

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2021

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 ended 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 | 720,878 | 32,780 | - | - | 753,658 |
| Inter-company transactions | 177,669 | 4,780 | - | (182,449) | - |
| Total Sales | <u>898,547</u> | <u>37,560</u> | <u>-</u> | <u>(182,449)</u> | <u>753,658</u> |
| RESULTS | | | | | |
| Segment results | 40,010 | 2,233 | (675) | - | 41,568 |
| Finance cost | (13,263) | (180) | - | - | (13,443) |
| Interest income | 749 | 25 | - | - | 774 |
| Share of result in associated company | - | - | 25 | - | 25 |
| Taxation | (4,341) | (11) | - | - | (4,352) |
| Profit/(Loss) for the period | <u>23,155</u> | <u>2,067</u> | <u>(650)</u> | <u>-</u> | <u>24,572</u> |
| ASSETS | <u>808,936</u> | <u>38,997</u> | <u>33,930</u> | <u>(174,552)</u> | <u>707,311</u> |
| LIABILITIES | <u>588,705</u> | <u>18,450</u> | <u>350</u> | <u>(178,816)</u> | <u>428,689</u> |

9.2 Geographical Segments

| | 3 months ended 31.03.2021 RM'000 | 12 months ended 31.03.2021 RM'000 |
|-----------------|---|--|
| External Sales | | |
| Malaysia | 128,610 | 466,070 |
| APEC countries | 94,927 | 284,403 |
| Other countries | 697 | 3,185 |
| | <u>224,234</u> | <u>753,658</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

Saved as disclosed below, there were no changes in the composition of the Group during the current quarter under review and financial period to-date.

On 13 March 2020, AYS Wire Products Sdn. Bhd. (“AYSW”), a 90% owned subsidiary of Ann Yak Siong Hardware Sdn. Bhd., that is wholly-owned by the Company has commenced member's voluntary winding up pursuant to Section 439(1) of the Companies Act 2016 (“Winding Up”). In relation thereto, Mr. Lai Yok Foong has on the same date been appointed as the liquidator for AYSW. AYSW had voluntary dissolved on 1 April 2020.

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 2021 were as follows:

| Commitments in respect of capital expenditure | RM'000 |
|---|--------|
| (a) Contracted but not provided for | 34,410 |
| (b) Approved but not contracted for | 59,599 |

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 | |
| | 31.03.2021 RM'000 | 31.03.2020 RM'000 | RM'000 | % | 31.03.2021 RM'000 | 31.03.2020 RM'000 | RM'000 | % |
| Revenue | 224,234 | 192,700 | 31,534 | 16.36% | 753,658 | 768,212 | (14,554) | -1.89% |
| Operating Profit | 26,967 | 4,316 | 22,651 | >100% | 41,701 | 8,888 | 32,813 | >100% |
| Profit Before Interest and Tax | 27,090 | 3,828 | 23,262 | >100% | 41,593 | 8,499 | 33,094 | >100% |
| Profit/(Loss) Before Tax | 24,505 | 212 | 24,293 | >100% | 28,924 | (7,781) | 36,705 | >100% |
| Profit/(Loss) After Tax | 20,241 | (632) | 20,873 | >100% | 24,572 | (9,123) | 33,695 | >100% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | 16,926 | (3,176) | 20,102 | >100% | 19,004 | (10,524) | 29,528 | >100% |

For the fourth quarter ended 31 March 2021, the Group registered revenue of RM224.234 million, an increase of RM31.534 million or 16.36% as compared to the revenue of RM192.700 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 RM22.651 million to operating profit of RM26.967 million in the current quarter as compared to the operating profit of RM4.316 million for the corresponding quarter of the preceding year. The Group registered a profit before tax (“PBT”) of RM24.505 million for the current quarter, an increase in PBT of RM24.293 million as compared to PBT of RM0.212

million in the corresponding quarter of the preceding year. The increase in operating profit and PBT mainly due to higher revenue, lower cost of goods sold and lower interest expense.

Trading & services division's revenue increased by RM23.251 million to RM209.189 million for the current quarter compared to RM185.938 million for the corresponding quarter of the preceding year. The segment PBT increased by RM20.883 million to RM20.866 million for the current quarter as compared to segment LBT of RM0.0170 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to the higher average selling prices despite lower 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 RM8.283 million to RM15.045 million for the current quarter compared to RM6.762 million for the corresponding quarter of the preceding year. The segment PBT increased by RM3.379 million to PBT of RM3.842 million for the current quarter as compared to PBT of RM0.463 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to higher sales volume and average selling prices of manufactured products. The higher segment PBT during the current quarter was due to higher sales volume and average selling price coupled with lower average cost of goods sold resulting from improved productivity.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

| | Current Quarter 31.03.2021 RM'000 | Immediate Preceding Quarter 31.12.2020 RM'000 | Changes | |
|---|--|--|----------|--------|
| | | | RM'000 | % |
| Revenue | 224,234 | 234,641 | (10,407) | -4.44% |
| Operating Profit | 26,967 | 12,983 | 13,984 | > 100% |
| Profit Before Interest and Tax | 27,090 | 12,934 | 14,156 | > 100% |
| Profit Before Tax | 24,505 | 10,062 | 14,443 | > 100% |
| Profit After Tax | 20,241 | 10,137 | 10,104 | 99.67% |
| Profit Attributable to Ordinary Equity | 16,926 | 8,626 | 8,300 | 96.22% |

The Group registered revenue of RM224.234 million in the current quarter which was RM10.407 million or 4.44% lower than the revenue of RM234.641 million for the immediate preceding quarter was mainly attributable to lower sales volume despite higher average selling prices of steel products.

The Group operating profit increased by RM13.984 million to operating profit of RM26.967 million in the current quarter as compared to operating profit of RM12.983 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM14.443 million to RM24.505 million in the current quarter compared to PBT of RM10.062 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 decreased by RM15.337 million to RM209.189 million for the current quarter compared to RM224.526 million for the immediate preceding quarter. The segment PBT increased by RM10.519 million to RM20.866 million in the current quarter as compared to segment PBT of RM10.347 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to the higher average selling prices despite lower sales volume of steel products. The higher segment PBT was mainly attributable to the higher average selling prices, lower average cost of goods sold and lower interest expenses.

Manufacturing division's revenue increased by RM4.930 million to RM15.045 million for the current quarter compared to RM10.115 million for the immediate preceding quarter. The segment PBT increased by RM3.956 million to RM3.842 million for the current quarter as compared to segment LBT of RM0.114 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to the higher sales volume and average selling prices of manufactured products. The higher segment PBT was due to higher sales volume and average selling prices coupled with lower average cost of goods sold resulting from improved productivity.

16. PROSPECTS

The recovery of the Malaysian economy still has considerable uncertainty for the rest of 2021 as there is a resurgence in caseloads and Malaysia is facing a tough task in curbing its third wave of the COVID-19 pandemic. The implementation of the nationwide Movement Control Order may have scarring effects on economic and business activities. Notwithstanding this, the economy is recovering gradually and Bank Negara Malaysia has reported that it expects GDP growth to remain within the projected 6%-7.5% in 2021.

The regional steel industry is expected to pick up again in 2021 and continue to push up the steel demand in 2022. With the strong demand for steel products coupled with raw materials shortages in iron ore and metal scrap, the Board expects global steel prices to increase and this will augur well for the Group.

However, with the recent announcements of stricter lockdown measures in Malaysia as well as in Singapore to curb the spread of the COVID-19 virus, the Board is cautious of the demanding business environment in the new financial year ending 31 March 2022. Given such early headwinds, the Group will continually assess and prioritise its key projects as well as take proactive steps to implement cost containment measures to preserve cashflow to sustain its performance 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 2021.

18. TAXATION

The tax figures comprise of:

| | 3 months ended | 12 months |
|-------------------------|-----------------------|-------------------|
| | 31.03.2021 | 31.03.2021 |
| | RM'000 | RM'000 |
| Income tax | | |
| - Current year taxation | 4,584 | 4,672 |
| - Prior year taxation | (29) | (29) |
| Deferred tax | (291) | (291) |
| | <u>4,264</u> | <u>4,352</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 ("AYSH") 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"). On 23 March 2021, the Disposal has been completed; 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 ("the Vendor") for a total cash consideration of RM43,012,015.20 ("Proposed Acquisition"). As of the reporting date, AYSH has paid 20% of the total cash consideration to the Vendor. 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 March 2021 are as follows:

| | As At End of Current Quarter 31.03.2021 RM'000 | As At End of Immediate Preceding Quarter 31.12.2020 RM'000 |
|-------------------------------------|---|---|
| <u>Short Term borrowings</u> | | |
| Secured | 277,783 | 324,643 |
| <u>Long Term borrowings</u> | | |
| Secured | 15,435 | - |
| Total borrowings | 293,218 | 324,643 |

The Group's borrowings decreased by RM31.425 million as at the current quarter to RM293.218 million compared with the immediate preceding quarter of RM324.643 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 | 93,346 | 94,107 |

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 March 2021.

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 | |
|---|--------------------|------------|--------------------|------------|
| | 31.03.2021 | 31.03.2020 | 31.03.2021 | 31.03.2020 |
| Profit/(Loss) attributable to owners of the parent (RM'000) | 16,926 | (3,176) | 19,004 | (10,524) |
| Number of ordinary shares in issue ('000) | 380,418 | 380,418 | 380,418 | 380,418 |
| Earnings/(loss) per share (sen) | | | | |
| - Basic | 4.45 | (0.83) | 5.00 | (2.77) |
| - 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 31.03.2021 RM'000 | Cumulative 12 months ended 31.03.2021 RM'000 |
|---|---|---|
| Interest Income | 156 | 774 |
| Other Income including Investment Income | 1,339 | 3,956 |
| Interest Expenses | 2,741 | 13,443 |
| Depreciation & Amortisation | 2,350 | 6,199 |
| Provision for/Write off of Receivables | 673 | 1,091 |
| Provision for/Write off of Inventories | (943) | 233 |
| Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties | (20) | (442) |
| Impairment of Assets | (61) | 186 |
| Gain/(Loss) on Foreign Exchange | | |
| - Realised | 643 | 257 |
| - Unrealised | 1,498 | 160 |
| 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 29 May 2021.

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