

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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 2019. 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 2019.

**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 2019, except for the following MFRSs, Amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs which are applicable to its financial statements:

- MFRS 16, Leases
- Amendments to MFRS 9\*, Financial Instruments-Prepayment features with Negative Compensation
- Amendments to MFRS 119\*, Employee Benefit (Plan Amendments, Curtailment or Settlement)
- Amendments to MFRS 128, Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle\*

The adoption of these MFRSs, Amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs did not result in significant changes in the accounting policies of the Group and have no significant effect on the financial performance or position of the Group except for the changes arising from the adoption of new MFRS 16 Leases as described below:-

**MFRS 16 Leases**

The Group has applied MFRS 16 prospectively with the date of initial application of 1 April 2019. In accordance with the transitional provisions provided in MFRS 16, comparative information for 2019 was not restated. The Group recognises the right-of-use assets and lease liabilities as below:-

Group	31-Mar-19 RM'000	Changes RM'000	01-Apr-19 RM'000
Non-current assets			
Right-of-use assets	-	14,164	14,164
Non-current liabilities			
Lease liabilities	-	13,284	13,284
Current liabilities			
Lease liabilities	-	880	880
Total lease liabilities	-	14,164	14,164

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments 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 financial periods beginning on or after 1 January 2020

- Amendments to MFRS 3, Definition of a Business
- Amendments to MFRS 101, Definition of Material
- Amendments to MFRS 108, Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17\* Insurance Contracts

Deferred to a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an 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 ending 31 March 2020, the Company has paid a final single tier dividend of 1 sen per share in respect of the financial year ended 31 March 2019 amounting to RM3,804,176.56 on 18 October 2019.

## **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, steel purlin and other steel products.
- (c) Others  
Investment holding and dormant.

### **9.1 Business Segments**

The segment revenue, segment results and segment assets for the financial year ending 31 March 2020 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	552,804	22,708	-	-	575,512
Inter-company transactions	83,653	5,118	-	(88,771)	-
Total Sales	<u>636,457</u>	<u>27,826</u>	<u>-</u>	<u>(88,771)</u>	<u>575,512</u>
<b>RESULTS</b>					
Segment results	7,591	(2,017)	(903)	-	4,671
Finance cost	(12,599)	(293)	-	-	(12,892)
Interest income	221	9	-	-	230
Share of result in associated company			-	-	-
Taxation	(441)	(57)	-	-	(498)
Profit for the period	<u>(5,228)</u>	<u>(2,358)</u>	<u>(903)</u>	<u>-</u>	<u>(8,489)</u>
<b>ASSETS</b>	<u>814,213</u>	<u>36,512</u>	<u>34,965</u>	<u>(143,754)</u>	<u>741,936</u>
<b>LIABILITIES</b>	<u>618,582</u>	<u>17,019</u>	<u>351</u>	<u>(149,150)</u>	<u>486,802</u>

## 9.2 Geographical Segments

	<b>3 months ended 31.12.2019 RM'000</b>	<b>9 months ended 31.12.2019 RM'000</b>
External Sales		
Malaysia	123,300	391,581
APEC countries	68,125	178,250
Other countries	<u>4,911</u>	<u>5,681</u>
	<u>196,336</u>	<u>575,512</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

There were no changes in the composition of the Group during the current quarter under review and financial period to-date saved for the Company's announcement on 23 July 2019 that the Company through its wholly-owned subsidiary, AYS Capital Sdn Bhd (formerly known as Heapi Enterprise Sdn Bhd), of 51.0% equity interest in Steelarlis Pte Ltd ("Steeclaris") comprising 3,570,000 ordinary shares for a total cash consideration of SGD1.00 (equivalent to approximately RM3.10). Steelarlis effectively becomes a 51% subsidiary of the AYS Group with effect from 23 July 2019.

## 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 December 2019 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	0
(b) Approved but not contracted for	24,352

## 14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (3rd Quarter)				Cumulative Period			
	Current Quarter	Preceding Year Corresponding Quarter	Changes		Current Year To-date	Preceding Year Corresponding Period	Changes	
	31.12.2019 RM'000	31.12.2018 RM'000	RM'000	%	31.12.2019 RM'000	31.12.2018 RM'000	RM'000	%
Revenue	196,336	133,908	62,428	46.62%	575,512	444,391	131,121	29.51%
Operating Profit/(Loss)	(877)	6,205	(7,082)	> -100%	4,572	29,627	(25,055)	-84.57%
Profit/(Loss) Before Interest and Tax	(799)	6,188	(6,987)	> -100%	4,671	29,390	(24,719)	-84.11%
Profit/(Loss) Before Tax	(4,998)	2,839	(7,837)	> -100%	(7,991)	20,619	(28,610)	> -100%
Profit/(Loss) After Tax	(4,685)	2,121	(6,806)	> -100%	(8,489)	15,678	(24,167)	> -100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(4,266)	2,099	(6,365)	> -100%	(7,346)	15,634	(22,980)	> -100%

For the third quarter ended 31 December 2019, the Group registered revenue of RM196.336 million, an increase of RM62.428 million or 46.62% as compared to the revenue of RM133.908 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher sales volume together with the effect of incorporating the revenue from the new subsidiary despite lower selling prices of steel products from the trading & services division.

The Group operating profit decreased by RM7.082 million to operating loss of RM0.877 million in the current quarter as compared to operating profit of RM6.205 million for the corresponding quarter of the preceding year. The Group registered a loss before tax ("LBT") of RM4.998 million for the current quarter, a decrease in profit before tax ("PBT") of RM7.837 million as compared to PBT of RM2.839 million in the corresponding quarter of the preceding year. The decrease operating profit and PBT was mainly due to lower selling price, higher cost of goods sold and interest expenses despite higher revenue in the current quarter.

Trading & services division's revenue increased by RM75.419 million to RM189.909 million for the current quarter compared to RM114.490 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM7.067 million to LBT of RM4.189 million for the current quarter as compared to segment PBT of RM2.878 million for the corresponding quarter of the preceding year. The higher segment revenue mainly attributable to the higher sales volume together with the effect of incorporating the revenue from the new subsidiary despite lower selling prices of steel products. The

segment LBT was mainly attributable to lower selling price, higher cost of goods sold and interest expenses during the current quarter.

Manufacturing division's revenue decreased by RM12.991 million to RM6.427 million for the current quarter compared to RM19.418 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.788 million to LBT of RM0.610 million for the current quarter as compared to PBT of RM0.178 million for the corresponding quarter of the preceding year. The lower segment revenue was mainly attributable to the cessation of wire products business operation and lower sales volume and selling prices of other manufactured products. The segment LBT was due to lower selling prices coupled with higher cost of goods sold resulting from decreased productivity during the current quarter under review.

## 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Changes	
			RM'000	%
Revenue	196,336	195,652	684	0.35%
Operating Profit/(Loss)	(877)	(641)	236	36.82%
Profit/(Loss) Before Interest and Tax	(799)	(715)	84	11.75%
Profit/(Loss) Before Tax	(4,998)	(4,997)	1	0.02%
Profit/(Loss) After Tax	(4,685)	(4,885)	(200)	-4.09%
Profit/(Loss) Attributable to Ordinary Equity	(4,266)	(4,157)	109	2.62%

The Group registered revenue of RM196.336 million in the current quarter which was RM0.684 million or 0.35% higher than the revenue of RM195.652 million for the immediate preceding quarter mainly attributable to higher sales volume despite lower selling prices of steel products from the trading & services division. However, the effect has been partially offset by the lower sales volume and selling prices of manufactured products from the manufacturing division.

The Group operating loss increased by RM0.236 million to RM0.877 million in the current quarter as compared to RM0.641 million for the immediate preceding quarter. The LBT of the Group registered an increase by RM0.001 million to RM4.998 million in the current quarter compared to RM4.997 million for the immediate preceding quarter. The higher operating loss and LBT was mainly due to lower selling price and other income despite higher revenue and lower interest expenses.

Trading & services division's revenue increased by RM2.410 million to RM189.909 million for the current quarter compared to RM187.499 million for the immediate preceding quarter. The segment LBT increased by RM1.239 million to LBT of RM4.189 million in the current quarter as compared to segment LBT of RM2.950 million for the immediate preceding quarter. The higher segment revenue mainly attributable to the higher sales volume despite lower selling prices of steel products. The segment LBT was mainly attributable to lower selling prices in the current quarter.

Manufacturing division's revenue decreased by RM1.726 million to RM6.427 million for the current quarter compared to RM8.153 million for the immediate preceding quarter. The segment LBT decreased by RM1.189 million to LBT RM0.610 million for the current quarter as compared to segment LBT RM1.799 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume and selling prices of panels and components for sectional tanks. The segment LBT was due to low productivity during the current quarter under review.

## 16. PROSPECTS

Malaysia's GDP is expected to grow at 4.4% in 2020 according to the Economist Intelligence Unit although International Monetary Fund is less optimistic and has revised down the global rate to 3.3% for 2020. The outbreak of the COVID-19 virus, the continued strained US-China trade relationship and the US-Iran conflict in the Middle East will remain a source of uncertainty and volatility in 2020. Malaysia's domestic growth supported by favourable financing conditions, stable labour market conditions and low inflation is anticipated to continue and expected to keep the economy sustainable for the year. The Group's performance will remain just as challenging or even more challenging for the remaining quarter of the financial year and the Group will continue to exercise caution in managing its business.

## 17. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 March 2020.

## 18. TAXATION

The tax figures comprise of:

	<b>3 months ended 31.12.2019 RM'000</b>	<b>9 months ended 31.12.2019 RM'000</b>
Income tax		
- Current year taxation	(92)	288
- Prior year taxation	(162)	(162)
Deferred tax	<u>(59)</u>	<u>372</u>
	<u>(313)</u>	<u>498</u>

The Group's effective tax rate for the current quarter and the year-to-date under review were lower than the statutory tax rate of 24% mainly due to companies making losses but the effect has been partially offset by certain expenses which are not deductible for tax purposes 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 December 2019 are as follows:

	As At End of Current Quarter 31.12.2019 RM'000	As At End of Immediate Preceding Quarter 30.09.2019 RM'000
<b><u>Short Term borrowings</u></b>		
Secured	347,417	359,874
<b><u>Long Term borrowings</u></b>		
Secured	633	665
<b>Total borrowings</b>	348,050	360,539

The Group's short term borrowings decreased by RM12.489 million as at the current quarter to RM348.050 million compared with the immediate preceding quarter of RM360.539 million mainly due to longer credit terms granted by suppliers.

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 (RM'000)	Fair Value (RM'000)
Forward currency contracts	75,282	74,433

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 does not recommend any dividend in respect of the financial quarter ended 31<sup>st</sup> December 2019.

## 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit/(Loss) attributable to owners of the parent (RM'000)	(4,266)	2,099	(7,346)	15,634
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	(1.12)	0.55	(1.93)	4.11
- 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 31.12.2019 RM'000	Cumulative 9 months ended 31.12.2019 RM'000
Interest Income	105	230
Other Income including Investment Income	189	960
Interest Expenses	4,304	12,892
Depreciation & Amortisation	1,658	5,000
Provision for/Write off of Receivables	116	293
Provision for/Write off of Inventories	3	136
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	0
Impairment of Assets	0	0

Gain/(Loss) on Foreign Exchange		
- Realised	(144)	(513)
- Unrealised	(107)	(109)
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 25<sup>th</sup> February 2020.

By Order of the Board  
 Leong Oi Wah (MAICSA 7023802)  
 Company Secretary  
 25<sup>th</sup> February 2020  
 Selangor Darul Ehsan