

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 dividend of 1 sen per share in respect of the financial year ending 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
<b>REVENUE</b>					
External sales	251,595	28,336	-	-	279,931
Inter-company transactions	4,653	1,105	-	(5,758)	-
Total Sales	<u>256,248</u>	<u>29,441</u>	<u>-</u>	<u>(5,758)</u>	<u>279,931</u>
<b>RESULTS</b>					
Segment results	21,153	181	(273)	-	21,061
Finance cost	(3,986)	(149)	-	-	(4,135)
Interest income	252	151	-	-	403
Share of result in associated co	-	-	(43)	-	(43)
Taxation	(4,614)	(68)	-	-	(4,682)
Profit for the period	<u>29,501</u>	<u>247</u>	<u>(230)</u>	<u>-</u>	<u>12,604</u>
<b>ASSETS</b>	<u>440,569</u>	<u>46,802</u>	<u>31,204</u>	<u>(50,394)</u>	<u>468,181</u>
<b>LIABILITIES</b>	<u>240,532</u>	<u>18,682</u>	<u>236</u>	<u>(44,542)</u>	<u>214,908</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 September 2017 were as follows:

<b>Commitments in respect of capital expenditure</b>	<b>RM'000</b>
(a) Contracted but not provided for	12,836
(b) Approved but not contracted for	29,405

## 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	
	30.09.2017 RM'000	30.09.2016 RM'000	RM'000	%	30.09.2017 RM'000	30.09.2016 RM'000	RM'000	%
Revenue	154,881	126,827	28,054	22.12%	279,931	271,639	8,292	3.05%
Operating Profit	11,268	9,359	1,909	20.40%	21,464	26,004	(4,540)	-17.46%
Profit Before Interest and Tax	11,101	8,867	2,234	25.19%	21,018	25,065	(4,047)	-16.15%
Profit Before Tax	9,002	7,214	1,788	24.79%	17,286	21,601	(4,315)	-19.98%
Profit After Tax	6,561	5,235	1,326	25.33%	12,604	15,996	(3,392)	-21.21%
Profit Attributable to Ordinary Equity Holders of the Parent	6,548	5,238	1,310	25.01%	12,586	15,977	(3,391)	-21.22%

For the second quarter ended 30 September 2017, the Group registered revenue of RM154.881 million, an increase of RM28.054 million or 22.12% as compared to the revenue of RM126.827 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher sales volume and selling prices of steel products from the trading & services division resulting from higher market demand.

The Group operating profit increased by RM1.909 million to RM11.268 million in the current quarter as compared to RM9.359 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM9.002 million for the current quarter, an increase of RM1.788 million as compared to PBT of RM7.214 million in the corresponding quarter of the preceding year. The increase operating profit and PBT was mainly due to higher revenue and lower impairment loss of trade receivables despite higher cost of goods sold in the current quarter.

Trading & services revenue increased by RM30.363 million to RM142.010 million for the current quarter compared to RM111.647 million for the corresponding quarter of the preceding year. The segment PBT increased by RM2.132 million to RM8.973 million for the current quarter as compared to segment PBT of RM6.841 million for the corresponding quarter of the preceding year. The higher revenue mainly attributable to the higher sales volume and selling prices of steel products resulting

from higher demand. The higher PBT was mainly attributable to the higher revenue and lower impairment loss of trade receivables despite higher cost of goods sold during the quarter.

Manufacturing revenue decreased by RM2.309 million to RM12.871 million for the current quarter compared to RM15.180 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.496 million to RM0.160 million for the current quarter as compared to a PBT of RM0.656 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume of steel products and sectional panels despite higher selling prices of steel products. The lower PBT was registered due to lower revenue, higher cost of goods sold of steel products coupled with keen competition during the current quarter under review.

## 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 30.09.2017 RM'000	Immediate Preceding Quarter 30.06.2017 RM'000	Changes	
			RM'000	%
Revenue	154,881	125,050	29,831	23.86%
Operating Profit	11,268	10,196	1,072	10.51%
Profit Before Interest and Tax	11,101	9,951	1,150	11.56%
Profit Before Tax	9,002	8,284	718	8.67%
Profit After Tax	6,561	6,043	518	8.57%
Profit Attributable to Ordinary Equity	6,548	6,038	510	8.45%

The Group registered revenue of RM154.881 million in the current quarter which was RM29.831 million or 23.86% higher than the revenue of RM125.050 million for the immediate preceding quarter mainly attributable to higher sales volume of steel products from the trading & services division resulting from higher market demand.

The Group operating profit increased by RM1.072 million to RM11.268 million in the current quarter as compared to RM10.196 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM0.718 million to RM9.002 million in the current quarter compared to PBT of RM8.284 million. The increase operating profit and PBT was mainly due to higher revenue despite higher cost of goods sold and higher transportation cost reflecting higher sales volume.

Trading & services revenue increased by RM32.425 million to RM142.010 million for the current quarter compared to RM109.585 million for the immediate preceding quarter. The segment PBT increased by RM0.570 million to RM8.973 million for the current quarter as compared to segment PBT of RM8.403 million for the immediate preceding quarter. The higher revenue mainly attributable to the higher sales volume and selling prices of steel products resulting from higher demand. The higher PBT was mainly attributable to the higher revenue but this has been partially off-set by higher cost of goods sold and higher transportation cost reflecting higher sales volume during the quarter.

Manufacturing revenue decreased by RM2.594 million to RM12.871 million for the current quarter compared to RM15.465 million for the immediate preceding quarter. The segment PBT increased by RM0.137 million to RM0.160 million for the current quarter as compared to a PBT of RM0.023 million for the immediate preceding quarter. The lower revenue was mainly attributable to the lower sales volume of steel products despite higher sales volume of sectional panels and higher selling

prices of steel products. The higher PBT was registered due to higher selling price of steel products during the current quarter under review.

## 16. PROSPECTS

The world steel demand growth begins to face a cyclical upturn with consumption demand expected to pick up on the back of the momentum in global economic growth. In October 2017, the World Bank revised Malaysia's 2017 gross domestic product growth forecast upwards to 5.2% and the local steel demand is expected to remain positive as domestic demand will remain the primary anchor of growth, underpinned by robust growth in private-sector expenditure coupled with Government expenditure with continued roll-out of key local infrastructure projects. The Group will continue with its sales and marketing efforts, strengthening its operational and productivity efficiencies and cost saving measures to ensure the performance of the Group will remain satisfactory 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:

	<b>3 months ended</b> <b>30.09.2017</b> <b>RM'000</b>	<b>6 months ended</b> <b>30.09.2017</b> <b>RM'000</b>
Income tax		
- Current year taxation	2,441	4,682
- Prior year taxation	-	-
Deferred tax	-	-
	<u>2,441</u>	<u>4,682</u>

The Group's effective tax rate for the current quarter and year-to-date under review were 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 September 2017 are as follows:

	<b>Current Quarter</b> <b>30.09.2017</b> <b>RM'000</b>	<b>Immediate</b> <b>Preceding Quarter</b> <b>30.06.2017</b> <b>RM'000</b>
<b><u>Short Term borrowings</u></b>		
Secured	190,746	169,766
<b><u>Long Term borrowings</u></b>		
Secured	1,546	1,785
<b>Total borrowings</b>	192,292	171,551

The Group's short term borrowings increased by RM20.980 million as at the current quarter of RM190.746 million compared with the immediate preceding quarter of RM169.766 million mainly due to higher payment for the purchase of steel products.

The bank borrowings of the Group bear interest at rates from 1.60% to 5.19% (last quarter: 1.60% to 5.19%) per annum.

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	37,555	37,401

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<sup>th</sup> September 2017.

## 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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit/(Loss) attributable to owners of the parent (RM'000)	6,548	5,238	12,586	15,977
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.72	1.38	3.31	4.20
- 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. REALISED AND UNREALISED PROFIT/(LOSS)

	<b>As at</b>
	<b>30.09.2017</b>
	<b>RM'000</b>
Total retained profits of the Group:	
- Realised	189,542
- Unrealised profit	6,045
Total Group retained profits as per condensed consolidated statements of financial position	<u>195,587</u>



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

	<b>3 months ended 30.09.2017 RM'000</b>	<b>Cumulative 6 months ended 30.09.2017 RM'000</b>
Interest Income	168	403
Other Income including Investment Income	152	784
Interest Expenses	2,267	4,135
Depreciation & Amortisation	829	1,556
Provision for/Write off of Receivables	(122)	(47)
Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	224
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	15	(148)
- Unrealised	(143)	(186)
Gain/(Loss) on Derivatives	0	0
Impairment of Goodwill	0	0

**27. 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 20<sup>th</sup> November 2017.

By Order of the Board  
 Leong Oi Wah (MAICSA 7023802)  
 Company Secretary  
 20<sup>th</sup> November 2017  
 Selangor Darul Ehsan