

AYS VENTURES BERHAD
Registration No. 01001041243 (925171-T)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

AT THE NINTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT FUNCTION ROOM 1, MEZZANINE FLOOR, SETIA CITY CONVENTION CENTRE, NO.1, JALAN SETIA DAGANG AG U13/AG, SETIA ALAM SEKSYEN U13, 40170 SHAH ALAM, SELANGOR ON TUESDAY, 25 AUGUST 2020 AT 9.30 A.M.

Set forth below are the questions raised by shareholders and duly attended to by Group Managing Director and Group Financial Controller:

No.	Question	Answer
1.	What is the impact of the Covid-19 pandemic to the Group's business?	The Covid-19 pandemic has impacted the businesses of the Group. Due to the uncertain outlook on the timing and rate of recovery of the global economy going forward as a result of on-going Covid-19 pandemic, the Board anticipated that the prospects and performance of the Group will remain challenging in the upcoming financial year. Nonetheless, the Group will continue to exercise caution in managing the businesses and will focus on improving its performance and growth to strengthen its financial position.
2.	There was an increase in revenue of approximately 28.2% but the Group still suffer a loss in financial year ended 31 March 2020. What is the performance outlook of the Group?	The Group suffered a loss due to many factors mainly the lowered selling prices of steel products and pressured margins due to foreign exchange and global steel prices. Resulting from the outbreak of Covid-19, the Management is unable to reliably estimate the financial performance of the Group for the forthcoming financial year. However, the Group will continue to improve on its sustainability efforts in increasing its revenue, monitoring the credit risk on an ongoing basis and maintaining an optimal level of inventories. In addition, the Management has put in place cost control measures and will focus to increase the profitability. The Management had earlier foreseen the slowdown in domestic market and saw opportunity to expand its customer base with the acquisition of Steelar Pte Ltd. There were many upcoming projects in Singapore such as the new Mass Rapid Transit line, the building of Changi Terminal 5 airport etc.
3.	The Group made a loss and was also due to the foreign exchange and impairment loss on trade receivables. Please explain if the right mechanism was put in place to mitigate the challenges in the new financial year.	The Group has the policies and procedures in place to monitor and minimize the effect of the fluctuation in foreign exchange rates and the credit risk on a daily/ongoing basis. The Group uses foreign exchange contracts to hedge its forex risk; and due to unforeseen delay in shipments and fluctuation/movement in forex, the forex contracts will be extended and this may lead to incurrence of forex gain/loss.

No.	Question	Answer
		As for the impairment loss on trade receivables, the Group has made provision for expected credit loss of trade receivables and this is in compliance with the Accounting Standard.
4.	The Manufacturing sector was making losses all the time, is there a need to maintain the sector? What will the Management plan to do to at least to be at a breakeven position?	The Management will continue to monitor the manufacturing division. In view of the nature and circumstances of the business and in line with the Group towards more sustainable business model and to reduce operating cost over the longer term, the operation of water tank business was recently discontinued to prevent additional losses and costs.
5.	What is the goodwill of RM6 million in the statement of financial position?	The inclusion of goodwill in the statement of financial position was in compliance to the accounting standards on consolidation of account and was recognized as a result of acquisition of the share of identifiable assets acquired and liabilities assumed of the new subsidiary, Steelarlis Pte Ltd.
6.	Does the Management have any plan to reduce its bank borrowings and inventories?	The higher bank borrowings and inventories were mainly due to the incorporation of the new subsidiary in the current financial year under review. The Management will proactively manage the working capital, debt equity ratio and to regularize its inventories to an optimal level to reduce borrowing costs.
7.	The inventories level is about 50% of the total revenue. Is there a need to keep a high level of inventories?	The Group's is in a stockist business. As such there will be a need to have sufficient stock to cater to market demand and ensure timely delivery. The optimal level is to have at least 6 months of inventories. Some products will need a longer time to produce so a substantial amount is kept in the Group's inventories. The increase in inventories was also mainly due to the incorporation of inventories of the new subsidiary company.
8.	What is the component of the others fees paid to Grant Thornton Malaysia PLT amounting to RM178,000? Is it a one-off fee or recurrent fee?	The audit fee amounting to RM178,000 consist mainly of the due diligence work done prior to the acquisition of Steelarlis Pte Ltd. This is a one-off fee.
9.	Who is the other auditors for the fee paid amounting to RM52,000?	This is audit fee payable to the auditors as remuneration for their services as auditors of the subsidiary company in Singapore.
10.	The trade receivables have increased and collection is slower, will the Group face a larger bad debt? What is the Group's plan if customer could not pay and do the Group has such customer?	The increase in trade receivable reflecting higher revenue, the additional trade receivables included for the new subsidiary company and slower collection in end March 2020 due to the Covid-19 pandemic. The Group has operating control procedure and the Management will assess the Group's collection on an ongoing basis and impairment will be provided once doubtful debts were identified.

No.	Question	Answer
11.	It was noted that the Group faces a foreign currency risk since the last financial year, does the Management has any ongoing foreign currency contract and what is the balance amount? How does the Management managed this and what are the fees incurred?	The Management has put in place the necessary policies to minimize effect of the fluctuation in foreign exchange rates. The Group will hedge against the purchases and future requirements and this is being monitored on a daily basis with regular advice from the bankers.
12.	Why did the Management only purchase 51% of the shares in Steelaris Pte Ltd? Is the purchase price only SGD1.00 for 3.5 million shares and does the Group has any plan to buy the balance shares as Steelaris Pte Ltd contributed a positive goodwill to the Group.	The Group has purchased only 51% of shares as the remaining shareholders, mainly are the employees of Steelaris Pte Ltd who have the knowledge, expertise and experience that contribute to the Company's operation. The purchase price of SGD 1.00 for the shares of Steelaris was due to the company's loss making and negative net worth position.
13.	On the winding up of AYS Wire Products Sdn Bhd, how much is the cost incurred and why was the Company wound up? Are there any retrenchment cost?	The financial performance of AYS Wire Products Sdn Bhd's business has slowed down and the wire products business experienced a margin pressure with high operating cost. The Management has decided to cease its operation to focus on the core business of AYS Group couple with in line with the Group towards more sustainable business model. The cost of winding up was minimal. There were no retrenchment exercise as the staff was deployed to other companies within AYS Group.
14.	On the revaluation of properties, why not all the properties were revalued?	The revaluation was done according to the accounting standards. Investment properties must be revalued annually whereas properties used for the Group's operations will be revalued once every 3-5 years.
15.	There are an additional 9 properties in the list, why did the Management purchase additional properties?	The additional 9 properties were from a contra of debt from customer.
16.	Does the Management has any plan to table a share-buy back resolution for the Shareholders' approval at the next Annual General Meeting?	The Management has not considered to recommend for a share buy-back due to several factors e.g. low retained earnings at Company level, liquidity of shares in the market, public shareholding spread and solvency of the Company after the purchase of shares. Nevertheless, the Management will consider to table a share-buy back resolution for Shareholders' approval at the next Annual General Meeting.

=====THE END=====