro forma effects of the Proposed Placement on the loss per Share of the Group are as follows:

	Audited	**Unaudited**
	FYE 31 March 2018	**FYE 31 March 2019**
Consolidated loss attributable to owners of the Company ("**LATAMI**") (RM'000)	(10,841)	(35,424)
Add : Expected annual interest savings arising from the repayment of the Group's bank borrowings (RM'000) (1)	440	440
Less : Estimated expenses in relation to the Proposed Placement (2)	(140)	(140)
Pro forma consolidated LATAMI (RM'000)	**(10,541)**	**(35,124)**
Weighted average number of Shares in issue during the respective financial year ('000)	858,552	858,552
Pro forma weighted average number of Shares in issue after the Proposed Placement ('000)	944,407	944,407
Loss per Share (3)		
▪ Based on the audited/unaudited consolidated LATAMI for the respective financial years (sen)	(1.26)	(4.13)
▪ Based on the pro forma consolidated LATAMI after the Proposed Placement (sen)	(1.12)	(3.72)

Notes:

(1) Calculated based on the Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 May 2019 and on the assumption that RM6.00 million of the proceeds to be raised from the Proposed Placement will be used to repay the Group's existing borrowings.

(2) Comprises professional fees, placement fees, fees payable to the authorities and other incidental expenses to be incurred for the Proposed Placement.

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

Notwithstanding the above, the Proposed Placement is expected to contribute positively to the future consolidated earnings of the Company as and when the benefits arising from the proposed use of proceeds for the partial repayment of the Group's bank borrowings, refurbishment and maintenance of the Group's hotels and resort, the Group's existing property development project and general working capital for the Group as detailed in Section 3 of this Announcement are realised.

4.5 Convertible securities

As at LPD, the Company does not have any convertible securities.

5. APPROVALS REQUIRED

The Proposed Placement is subject to and conditional upon the following approvals being obtained:

(i) Bursa Securities, for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and

(ii) any other relevant authorities and/or parties, if required.

The Board intends to issue and allot the Placement Shares under the General Mandate. As such, the Proposed Placement does not require the approval of the shareholders of the Company.

The Proposed Placement is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

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

None of the directors and/or major shareholders of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Placement.

7. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Placement, including the rationale and pro forma effects of the Proposed Placement, is of the opinion that the Proposed Placement is in the best interest of the Company.

8. ADVISER AND PLACEMENT AGENT

RHB Investment Bank has been appointed as the Principal Adviser and Placement Agent to the Company for the Proposed Placement.

9. APPLICATION TO THE RELEVANT AUTHORITIES

The application to the relevant authorities for the Proposed Placement will be made within two (2) weeks from the date of this Announcement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Proposed Placement is expected to be completed in the 3rd quarter of 2019.

This announcement is dated 28 June 2019.

FINANCIAL INFORMATION OF THE GROUP

A summary of the financial information of the Group for the last four (4) FYEs 31 March 2016 to 2019 are as follows:

FYE 31 March	**Audited**			**Unaudited**
	2016 (Restated)	**2017 (Restated)**	**2018**	**2019**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	194,199	154,201	131,421	110,818
Gross profit	49,568	50,899	49,958	43,846
Loss before taxation ("**LBT**")	(27,062)	(22,941)	(10,670)	(36,688)
Loss after taxation ("**LAT**")	(28,360)	(24,457)	(11,149)	(35,961)
LAT attributable to:				
- Owners of the Company	(28,020)	(24,521)	(10,481)	(35,424)
- Non-controlling interests	(340)	64	(308)	(537)
Net loss for the year	**(28,360)**	**(24,457)**	**(11,149)**	**(35,961)**
Weighted average number of Shares in issue ('000)	858,552	858,552	858,552	858,552
Gross loss per Share (sen) (1)	(3.15)	(2.67)	(1.24)	(4.27)
Net loss per Share (sen) (2)	(3.30)	(2.85)	(1.30)	(4.19)
Current assets	162,916	116,591	94,679	60,255
Current liabilities	93,716	88,448	70,989	80,053
Equity attributable to owners of the Company/NA	313,194	292,275	278,024	226,074
Number of Shares in issue ('000)	858,552	858,552	858,552	858,552
NA per Share (RM) (3)	0.36	0.34	0.32	0.26
Interest-bearing borrowings (RM'000)	142,845	124,340	111,087	101,776
Current ratio (4)	1.74	1.32	1.33	0.75
Gearing (times) (5)	0.46	0.43	0.40	0.45

Notes:

(1) Calculated based on LBT over weighted average number of Shares in issue.

(2) Calculated based on LAT over weighted average number of Shares in issue.

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

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

(5) 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, the 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 the Group's property division 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 the Group's travel division as a result of depreciation of RM against the currencies of other countries in which the Group operates.

Notwithstanding the higher revenue recorded by the Group during the financial year, the 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 the Group's hotels and resorts which the Group's hotel division commands better yields and margins as compared to the Group's property and travel divisions;

(b) lower margins from the Group's 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 the Group's travel division as the Group lowered its prices to remain competitive.

In view of the challenging operating environment, the Group also recognised impairment loss on goodwill for its property division and travel division of approximately RM1.93 million and RM10.39 million respectively. Net loss per Share was 3.30 sen for the FYE 31 March 2016 as compared to net EPS of 0.07 sen for the FYE 31 March 2015.

As a result of the Group's losses, the 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 the 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, the 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 recorded by the Group's property division as the Group has not started any new 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 recorded by the Group's travel division as the 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, the Group also recorded a provision for impairment of financial assets and write-off of bad debts of approximately RM8.74 million and RM7.22 million respectively. However, the 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) the Group's hotel division began to turnaround from the 3rd quarter of 2017 onwards as the new management team had revamped the Group's existing sales and marketing strategies. Such strategies involved the restructuring of the Group's sales team, incentivising the Group's agents to promote its hotels and resorts as well as expanding the Group's clientele coverage through online and offline channels; and

(b) profit registered by the Group's property division of approximately RM2.15 million from the sale of existing stock 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.

Net loss per Share shrunk from 3.30 sen for the FYE 31 March 2016 to 2.85 sen for the FYE 31 March 2017.

In line with the loss recorded by the Group, NA further decreased by approximately RM20.92 million or 6.68% from approximately RM313.19 million as at 31 March 2016 to approximately RM292.28 million as at 31 March 2017. However, the Group's gearing reduced to approximately 0.43 times as at 31 March 2017 from approximately 0.46 times as at 31 March 2016 as the Group repaid some of its borrowings during the year.

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

For the FYE 31 March 2018, the 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 the Group's travel division 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 the Group's travel division in Hong Kong) had set up its own travel services and tours agency and stopped its business relationship with the 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 the Group stopped offering credit sales to corporate clientele in view of the increasingly challenging business environment, except for long standing customers although the Group had also reduced credit limits and shortened repayment periods.

Despite the lower revenue, the Group's LAT shrunk by approximately RM13.31 million or 54.41% from approximately RM24.46 million for the FYE 31 March 2017 to approximately RM11.15 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. Net loss per Share shrunk from 2.85 sen for the FYE 31 March 2017 to 1.30 sen for the FYE 31 March 2018.

The Group's NA decreased by approximately RM14.25 million or 4.88% from approximately RM292.28 million as at 31 March 2017 to approximately RM278.02 million as at 31 March 2018 as a result of the continued losses recorded by the Group for the FYE 31 March 2018. However, the Group's gearing reduced further from approximately 0.43 times as at 31 March 2017 to approximately 0.40 times as at 31 March 2018 as the Group continue to repay some of its borrowings.

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

For the FYE 31 March 2019, the Group recorded revenue of approximately RM110.82 million, representing a decrease of approximately RM20.60 million or 15.68% 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 recorded by the Group's hotel division as a result of lower corporate and government spending, the lower pricing strategy adopted by the 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 recorded by the Group's from travel division as the Group has yet to recover from the effect arising from loss of key customers such as EVA Air and lower demand from TDC as mentioned above.

During the FYE 31 March 2019, the Group recognised impairment losses on investment properties and goodwill amounting to approximately RM0.50 million and RM20.78 million respectively. The Board has decided to fully impair the goodwill associated with the Group's property division (approximately RM10.90 million) and travel division (approximately RM9.88 million) in view of the challenging environment and since these divisions continued to record losses. As a result of the impairment losses recorded, the Group's LAT widened by approximately RM24.81 million or 222.55% from approximately RM11.15 million for the FYE 31 March 2018 to approximately RM35.96 million for the FYE 31 March 2019. Net loss per Share increased from 1.30 sen for the FYE 31 March 2018 to 4.19 sen for the FYE 31 March 2019.

The Group's NA decreased further by approximately RM51.95 million or 18.69% from approximately RM278.02 million as at 31 March 2018 to approximately RM226.07 million as at 31 March 2019 as a result of the continued losses recorded by the Group for the FYE 31 March 2019 and adjustments made to the NA due to change in accounting policies relating to the capitalisation of borrowing costs whereby capitalisation of borrowing costs is prohibited and all borrowing costs previously capitalised by the Group are required to be charged to the accumulated losses of the Group. In view of the lower NA, the Group's gearing ratio increased from approximately 0.40 times as at 31 March 2018 to approximately 0.45 times as at 31 March 2019.

(Sources: Management of the Company)