# AVILLION BERHAD (244521 A)

(formerly known as Reliance Pacific Berhad)

## A. NOTES TO THE INTERIM FINANCIAL REPORT

### A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting, Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2018.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 March 2018 under the Malaysian Financial Reporting Standards (MFRSs) framework except for the adoption of the following MFRSs and interpretations:

| | |
|---|---|
| Amendments to MFRS 1 | First-time Adoption of Malaysian Financial Reporting Standards |
| MFRS 2 | Share-based Payment – Classification and Measurement of Share-based Payment Transactions |
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures |
| Amendments to MFRS 140 | Investment Property- Transfer of Investment Property |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |

MFRS 9 Financial Instruments

MFRS 9 introduced expected credit losses ("ECL") model on impairment replacing the previously used, incurred loss impairment model in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has assessed the impact of the adoption of MFRS 9 and may not have any significant impact to the financial performance or position of the Group.

MFRS 15 Revenue from Contracts with Customers

The adoption of MFRS 15 reform the timing of revenue recognition for the property development activities of the Group which requires distinct identification of separate performance obligation in the contract with customer where revenue are recognised when each distinct performance obligation is satisfied, depending on the substance of the contract which may be at a point in time (completion method) or over time (percentage of completion method). However, at the date of this report, there are no transaction of sale of properties completed.

The Group have not adopted the following MFRSs, Amendments to MFRSs and interpretations that have been issued by the Malaysian Accounting Standard Board but are not yet effective:

**Effective for annual period beginning on or after 1 January 2019**

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 3 | Business Combinations |
| Amendments to MFRS 9 | Financial Instruments – Prepayment Features with Negative Compensation |
| Amendments to MFRS 11 | Joint Arrangements |
| Amendments to MFRS 112 | Income Taxes |
| Amendments to MFRS 119 | Employee Benefits |
| Amendments to MFRS 123 | Borrowing Costs |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |

**Effective for annual period beginning on or after 1 January 2020**

| | |
|---|---|
| Amendments to MFRS 2 | Share-based Payment |
| Amendments to MFRS 3 | Business Combinations |
| Amendments to MFRS 6 | Exploration for and Evaluation of Mineral Resources |
| Amendments to MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 101 | Presentation of Financial Statements |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to MFRS 134 | Interim Financial Reporting |
| Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| Amendments to MFRS 138 | Intangible Assets |
| Amendments to IC Interpretation 12 | Service Concession Arrangements |
| Amendments to IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Amendments to IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Amendments to IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to IC Interpretation 132 | Intangible Assets - Web Site Costs |

**Effective for annual periods beginning on or after 1 January 2021**

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

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

## A2 Audit Report of Preceding Annual Financial Statement

The annual audited financial statement in the preceding year was not qualified.

## A3 Seasonal or Cyclical Factors

The Group is principally engaged in the following business operations:

a) Hotel
b) Property
c) Travel

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

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

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

## A5 Accounting Estimates

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

## A6 Issuance or Repayment of Debt and Equity Securities

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

## A7 Dividend Paid

There were no dividends paid during the year under review.

## A8 Segmental Reporting

### a) Revenue

| Continuing Operations | Individual Quarter | | Cumulative Period | |
|---|---|---|---|---|
| | **Current Quarter Ended 30.06.2018 (RM'000)** | **Preceding Quarter Ended 30.06.2017 (RM'000)** | **Current Year Ended 30.06.2018 (RM'000)** | **Preceding Year Ended 30.06.2017 (RM'000)** |
| Hotel | 8,168 | 10,067 | 8,168 | 10,067 |
| Property | 2,440 | 2,383 | 2,440 | 2,383 |
| Travel | 23,701 | 22,855 | 23,701 | 22,855 |
| Holding company & others | 124 | 164 | 124 | 164 |
| **Grand Total** | **34,433** | **35,469** | **34,433** | **35,469** |

### b) Profit/(Loss) before taxation

| Continuing Operations | Individual Quarter | | Cumulative Period | |
|---|---|---|---|---|
| | **Current Quarter Ended 30.06.2018 (RM'000)** | **Preceding Quarter Ended 30.06.2017 (RM'000)** | **Current Year Ended 30.06.2018 (RM'000)** | **Preceding Year Ended 30.06.2017 (RM'000)** |
| Hotel | (1,728) | 431 | (1,728) | 431 |
| Property | (902) | (259) | (902) | (259) |
| Travel | (131) | (544) | (131) | (544) |
| Holding company & others | (1,276) | (1,118) | (1,276) | (1,118) |
| Share of results of associates | 0 | 0 | 0 | 0 |
| **Grand Total** | **(4,037)** | **(1,490)** | **(4,037)** | **(1,490)** |

## A9 Material events subsequent to the end of the financial year

There were no material events subsequent to the end of the current financial period ended 30 June 2018 and up to the date of this report.

## A10 Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period ended 30 June 2018 and up to the date of this report.

## A11 Significant related party transactions

There were no significant related party transactions for the current financial period ended 30 June 2018 and up to the date of this report.

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

## B1 Review of Performance of the Company and its Principal Subsidiaries

Group Revenue performance compared to the preceding year's same quarter has reduced by 2.9%.

The first quarter hotel's performance turned out weaker than expected. Traditionally, demand increased in months prior to the Ramadhan, however, in this financial year, demand was extremely weak and this is mainly due to the uncertainties of the up-coming General Election as well as the postponement of events during the General Election period and the period of the change-over of the new Government. These uncertainties not only affected the Malaysian public but also international travelers. Tourist arrivals dropped in April 2018, in which Malaysia recorded the lowest level of international visitors. There was a drop of 8.8% against the same month last year. The hotel's performance is expected to improve in the second quarter with the more positive economic outlook.

The Group registered a consolidated losses before tax of RM4.037 million as compared to consolidated loss of RM1.49 million in preceding year same quarter as a results of the weaker performance in the 1st Quarter.

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

The Group consolidated revenue for the reporting quarter has improved by 20.7% in comparison to the preceding quarter. The higher revenue was mainly contributed by the Travel Division.

The Group registered a consolidated losses before tax of RM4.037 million as compared to consolidated loss of RM5.64 million in preceding quarter. The lower loss was mainly due to improved performance in the Travel Division.

## B3 Variance from Profit Forecast

Not applicable.

## B4 Commentary on Prospect

### Hotel Division

The outlook for the hotel division is expected to be better compare to the current quarter. The business confidence has improved post General Election as the 1st half of the year was affected by the wait and see attitude. As such, we expect improvement in business contribution from not only meetings and events but increase in leisure travelers. This is in line with the traveling seasonality as well as the many Malaysian Public Holidays that are stretching into long weekends.

### Property Division

The mix development project in Desa Impian, Bandar Tenggara, Johor is on its second phase.

Phase 2A was launched in June'2018 and we have submitted for approvals from the local authorities for Phase 2B development and target to launch in year 2019.

### Travel Division

The Travel Division is undergoing a rationalization exercise hence it is expected to have leaner structure and optimizing revenue. However, we remain cautious of the performance of this Division as margins are pressured and consolidation within the industry.

## B5 Loss before taxation

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

| | Individual Quarter | | Cumulative Period | |
|---|---|---|---|---|
| | **Current Quarter Ended 30.06.2018 (RM'000)** | **Preceding Quarter Ended 30.06.2017 (RM'000)** | **Current Year Ended 30.06.2018 (RM'000)** | **Preceding Year Ended 30.06.2017 (RM'000)** |
| Interest income | (125) | (134) | (125) | (134) |
| Gain on disposal of investment in associate /land/ Property, plant & equipment | (362) | (376) | (362) | (376) |
| Rental income | (6) | (6) | (6) | (6) |
| Realised gain on foreign exchange | 0 | (10) | 0 | (10) |

## B6 Taxation

| | **Individual Quarter** | | **Cumulative Period** | |
|---|---|---|---|---|
| | **Current Quarter Ended 30.06.2018 (RM'000)** | **Preceding Quarter Ended 30.06.2017 (RM'000)** | **Current Year Ended 30.06.2018 (RM'000)** | **Preceding Year Ended 30.06.2017 (RM'000)** |
| a) Income Tax | | | | |
| i) Current taxation | 462 | 398 | 462 | 398 |
| **b) Total** | **462** | **398** | **462** | **398** |

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

## B7 Corporate proposals

There were no other corporate proposals announced during the current quarter.

## B8 Group Borrowings

### a) Banking Facilities

| | As at 30.06.2018 | | | As at 30.06.2017 | | |
|---|---|---|---|---|---|---|
| | **Secured** | **Unsecured** | **Total** | **Secured** | **Unsecured** | **Total** |
| a) Short term borrowings | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| i Overdraft | 24,631 | 1,747 | 26,378 | 21,470 | 378 | 21,848 |
| ii. Revolving Credit | 13,500 | - | 13,500 | 13,500 | - | 13,500 |
| iii. Long term loans repayable within 12 months | 12,500 | - | 12,500 | 12,532 | - | 12,532 |
| iv. Hire Purchase repayable within 12 months | 110 | - | 110 | 135 | - | 135 |
| v. Total | 50,741 | 1,747 | 52,488 | 47,637 | 378 | 48,015 |
| b) Long term borrowings | | | | | | |
| i. Long term loans | 72,486 | - | 72,486 | 74,018 | - | 74,018 |
| **Less** portion of long term loans payable within 12 months | (12,500) | - | (12,500) | (12,532) | - | (12,532) |
| | 59,986 | 0 | 59,986 | 61,486 | 0 | 61,486 |
| ii. Hire purchase | 178 | - | 178 | 313 | - | 313 |
| **Less** portion of Hire purchase payable within 12 months | (110) | - | (110) | (135) | - | (135) |
| | 68 | 0 | 68 | 178 | 0 | 178 |
| iii. Total | 60,054 | 0 | 60,054 | 61,664 | 0 | 61,664 |
| c) Total borrowings | 110,795 | 1,747 | 112,542 | 109,301 | 378 | 109,679 |

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 30 June 2018 was RM4.025 million (HKD7.821 million) and as at 30 June 2017 was RM4.733 million (HKG$8.605 million).

## B9 Derivative Financial Instruments

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

## B10 Material Litigation

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

## B11 Losses Per Share

### a) Basic

Basic losses per share is calculated by dividing the net loss attributable to the shareholders for the current financial period ended 30 June 2018 as follows:

| | **Individual Quarter** | | **Cumulative Period** | |
|---|---|---|---|---|
| | **Current Quarter Ended 30.06.2018 (RM'000)** | **Preceding Quarter Ended 30.06.2017 (RM'000)** | **Current Year Ended 30.06.2018 (RM'000)** | **Preceding Year Ended 30.06.2017 (RM'000)** |
| **Net loss attributable to Equity holders of the Parent (RM'000)** | (4,300) | (1,792) | (4,300) | (1,792) |
| **Basic ('000)**<br><br>**Total Weighted average number of ordinary shares** | **858,552** | **858,552** | **858,552** | **858,552** |
| **Basic losses per share(sen)** | (0.50) | (0.21) | (0.50) | (0.21) |

### b) Diluted

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue as at the end of the current financial period ended 30 June 2018.

## B12 Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 August 2018.