

AVILLION BERHAD (“AVILLION” OR THE “COMPANY”)

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

(COLLECTIVELY REFERRED TO AS “PROPOSALS”)

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 the following:

- (i) a private placement of up to 20% of the total number of issued shares of Avillion (“**Proposed Placement**”); and
- (ii) an 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 (“**Avillion Shares**” or “**Shares**”) held on an entitlement date to be determined by the Board and announced at a later date (“**Proposed Free Warrants Issue**”).

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

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 new Shares (“**Placement Shares**”), representing up to 20% of the total number of issued shares of Avillion of 944,406,750 Shares as at 1 October 2019, being the latest practicable date prior to the date of this Announcement (“**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 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.

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 Malaysia Securities Berhad (“**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 the Board and announced at a later date 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 volume weighted average market price (“**VWAP**”) of the Shares immediately preceding the Price-Fixing Date. Solely for illustration purposes throughout this Announcement, the illustrative issue price of the Placement Shares is assumed to be RM0.12 per Placement Share, being the five (5)-day VWAP of the Shares up to and including LPD of RM0.12.

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

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

2.1.6 Use of proceeds

Based on the illustrative issue price of RM0.12 per Placement Share, the Company is expected to raise gross proceeds of up to approximately RM22.67 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 the hotels and resort	(2)	10,000	Within 36 months
Property development project	(3)	3,000	Within six (6) months
General working capital	(4)	3,316	Within six (6) months
Estimated expenses in relation to the Proposals	(5)	350	Within one (1) month
Total proceeds		22,666	

Notes:

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

(1) The Company intends to use RM6.00 million to partially repay the outstanding borrowings of Avillion and its subsidiaries (collectively the “**Group**”). As at LPD, the total bank borrowings of the Group stood at approximately RM95.78 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. For information purpose, the Company had allocated RM6.00 million of the proceeds raised from the First Placement (as defined in Section 3.1 of this Announcement) for part repayment of the Group’s bank borrowings. As at LPD, the said proceeds have been fully utilised. Further details of the use of the proceeds raised by the Company from the First Placement are set out in Section 3.1 of this Announcement.

(2) The Group commenced an asset enhancement and refurbishment program in August 2019 with the aim of revitalising the Group's hotel business. The Company had allocated RM4.00 million of the proceeds raised from the First Placement to partially fund the refurbishment and maintenance works of the Group's hotels and resort, namely Avillion Hotel and Avillion Admiral Cove Hotel & Resort, both located in Port Dickson. As at LPD, approximately RM2.50 million remains unutilised. In order to improve the competitiveness and attractiveness of these hotels and resort, the Company intends to use RM10.00 million from the proceeds to be raised from the Proposed Placement for the following:

- (a) extension of the existing Avillion Hotel Port Dickson to include new conference/meeting rooms facilities, additional restaurants and cafes 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 and cafes as well as meeting room facilities.

The Group is still in the midst of finalising the building/site plans for the abovementioned extension and construction works ("E&C Works"). The Group intends to submit the building/site plans to the relevant authorities for their approvals in the 4th quarter of 2019. Notwithstanding this, the 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.

The Company intends to allocate approximately 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 the 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) Desa Impian which is located in Bandar Tenggara, 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. The Company had allocated RM2.17 million of the proceeds raised from the First Placement exercise to partially fund the development costs for Phase 2A, and it intends to allocate another RM3.00 million from the proceeds to be raised from the Proposed Placement to partially fund the development costs for Phase 2A. 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 RM3.32 million will be used to fund the working capital requirements of the 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 the Group, utilities and maintenance of the Group's hotels and resorts.

(5) The estimated expenses consist of professional fees, placement fees, regulatory fees, printing and despatch costs for the circular to the shareholders of the Company for the Proposals, costs to convene the extraordinary general meeting ("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 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 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 the 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 the 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 shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined by the Board and announced at a later date (“**Entitlement Date**”) (“**Entitled Shareholders**”).

The Proposed Free Warrants Issue will be implemented after the completion of the Proposed Placement and hence, the Placees 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 the 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 the Board and announced 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 dealt with in such manner as the Board in its absolute discretion deems fit, expedient and in the best interest of the Company.

On the other hand, the entitlement basis for the Proposed Free Warrants Issue was determined after taking into consideration the following:

- (a) amount of proceeds which could potentially be raised by the Company as and when the Warrants are exercised during the exercise period of the Warrants;
- (b) dilutive effect arising from the full exercise of the Warrants on the consolidated earnings per Share (“**EPS**”) of the Company; and
- (c) compliance with Paragraph 6.50 of the Main Market Listing Requirements of Bursa Securities 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 the 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 a deed poll to be executed by the Company (“**Deed Poll**”). The indicative salient terms of the Warrants are set out in Appendix I of this Announcement.

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 of the Warrants (“**Exercise Price**”) will be determined by the Board and announced 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 applied.

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

- (i) the historical trading prices of the Shares;
- (ii) the five (5)-day VWAP of the 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 the Group.

Solely for illustration purposes throughout this Announcement, the illustrative Exercise Price is assumed to be RM0.12 per Warrant, being the five (5)-day VWAP of the Shares up to and including LPD of RM0.12.

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 the Company or to participate in any form of distribution and/or offer of securities in the 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 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

An application will be made to 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.

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 the 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 of the use of the said proceeds cannot be determined at this juncture.

Based on the illustrative Exercise Price of RM0.12 per Warrant and in the event the Warrants are fully exercised, the Company will raise gross proceeds of up to approximately RM68.00 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 the 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 the Group's hotels and resorts. The proceeds to be used for each component of the working capital are subject to the operating and funding requirements at the time of the use of the said proceeds 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 the 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 the Group.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Placement

On 2 August 2019, the Company had completed a private placement exercise involving the issuance of 85,855,000 new Shares, representing approximately 10% of the then total number of issued shares of Avillion, to independent third party investors at the issue price of RM0.15 per Share ("First Placement"). The placement exercise which raised total gross proceeds of approximately RM12.88 million was 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 its 26th annual general meeting convened on 30 August 2018, whereby the Board was authorised to issue and allot new Shares not exceeding 10% of the total number of issued shares of Avillion 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 (RM'000)	Actual utilisation as at LPD (RM'000)	Unutilised balance as at LPD (RM'000)	Estimated timeframe for the use of proceeds*
Repayment of bank borrowings	6,000	6,000	-	Within six (6) months
Refurbishment and maintenance of hotels and resort ⁽¹⁾	4,000	1,500	2,500	Within nine (9) months
Property development 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	10,368	2,510	

Notes:

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

The unutilised amount has been reallocated for general working capital purposes.

(1) The 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 in order for them to remain competitive and appealing to guests. The total costs to refurbish and maintain these hotels and resort were expected to be RM15.00 million, with the remaining costs being funded through bank borrowings. The said refurbishment and maintenance works have commenced in August 2019 and are expected to complete by July 2021.

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

The 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 the Group, debt financing is currently not a viable option. On the other hand, a rights issue which typically entails a longer implementation timeline, would also require the Company to price its securities at a higher discount in order to attract shareholders of the Company to subscribe for such new securities. With a higher discount, the Company would be required to issue more Shares to the shareholders to raise the same amount of proceeds and this would result in greater dilution to the shareholdings of the existing shareholders of the Company who do not subscribe to their entitlements. In addition, procuring underwriting arrangements at favourable rates would also be challenging.

Notwithstanding the above, the Company had in July 2019, obtained additional bank borrowings of RM18 million to fund the refurbishment and maintenance of the Avillion Hotel Port Dickson as well as the working capital requirements of the Group. Should the Group decide to increase its gearing levels, the Group will incur higher interest expenses which will further weaken the Group's financial performance.

After due consideration, 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 and creating more headroom for the Group in obtaining new bank borrowings in the future to fund the Group's business operations and future property development;
- (ii) allow the 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 the Company and potentially the liquidity of the 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 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.

The Group has recorded losses in the last four (4) FYEs 31 March 2016 to 2019 as well as the three (3)-month financial period ended (“**FPE**”) 30 June 2019. The losses were mainly due to low 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 resulting from lower business volume and compressed margins. Further information on the financial performance of the Group for the said financial years and period is set out in Appendix II 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 an operating profit of approximately RM0.28 million as opposed to an 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 monitor and manage the performance of its sales team in improving sales productivity, and a property management system which is linked to online hotel reservation platforms which allows the Group to improve its customer experience by providing convenience to its hotel guests in making hotel reservation. The Group hopes that with the introduction of these systems, the 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.

The Group’s hotel division has also implemented a rebranding strategy by introducing a new brand under the name of “AVI” in addition to the Group’s existing brand, “Avillion”. This rebranding exercise aims to differentiate “AVI”, a three (3) to four (4)-star hotel brand from “Avillion”, an upper four (4) to five (5)-star deluxe brand. This also enables the Group to provide a more comprehensive range of hotels and resorts to cater for different markets. In line with the rebranding exercise, the Group has been actively pursuing new hotel management contracts to add more hotels and resorts to the Group’s hotel portfolio. Since 2018, the 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 November 2019, and AVI Johor Bahru by Avillion which is currently under construction and is scheduled to complete and commence operations in the FYEs 31 March 2022/2023. For the avoidance of doubt, such initiatives to expand the Group’s hotel chain through securing hotel management contracts do not involve any investment or purchase of hotel properties. Instead, the 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 the Group respectively, all other hotels and resorts managed by the Group are owned by third parties.

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

The Group has also carried out cost rationalisation exercises 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.

As at LPD, the Group's cash and bank balances (including the proceeds raised from the First Placement which remained unutilised and fixed deposits) stood at approximately RM8.19 million. While the Group's current cash flows are adequate to meet the Group's day-to-day operations, it is not sufficient to support its plans to accelerate the growth of its businesses, especially its hotel business and property business, and to turnaround the Group's financial position. Barring any unforeseen circumstances, the Board is of the view that the proceeds to be raised from the Proposed Placement is expected to be adequate to finance the Group's short to medium term business turnaround plans.

(b) Value expected to be created from the Proposed Placement to the Company and the shareholders of the Company as well as the impact of the Proposed Placement

The Board recognises that the Proposed Placement is not expected to result in an immediate turnaround of the Group's financial performance. However, the Proposed Placement will continue to help ease the Group's cash flow requirements by providing the Group with immediate funds to finance the asset enhancement and refurbishment program for 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 further pare down some of the Group's bank borrowings would also immediately result in an additional 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.

Notwithstanding that the First Placement and the Proposed Placement will have a dilutive impact on the EPS and shareholdings of the existing shareholders of the Company, 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 strategies as detailed in item (a) above 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. The Proposed Placement will also enlarge the share capital base of the Company.

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

3.2 Proposed Free Warrants Issue

The Proposed Free Warrants Issue is intended to:

- (i) reward the shareholders of the Company for their continuous support by enabling them to own the Warrants which are tradable on Bursa Securities without incurring any cost;
- (ii) provide the shareholders of the Company with an opportunity to increase their equity participation in the 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 the Company as well as potentially provide funds to the Group to fund its working capital requirements, as and when the Warrants are exercised, without incurring additional interest expense as compared to bank borrowings.

4. EFFECTS OF THE PROPOSALS

The pro forma effects of the Proposals are illustrated below:

4.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of the 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	22,665,762
	1,133,288,100	236,095,362
To be issued pursuant to the full exercise of the Warrants ⁽²⁾	566,644,050	67,997,286
Enlarged issued share capital	1,699,932,150	304,092,648

Notes:

(1) *Calculated based on 20% of the total number of issued shares of the Company as at LPD and the illustrative issue price of RM0.12 per Placement Share.*

(2) *Calculated based on the illustrative Exercise Price of RM0.12 per Warrant.*

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

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4.2 Substantial shareholders' shareholdings

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

	As at LPD				(I)			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		After the Proposed Placement	
	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	-	-
Daza Holdings Sdn Bhd	-	-	247,297,590	⁽¹⁾ 26.19	-	-	247,297,590	⁽¹⁾ 21.82
Datuk Md Wira Dani Bin Abdul Daim	-	-	247,297,590	⁽²⁾ 26.19	-	-	247,297,590	⁽²⁾ 21.82
YAB Toh Puan Mahani Binti Idris	-	-	247,297,590	⁽²⁾ 26.19	-	-	247,297,590	⁽²⁾ 21.82
See Ah Sing	-	-	248,178,113	⁽³⁾ 26.28	-	-	248,178,113	⁽³⁾ 21.90
Hedy Gan See Tong	-	-	248,178,113	⁽³⁾ 26.28	-	-	248,178,113	⁽³⁾ 21.90

	(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	-	-
Daza Holdings Sdn Bhd	-	-	370,946,385	⁽¹⁾ 21.82
Datuk Md Wira Dani Bin Abdul Daim	-	-	370,946,385	⁽²⁾ 21.82
YAB Toh Puan Mahani Binti Idris	-	-	370,946,385	⁽²⁾ 21.82
See Ah Sing	-	-	372,267,169	⁽³⁾ 21.90
Hedy Gan See Tong	-	-	372,267,169	⁽³⁾ 21.90

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.

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 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 the Company are as follows:

	Audited as at 31 March 2019	(I)	(II)	(III)	(IV)
		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
Share capital	(RM'000) 200,551	(RM'000) 213,429	(RM'000) ⁽⁴⁾ 236,095	(RM'000) 236,095	(RM'000) ⁽⁷⁾ 304,092
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 the Company/NA	216,791	229,539	251,855	251,855	319,852
Non-controlling interests	3,928	3,928	3,928	3,928	3,928
Total equity	220,719	233,467	255,783	255,783	323,780
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	0.22	0.22	0.19
Interest-bearing borrowings (RM'000)	101,776	95,776	⁽⁶⁾ 89,776	89,776	89,776
Gearing (times) ⁽²⁾	0.47	0.42	0.36	0.36	0.28

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 the Group's bank borrowings amounting to RM6.00 million using the proceeds raised from the First Placement and after deducting expenses of approximately RM130,000 in relation to the First Placement.
- (4) Calculated based on the illustrative issue price of RM0.12 per Placement Share.
- (5) After deducting estimated expenses in relation to the Proposals of RM350,000.
- (6) After the repayment of the 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 RM0.12 per Warrant.

4.4 Earnings and EPS

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

For illustrative purposes only, based on the audited consolidated statement of comprehensive income of the 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 loss per Share (“LPS”) of the Company are as follows:

	(RM'000)
Audited consolidated loss attributable to owners of the Company (“LATAMI”)	(35,616)
After adjusting for subsequent events up to LPD:	
Add : Estimated annual interest savings arising from the repayment of the 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 the 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 the Group's bank borrowings amounting to RM6.00 million using the proceeds raised from the First Placement calculated based on the Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 2019.
- (2) Comprises professional fees, placement fees, fees payable to the authorities and other incidental expenses incurred for the First Placement.
- (3) Calculated based on the Group's average cost of borrowings of approximately 7.33% per annum for the FYE 31 March 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.
- (4) Comprises professional fees, placement fees, regulatory fees, printing and despatch costs for the circular to the shareholders of the Company for the Proposals, 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 the 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 Announcement 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 the Company moving forward.

4.5 Convertible securities

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

5. APPROVALS REQUIRED

The Proposals are subject to and conditional upon the following approvals being obtained:

- (i) Bursa Securities for the following:
 - (a) listing and quotation of the Placement Shares on the Main Market of Bursa Securities;
 - (b) admission to the Official List of Bursa Securities and the listing and quotation of the Warrants to be issued pursuant to the Proposed Free Warrants Issue; and
 - (c) listing and quotation of the new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities;
- (ii) the shareholders of Avillion at an EGM to be convened; and
- (iii) any other relevant authority and/or party, if required.

The Proposed Placement and the Proposed Free Warrants Issue are not inter-conditional upon each other.

The Proposals are 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 Proposals, save for their respective entitlements as shareholders of the Company under the Proposed Free Warrants Issue which are also available to all the other shareholders of the Company on a pro-rata basis.

7. DIRECTORS' STATEMENT

The 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 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 Proposals and the Proposed Placement respectively.

9. APPLICATION TO THE RELEVANT AUTHORITIES

The application to the relevant authorities for the Proposals will be made within one (1) month from the date of this Announcement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

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

This announcement is dated 17 October 2019.

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 : 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 the Board and announced 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 notice (which shall be irrevocable) and deliver the duly completed and executed exercise notice to the Company's share 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

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 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 the Company or to participate in any form of distribution and/or offer of securities in the 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	<p>: If a resolution is passed for a members' voluntary winding up of the 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 the Company or the amalgamation of the Company with one or more companies, then:</p>
	<p>(i) for the purposes of such winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the 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</p>
	<p>(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 the 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 the Company by submitting the duly completed exercise notice(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 notice(s) and be entitled to receive out of the assets of the 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 the 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</p>
Adjustments in the Exercise Price and/or number of Warrants	<p>: The Exercise Price and/or number of unexercised Warrants may be adjusted if any alteration is made to the share capital of the 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</p>
Modification of rights of the Warrant holders	<p>: Save for manifest error or to comply with the prevailing laws of Malaysia and/or the Main Market Listing Requirements of Bursa Securities, any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the Warrant holders sanctioned by special resolution; be subject to the approval of the relevant authorities if any; and be effected by a supplemental deed poll executed by the Company and expressed to be supplemental and comply with the requirements of the Deed Poll</p>
Listing status	<p>: An application will be made to 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</p>
Governing law	<p>: Laws of Malaysia</p>

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 as well as for the three (3)-month FPE 30 June 2019 are as follows:

	Audited				Unaudited	
	FYE 31 March				Three (3)-month FPE 30 June	
	2016 (Restated)	2017 (Restated)	2018 (Restated)	2019	2018	2019
Revenue	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
194,199	154,201	131,421	111,348	34,433	15,099	
Gross profit	49,568	50,899	49,958	44,376	10,210	8,320
Loss before taxation ("LBT")	(27,062)	(22,941)	(15,980)	(38,839)	(4,037)	(5,201)
Loss after taxation ("LAT")	(28,360)	(24,457)	(17,214)	(38,112)	(4,499)	(5,544)
Loss attributable to:						
- Owners of the Company	(28,020)	(24,521)	(16,919)	(35,616)	(4,300)	(5,427)
- Non-controlling interests	(340)	64	(295)	(2,496)	(199)	(117)
Net loss for the year	(28,360)	(24,457)	(17,214)	(38,112)	(4,499)	(5,544)
Weighted average number of Shares in issue ('000)	858,552	858,552	858,552	858,552	858,552	858,552
Basic LPS (sen) ⁽¹⁾	(3.26)	(2.86)	(1.97)	(4.15)	(0.50)	(0.63)
Current assets	162,916	110,026	86,216	62,144	100,792	61,295
Current liabilities	93,716	88,448	70,989	79,998	80,609	85,359
Equity attributable to owners of the Company/NA	313,194	253,254	233,654	216,791	274,181	211,639
Number of Shares in issue ('000)	858,552	858,552	858,552	858,552	858,552	858,552
NA per Share (RM) ⁽²⁾	0.36	0.30	0.27	0.25	0.32	0.25
Interest-bearing borrowings (RM'000)	142,845	124,340	111,087	101,776	112,542	100,535
Current ratio ⁽³⁾	1.74	1.24	1.21	0.78	1.25	0.72
Gearing (times) ⁽⁴⁾	0.46	0.49	0.48	0.47	0.41	0.48

Notes:

(1) Calculated based on loss attributable to the owners of the 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.

FINANCIAL INFORMATION OF THE GROUP (Cont'd)**(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 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 the Group's 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 the Group operates.

However, the Group's revenue was partly offset by lower revenue recorded by the Group's 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 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 business commands better yields and margins as compared to the Group's property development and travel businesses;
- (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. 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 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.

FINANCIAL INFORMATION OF THE GROUP (Cont'd)**(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 from the Group's property division by approximately RM12.47 million or 50.64% to approximately RM12.16 million (2016: approximately RM24.63 million) 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 from the Group's travel division by approximately RM28.33 million or 22.35% to approximately RM98.44 million (2016: approximately RM126.76 million) 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 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 business began to turnaround from the 3rd quarter of 2017 onwards as the new management team had revamped the Group's 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; and
- (b) profit registered by the Group's 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 the Group coupled with the additional provision of deferred tax arising from the revaluation of land and buildings of the 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, the 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.

FINANCIAL INFORMATION OF THE GROUP (Cont'd)**(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 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 the Group's travel business 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 the repayment periods.

Despite the lower revenue, the 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.

The 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 the Group for the FYE 31 March 2018. However, the 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 the Group repaid some of its borrowings during the year.

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

For the FYE 31 March 2019, the 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 the Group's 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 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 from the Group's travel division by approximately RM15.90 million or 20.86% to approximately RM60.30 million (2018: approximately RM76.20 million) 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.

FINANCIAL INFORMATION OF THE GROUP (Cont'd)

During the FYE 31 March 2019, the Group recognised impairment losses on investment properties and goodwill amounting to approximately RM0.50 million and RM23.37 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 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, the 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, the 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 Group's Avillion Hotel Port Dickson and Avillion Admiral Cove Hotel & Resort by an independent valuer, Henry Butcher Malaysia Sdn Bhd. The 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 the Group repaid some of its borrowings during the year.

(v) Commentary of the financial performance for the three (3)-month FPE 30 June 2019

For the three (3)-month FPE 30 June 2019, the Group recorded revenue of approximately RM15.10 million, representing a decrease of approximately RM19.33 million or 56.15% as compared to revenue of approximately RM34.43 million for the three (3)-month FPE 30 June 2018. The lower revenue was mainly attributable to the lower revenue from the Group's travel division which declined by approximately RM19.31 million or 81.47% to approximately RM4.39 million (FPE 30 June 2018: approximately RM23.70 million) as the Group continues to seek for new customers to replace the loss of key customers during the FYE 31 March 2018.

As a result of the lower revenue, the Group recorded LAT of approximately RM5.54 million for the three (3)-month FPE 30 June 2019 as compared to LAT of approximately RM4.50 million for the three (3)-month FPE 30 June 2018. However, the losses were partially offset by the cost savings from the cost rationalisation exercise carried out by the Group which involves streamlining its staff structure and downsizing its travel business operation. Basic LPS increased from 0.50 sen for the three (3)-month FPE 30 June 2018 to 0.63 sen for the three (3)-month FPE 30 June 2019.

The Group's NA decreased further by approximately RM5.15 million or 2.38% from approximately RM216.79 million as at 31 March 2019 to approximately RM211.64 million as at 30 June 2019 as a result of the continued losses recorded by the Group for the three (3)-month FPE 30 June 2019. In view of the lower NA, the Group's gearing ratio increased from approximately 0.47 times as at 31 March 2019 to approximately 0.48 times as at 30 June 2019.

(Sources: Management of the Company)