

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2017

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 2017. 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 2017.

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 2017, except for the following Amendments to MFRS and Annual Improvements to MFRSs which are applicable to its financial statements:

Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12*	Disclosure of Interests in Other Entities (Under Annual Improvements to MFRS Standards 2014-2016 Cycle)

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 authorization of these interim financial statements, the following MFRS, Amendments to MFRSs and Annual Improvements to MFRSs 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 the financial period beginning on or after 1 January 2018

Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9	Financial Instrument (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 4	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Investment Property: Transfer of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities) *	

IC Interpretation 22 Foreign Currency Transaction and Advance Consideration

Effective for the financial period beginning on or after 1 January 2019

MFRS 16 Leases

Effective for a date yet to be confirmed

Amendments to MFRS 10 and FRS 128 Consolidated Financial Statements and Investment in Associate and Joint Ventures: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above MFRS, Amendments to MFRS and Annual Improvements to MFRSs when they become effective in the respective financial periods. The adoption of these pronouncements is not expected to have any significant financial impact to 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

During the financial year ending 31 March 2018, the Company has paid a final single tier interim dividend of 1.0 sen per share in respect of the financial year ended 31 March 2017 amounting to RM3,804,176.56 on 18 August 2017.

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, purlin, wire and other steel products.
- (c) Others
Investment holding and dormant.

No geographical segmental information being presented as the Group operates principally within Malaysia.

The segment revenue, segment results and segment assets for the financial year ending 31 March 2018 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	109,585	15,465	-	-	125,050
Inter-company transactions	600	575	-	(1,175)	-
Total Sales	<u>110,185</u>	<u>16,040</u>	<u>-</u>	<u>(1,175)</u>	<u>125,050</u>
RESULTS					
Segment results	10,096	7	(142)		9,961
Less:					
Finance cost					1,868
Interest income					(235)
Share of result in associated company					44
Taxation					2,241
Profit for the period					<u>6,043</u>
ASSETS					
	<u>418,932</u>	<u>46,313</u>	<u>35,153</u>	<u>(49,498)</u>	<u>450,900</u>
LIABILITIES					
	<u>226,566</u>	<u>18,129</u>	<u>250</u>	<u>(43,691)</u>	<u>201,254</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 for the current quarter under review.

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 2017 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	17,592
(b) Approved but not contracted for	29,913

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the first quarter ended 30 June 2017, the Group registered revenue of RM125.050 million, a decrease of RM19.762 million or 13.65% as compared to the revenue of RM144.812 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to lower sales volume despite higher selling prices of steel products from the trading & services division resulting from softening market demand.

The Group registered a profit before tax ("PBT") of RM8.284 million for the current quarter, a decrease of RM6.103 million as compared to PBT of RM14.387 million in the corresponding quarter of the preceding year. The decrease PBT was mainly due to decrease PBT of both the trading & services and manufacturing divisions resulting from lower revenue and higher cost of goods sold during the quarter.

Trading & services revenue decreased by RM19.465 million to RM109.585 million for the current quarter compared to RM129.049 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM4.058 million to RM8.403 million for the current quarter as compared to segment PBT of RM12.461 million for the corresponding quarter of the preceding year. The lower revenue mainly attributable to the lower sales volume resulting from lower demand despite higher selling prices. The lower PBT was mainly attributable to the lower revenue and higher cost of goods sold during the quarter.

Manufacturing revenue decreased by RM0.298 million to RM15.465 million for the current quarter compared to RM15.763 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM2.142 million to RM0.023 million for the current quarter as compared to a PBT of RM2.165 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume despite higher selling prices. The lower PBT was registered due to higher cost of goods sold and keen competition during the current quarter under review.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.06.2017 RM'000	31.03.2017 RM'000	RM'000	%
Revenue	125,050	127,491	(2,441)	-1.91%
Operating Profit	10,196	12,621	(2,425)	-19.21%
Profit Before Interest and Tax	9,951	12,284	(2,333)	-18.99%
Profit Before Tax	8,284	10,671	(2,387)	-22.37%
Profit After Tax	6,043	6,262	(219)	-3.50%
Profit Attributable to Ordinary Equity Holders of the Parent Holders of the Parent	6,038	6,389	(351)	-5.49%

The Group registered revenue of RM125.050 million in the current quarter which was RM2.441 million or 1.91% lower than the revenue of RM127.491 million for the preceding quarter mainly attributable to lower sales volume of steel products from the trading & services division resulting from softening market demand. The Group registered a decrease in PBT by RM2.387 million to RM8.284 million in the current quarter compared to PBT of RM10.671 million in the preceding quarter mainly attributable to the lower sales and higher cost of goods sold in the current quarter under review.

16. PROSPECTS

The spillover effect of the recovery of steel prices in 2016 has brought about a more stable and sustainable operating environment for the steelmakers. However, steel industry remains challenging due to continued uncertainties in the global environment, volatile commodity prices, oil prices and financial markets and more intense regional competition. Nevertheless, domestic demand will continue to be the main driver of growth, underpinned primarily by private sector activity supported by implementation of on-going and new projects coupled with the public investment, driven by higher capital expenditure by the Government with the continued roll-out of large-scale infrastructure projects in diversified sectors which support investment activity going forward. The Group will continue to maintain its strategies to focus on improving revenue growth, actively enhance its productivity and efficiency, keeping the cost under control and to increase its competitiveness in the industry so that the Group's performance will remain competitive 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 2018.

18. TAXATION

The tax figures comprise of:

	3 months ended 30.06.2017 RM'000
Income tax	
- Current year taxation	2,241
- Prior year taxation	-
Deferred tax	-
	<u>2,241</u>

The Group's effective tax rate for the current quarter under review was higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes and non-available group tax relief but the effect has been partially offset by certain income which are not taxable.

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 June 2017 are as follows:

	30.06.2017 RM'000
<u>Short Term borrowings</u>	
Secured	169,766
<u>Long Term borrowings</u>	
Secured	1,785
Total borrowings	<u>171,551</u>

The Group's borrowings are denominated in Ringgit Malaysia.

21. MATERIAL LITIGATION

There was no material litigation for the quarter under review.

22. DIVIDEND

The Board of Directors does not recommend any dividend in respect of the financial quarter ended 30th June 2017.

23. 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	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit/(Loss) attributable to owners of the parent (RM'000)	6,038	10,739	6,038	10,739
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.59	2.82	1.59	2.82
- 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.

24. REALISED AND UNREALISED PROFIT/(LOSS)

	3 months ended 30.06.2017 RM'000
Total retained profits of the Group:	
- Realised	186,655
- Unrealised profit	6,188
Total Group retained profits as per condensed consolidated statements of financial position	<u>192,843</u>

25. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

	3 months ended 30.06.2017 RM'000	Cumulative 3 months ended 30.06.2017 RM'000
Interest Income	235	235
Other Income including Investment Income	633	633
Interest Expenses	1,868	1,868
Depreciation & Amortisation	727	727
Provision for/Write off of Receivables	75	75
Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	0
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	(163)	(163)
- Unrealised	(43)	(43)
Gain/(Loss) on Derivatives	0	0
Impairment of Goodwill	0	0

26. AUTHORISATION FOR ISSUE

The Interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 21st August 2017.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Company Secretary
 21st August 2017
 Selangor Darul Ehsan