

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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) *	



## 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	376,908	39,267	-	-	416,175
Inter-company transactions	7,020	1,887	-	(8,907)	-
<b>Total Sales</b>	<b>383,928</b>	<b>41,154</b>	<b>-</b>	<b>(8,907)</b>	<b>416,175</b>
<b>RESULTS</b>					
Segment results	32,422	269	(411)	-	32,280
Finance cost	(6,305)	(228)	-	-	(6,533)
Interest income	408	241	-	-	649
Share of result in associated company	-	-	(135)	-	(135)
Taxation	(5,721)	79	-	-	(5,642)
<b>Profit for the period</b>	<b>20,804</b>	<b>361</b>	<b>(546)</b>	<b>-</b>	<b>20,619</b>
<b>ASSETS</b>	<b>476,332</b>	<b>47,763</b>	<b>37,077</b>	<b>(54,825)</b>	<b>506,347</b>
<b>LIABILITIES</b>	<b>276,620</b>	<b>19,761</b>	<b>247</b>	<b>(48,663)</b>	<b>247,965</b>

## 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 31 December 2017 were as follows:

<b>Commitments in respect of capital expenditure</b>	<b>RM'000</b>
(a) Contracted but not provided for	7,405
(b) Approved but not contracted for	30,255

## 14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (3rd Quarter)				Cumulative Period			
	Current Quarter	Preceding Year Corresponding Quarter	Changes		Current Year To-date	Preceding Year Corresponding Period	Changes	
	31.12.2017 RM'000	31.12.2016 RM'000	RM'000	%	31.12.2017 RM'000	31.12.2016 RM'000	RM'000	%
Revenue	136,244	130,954	5,290	4.04%	416,175	402,593	13,582	3.37%
Operating Profit	11,465	9,235	2,230	24.15%	32,929	35,239	(2,310)	-6.56%
Profit Before Interest and Tax	11,127	8,941	2,186	24.45%	32,145	34,246	(2,101)	-6.14%
Profit Before Tax	8,975	7,393	1,582	21.40%	26,261	28,994	(2,733)	-9.43%
Profit After Tax	8,015	5,474	2,541	46.42%	20,619	21,470	(851)	-3.96%
Profit Attributable to Ordinary Equity Holders of the Parent	8,004	5,469	2,535	46.35%	20,590	21,446	(856)	-3.99%

For the third quarter ended 31 December 2017, the Group registered revenue of RM136.244 million, an increase of RM5.290 million or 4.04% as compared to the revenue of RM130.954 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher selling prices despite lower sales volume of steel products from the trading & services division resulting from lower market demand.

The Group operating profit increased by RM2.230 million to RM11.465 million in the current quarter as compared to RM9.235 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM8.975 million for the current quarter, an increase of RM1.582 million as compared to PBT of RM7.393 million in the corresponding quarter of the preceding year. The increase operating profit and PBT was mainly due to higher selling prices of various steel products and lower transportation cost reflecting lower sales volume despite higher cost of goods sold and interest expenses due to higher payment for the purchase of steel products in the current quarter.

Trading & services revenue increased by RM7.250 million to RM125.313 million for the current quarter compared to RM118.063 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.585 million to RM9.014 million for the current quarter as compared to segment PBT of RM7.429 million for the corresponding quarter of the preceding year. The higher

revenue mainly attributable to the higher selling prices despite lower sales volume of steel products resulting from lower market demand. The higher PBT was mainly attributable to the higher selling prices and lower transportation cost reflecting lower sales volume during the quarter.

Manufacturing revenue decreased by RM1.960 million to RM10.931 million for the current quarter compared to RM12.891 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.006 million to RM0.099 million for the current quarter as compared to a PBT of RM0.105 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume despite higher selling price of steel products and sectional panels. The lower PBT was registered due to lower revenue and 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 31.12.2017 RM'000	Immediate Preceding Quarter 30.09.2017 RM'000	Changes	
			RM'000	%
Revenue	136,244	154,881	(18,637)	-12.03%
Operating Profit	11,465	11,268	197	1.75%
Profit Before Interest and Tax	11,127	11,101	26	0.23%
Profit Before Tax	8,975	9,002	(27)	-0.30%
Profit After Tax	8,015	6,561	1,454	22.16%
Profit Attributable to Ordinary Equity	8,004	6,548	1,456	22.24%

The Group registered revenue of RM136.244 million in the current quarter which was RM18.637 million or 12.03% lower than the revenue of RM154.881 million for the immediate preceding quarter mainly attributable to lower sales volume of steel products from the both trading & services and manufacturing division resulting from lower market demand.

The Group operating profit increased by RM0.197 million to RM11.465 million in the current quarter as compared to RM11.268 million for the immediate preceding quarter. The PBT of the Group registered a decrease by RM0.27 million to RM8.975 million in the current quarter compared to PBT of RM9.002 million. The increase operating profit despite decrease in PBT was mainly due to higher selling prices, lower transportation cost reflecting lower sales volume despite higher cost of goods sold and interest expenses.

Trading & services revenue decreased by RM16.697 million to RM125.313 million for the current quarter compared to RM142.010 million for the immediate preceding quarter. The segment PBT increased by RM0.041 million to RM9.014 million for the current quarter as compared to segment PBT of RM8.973 million for the immediate preceding quarter. The lower revenue mainly attributable to the lower sales volume despite higher selling prices of steel products resulting from lower demand. The higher PBT was mainly attributable to higher selling price and lower transportation cost reflecting lower sales volume but this has been partially off-set by higher cost of goods sold and interest expenses during the quarter.

Manufacturing revenue decreased by RM1.940 million to RM10.931 million for the current quarter compared to RM12.871 million for the immediate preceding quarter. The segment PBT decreased by RM0.061 million to RM0.099 million for the current quarter as compared to a PBT of RM0.160 million for the immediate preceding quarter. The lower revenue was mainly attributable to the lower

sales volume and selling price of steel products. The lower PBT was registered due to lower revenue and higher cost of goods sold of steel products during the current quarter under review.

## 16. PROSPECTS

The global economy is experiencing a broad-based cyclical upturn, although conditions remain challenging and competitive with downside risks. China, the world's largest steel producer is expected to cut production capacity at state owned factories due to the recent economic slowdowns and in its effort to curb oversupply and tackle environmental pollution. A modest increase in production from China could restore market stability to a global market that was ravaged by a collapse in prices two years ago due to oversupply. Nevertheless on the domestic front, as reported by Malaysian Institute of Economic Research, Malaysia's gross domestic product (GDP) is forecast to grow 5.4 per cent year-on-year in 2018 and the GDP growth shall continue to be driven by private consumption and investment, growth in exports and higher government spending in infrastructure projects such as the East Coast Rail Link, High-Speed Rail, Mass Rapid Transit line two (MRT2) and Light Rail Transit line three (LRT3). The Group will continue to explore ways for the sustainability of its revenue and remain focus on improving its operational and productivity efficiencies. Barring unforeseen circumstances the Group is expected to maintain a satisfactory performance in the last quarter 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>9 months ended</b>
	<b>31.12.2017</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax		
- Current year taxation	2,347	7,029
- Prior year taxation	(1,387)	(1,387)
Deferred tax	-	-
	<u>960</u>	<u>5,642</u>

The Group's effective tax rate for the current quarter and year-to-date under review were lower than the statutory tax rate of 24% mainly due to overprovision of taxation in the prior year, utilisation of unabsorbed capital allowances and reinvestment allowance by subsidiaries and certain income which are not taxable 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

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 31 December 2017 are as follows:

	<b>Current Quarter</b> <b>31.12.2017</b> <b>RM'000</b>	<b>Immediate</b> <b>Preceding Quarter</b> <b>30.09.2017</b> <b>RM'000</b>
<b><u>Short Term borrowings</u></b>		
Secured	207,429	190,746
<b><u>Long Term borrowings</u></b>		
Secured	1,279	1,546
<b>Total borrowings</b>	208,708	192,292

The Group's short term borrowings increased by RM16.683 million as at the current quarter of RM207.429 million compared with the immediate preceding quarter of RM190.746 million mainly due to higher payment for the purchase of steel products.

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	17,625	17,132

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 2018 (3<sup>rd</sup> Quarter FYE 2017: Nil), amounting to a net dividend payable of RM5,706,264.84. The interim dividend will be paid on 30 March 2018 to the Depositors registered in the Record of Depositors at the close of the business on 16 March 2018.

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 4.00 p.m. on 16 March 2018 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 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit/(Loss) attributable to owners of the parent (RM'000)	8,004	5,469	20,590	21,446
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	2.10	1.44	5.41	5.64
- 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:**

	<b>3 months ended 31.12.2017 RM'000</b>	<b>Cumulative 9 months ended 31.12.2017 RM'000</b>
Interest Income	246	649
Other Income including Investment Income	190	974
Interest Expenses	2,398	6,533
Depreciation & Amortisation	695	2,251
Provision for/Write off of Receivables	(200)	(247)
Provision for/Write off of Inventories	260	260
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	224
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	(95)	(243)
- Unrealised	(217)	(403)
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 26<sup>th</sup> February 2018.

By Order of the Board  
 Leong Oi Wah (MAICSA 7023802)  
 Company Secretary  
 26<sup>th</sup> February 2018  
 Selangor Darul Ehsan