

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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
<b>REVENUE</b>					
External sales	287,164	7,619	-	-	294,783
Inter-company transactions	87,477	1,675	-	(89,152)	-
Total Sales	<u>374,641</u>	<u>9,294</u>	<u>-</u>	<u>(89,152)</u>	<u>294,783</u>
<b>RESULTS</b>					
Segment results	3,415	(1,569)	(278)	-	1,568
Finance cost	(7,569)	(105)	-	-	(7,674)
Interest income	438	24	-	-	462
Share of result in associated company	-	-	-	-	-
Taxation	(149)	(14)	-	-	(163)
Loss for the period	<u>(3,865)</u>	<u>(1,664)</u>	<u>(278)</u>	<u>-</u>	<u>(5,807)</u>
<b>ASSETS</b>	<u>845,421</u>	<u>32,161</u>	<u>34,514</u>	<u>(180,689)</u>	<u>731,407</u>
<b>LIABILITIES</b>	<u>654,924</u>	<u>13,109</u>	<u>413</u>	<u>(185,536)</u>	<u>482,910</u>

## 9.2 Geographical Segments

	3 months ended 30.09.2020 RM'000	6 months ended 30.09.2020 RM'000
External Sales		
Malaysia	128,011	196,341
APEC countries	58,412	97,918
Other countries	426	524
	<u>186,849</u>	<u>294,783</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 September 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	36,946

## 14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (2nd Quarter)				Cumulative Period			
	Current Quarter	Preceding Year Corresponding Quarter	Changes		Current Year To-date	Preceding Year Corresponding Period	Changes	
	30.09.2020 RM'000	30.09.2019 RM'000	RM'000	%	30.09.2020 RM'000	30.09.2019 RM'000	RM'000	%
Revenue	186,849	195,652	(8,803)	-4.50%	294,783	379,176	(84,393)	-22.26%
Operating Profit/(Loss)	4,044	(641)	4,685	> 100%	1,750	5,448	(3,698)	-67.88%
Profit/(Loss) Before Interest and Tax	3,880	(715)	4,595	> 100%	1,568	5,469	(3,901)	-71.34%
Profit/(Loss) Before Tax	732	(4,997)	5,729	> 100%	(5,644)	(2,994)	(2,650)	-88.51%
Profit/(Loss) After Tax	688	(4,885)	5,573	> 100%	(5,807)	(3,805)	(2,002)	-52.61%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	201	(4,157)	4,358	> 100%	(6,549)	(3,081)	(3,468)	> -100%

For the second quarter ended 30 September 2020, the Group registered revenue of RM186.849 million, a decrease of RM8.803 million or 4.50% as compared to the revenue of RM195.652 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to lower revenue in both trading & services division and manufacturing division.

The Group operating profit increased by RM4.685 million to operating profit of RM4.044 million in the current quarter as compared to the operating loss of RM0.641 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM0.732 million for the current quarter, an increase in PBT of RM5.729 million as compared to loss before tax of RM4.997 million in the corresponding quarter of the preceding year. The increase in operating profit and PBT mainly due to lower average cost of goods, lower interest expenses and lower operating expenses subsequent to the cost-saving measures despite lower revenue in the current quarter.

Trading & services division's revenue decreased by RM5.900 million to RM181.599 million for the current quarter compared to RM187.499 million for the corresponding quarter of the preceding year. The segment PBT increased by RM4.330 million to RM1.380 million for the current quarter as compared to segment LBT of RM2.950 million for the corresponding quarter of the preceding year. The lower segment revenue mainly attributable to the lower average selling prices despite higher sales volume of steel products and incorporation of the full three months' revenue from the new subsidiary which was acquired in end of July of the preceding year. The segment PBT was mainly attributable to lower interest expenses and lower operating expenses subsequent to the cost-saving measures during the current quarter.

Manufacturing division's revenue decreased by RM2.903 million to RM5.250 million for the current quarter compared to RM8.153 million for the corresponding quarter of the preceding year. The segment LBT decreased by RM1.280 million to LBT of RM0.519 million for the current quarter as compared to LBT of RM1.799 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 cessation of panels and components for sectional tanks production activities coupled with the impact from the post-pandemic lockdown measures. The lower segment LBT during the current quarter under review was due to lower average cost of goods sold and cessation of production of a loss-making business.

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

	Current Quarter 30.09.2020 RM'000	Immediate Preceding Quarter 30.06.2020 RM'000	Changes	
			RM'000	%
Revenue	186,849	107,934	78,915	73.11%
Operating Profit/(Loss)	4,044	(2,293)	6,337	> 100%
Profit/(Loss) Before Interest and Tax	3,880	(2,312)	6,192	> 100%
Profit/(Loss) Before Tax	732	(6,375)	7,107	> 100%
Profit/(Loss) After Tax	688	(6,494)	7,182	> 100%
Profit/(Loss) Attributable to Ordinary Equity	201	(6,749)	6,950	> 100%

The Group registered revenue of RM186.849 million in the current quarter which was RM78.915 million or 73.11% higher than the revenue of RM107.934 million for the immediate preceding quarter mainly attributable to higher sales volume despite lower average selling prices of steel products as the economy sectors have gradually improved post-conditional movement control order.

The Group operating profit increased by RM6.337 million to operating profit of RM4.044 million in the current quarter as compared to operating loss of RM2.293 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM7.107 million to RM0.732 million in the current quarter compared to LBT of RM6.375 million for the immediate preceding quarter. The operating profit and PBT were mainly attributable to the higher revenue, lower interest expenses, lower operating expenses subsequent to the cost-saving measures in the current quarter and incorporation of one-off provision for inventories written down and impairment loss on PPE resulting from cessation of production of panels and components for sectional tanks during the preceding quarter.

Trading & services division's revenue increased by RM76.034 million to RM181.599 million for the current quarter compared to RM105.565 million for the immediate preceding quarter. The segment PBT increased by RM6.476 million to RM1.380 million in the current quarter as compared to segment LBT of RM5.096 million for the immediate preceding quarter. The higher segment revenue and PBT

were mainly attributable to the gradual growth of economic activities post-conditional movement control order during the current quarter under review.

Manufacturing division's revenue increased by RM2.881 million to RM5.250 million for the current quarter compared to RM2.369 million for the immediate preceding quarter. The segment LBT decreased by RM0.612 million to RM0.519 million for the current quarter as compared to segment LBT of RM1.131 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to the higher sales volume of manufactured products. The segment LBT was due to lower average cost of goods sold resulting from improved productivity in the current quarter and incorporation of one-off provision for inventories written down and impairment loss on PPE resulting from cessation of production of panels and components for sectional tanks during the immediate preceding quarter.

## 16. PROSPECTS

The prolonged Covid-19 remains as a threat and pose downside risks to the growth prospect. The market sentiment will likely to be influenced by renewed concerns over resurgence of Covid-19 locally as well as macro prints globally. Malaysia's economic is seen shrinking markedly this year and recovery would depend on the severity of the pandemic virus' third wave and its progress in curbing the Covid-19 outbreak as well as on how the rest of world. In addition, volatile of major commodity prices, exchange rates fluctuations, slower domestic demand in the construction and manufacturing industries and political turbulence all threaten to slow or derail the recovery. Nevertheless, Malaysia's government has recently announced an expansionary budget to help its economic recovery from the large coronavirus-induced shock, aided by the speedy implementation of various stimulus packages to support the people and revitalise the economy.

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 a combination of a prolonged subdued global trade environment and country-specific internal challenges. The Group will continue to operate vigilantly under strict compliance of the SOPs, execute business strategies to improve its performance and growth whilst adopting prudent cash flow management to meet its financial commitments and obligations.

## 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:

	<b>3 months ended</b> <b>30.09.2020</b> <b>RM'000</b>	<b>6 months ended</b> <b>30.09.2020</b> <b>RM'000</b>
Income tax		
- Current year taxation	44	163
- Prior year taxation	-	-
Deferred tax	-	-
	<u>44</u>	<u>163</u>

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

## 19. STATUS OF CORPORATE PROPOSALS

Saved as disclosed below, there were no corporate proposals announced but not completed as at the latest practical date from the issuance of this report.

On 4 November 2020, the Company has announced that the Company's wholly-owned subsidiary, Ann Yak Siong Hardware Sdn Bhd had entered into a Sale and Purchase Agreement to dispose of two pieces of freehold industrial land held under No. Hakmilik 22093 and 22094, Mukim Klang, measuring approximately 3.832 acres bearing postal address Lot 15810 and 15819, Jalan Batu Bata, Off Jalan Bukit Kemuning, Seksyen 35, 40470 Shah Alam, Selangor to Theepa Metals Sdn Bhd for a total cash consideration of RM13,019,909.76 ("the Disposal"). Barring any unforeseen circumstances, the Disposal is expected to be completed in the last quarter of the financial year ending 31 March 2021.

## 20. BORROWINGS

The Group's borrowings as at 30 September 2020 are as follows:

	<b>As At End of Current Quarter 30.09.2020 RM'000</b>	<b>As At End of Immediate Preceding Quarter 30.06.2020 RM'000</b>
<b><u>Short Term borrowings</u></b>		
Secured	348,833	348,223
<b><u>Long Term borrowings</u></b>		
Secured	-	21,459
<b>Total borrowings</b>	348,833	369,682

The Group's short term borrowings increased by RM0.610 million as at the current quarter to RM348.833 million compared with the immediate preceding quarter of RM348.223 million mainly due to reclassification of long term borrowings to short term borrowings (repayable within twelve months).

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	110,164	108,946

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 September 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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit/(Loss) attributable to owners of the parent (RM'000)	201	(4,157)	(6,549)	(3,081)
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	0.05	(1.09)	(1.72)	(0.81)
- 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:**

	<b>3 months ended 30.09.2020 RM'000</b>	<b>Cumulative 6 months ended 30.09.2020 RM'000</b>
Interest Income	293	462
Other Income including Investment Income	758	1,872
Interest Expenses	3,441	7,672
Depreciation & Amortisation	958	2,587
Provision for/Write off of Receivables	(162)	255
Provision for/Write off of Inventories	0	1,176
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	0	0
Impairment of Assets	(91)	248
Gain/(Loss) on Foreign Exchange		
- Realised	(1,087)	(156)
- Unrealised	(500)	(1,021)
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 24<sup>th</sup> November 2020.

By Order of the Board  
 Leong Oi Wah (MAICSA 7023802)  
 SSM Practising Certificate No. 201908000717  
 Company Secretary  
 24<sup>th</sup> November 2020  
 Selangor Darul Ehsan