

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018

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

Save for the following, 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.

- (i) the revaluation of property, plant and equipment and investment properties comprising of land & buildings which were carried out by an independent professional valuer on 31/03/2018 which resulted in recognition of gain on fair value adjustments on investment properties, revaluation loss on PPE and revaluation surplus net of deferred taxation on PPE in the profit or loss and other comprehensive income statement amounted to RM0.154 million, RM1.882 million and RM10.478 million respectively in the financial year ended 31/03/2018.

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 ended 31 March 2018, the Company has paid:

- i) a final single tier dividend of 1 sen per share in respect of the financial year ended 31 March 2017 amounting to RM3,804,176.56 on 18 August 2017.
- ii) a first single tier interim dividend of 1.5 sen per share in respect of the financial year ended 31 March 2018 amounting to RM5,706,264.84 on 30 March 2018.

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 ended 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	512,846	49,662	-	-	562,508
Inter-company transactions	12,342	4,914	-	(17,256)	-
Total Sales	<u>525,188</u>	<u>54,576</u>	<u>-</u>	<u>(17,256)</u>	<u>562,508</u>
RESULTS					
Segment results	42,639	(783)	(684)	-	41,172
Finance cost	(8,767)	(336)	-	-	(9,103)
Interest income	479	324	-	-	803
Share of result in associated company	-	-	(217)	-	(217)
Taxation	(9,244)	120	-	-	(9,124)
Profit for the period	<u>25,107</u>	<u>(675)</u>	<u>(901)</u>	<u>-</u>	<u>23,531</u>
ASSETS	<u>505,997</u>	<u>50,909</u>	<u>35,248</u>	<u>(52,193)</u>	<u>539,961</u>
LIABILITIES	<u>299,695</u>	<u>24,086</u>	<u>398</u>	<u>(51,563)</u>	<u>272,616</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 31 March 2018 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	3,317
(b) Approved but not contracted for	28,524

14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (4th Quarter)				Cumulative Period			
	Current Quarter	Preceding Year Corresponding Quarter	Changes		Current Year To-date	Preceding Year Corresponding Period	Changes	
	31.03.2018 RM000	31.03.2017 RM000	RM000	%	31.03.2018 RM000	31.03.2017 RM000	RM000	%
Revenue	146,333	127,491	18,842	14.78%	562,508	530,084	32,424	6.12%
Operating Profit	9,046	12,621	(3,575)	-28.33%	41,975	47,860	(5,885)	-12.30%
Profit Before Interest and Tax	8,810	12,225	(3,415)	-27.93%	40,955	46,231	(5,276)	-11.41%
Profit Before Tax	6,394	10,671	(4,277)	-40.08%	32,655	39,665	(7,010)	-17.67%
Profit After Tax	2,912	6,262	(3,350)	-53.50%	23,531	27,732	(4,201)	-15.15%
Profit Attributable to Ordinary Equity Holders of the Parent	2,914	6,389	(3,475)	-54.39%	23,504	27,835	(4,331)	-15.56%

For the fourth quarter ended 31 March 2018, the Group registered revenue of RM146.333 million, an increase of RM18.842 million or 14.78% as compared to the revenue of RM127.491 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 decreased by RM3.575 million to RM9.046 million in the current quarter as compared to RM12.621 million for the corresponding quarter of the preceding year. The Group

registered a profit before tax (“PBT”) of RM6.394 million for the current quarter, a decrease of RM4.277 million as compared to PBT of RM10.671 million in the corresponding quarter of the preceding year. The decrease operating profit and PBT was mainly due to higher cost of goods sold, revaluation loss on property, plant and equipment comprising of building which were carried out by an independent professional valuer and higher interest expenses resulting from higher inventories holding in the current quarter.

Trading & services revenue increased by RM20.908 million to RM135.938 million for the current quarter compared to RM115.030 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM3.474 million to RM7.744 million for the current quarter as compared to segment PBT of RM11.218 million for the corresponding quarter of the preceding year. The higher segment revenue mainly attributable to the higher sales volume and selling price of steel products resulting from higher market demand. The lower segment PBT was mainly attributable to the higher cost of goods sold, revaluation loss on property, plant and equipment comprising of building which were carried out by an independent professional valuer and higher interest expenses which resulted from higher inventories holding during the current quarter.

Manufacturing revenue decreased by RM2.066 million to RM10.395 million for the current quarter compared to RM12.461 million for the corresponding quarter of the preceding year. The segment loss before tax (“LBT”) increased by RM0.726 million to LBT of RM1.076 million for the current quarter as compared to LBT of RM0.350 million for the corresponding quarter of the preceding year. The lower segment revenue was mainly attributable to the lower sales volume of steel purlin and panels for sectional tanks. The segment LBT was 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 31.03.2018 RM'000	Immediate Preceding Quarter 31.12.2017 RM'000	Changes	
			RM'000	%
Revenue	146,333	136,244	10,089	7.41%
Operating Profit	9,046	11,465	(2,419)	-21.10%
Profit Before Interest and Tax	8,810	11,127	(2,317)	-20.82%
Profit Before Tax	6,394	8,975	(2,581)	-28.76%
Profit After Tax	2,912	8,015	(5,103)	-63.67%
Profit Attributable to Ordinary Equity	2,914	8,004	(5,090)	-63.59%

The Group registered revenue of RM146.333 million in the current quarter which was RM10.089 million or 7.41% higher than the revenue of RM136.244 million for the immediate preceding quarter mainly attributable to higher sales volume despite lower selling price of steel products from the trading & services division resulting from higher market demand.

The Group operating profit decreased by RM2.419 million to RM9.046 million in the current quarter as compared to RM11.465 million for the immediate preceding quarter. The PBT of the Group registered a decrease by RM2.581 million to RM6.394 million in the current quarter compared to PBT of RM8.975 million for the immediate preceding quarter. The decrease operating profit and PBT was mainly due to lower selling prices despite higher sales volume, revaluation loss on property, plant and equipment comprising of building which were carried out by an independent professional valuer, higher transportation cost reflecting higher sales volume, higher cost of goods sold and interest expenses.

Trading & services revenue increased by RM10.625 million to RM135.938 million for the current quarter compared to RM125.313 million for the immediate preceding quarter. The segment PBT decreased by RM1.270 million to RM7.744 million in the current quarter as compared to segment PBT of RM9.014 million for the immediate preceding quarter. The higher segment revenue mainly attributable to the higher sales volume despite lower selling prices of steel products resulting from higher demand. The lower segment PBT was mainly attributable by revaluation loss on property, plant and equipment comprising of building which were carried out by an independent professional valuer, higher transportation cost reflecting higher sales volume and higher interest expenses but the effect has been mitigated by higher revenue.

Manufacturing revenue decreased by RM0.536 million to RM10.395 million for the current quarter compared to RM10.931 million for the immediate preceding quarter. The segment loss before tax ("LBT") increased by RM1.175 million to RM1.076 million for the current quarter as compared to a PBT of RM0.099 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume of steel purlin and panels for sectional tanks. The segment LBT was due to lower revenue and higher cost of goods sold of steel products during the current quarter under review.

16. PROSPECTS

The Group's business is expected to remain challenging in the coming financial year. The global economy continues to grow at steady pace amidst the ongoing downside risks. On local front, the Group continues to take advantage of the GDP growth driven by private consumption and investment activities beside new business opportunities such as via the 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 Board will continue to explore ways to improve revenue growth while strengthening its operational and productivity efficiencies. Barring any unforeseen circumstances, the Group expects its performance will remain positive in the next 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 ended 31 March 2018.

18. TAXATION

The tax figures comprise of:

	3 months ended	12 months ended
	31.03.2018	31.03.2018
	RM'000	RM'000
Income tax		
- Current year taxation	2,318	9,347
- Prior year taxation	-	(1,387)
Deferred tax	<u>1,164</u>	<u>1,164</u>
	<u><u>3,482</u></u>	<u><u>9,124</u></u>

The Group's effective tax rate for the current quarter and 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, provision of deferred taxation, revaluation loss on property, plant and equipment and non-available of

group tax relief but the effect has been mitigated by certain income which are not taxable and overprovision of taxation in the prior year.

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 March 2018 are as follows:

	As At End of Current Quarter 31.03.2018 RM'000	As At End of Immediate Preceding Quarter 31.12.2017 RM'000
<u>Short Term borrowings</u>		
Secured	218,424	207,429
<u>Long Term borrowings</u>		
Secured	1,213	1,279
Total borrowings	219,637	208,708

The Group's short term borrowings increased by RM10.995 million as at the current quarter to RM218.424 million compared with the immediate preceding quarter of RM207.429 million mainly due to higher inventories holding.

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	18,510	18,361

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 have proposed a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 March 2018 (4th Quarter FYE 2017: 1.0 sen), amounting to a net dividend payable of RM3,804,176.56. The dividend is subject to approval by shareholders of the forthcoming Annual General Meeting. The book closure and payment dates for this dividend will be announced in due course.

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Profit/(Loss) attributable to owners of the parent (RM'000)	2,914	6,389	23,504	27,835
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	0.77	1.68	6.18	7.32
- 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 31.03.2018 RM'000	Cumulative 12 months ended 31.03.2018 RM'000
Interest Income	154	803
Other Income including Investment Income	262	1,236
Interest Expenses	2,570	9,103
Depreciation & Amortisation	1,090	3,341
Provision for/Write off of Receivables	(184)	(431)
Provision for/Write off of Inventories	(13)	247
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	0
Impairment of Assets	1,882	1,882
Gain/(Loss) on Foreign Exchange		
- Realised	14	(229)
- Unrealised	295	(108)
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 22nd May 2018.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Company Secretary
 22nd May 2018
 Selangor Darul Ehsan