

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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	511,689	17,734	-	-	529,424
Inter-company transactions	125,260	3,525	-	(128,785)	0
Total Sales	<u>636,950</u>	<u>21,259</u>	<u>-</u>	<u>(128,785)</u>	<u>529,424</u>
RESULTS					
Segment results	16,604	(1,654)	(448)	-	14,502
Finance cost	(10,564)	(138)	-	-	(10,702)
Interest income	591	28	-	-	619
Share of result in associated company	-	-	-	-	-
Taxation	(70)	(18)	-	-	(88)
Profit/(Loss) for the period	<u>6,561</u>	<u>(1,782)</u>	<u>(448)</u>	<u>-</u>	<u>4,331</u>
ASSETS	<u>802,938</u>	<u>31,943</u>	<u>34,159</u>	<u>(168,492)</u>	<u>700,548</u>
LIABILITIES	<u>601,845</u>	<u>13,010</u>	<u>377</u>	<u>(173,288)</u>	<u>441,944</u>

9.2 Geographical Segments

	3 months ended 31.12.2020 RM'000	9 months ended 31.12.2020 RM'000
External Sales		
Malaysia	141,119	337,460
APEC countries	91,558	189,476
Other countries	1,964	2,488
	<u>234,641</u>	<u>529,424</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 31 December 2020 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	38,711
(b) Approved but not contracted for	64,456

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	
	31.12.2020 RM'000	31.12.2019 RM'000	RM'000	%	31.12.2020 RM'000	31.12.2019 RM'000	RM'000	%
Revenue	234,641	196,336	38,305	19.51%	529,424	575,512	(46,088)	-8.01%
Operating Profit/(Loss)	12,983	(877)	13,860	> 100%	14,734	4,572	10,162	> 100%
Profit/(Loss) Before Interest and Tax	12,934	(799)	13,733	> 100%	14,502	4,671	9,831	> 100%
Profit/(Loss) Before Tax	10,062	(4,998)	15,060	> 100%	4,419	(7,991)	12,410	> 100%
Profit/(Loss) After Tax	10,137	(4,685)	14,822	> 100%	4,331	(8,489)	12,820	> 100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	8,626	(4,266)	12,892	> 100%	2,078	(7,346)	9,424	> 100%

For the third quarter ended 31 December 2020, the Group registered revenue of RM234.641 million, an increase of RM38.305 million or 19.51% as compared to the revenue of RM196.336 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher revenue in both trading & services division and manufacturing division.

The Group operating profit increased by RM13.860 million to operating profit of RM12.983 million in the current quarter as compared to the operating loss of RM0.877 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM10.062 million for the current quarter, an increase in PBT of RM15.060 million as compared to loss before tax of RM4.998 million in the corresponding quarter of the preceding year. The increase in operating profit and PBT mainly due to higher revenue, lower average cost of goods sold and lower interest expense.

Trading & services division's revenue increased by RM34.617 million to RM224.526 million for the current quarter compared to RM189.909 million for the corresponding quarter of the preceding year. The segment PBT increased by RM14.536 million to RM10.347 million for the current quarter as compared to segment LBT of RM4.189 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to the higher average selling prices and sales volume of steel products. The higher segment PBT during the current quarter was mainly attributable to higher average selling prices, lower cost of goods sold and lower interest expenses.

Manufacturing division's revenue increased by RM3.688 million to RM10.115 million for the current quarter compared to RM6.427 million for the corresponding quarter of the preceding year. The segment LBT decreased by RM0.496 million to LBT of RM0.114 million for the current quarter as compared to LBT of RM0.610 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to higher sales volume of manufactured products. The lower segment LBT during the current quarter was due to lower average cost of goods sold resulting from improved productivity and cessation of operation of a loss-making business.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 31.12.2020 RM'000	Immediate Preceding Quarter 30.09.2020 RM'000	Changes	
			RM'000	%
Revenue	234,641	186,849	47,792	25.58%
Operating Profit/(Loss)	12,983	4,044	8,939	> 100%
Profit/(Loss) Before Interest and Tax	12,934	3,880	9,054	> 100%
Profit/(Loss) Before Tax	10,062	732	9,330	> 100%
Profit/(Loss) After Tax	10,137	688	9,449	> 100%
Profit/(Loss) Attributable to Ordinary Equity	8,626	201	8,425	> 100%

The Group registered revenue of RM234.641 million in the current quarter which was RM47.792 million or 25.58% higher than the revenue of RM186.849 million for the immediate preceding quarter was mainly attributable to higher sales volume coupled with higher average selling prices of steel products as the activities picked up further following the easing of Covid-related restrictions and a rise in international steel prices.

The Group operating profit increased by RM8.939 million to operating profit of RM12.983 million in the current quarter as compared to operating profit of RM4.044 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM9.330 million to RM10.062 million in the current quarter compared to PBT of RM0.732 million for the immediate preceding quarter. The higher operating profit and PBT were mainly attributable to the higher revenue, lower average cost of goods sold and lower interest expenses.

Trading & services division's revenue increased by RM42.927 million to RM224.526 million for the current quarter compared to RM181.599 million for the immediate preceding quarter. The segment PBT increased by RM8.967 million to RM10.347 million in the current quarter as compared to segment PBT of RM1.380 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to the higher average selling prices and higher sales volume of steel products. The higher segment PBT was mainly attributable to the higher revenue, lower average cost of goods sold and lower interest expenses.

Manufacturing division's revenue increased by RM4.865 million to RM10.115 million for the current quarter compared to RM5.250 million for the immediate preceding quarter. The segment LBT

decreased by RM0.405 million to RM0.114 million for the current quarter as compared to segment LBT of RM0.519 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.

16. PROSPECTS

Covid-19 remains a global challenge thus the recovery of Malaysian economy is still challenging, with the rising number of new Covid-19 cases that resulted in the imposition of more restrictive measures. Nevertheless, the global gross domestic product outlook for 2021 is projected to rebound to 5% - 5.5% with Malaysia's growth forecasted at 6.5%-7.5% (according to the Ministry of Finance's Economic Outlook 2021 report). The growth of the global economy, including Malaysia, will depend on controlling the spread of the virus besides the vaccine deployment. The impact of the RM340 billion stimulus packages implemented by the government and the approved Budget 2021 are anticipated to have effects and provide additional boost to the economy in 2021.

The Group has and will continue to implement various precautionary measures at its warehouses, factory and offices to minimise the risk of Covid-19 infections and to ensure compliance with the standard operating procedures imposed by the Government. The Board will continue to take all proactive measures to ensure the business remains sustainable, resilient and focus on improving the efficiency of the current operation, exploring new markets and new business opportunities, while prudently manage the operational costs to weather the current economic turbulence.

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 31.12.2020 RM'000	9 months ended 31.12.2020 RM'000
Income tax		
- Current year taxation	(75)	88
- Prior year taxation	-	-
Deferred tax	-	-
	<u>(75)</u>	<u>88</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 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.

The Company has announced that the Company's wholly-owned subsidiary, Ann Yak Siong Hardware Sdn Bhd had:

- (i) on 4 November 2020 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; and
- (ii) on 16 December 2020 entered into a Sale and Purchase Agreement to acquire a piece of freehold land held under individual title no. H.S.(D) 165125, PT 84462, Mukim Kapar, Daerah Klang, Negeri Selangor, measuring approximately 9.514 hectares / 23.510 acres / 95,144 square meters from Golden Valley Industries Sdn Bhd for a total cash consideration of RM43,012,015.20 ("Proposed Acquisition"). Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the last quarter of the financial year ending 31 March 2022

20. BORROWINGS

The Group's borrowings as at 31 December 2020 are as follows:

	As At End of Current Quarter 31.12.2020 RM'000	As At End of Immediate Preceding Quarter 30.09.2020 RM'000
<u>Short Term borrowings</u>		
Secured	324,643	348,833
<u>Long Term borrowings</u>		
Secured	-	-
Total borrowings	324,643	348,833

The Group's short term borrowings decreased by RM24.190 million as at the current quarter to RM324.643 million compared with the immediate preceding quarter of RM348.833 million mainly due to lower inventories holding.

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	88,260	87,075

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 December 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit/(Loss) attributable to owners of the parent (RM'000)	8,626	(4,266)	2,078	(7,346)
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	2.27	(1.12)	0.55	(1.93)
- 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 31.12.2020 RM'000	Cumulative 9 months ended 31.12.2020 RM'000
Interest Income	157	619
Other Income including Investment Income	746	2,617
Interest Expenses	3,028	10,702
Depreciation & Amortisation	1,262	3,849
Provision for/Write off of Receivables	163	418
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	0	248
Gain/(Loss) on Foreign Exchange		
- Realised	(230)	(386)
- Unrealised	(318)	(1,338)
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 23 February 2021.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 SSM Practising Certificate No. 201908000717
 Company Secretary
 23 February 2021
 Selangor Darul Ehsan