

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2020**

**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	-	13,159	13,159
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Total adjustment on equity			
Retained earnings	-	(684)	(684)
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Non-current liabilities			
Lease liabilities	-	13,045	13,045
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Current liabilities			
Lease liabilities	-	850	850
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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 ended 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 ended 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	738,743	29,469	-	-	768,212
Inter-company transactions	140,500	7,131	-	(147,631)	-
Total Sales	<u>879,243</u>	<u>36,600</u>	<u>-</u>	<u>(147,631)</u>	<u>768,212</u>
<b>RESULTS</b>					
Segment results	11,149	(1,515)	(1,137)	-	8,497
Finance cost	(16,862)	(336)	-	-	(17,198)
Interest income	908	12	-	-	920
Share of result in associated company	-	-	-	-	-
Taxation	(1,357)	15	-	-	(1,342)
Loss for the period	<u>(6,162)</u>	<u>(1,824)</u>	<u>(1,137)</u>	<u>-</u>	<u>(9,123)</u>
<b>ASSETS</b>	<u>862,559</u>	<u>36,841</u>	<u>34,706</u>	<u>(177,920)</u>	<u>756,186</u>
<b>LIABILITIES</b>	<u>667,834</u>	<u>17,574</u>	<u>403</u>	<u>(183,941)</u>	<u>501,870</u>

## 9.2 Geographical Segments

	<b>3 months ended 31.03.2020 RM'000</b>	<b>12 months ended 31.03.2020 RM'000</b>
External Sales		
Malaysia	109,416	500,997
APEC countries	78,117	256,367
Other countries	<u>5,167</u>	<u>10,848</u>
	<u>192,700</u>	<u>768,212</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 March 2020 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	0
(b) Approved but not contracted for	24,557

## 14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (4th Quarter)				Cumulative Period			
	Current Quarter	Preceding Year Corresponding Quarter	Changes		Current Year To-date	Preceding Year Corresponding Period	Changes	
	31.03.2020 RM000	31.03.2019 RM000	RM000	%	31.03.2020 RM000	31.03.2019 RM000	RM000	%
Revenue	192,700	154,956	37,744	24.36%	768,212	599,347	168,865	28.17%
Operating Profit	4,316	3,972	344	8.66%	8,888	33,599	(24,711)	-73.55%
Profit Before Interest and Tax	3,828	3,110	718	23.09%	8,499	32,500	(24,001)	-73.85%
Profit/(Loss) Before Tax	212	508	(296)	> -100%	(7,781)	21,127	(28,908)	> -100%
Loss After Tax	(632)	68	(700)	> -100%	(9,123)	15,746	(24,869)	> -100%
Loss Attributable to Ordinary Equity Holders of the Parent	(3,176)	109	(3,285)	> -100%	(10,524)	15,743	(26,267)	> -100%

For the fourth quarter ended 31 March 2020, the Group registered revenue of RM192.700 million, an increase of RM37.744 million or 24.36% as compared to the revenue of RM154.956 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 increased by RM0.344 million to RM4.316 million in the current quarter as compared to the operating profit of RM3.972 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM0.212 million for the current quarter, a decrease in PBT of RM0.296 million as compared to PBT of RM0.508 million in the corresponding quarter of the preceding year. The increase in operating profit reflecting higher sales but decrease PBT was due to higher interest expenses in the current quarter.

Trading & services division's revenue increased by RM37.112 million to RM185.938 million for the current quarter compared to RM148.826 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM2.009 million to LBT of RM0.0170 million for the current quarter as compared to segment PBT of RM1.992 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 higher cost of goods sold, interest expenses, impairment loss on trade receivables and loss on fair value adjustments on investment properties during the current quarter.

Manufacturing division's revenue increased by RM0.632 million to RM6.762 million for the current quarter compared to RM6.130 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.800 million to PBT of RM0.463 million for the current quarter as compared to LBT of RM1.337 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to higher sales volume despite lower selling prices of manufactured products. The segment PBT was due to lower average cost of goods sold resulting from improved productivity during the current quarter under review.

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## 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 31.03.2020 RM'000	Immediate Preceding Quarter 31.12.2019 RM'000	Changes	
			RM'000	%
Revenue	192,700	196,336	(3,636)	-1.85%
Operating Profit/(Loss)	4,316	(877)	5,193	> 100%
Profit Before Interest and Tax	3,828	(799)	4,627	> 100%
Profit/(Loss) Before Tax	212	(4,998)	(5,210)	-104.24%
Loss After Tax	(632)	(4,685)	(4,053)	-86.51%
Loss Attributable to Ordinary Equity	(3,176)	(4,266)	(1,090)	-25.55%

The Group registered revenue of RM192.700 million in the current quarter which was RM3.636 million or 1.85% lower than the revenue of RM196.336 million for the immediate preceding quarter mainly due to enforcement of movement control order commencing 18 March 2020.

The Group operating profit increased by RM5.193 million to RM4.316 million in the current quarter as compared to operating loss of RM0.877 million for the immediate preceding quarter. The LBT of the Group registered a decrease by RM5.210 million to PBT of RM0.212 million in the current quarter compared to LBT of RM4.998 million for the immediate preceding quarter. The higher operating profit was mainly attributable to the improved profit from the new subsidiary despite incorporation of impairment loss on trade receivables and loss on fair value adjustments on investment properties during the current quarter. The lower LBT during the quarter resulting from higher operating profit despite higher interest expenses, impairment loss on trade receivables and loss on fair value adjustments on investment properties.

Trading & services division's revenue decreased by RM3.971 million to RM185.938 million for the current quarter compared to RM189.909 million for the immediate preceding quarter. The segment LBT decreased by RM4.172 million to LBT of RM0.017 million in the current quarter as compared to segment LBT of RM4.189 million for the immediate preceding quarter. The lower segment revenue mainly attributable to the enforcement of movement control order commencing 18 March 2020. The lower segment LBT was mainly attributable to improved profit margin in the new subsidiary during the current quarter under review.

Manufacturing division's revenue increased by RM0.335 million to RM6.762 million for the current quarter compared to RM6.427 million for the immediate preceding quarter. The segment PBT increased by RM1.073 million to RM0.463 million for the current quarter as compared to segment LBT RM0.610 million for the immediate preceding quarter. The higher segment revenue was mainly

attributable to the higher sales volume of manufactured products. The segment PBT was due to higher productivity during the current quarter under review.

## 16. PROSPECTS

The Covid-19 has severely impacted on the global economy. The shutdown of most economic activities to a near-standstill has had irreparable consequences for the world economy. The World Bank has forecasted the global economy will shrink by 5.2 percent in 2020. In addition, the continued US-China trade conflict, collapse in oil demand and crash in crude oil prices, risk of recession will remain challenging and uncertain for the rest of the year.

On the domestic front, business activities are resuming as the country gradually eased the Covid-19 lockdown measures after the economic activity froze for almost two months as Malaysia government imposed tight restrictions on movement to halt the spread virus. Malaysia's gross domestic growth is expected to be between -2.0 percent and 0.5 percent while the inflation is expected to average within the range of -1.5 percent to 0.5 percent this year. Nevertheless, the government has announced various stimulus plans besides the effective public health measures for economic recovery and support economic growth.

The Board is unable to reliably estimate the financial impact of the Covid-19 on the Group's financial results for the financial year ending 31 March 2021 as the pandemic has yet to run its full course and the current situation is still fluid. Nevertheless, the Group will continue to exercise caution in managing the businesses, focus on its cost management, resource optimisation, realigning inventory strategy, review non-core assets and underperforming businesses. Under the foregoing circumstances, the Board is of view that the prospects and performance of the Group will remain challenging 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 2020.

## 18. TAXATION

The tax figures comprise of:

	<b>3 months ended 31.03.2020 RM'000</b>	<b>12 months ended 31.03.2020 RM'000</b>
Income tax		
- Current year taxation	323	610
- Prior year taxation	(18)	(180)
Deferred tax	539	912
	<u>844</u>	<u>1,342</u>

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% mainly due to provision of deferred taxation and certain expenses which are not deductible for tax purposes but the effect has been partially offset by utilisation of unabsorbed tax losses by a subsidiary. The Group's effective tax rate for the year-to-date under review was lower than the statutory tax rate of 24% mainly due to companies making losses and utilisation of unabsorbed tax

losses but the effect has been partially offset by certain expenses which are not deductible for tax purposes, non-available group tax relief 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 2020 are as follows:

	<b>As At End of Current Quarter 31.03.2020 RM'000</b>	<b>As At End of Immediate Preceding Quarter 31.12.2019 RM'000</b>
<b><u>Short Term borrowings</u></b>		
Secured	334,227	347,417
<b><u>Long Term borrowings</u></b>		
Secured	21,151	633
<b>Total borrowings</b>	<b>355,378</b>	<b>348,050</b>

The Group's short term borrowings decreased by RM13.190 million as at the current quarter to RM334.227 million compared with the immediate preceding quarter of RM347.417 million mainly due to the reclassification of repayment of more than 12 months to long term borrowings.

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	120,043	122,126

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 final dividend in respect of the financial quarter ended 31<sup>st</sup> March 2020.

## 24. EARNINGS/(LOSS) PER SHARE

### Basic earnings/loss per ordinary share

Basic earnings/loss per share is calculated by dividing the profit/(loss) 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	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Profit/(Loss) attributable to owners of the parent (RM'000)	(3,176)	109	(10,524)	15,743
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	(0.83)	0.03	(2.77)	4.14
- 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 31.03.2020 RM'000	Cumulative 12 months ended 31.03.2020 RM'000
Interest Income	690	920
Other Income including Investment Income	99	1,058
Interest Expenses	4,306	17,198
Depreciation & Amortisation	1,152	6,152
Provision for/Write off of Receivables	1,538	1,831
Provision for/Write off of Inventories	44	180

Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	0
Impairment of Assets	1,058	1,058
Gain/(Loss) on Foreign Exchange		
- Realised	476	10
- Unrealised	99	(10)
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 29<sup>th</sup> June 2020.

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