



INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2022

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 2022. 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 2022.

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 2022, except for the following Amendments to MFRS and Annual Improvements to MFRSs which are applicable to its financial statements:

Effective for financial period beginning on or after 1 January 2022:-

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

The adoption of these Amendments to MFRS and Annual Improvements to MFRSs did not have any impact on the financial statements 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 2023:-

- Amendments to MFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying MFRS 9
- MFRS 17 and Amendments to MFRS17 Insurance Contracts
- Amendments to MFRS 17 Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates
- Amendments to MFRS 112 Income taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction



Effective Date Deferred Indefinitely:-

- Amendments to MFRS 10 and MFRS 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 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 2023 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	630,771	23,497	1,590	-	655,858
Inter-company transactions	137,732	5,917	-	(143,649)	-
Total Sales	<u>768,503</u>	<u>29,414</u>	<u>1,590</u>	<u>(143,649)</u>	<u>655,858</u>
RESULTS					
Segment results	48,489	3,239	1,539	-	53,267
Finance cost	(7,814)	(125)	(464)	-	(8,403)
Interest income	288	3	8	-	299
Share of result in associated company	-	-	(52)	-	(52)
Taxation	(10,619)	(928)	(272)	-	(11,819)
Profit for the period	<u>30,344</u>	<u>2,189</u>	<u>759</u>	<u>-</u>	<u>33,292</u>
ASSETS					
	<u>1,331,353</u>	<u>37,378</u>	<u>101,022</u>	<u>(309,200)</u>	<u>1,160,553</u>
LIABILITIES					
	<u>972,556</u>	<u>12,252</u>	<u>38,697</u>	<u>(309,242)</u>	<u>714,263</u>

9.2 Geographical Segments

	3 months ended 30.09.2022 RM'000	6 months ended 30.09.2022 RM'000
External Sales		
Malaysia	152,129	341,991
APEC countries	148,967	307,329
Other countries	2,591	6,538
	<u>303,687</u>	<u>655,858</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

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



On 10 October 2022, AYS Capital Sdn Bhd, a wholly-owned subsidiary of the Company, has subscribed One Thousand (1,000) unit ordinary shares of Ann Yak Siong (Singapore) Pte Ltd (“AYSS”) representing 100% of the entire issued capital of AYSS for a total consideration of SGD1,000.00 (equivalent to approximately RM3,240.80) and AYSS has effectively become a 100% subsidiary of the AYS Group.

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 2022 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	3,293
(b) Approved but not contracted for	46,598

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	
	30.09.2022 RM'000	30.09.2021 RM'000	RM'000	%	30.09.2022 RM'000	30.09.2021 RM'000	RM'000	%
Revenue	303,687	221,500	82,187	37.10%	655,858	484,699	171,159	35.31%
Operating Profit	14,941	38,808	(23,867)	-61.50%	53,247	87,881	(34,634)	-39.41%
Profit Before Interest and Tax	14,943	41,325	(26,382)	-63.84%	53,215	90,426	(37,211)	-41.15%
Profit Before Tax	10,684	36,389	(25,705)	-70.64%	45,111	83,102	(37,991)	-45.72%
Profit After Tax	8,372	30,634	(22,262)	-72.67%	33,292	68,784	(35,492)	-51.60%
Profit Attributable to Ordinary Equity Holders of the Parent	7,825	24,769	(16,944)	-68.41%	29,766	57,123	(27,357)	-47.89%

For the second quarter ended 30 September 2022, the Group registered revenue of RM303.687 million, an increase of RM82.187 million or 37.10% as compared to the revenue of RM221.500 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.

The Group operating profit decreased by RM23.867 million to operating profit of RM14.941 million in the current quarter as compared to the operating profit of RM38.808 million for the corresponding quarter of the preceding year. The Group registered a profit before tax (“PBT”) of RM10.684 million for the current quarter, a decrease in PBT of RM25.705 million as compared to PBT of RM36.389 million in the corresponding quarter of the preceding year. The decrease in operating profit and PBT were mainly due to higher cost of goods sold and interest expense despite higher revenue in the current quarter.



Trading & Services division's revenue increased by RM73.090 million to RM289.084 million for the current quarter compared to RM215.994 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM28.343 million to RM8.381 million for the current quarter as compared to segment PBT of RM36.724 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to the higher sales volume and average selling price of steel products. However, the lower segment PBT during the current quarter was mainly due to higher cost of goods sold and interest expenses.

Manufacturing division's revenue increased by RM9.097 million to RM13.807 million for the current quarter compared to RM4.710 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.939 million to PBT of RM1.838 million for the current quarter as compared to LBT of RM0.101 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to higher sales volume coupled with higher average selling prices of manufactured products. The higher segment PBT during the current quarter was mainly due to higher sales volume and average selling price despite higher average cost of sales due to higher raw material prices.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.09.2022 RM'000	30.06.2022 RM'000	RM'000	%
Revenue	303,687	352,171	(48,484)	-13.77%
Operating Profit	14,941	38,306	(23,365)	-61.00%
Profit Before Interest and Tax	14,943	38,272	(23,329)	-60.96%
Profit Before Tax	10,684	34,427	(23,743)	-68.97%
Profit After Tax	8,372	24,920	(16,548)	-66.40%
Profit Attributable to Ordinary Equity	7,825	21,941	(14,116)	-64.34%

The Group registered revenue of RM303.687 million in the current quarter which was RM48.484 million or 13.77% lower than the revenue of RM352.171 million for the immediate preceding quarter. The lower revenue was mainly attributable to lower sales volume and average selling price of steel products in the current quarter in Trading & Services division.

The Group operating profit decrease by RM23.365 million to operating profit of RM14.941 million in the current quarter as compared to operating profit of RM38.306 million for the immediate preceding quarter. The PBT of the Group registered a decrease of RM23.743 million to RM10.684 million in the current quarter compared to PBT of RM34.427 million for the immediate preceding quarter. The decrease in operating profit and PBT were mainly attributable to higher cost of goods sold and interest expenses during the current quarter under review.

Trading & Services division's revenue decreased by RM52.603 million to RM289.084 million for the current quarter compared to RM341.687 million for the immediate preceding quarter. The segment PBT decreased by RM24.201 million to RM8.381 million in the current quarter as compared to segment PBT of RM32.582 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume and lower average selling prices of steel products. The lower segment PBT was mainly attributable to higher cost of goods sold and interest expenses during the current quarter under review.



Manufacturing division's revenue increased by RM4.117 million to RM13.807 million for the current quarter compared to RM9.690 million for the immediate preceding quarter. The segment PBT increased by RM0.560 million to PBT of RM1.838 million for the current quarter as compared to segment PBT of RM1.278 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to higher sales volume of manufactured products. The higher segment PBT during the current quarter was mainly due to higher sales volume and lower production cost resulting from improved productivity.

16. PROSPECTS

With several major headwinds happening in 2022, namely the ongoing Russian-Ukraine war, the continuous China's lockdowns, the rising interest rates and the sustained elevated inflation globally, these have hampered most of the global economies from the expected economic recovery post Covid-19 in 2022. The World Steel Association has forecasted that the global steel demand will contract by 2.3 percent in 2022 reflecting the repercussion of the aforesaid factors.

On the domestic front, Malaysia is on track to achieve its 2022's GDP growth target of 5.3 percent to 6.3 percent and may expect to surpass its target as Malaysia saw faster growth in second quarter of 2022 and strong performance in third quarter. On the steel demand side, private consumption remains as the key driver of growth as well as supported by foreign direct investment but it still remains challenging due to ongoing geopolitical tensions, rising interest rates, inflationary pressure and volatility of commodity prices and foreign exchange rates. In Singapore, the economy grew 4.4 per cent, which is more than expected in the third quarter of 2022, according to advance estimates released by the Ministry of Trade and Industry in October 2022. However, there is downside risk for the rest of the year and 2023 depending on what happens with the major economies.

The Board is of the view that prospects and performance of the Group in the remaining quarters of the financial year ending 31 March 2023 remains challenging amidst the headwinds and competitive environment. Whilst mindful of the current headwinds, the Group will continue to remain agile in responding to the challenging business environment and maintain its strategy to focus on servicing the customers by providing total solutions in quality products and services, and to emphasise on cost management and efficiency improvement to deliver sustainable growth.

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 2023.

18. TAXATION

The tax figures comprise of:

	3 months ended	6 months ended
	30.09.22	30.09.22
	RM'000	RM'000
Income tax		
- Current year taxation	2,312	11,819
- Prior year taxation	-	-
Deferred tax	-	-
	2,312	11,819



The Group's effective tax rate for the current quarter was lower than the statutory tax rate of 24% mainly due to certain incomes which are not taxable. The Group's effective tax rate for the year-to-date under review was higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes.

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 September 2022 are as follows:

	As At End of Current Quarter 30.09.2022 RM'000	As At End of Immediate Preceding Quarter 30.06.2022 RM'000
<u>Short Term borrowings</u>		
Secured	437,712	417,934
<u>Long Term borrowings</u>		
Secured	36,118	36,875
Total borrowings	473,830	454,809

The Group's borrowings increased by RM19.021 million as at the current quarter to RM473.830 million compared with the immediate preceding quarter of RM454.809 million mainly due to higher inventories holding during the current quarter under review.

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	200,680	204,453

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 30 September 2022.

24. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit 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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit attributable to owners of the parent (RM'000)	7,825	24,769	29,766	57,123
Number of ordinary shares in issue ('000)	418,459	380,418	418,459	380,418
Earnings per share (sen)				
- Basic	1.87	6.51	7.11	15.02
- 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 30.09.2022 RM'000	Cumulative 6 months ended 30.09.2022 RM'000
Interest Income	126	299
Other Income including Investment Income	1,018	1,650
Interest Expenses	4,385	8,403
Depreciation & Amortisation	1,053	2,084
Provision for/Write off of Receivables	(31)	(293)
Provision for/Write off of Inventories	-	6,793
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	-	-
Impairment of Assets	-	-
Gain/(Loss) on Foreign Exchange		
- Realised	206	2,614
- Unrealised	1,416	522
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 28 November 2022.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
SSM Practising Certificate No. 201908000717
Company Secretary
28 November 2022
Selangor Darul Ehsan