

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 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 2020. 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 2020.

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 2020, except for the following which are applicable to its financial statements:

Effective for financial periods beginning on or after 1 January 2020

- Amendments to MFRS 3 Definition of a business
- Amendments to MFRS 7, 9 and 139 Interest Rate Benchmark Reform
- Amendments to MFRS 101 and 108 Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards (MFRS 2, 3, 6, 14, 101, 108, 134, 137, 138 and IC Interpretation 12, 19, 20, 22 and 132)

The adoption of these Standards listed above 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.

At the date of authorisation of these interim financial statements, the following Standards and amendments to Standards 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 June 2020

- Amendments to MFRS 16 Covid-19 - Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 Insurance Contracts

Effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRS 3 Reference to the Conceptual Framework
- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use

- Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020 (MFRS1, 9, 16 and 141)

Effective date of these Amendments to Standards has been deferred, and yet to be announced

- Amendments to MFRS 10 and 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above Standards and amendments to Standards when they become effective in the respective financial periods. The above pronouncements are either not relevant or do not have any impact on the financial statements of 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

There were no dividends paid during the financial period-to-date.

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 2021 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	105,565	2,369	-	-	107,934
Inter-company transactions	38,880	197	-	(39,077)	-
Total Sales	<u>144,445</u>	<u>2,566</u>	<u>-</u>	<u>(39,077)</u>	<u>107,934</u>
RESULTS					
Segment results	(1,091)	(1,073)	(148)	-	(2,312)
Finance cost	(4,169)	(62)	-	-	(4,231)
Interest income	163	5	-	-	168
Share of result in associated company	-	-	-	-	-
Taxation	(112)	(7)	-	-	(119)
Loss for the period	<u>(5,209)</u>	<u>(1,137)</u>	<u>(148)</u>	<u>-</u>	<u>(6,494)</u>
ASSETS	<u>837,079</u>	<u>32,430</u>	<u>34,610</u>	<u>(172,345)</u>	<u>731,774</u>
LIABILITIES	<u>648,064</u>	<u>12,852</u>	<u>379</u>	<u>(177,244)</u>	<u>484,051</u>

9.2 Geographical Segments

	3 months ended 30.06.2020 RM'000
External Sales	
Malaysia	68,331
APEC countries	38,795
Other countries	808
	<u>107,934</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.

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 30 June 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	23,954

14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (1st Quarter)			
	Current Quarter 30.06.2020 RM000	Preceding Year Corresponding Quarter 30.06.2019 RM000	Changes	
			RM000	%
Revenue	107,934	183,524	(75,590)	-41.19%
Operating Profit/(Loss)	(2,293)	6,090	(8,383)	> -100%
Profit/(Loss) Before Interest and Tax	(2,312)	6,186	(8,498)	> -100%
Profit/(Loss) Before Tax	(6,375)	2,004	(8,379)	> -100%
Profit/(Loss) After Tax	(6,494)	1,081	(7,575)	> -100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(6,749)	1,077	(7,826)	> -100%

For the first quarter ended 30 June 2020, the Group registered revenue of RM107.934 million, a decrease of RM75.590 million or 41.19% as compared to the revenue of RM183.524 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to lower sales volume resulting from the implementation of pandemic global lockdown measures to contain Covid-19 coupled with lower selling prices of steel products from the trading & services division despite incorporated the revenue from the new subsidiary which was only acquired in the second quarter of the preceding year.

The Group operating profit decreased by RM8.383 million to operating loss of RM2.293 million in the current quarter as compared to the operating profit of RM6.090 million for the corresponding quarter of the preceding year. The Group registered a loss before tax ("LBT") of RM6,375 million for the current quarter, a decrease in profit before tax ("PBT") of RM8.379 million as compared to PBT of

RM2.004 million in the corresponding quarter of the preceding year. The decrease in operating profit and PBT mainly due to lower sales volume resulting from the implementation of pandemic lockdown measures, provision of inventories written down and impairment loss on property, plant & equipment ("PPE") attributable to the cessation of panels and components for sectional tanks business operation in the current quarter.

Trading & services division's revenue decreased by RM69.831 million to RM105.565 million for the current quarter compared to RM175.396 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM7.450 million to LBT of RM5.096 million for the current quarter as compared to segment PBT of RM2.354 million for the corresponding quarter of the preceding year. The lower segment revenue mainly attributable to the lower sales volume and selling prices of steel products despite incorporated the revenue from the new subsidiary acquired in the second quarter of the preceding year. The segment LBT was mainly attributable to lower sales following the implementation of pandemic lockdown measures during the current quarter.

Manufacturing division's revenue decreased by RM5.759 million to RM2.369 million for the current quarter compared to RM8.128 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM1.238 million to LBT of RM1.131 million for the current quarter as compared to PBT of RM0.107 million for the corresponding quarter of the preceding year. The lower segment revenue was mainly attributable to lower sales volume of manufactured products resulting from the implementation of pandemic lockdown measures. The segment LBT was due to lower revenue, higher average cost of goods sold resulting from declined productivity, provision of inventories written down and impairment loss on PPE attributable to the cessation of panels and components for sectional tanks business operation during the current quarter under review.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 30.06.2020 RM'000	Immediate Preceding Quarter 31.03.2020 RM'000	Changes	
			RM'000	%
Revenue	107,934	192,700	(84,766)	-43.99%
Operating Profit/(Loss)	(2,293)	4,316	(6,609)	> -100%
Profit Before Interest and Tax	(2,312)	3,828	(6,140)	> -100%
Profit/(Loss) Before Tax	(6,375)	212	(6,587)	> -100%
Loss After Tax	(6,494)	(632)	(5,862)	> 100%
Loss Attributable to Ordinary Equity	(6,749)	(3,176)	(3,573)	112.50%

The Group registered revenue of RM107.934 million in the current quarter which was RM84.766 million or 43.99% lower than the revenue of RM192.700 million for the immediate preceding quarter mainly due to the implementation of pandemic global lockdown measures to contain Covid-19.

The Group operating profit decreased by RM6.609 million to operating loss of RM2.293 million in the current quarter as compared to operating profit of RM4.316 million for the immediate preceding quarter. The PBT of the Group registered a decrease by RM6.587 million to LBT of RM6.375 million in the current quarter compared to PBT of RM0.212 million for the immediate preceding quarter. The operating loss and LBT were mainly attributable to the lower revenue, incorporation of provision for inventories written down and impairment loss on PPE resulting from cessation of panels and components for sectional tanks business operation during the current quarter.

Trading & services division's revenue decreased by RM80.373 million to RM105.565 million for the current quarter compared to RM185.938 million for the immediate preceding quarter. The segment

LBT increased by RM5.079 million to LBT of RM5.096 million in the current quarter as compared to segment LBT of RM0.017 million for the immediate preceding quarter. The lower segment revenue and PBT were mainly attributable to the implementation of pandemic lockdown measures during the current quarter under review.

Manufacturing division's revenue decreased by RM4.393 million to RM2.369 million for the current quarter compared to RM6.762 million for the immediate preceding quarter. The segment PBT decreased by RM1.594 million to LBT of RM1.131 million for the current quarter as compared to segment PBT RM0.463 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume of manufactured products. The segment LBT was due to higher average cost of goods sold resulting from declined productivity, incorporation of provision for inventories written down and impairment loss on PPE resulting from cessation of panels and components for sectional tanks business operation during the current quarter under review.

16. PROSPECTS

The global spread of Covid-19 has a negative impact on the global economy as well as Malaysia's economic growth and fiscal position. The International Monetary Fund in its June 2020 World Economic Outlook Update report has revised Malaysia 2020 gross domestic product ("GDP") forecast to a 3.8% year-on-year (y-o-y) contraction from the previously estimated 1.7% contraction as the Covid-19 pandemic has had a more negative impact on global activity in the first half of 2020 than anticipated and global economic recovery is projected to be more gradual than previously forecasted. The World Bank in its June 2020 report revised its global economic growth projection for 2020 to -5.2% from 2.5% in its January 2020 report. Bank Negara Malaysia has recently announced that Malaysia's economy contracted 17.1% on the year in the second quarter and projected a full-year contraction of 3.5% to 5.5% before a rebound to 5.5% to 8.0% growth next year. Regionally, Singapore's GDP shrank by 13.2% in 2Q20 and narrowed the GDP forecast range for 2020 to -7% to -5%, from -7% to -4%.

The outlook for the global economy is highly uncertain, depending on the duration and magnitude of the pandemic. The Board anticipated that the prospects and performance of the Group will remain challenging in the remaining quarters of the financial year in view of the uncertain outlook on the timing and rate of recovery of the global economy going forward as a result of on-going Covid-19 pandemic, the continued US-China trade conflict, uncertainty in crude oil price, volatility in commodity prices and foreign exchange rates. Nevertheless, the Group will continue to exercise caution in managing the businesses, focused on improving its performance and growth to strengthen its financial position.

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 2021.

18. TAXATION

The tax figures comprise of:

	3 months ended 30.06.2020 RM'000
Income tax	
- Current year taxation	(119)
- Prior year taxation	-
Deferred tax	-
	<u>(119)</u>

The Group's effective tax rate for the current quarter 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 and non-available group tax relief.

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 30 June 2020 are as follows:

	As At End of Current Quarter 30.06.2020 RM'000	As At End of Immediate Preceding Quarter 31.03.2020 RM'000
<u>Short Term borrowings</u>		
Secured	348,223	334,227
<u>Long Term borrowings</u>		
Secured	21,459	21,151
Total borrowings	<u>369,682</u>	<u>355,378</u>

The Group's short term borrowings increased by RM13.996 million as at the current quarter to RM348.223 million compared with the immediate preceding quarter of RM334.227 million mainly due to higher inventories holding and higher payments to vendors.

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	90,459	89,679

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 30th June 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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Profit/(Loss) attributable to owners of the parent (RM'000)	(6,749)	1,077	(6,749)	1,077
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	(1.77)	0.28	(1.77)	0.28
- 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 30.06.2020 RM'000	Cumulative 3 months ended 30.06.2020 RM'000
Interest Income	168	168
Other Income including Investment Income	1,114	1,114
Interest Expenses	4,231	4,231
Depreciation & Amortisation	1,629	1,629
Provision for/Write off of Receivables	418	418
Provision for/Write off of Inventories	1,176	1,176
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	0	0
Impairment of Assets	339	339
Gain/(Loss) on Foreign Exchange		
- Realised	931	931
- Unrealised	(521)	(521)
Gain/(Loss) on Derivatives	0	0
Impairment of Goodwill	0	0

26. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25th August 2020.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 SSM Practising Certificate No. 201908000717
 Company Secretary
 25th August 2020
 Selangor Darul Ehsan