

**AYS VENTURES BERHAD (925171-T)**  
**(Incorporated in Malaysia)**

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2019**

**EXPLANATORY NOTES**

**1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”), MFRS134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial 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 financial year ended 31 March 2018.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in the audited financial statements for the financial year ended 31 March 2018, except for the following MFRSs, Amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs which are applicable to its financial statements:

|   |  |
|---|--|
| MFRS 9  | Financial Instrument   |
| MFRS 15   | Revenue from Contracts with Customers  |
| Amendments to MFRS 7  | Financial Instrument - Disclosure: Mandatory effective date of MFRS 9 and transitional disclosures |
| Amendments to MFRS 140  | Investment Property: Transfer of Investment Property   |
| IC Interpretation 22  | Foreign Currency Transaction and Advance Consideration   |
| Annual improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosures of interest in Other Entities)* |  |

The adoption of these MFRSs, Amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs did not have any impact on the financial statements of the Group.

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs were issued but not yet effective up to the date of issuance of the Group’s financial statements and have not been early adopted by the Group:

**Effective for the financial period beginning on or after 1 January 2019**

|                         |   |
|-------------------------|---|
| MFRS 16                 | Leases  |
| Amendments to MFRS 9*   | Prepayment Features with Negative Compensation                |
| Amendments to MFRS 119* | Employee Benefits (Plan Amendment, Curtailment or Settlement) |
| Amendments to MFRS 128  | Long-term Interests in Associates and Joint Ventures          |

IC Interpretation 23                      Uncertainty over Income Tax Treatments  
Annual Improvements to MFRSs 2015-2017 Cycle\*

**Effective for the financial 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<br>Estimates and Errors |
| Amendments to MFRS 134               | Interim Financial Reporting  |
| Amendments to MFRS 137               | Provisions, Contingent Liabilities and Contingent<br>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<br>Instruments     |
| Amendments to IC Interpretation 20*  | Stripping Costs in the Production Phase of a Surface<br>Mine       |
| Amendments to IC Interpretation 22   | Foreign Currency Transactions and Advance<br>Consideration         |
| Amendments to IC Interpretation 132* | Intangible Assets – Web Site Costs                                 |

**Effective for the financial period beginning on or after 1 January 2021**

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

**Effective for a date yet to be confirmed**

|                                    |  |
|------------------------------------|--|
| Amendments to MFRS 10 and MFRS 128 | Consolidated Financial Statements and<br>Investments in Associates and Joint Ventures:<br>Sale or Contribution of Assets between an<br>Investor and its Associate or Joint Venture |
|------------------------------------|--|

\* Not applicable to the Group's operations

The Group will adopt the above MFRSs, Amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs when they become effective in the respective financial periods. The adoption of these pronouncements is not expected to have any significant financial impact to the Group.

**3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

There were no audit qualification on the audit report of the preceding reports and financial statements.

**4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS**

Except for the major festive seasons when activities slow down, the pace of the Company's business generally moves in tandem with the performance of the economy.

**5. NATURE AND AMOUNT OF UNUSUAL ITEMS**

There were no items of unusual nature, size or incidence which affect the assets, liabilities, equity, net income or cash flows during the current quarter under review.

**6. NATURE AND AMOUNT OF CHANGES IN ESTIMATES**

There were no major changes in estimates that have a material effect on the current quarter results.

**7. DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the current quarter under review.

**8. DIVIDEND PAID**

During the financial year ended 31 March 2019, the Company has paid a final single tier dividend of 1 sen per share in respect of the financial year ended 31 March 2018 amounting to RM3,804,176.56 on 24 August 2018.

**9. SEGMENTAL INFORMATION**

For management purposes, the Group is organised into three reportable operating segments, which comprise the following:

- (a) Trading & Services  
Trading and marketing of steel products and all types of construction materials and warehousing and storage services.
- (b) Manufacturing  
Manufacturing and trading of panels and components for sectional tanks, purlin, wire and other steel products.
- (c) Others  
Investment holding and dormant.

No geographical segmental information being presented as the Group operates principally within Malaysia.

The segment revenue, segment results and segment assets for the financial year ended 31 March 2019 were as follows:

|  | Trading<br>& Services<br>RM000 | Manufacturing<br>RM000 | Others<br>RM000 | Elimination<br>RM000 | Consolidated<br>RM000 |
|--|--------------------------------|------------------------|-----------------|----------------------|-----------------------|
| <b>REVENUE</b>                           |                                |                        |                 |                      |                       |
| External sales                           | 535,228                        | 64,119                 | -               | -                    | 599,347               |
| Inter-company transactions               | 19,284                         | 14,058                 | -               | (33,342)             | -                     |
| Total Sales                              | <u>554,512</u>                 | <u>78,177</u>          | <u>-</u>        | <u>(33,342)</u>      | <u>599,347</u>        |
| <b>RESULTS</b>                           |                                |                        |                 |                      |                       |
| Segment results                          | 33,399                         | (125)                  | (774)           | -                    | 32,500                |
| Finance cost                             | (12,077)                       | (395)                  | -               | -                    | (12,472)              |
| Interest income                          | 967                            | 132                    | -               | -                    | 1,099                 |
| Share of result in<br>associated company | -                              | -                      | -               | -                    | -                     |
| Taxation                                 | (5,291)                        | (90)                   | -               | -                    | (5,381)               |
| Profit for the period                    | <u>16,998</u>                  | <u>(478)</u>           | <u>(774)</u>    | <u>-</u>             | <u>15,746</u>         |
| <b>ASSETS</b>                            |                                |                        |                 |                      |                       |
|  | <u>621,434</u>                 | <u>39,959</u>          | <u>39,661</u>   | <u>(49,043)</u>      | <u>652,011</u>        |
| <b>LIABILITIES</b>                       |                                |                        |                 |                      |                       |
|  | <u>406,603</u>                 | <u>17,448</u>          | <u>339</u>      | <u>(48,778)</u>      | <u>375,612</u>        |

## 10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the current quarter under review and the date of this report, any item, transaction or event of a material and unusual nature likely in the opinion of the Board of Directors, to affect substantially the results of the operations of the Group for the current quarter.

## 11. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no material events and changes in the composition of the Group as at the latest practicable date from the date of this report.

On 9 May 2019, an internal reorganisation exercise has been undertaken involving the acquisition by the Company of 240,002 ordinary shares representing the entire share capital of AYS Capital Sdn Bhd (formerly known as Heapi Enterprise Sdn Bhd) ("AYSC") for a total cash consideration of RM1.00 from the Company's wholly-owned subsidiary, Ann Yak Siong Hardware Sdn Bhd ("Internal Reorganisation"). AYSC is now a direct subsidiary of the Company after the Internal Reorganisation.

On 9 May 2019, AYS Capital Sdn Bhd (formerly known as Heapi Enterprise Sdn Bhd), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with certain shareholders of Steelar Pte Ltd ("Steelear"), being Chua Ley Hong (Cai Lihong), Chua Ley Suang (Cai Lishuang), Ang Tee Seng, Ang Yu Xin Aileen, Handi Saswita, Yee Yeow Cheong (Yu Yaochang), for the acquisition of 3,570,000 ordinary shares representing 51% of the total issued share capital of Steelar for a total cash consideration of SGD1.00 (equivalent to approximately RM3.10). The acquisition is yet to complete as at date of this report.

## 12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last reports and financial statements.

### 13. CAPITAL COMMITMENTS

The capital commitments as at 31 March 2019 were as follows:

| <b>Commitments in respect of capital expenditure</b> | <b>RM'000</b> |
|--|---------------|
| (a) Contracted but not provided for                  | 253           |
| (b) Approved but not contracted for                  | 26,288        |

### 14. COMMENTARY ON FINANCIAL PERFORMANCE

|   | Individual Period<br>(4th Quarter) |  |         |         | Cumulative Period          |   |          |         |
|---|------------------------------------|--|---------|---------|----------------------------|---|----------|---------|
|   | Current<br>Quarter                 | Preceding Year<br>Corresponding<br>Quarter | Changes |         | Current<br>Year<br>To-date | Preceding Year<br>Corresponding<br>Period | Changes  |         |
|   | 31.03.2019<br>RM000                | 31.03.2018<br>RM000                        | RM000   | %       | 31.03.2019<br>RM000        | 31.03.2018<br>RM000                       | RM000    | %       |
| Revenue   | 154,956                            | 146,333                                    | 8,623   | 5.89%   | 599,347                    | 562,508                                   | 36,839   | 6.55%   |
| Operating Profit  | 3,972                              | 9,045                                      | (5,073) | -56.09% | 33,599                     | 41,974                                    | (8,375)  | -19.95% |
| Profit Before Interest<br>and Tax                                     | 3,110                              | 8,626                                      | (5,516) | -63.95% | 32,500                     | 40,771                                    | (8,271)  | -20.29% |
| Profit Before Tax   | 508                                | 6,393                                      | (5,885) | -92.05% | 21,127                     | 32,654                                    | (11,527) | -35.30% |
| Profit After Tax  | 68                                 | 2,911                                      | (2,843) | -97.66% | 15,746                     | 23,530                                    | (7,784)  | -33.08% |
| Profit Attributable to<br>Ordinary Equity<br>Holders of the<br>Parent | 109                                | 2,913                                      | (2,804) | -96.26% | 15,743                     | 23,503                                    | (7,760)  | -33.02% |

For the fourth quarter ended 31 March 2019, the Group registered revenue of RM154.956 million, an increase of RM8.623 million or 5.89% as compared to the revenue of RM146.333 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher sales volume and selling prices of steel products from trading & services division despite lower sales volume from manufacturing division.

The Group operating profit decreased by RM5.073 million to RM3.972 million in the current quarter as compared to RM9.045 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM0.508 million for the current quarter, a decrease of RM5.885 million as compared to PBT of RM6.393 million in the corresponding quarter of the preceding year. The decrease operating profit and PBT was mainly due to higher cost of goods sold and interest expenses despite higher revenue in the current quarter.

Trading & services revenue increased by RM12.888 million to RM148.826 million for the current quarter compared to RM135.938 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM5.752 million to RM1.992 million for the current quarter as compared to segment PBT of RM7.744 million for the corresponding quarter of the preceding year. The higher segment revenue mainly attributable to the higher sales volume and selling price of steel products resulting from higher market demand. The lower segment PBT was mainly attributable to higher cost of goods sold and interest expenses during the current quarter.

Manufacturing revenue decreased by RM4.265 million to RM6.130 million for the current quarter compared to RM10.395 million for the corresponding quarter of the preceding year. The segment LBT increased by RM0.261 million to RM1.337 million for the current quarter as compared to LBT of RM1.076 million for the corresponding quarter of the preceding year. The lower segment revenue was

mainly attributable to the lower sales volume of wire products subsequent to the cessation of business operation, lower sales volume of structural steel components and panels and components for sectional tanks. The higher segment LBT was due to lower revenue and higher cost of goods sold resulting from declined productivity during the current quarter under review.

#### 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

|  | Current Quarter<br>31.03.2019<br>RM'000 | Immediate Preceding Quarter<br>31.12.2018<br>RM'000 | Changes |         |
|--|---|---|---------|---------|
|  |   |   | RM'000  | %       |
| Revenue                                | 154,956                                 | 133,908   | 21,048  | 15.72%  |
| Operating Profit                       | 3,972                                   | 6,205   | (2,233) | -35.99% |
| Profit Before Interest and Tax         | 3,110                                   | 6,188   | (3,078) | -49.74% |
| Profit Before Tax                      | 508                                     | 2,839   | (2,331) | -82.11% |
| Profit After Tax                       | 68                                      | 2,121   | (2,053) | -96.79% |
| Profit Attributable to Ordinary Equity | 109                                     | 2,099   | (1,990) | -94.81% |

The Group registered revenue of RM154.956 million in the current quarter which was RM21.048 million or 15.72% higher than the revenue of RM133.908 million for the immediate preceding quarter attributable to higher sales volume despite lower selling price of steel products from the trading & services division resulting from higher market demand.

The Group operating profit decreased by RM2.233 million to RM3.972 million in the current quarter as compared to RM6.205 million for the immediate preceding quarter. The PBT of the Group registered a decrease by RM2.331 million to RM0.508 million in the current quarter compared to PBT of RM2.839 million for the immediate preceding quarter. The decrease operating profit and PBT was mainly due to higher cost of goods sold and interest expenses despite higher revenue.

Trading & services revenue increased by RM34.336 million to RM148.826 million for the current quarter compared to RM114.490 million for the immediate preceding quarter. The segment PBT decreased by RM0.886 million to RM1.992 million in the current quarter as compared to segment PBT of RM2.878 million for the immediate preceding quarter. The higher segment revenue mainly attributable to the higher sales volume despite lower sales selling prices of steel products resulting from higher demand. The lower segment PBT was mainly attributable to higher cost of goods sold and interest expenses in the current quarter.

Manufacturing revenue decreased by RM13.288 million to RM6.130 million for the current quarter compared to RM19.418 million for the immediate preceding quarter. The segment LBT increased by RM1.515 million to RM1.337 million for the current quarter as compared to segment PBT of RM0.178 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume of wire products subsequent to the cessation of business operation, lower sales volume of structural steel components and panels and components for sectional tanks. The higher segment LBT was due to lower revenue and higher cost of goods sold resulting from declined productivity during the current quarter under review.

## 16. PROSPECTS

Prospects for the Malaysian economy remain favourable largely part of growth will be private-sector driven supported by consumption and investment spending. Public sector expenditure is expected to expand at a more moderate pace in line with the Government's revival of some legacy mega infrastructure projects. Malaysia's real GDP is expected to sustain growth at 4.3-4.8% in 2019. Commodity prices and foreign exchange rates remain volatile in the midst of an uncertain global economic environment, including global trade tensions, uncertain economic dynamics in China, volatility in global financial markets and oil prices as well as geopolitical tension. Despite these challenges, the Group will continue to exercise caution in managing the businesses, focus on its cost management, resource optimisation and with the recent proposed acquisition initiative undertaken by the Company, the prospects and performance of the Group is expected to remain positive in the coming financial year.

## 17. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial year ended 31 March 2019.

## 18. TAXATION

The tax figures comprise of:

|                         | <b>3 months ended</b> | <b>12 months ended</b> |
|-------------------------|-----------------------|------------------------|
|                         | <b>31.03.2019</b>     | <b>31.03.2019</b>      |
|                         | <b>RM'000</b>         | <b>RM'000</b>          |
| Income tax              |                       |                        |
| - Current year taxation | 211                   | 5,152                  |
| - Prior year taxation   | 172                   | 172                    |
| Deferred tax            | 57                    | 57                     |
|                         | <u>440</u>            | <u>5,381</u>           |

The Group's effective tax rate for the current quarter and year-to-date under review was higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes, non-available group tax relief, under provision of taxation in the prior year and provision of deferred taxation.

## 19. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the latest practical date from the issuance of this report.

## 20. BORROWINGS

The Group's borrowings as at 31 March 2019 are as follows:

|                                     | <b>As At End of<br/>Current<br/>Quarter<br/>31.03.2019<br/>RM'000</b> | <b>As At End of<br/>Immediate<br/>Preceding<br/>Quarter<br/>31.12.2018<br/>RM'000</b> |
|-------------------------------------|---|---|
| <b><u>Short Term borrowings</u></b> |   |   |
| Secured                             | 311,999   | 272,475   |
| <b><u>Long Term borrowings</u></b>  |   |   |
| Secured                             | 816   | 906   |
| <b>Total borrowings</b>             | <b>312,815</b>  | <b>273,381</b>  |

The Group's short term borrowings increased by RM39.524 million as at the current quarter to RM311.999 million compared with the immediate preceding quarter of RM272.475 million mainly due to higher inventories holding in the current quarter under review.

The Group's borrowings are denominated in Ringgit Malaysia.

## 21. FINANCIAL DERIVATIVE INSTRUMENTS

Forward foreign exchange contracts are used to hedge foreign exchange risks associated with some of the transactions exposure. As at end of the current quarter under review, the outstanding forward foreign currency exchange contracts are as follows:

| Type of Derivatives        | Contract/Notional Value<br>(RM'000) | Fair Value<br>(RM'000) |
|----------------------------|-------------------------------------|------------------------|
| Forward currency contracts | 20,737                              | 20,763                 |

The fair value changes have been recognised in the financial statements.

## 22. MATERIAL LITIGATION

There was no material litigation for the quarter under review.

## 23. DIVIDEND

The Board of Directors have proposed a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 March 2019 (4th Quarter FYE 2018: 1.0 sen), amounting to a net dividend payable of RM3,804,176.56. The dividend is subject to approval by shareholders of the forthcoming Annual General Meeting. The book closure and payment dates for this dividend will be announced in due course.

## 24. EARNINGS PER SHARE

### Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent for the period by the number of weighted average number of ordinary shares of the Company in issue for the respective period as follows:

|   | Individual Quarter |            | Cumulative Quarter |            |
|---|--------------------|------------|--------------------|------------|
|   | 31.03.2019         | 31.03.2018 | 31.03.2019         | 31.03.2018 |
| Profit/(Loss) attributable to owners of the parent (RM'000) | 109                | 2,914      | 15,743             | 23,504     |
| Number of ordinary shares in issue ('000)                   | 380,418            | 380,418    | 380,418            | 380,418    |
| Earnings/(loss) per share (sen)                             |                    |            |                    |            |
| - Basic   | 0.03               | 0.77       | 4.14               | 6.18       |
| - Diluted   | N/A                | N/A        | N/A                | N/A        |

### Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current quarter/period-to-date as there are no potential ordinary shares to be issued.

## 25. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

|   | 3 months ended<br>31.03.2019<br>RM'000 | Cumulative<br>12 months ended<br>31.03.2019<br>RM'000 |
|---|--|---|
| Interest Income   | 862                                    | 1,099   |
| Other Income including Investment Income                                | 232                                    | 1,359   |
| Interest Expenses   | 3,464                                  | 12,472  |
| Depreciation & Amortisation   | 1,216                                  | 4,803   |
| Provision for/Write off of Receivables                                  | (135)                                  | (424)   |
| Provision for/Write off of Inventories                                  | 19                                     | 19  |
| Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties | (1)                                    | (1)   |
| Impairment of Assets  | 83                                     | 83  |

|                                 |       |     |
|---------------------------------|-------|-----|
| Gain/(Loss) on Foreign Exchange |       |     |
| - Realised                      | 331   | 945 |
| - Unrealised                    | (394) | 113 |
| Gain/(Loss) on Derivatives      | 0     | 0   |
| Impairment of Goodwill          | 0     | 0   |

## 26. AUTHORISATION FOR ISSUE

The Interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 30<sup>th</sup> May 2019.

By Order of the Board  
 Leong Oi Wah (MAICSA 7023802)  
 Company Secretary  
 30<sup>th</sup> May 2019  
 Selangor Darul Ehsan