

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 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 2021. 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 2021.

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 2021, except for the following which are applicable to its financial statements:

Effective for financial period beginning on or after 1 January 2021:-

- Amendments to MFRS 9, Interest Rate Benchmark Reform - Phase 2
MFRS 139, MFRS 7,
MFRS 4 and MFRS 16

Effective for financial period beginning on or after 1 April 2021:-

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

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 period beginning on or after 1 January 2022:-

- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contract – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020

Effective for financial period beginning on or after 1 January 2023:-

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts

- Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)

Effective Date Deferred Indefinitely

- Amendments to MFRS 10 Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- and MFRS 128

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 steel purlin, structural steel components 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 2022 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	254,085	8,318	796	-	263,199
Inter-company transactions	54,149	597	-	(54,746)	-
Total Sales	<u>308,234</u>	<u>8,915</u>	<u>796</u>	<u>(54,746)</u>	<u>263,199</u>
RESULTS					
Segment results	47,886	777	421	-	49,084
Finance cost	(2,315)	(62)	(146)	-	(2,523)
Interest income	127	8	-	-	135
Share of result in associated company	-	-	17	-	17
Taxation	(8,441)	(2)	(120)	-	(8,563)
Profit/(Loss) for the period	<u>37,257</u>	<u>721</u>	<u>172</u>	<u>-</u>	<u>38,150</u>
ASSETS	<u>853,775</u>	<u>37,888</u>	<u>69,649</u>	<u>(197,083)</u>	<u>764,229</u>
LIABILITIES	<u>594,856</u>	<u>16,621</u>	<u>36,634</u>	<u>(200,744)</u>	<u>447,367</u>

9.2 Geographical Segments

	3 months ended 30.06.2021 RM'000
External Sales	
Malaysia	149,521
APEC countries	111,757
Other countries	<u>1,921</u>
	<u>263,199</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 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	57,643

14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (1st Quarter)			
	Current Quarter	Preceding Year Corresponding Quarter	Changes	
	30.06.2021 RM'000	30.06.2020 RM'000	RM'000	%
Revenue	263,199	107,934	155,265	>100%
Operating Profit/ (Loss)	49,073	(2,293)	51,366	>100%
Profit Before Interest and Tax	49,101	(2,312)	51,413	>100%
Profit/(Loss) Before Tax	46,713	(6,375)	53,088	>100%
Profit/(Loss) After Tax	38,150	(6,494)	44,644	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the	32,354	(6,749)	39,103	>100%

For the first quarter ended 30 June 2021, the Group registered revenue of RM263.199 million, an increase of RM155.265 million or 143.85% as compared to the revenue of RM107.934 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher revenue in both Trading & Services and Manufacturing division and higher selling prices of steel products in the current quarter.

The Group operating profit increased by RM51.366 million to operating profit of RM49.073 million in the current quarter as compared to the operating loss of RM2.293 million for the corresponding quarter

of the preceding year. The Group registered a profit before tax (“PBT”) of RM46.713 million for the current quarter, an increase in PBT of RM53.088 million as compared to loss before tax (“LBT”) of RM6.375 million in the corresponding quarter of the preceding year. The increase in operating profit and PBT mainly due to higher revenue and selling prices despite higher cost of goods sold, and the lower interest expense.

Trading & Services division’s revenue increased by RM148.520 million to RM254.085 million for the current quarter compared to RM105.565 million for the corresponding quarter of the preceding year. The segment PBT increased by RM50.794 million to RM45.698 million for the current quarter as compared to segment LBT of RM5.096 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to the higher average selling prices and higher sales volume of steel products. The higher segment PBT during the current quarter was mainly attributable to higher average selling prices, and higher cost of goods sold which the effect of the increased in average selling price was higher than the increased in weighted average cost and lower interest expense.

Manufacturing division’s revenue increased by RM5.949 million to RM8.318 million for the current quarter compared to RM2.369 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.854 million to PBT of RM0.723 million for the current quarter as compared to LBT of RM1.131 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 despite higher average cost of sales due to higher raw material prices but the effect have been reduced by improved productivity.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 30.06.2021 RM'000	Immediate Preceding Quarter 31.03.2021 RM'000	Changes	
			RM'000	%
Revenue	263,199	224,234	38,965	17.38%
Operating Profit	49,073	26,967	22,106	81.97%
Profit Before Interest and Tax	49,101	27,090	22,011	81.25%
Profit Before Tax	46,713	24,505	22,208	90.63%
Profit After Tax	38,150	20,241	17,909	88.48%
Profit Attributable to Ordinary Equity	32,354	16,926	15,428	91.15%

The Group registered revenue of RM263.199 million in the current quarter which was RM38.965 million or 17.38% higher than the revenue of RM224.234 million for the immediate preceding quarter was mainly attributable to higher average selling prices despite lower sales volume of steel products in the Manufacturing division.

The Group operating profit increased by RM22.106 million to operating profit of RM49.073 million in the current quarter as compared to operating profit of RM26.967 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM22.208 million to RM46.713 million in the current quarter compared to PBT of RM24.505 million for the immediate preceding quarter. The higher operating profit and PBT were mainly attributable to the higher revenue despite higher cost of goods sold, and lower interest expenses.

Trading & Services division’s revenue increased by RM44.896 million to RM254.085 million for the current quarter compared to RM209.189 million for the immediate preceding quarter. The segment PBT increased by RM24.832 million to RM45.698 million in the current quarter as compared to

segment PBT of RM20.866 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 average selling prices, higher average cost of goods sold which the effect of increased in average selling price is higher than the increased in weighted average cost of goods sold.

Manufacturing division's revenue decreased by RM6.727 million to RM8.318 million for the current quarter compared to RM15.045 million for the immediate preceding quarter. The segment PBT decreased by RM3.119 million to RM0.723 million for the current quarter as compared to segment PBT of RM3.842 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume despite higher average selling prices of manufactured products. The lower segment PBT was due to lower sales volume coupled with higher average cost of goods sold resulting from higher raw material price and lower productivity despite higher average selling prices.

16. PROSPECTS

The recovery of the Malaysian economy remains challenging as Malaysia continues to grapple with its growing third wave of COVID-19. The COVID-19 pandemic has ushered a climate of uncertainty on Malaysian economy, business and society. Bank Negara Malaysia has revised its full-year gross domestic product (GDP) growth forecast for Malaysia to between 3% and 4%, from the previous forecast of between 6% and 7.5% for 2021. It is expected that Malaysia's growth recovery will broadly resume in the later part of the second half of 2021 and improve going into 2022, supported by the sustained global economic recovery amid the ongoing and wider COVID-19 vaccination program and the Government's various economic measures which lent strength to its competitiveness.

Global steel demand is expected to grow by 5.8% in 2021 and by a further 2.7% in 2022, according to the World Steel Association's Short Range Outlook. Hence, increase in steel demand will outpace the rise in steel supply which would be expected to result in steel prices remain unabated. Moreover, infrastructure remains as a pivotal role in developing economic growth, a strong public action in boosting demand and often touted as excellent method of fiscal stimulus. Thus, steel demand will continue to grow as steel is one of the main important materials used in infrastructure investments. Consequently, this would enhance the Group's business landscape.

Malaysia as well as in Singapore, have moved to ease COVID-19 restrictions in the economic sector. Nevertheless, the Board is mindful that the Group may continue to face challenges and will continue to remain vigilant and steadfast, to take proactive steps to improve revenue and implement cost containment measures while strengthening its operational and productivity efficiencies. The Group will continue to leverage on technology and digitalisation to improve operations, to provide insight to sharpen the market execution and gain competitive advantage. For managing through the pandemic, the management will continue to put the management plans in place that addresses customers, suppliers, employees, finance management and supply chain to meet the Group's strategic goals.

Barring any unforeseen circumstances, the Group expects its performance will remain positive for the remaining quarters of the 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 ending 31 March 2022.

18. TAXATION

The tax figures comprise of:

	3 months ended
	30.06.21
	RM'000
Income tax	
- Current year taxation	8,563
- Prior year taxation	-
Deferred tax	-
	<u>8,563</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 allowances and 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 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; and
- (ii) on 30 July 2021 entered into a Sale and Purchase Agreement to dispose of a freehold land held under Geran 308158, Lot 35837, Mukim Kapar, Daerah Klang, Negeri Selangor, measuring approximately 8,809 square meters or 2.1767 acres ("Freehold Land") together with a single storey open-sided detached warehouse and an annexed double storey office block bearing a postal address of No. 7, Lorong Keluli 1A, Kawasan Perindustrian Bukit Raja, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan (together with the Freehold Land will be referred to as "Property") to OCH Land Sdn Bhd ("OCHL") for a total cash consideration of RM10,800,000.00 ("the Proposed Disposal").

AYSH will enter into a tenancy agreement with OCHL ("Tenancy Agreement") to rent the Property upon the completion of the SPA, at a monthly rental sum of RM53,000.00 for one (1) year and with an option to renew for a further term of two (2) years immediately following the expiry of the original term ("Proposed Tenancy").

Barring any unforeseen circumstances, the Proposed Disposal are expected to be completed in the third quarter of the financial year ending 31 March 2022.

20. BORROWINGS

The Group's borrowings as at 30 June 2021 are as follows:

	As At End of Current Quarter 30.06.2021 RM'000	As At End of Immediate Preceding Quarter 31.03.2021 RM'000
<u>Short Term borrowings</u>		
Secured	285,299	277,783
<u>Long Term borrowings</u>		
Secured	15,445	15,435
Total borrowings	300,744	293,218

The Group's borrowings increased by RM7.526 million as at the current quarter to RM300.744 million compared with the immediate preceding quarter of RM293.218 million mainly due to higher 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	64,207	64,460

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 declared a first single tier interim dividend of 1.5 sen per share in respect of the financial year ending 31 March 2022 (1st Quarter FYE 2021: Nil), amounting to a net dividend payable of RM5,706,264.84. The interim dividend will be paid on 25 October 2021 to the Depositors registered in the Record of Depositors at the close of the business on 11 October 2021.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.30 p.m. on 11 October 2021 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.

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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Profit/(Loss) attributable to owners of the parent (RM'000)	32,354	(6,749)	32,354	(6,749)
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	8.50	(1.77)	8.50	(1.77)
- 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 30.06.2021 RM'000	Cumulative 3 months ended 30.06.2021 RM'000
Interest Income	135	135
Other Income including Investment Income	622	622
Interest Expenses	2,523	2,523
Depreciation & Amortisation	744	744
Provision for/Write off of Receivables	15	15
Provision for/Write off of Inventories	-	-

Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	-	-
Impairment of Assets	-	-
Gain/(Loss) on Foreign Exchange		
- Realised	605	605
- Unrealised	(523)	(523)
Gain/(Loss) on Derivatives	-	-
Impairment of Goodwill	-	-

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 25 August 2021.

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