

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 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 2018. 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 2018.

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 2018, except for the following Amendments to MFRS and Annual Improvements to MFRSs which are applicable to its financial statements:

MFRS 9	Financial Instrument
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 7	Financial Instrument - Disclosure: Mandatory effective date of MFRS 9 and transitional disclosures
Amendments to MFRS 140	Investment Property: Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transaction and Advance Consideration

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 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits (Plan Amendment, Curtailment or Settlement)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015-2017 Cycle	

Effective for the financial period beginning on or after 1 January 2020

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs

Effective for the financial period beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective for a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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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 2019, the Company has paid a final single tier dividend of 1 sen per share in respect of the financial year ended 31 March 2018 amounting to RM3,804,176.56 on 24 August 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 ending 31 March 2019 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	128,265	12,913	-	-	141,178
Inter-company transactions	2,893	2,960	-	(5,853)	-
Total Sales	<u>131,158</u>	<u>15,873</u>	<u>-</u>	<u>(5,853)</u>	<u>141,178</u>
RESULTS					
Segment results	11,668	(315)	(178)	-	11,175
Finance cost	(2,573)	(98)	-	-	(2,671)
Interest income	27	94	-	-	121
Share of result in associated company	-	-	8	-	8
Taxation	(2,198)	(44)	-	-	(2,242)
Profit for the period	<u>6,924</u>	<u>(363)</u>	<u>(170)</u>	<u>-</u>	<u>6,391</u>
ASSETS	<u>490,809</u>	<u>52,386</u>	<u>34,645</u>	<u>(50,303)</u>	<u>527,537</u>
LIABILITIES	<u>275,654</u>	<u>26,594</u>	<u>423</u>	<u>(50,072)</u>	<u>252,599</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 2018 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	494
(b) Approved but not contracted for	26,332

14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (1st Quarter)			
	Current Quarter	Preceding Year Corresponding Quarter	Changes	
	30.06.2018 RM000	30.06.2017 RM000	RM000	%
Revenue	141,178	125,050	16,128	12.90%
Operating Profit	11,296	10,196	1,100	10.79%
Profit Before Interest and Tax	11,183	9,951	1,232	12.38%
Profit Before Tax	8,633	8,284	349	4.21%
Profit After Tax	6,391	6,043	348	5.76%
Profit Attributable to Ordinary Equity Holders of the Parent	6,388	6,038	350	5.80%

For the first quarter ended 30 June 2018, the Group registered revenue of RM141.178 million, an increase of RM16.128 million or 12.90% as compared to the revenue of RM125.050 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 RM1.100 million to RM11.296 million in the current quarter as compared to RM10.196 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM8.633 million for the current quarter, an increase of RM0.349 million as compared to PBT of RM8.284 million in the corresponding quarter of the preceding year. The increase operating profit and PBT was mainly due to higher revenue in the current quarter.

Trading & services revenue increased by RM18.680 million to RM128.265 million for the current quarter compared to RM109.585 million for the corresponding quarter of the preceding year. The segment PBT increased by RM0.718 million to RM9.121 million for the current quarter as compared to segment PBT of RM8.403 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 higher segment PBT was mainly attributable to the higher revenue but the effect has been partially offset by the higher cost of goods sold during the current quarter.

Manufacturing revenue decreased by RM2.552 million to RM12.913 million for the current quarter compared to RM15.465 million for the corresponding quarter of the preceding year. The segment loss before tax ("LBT") increased by RM0.341 million to LBT of RM0.318 million for the current quarter as compared to PBT of RM0.023 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 wire products. The higher 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 30.06.2018 RM'000	Immediate Preceding Quarter 31.03.2018 RM'000	Changes	
			RM'000	%
Revenue	141,178	146,333	(5,155)	-3.52%
Operating Profit	11,296	9,046	2,250	24.87%
Profit Before Interest and Tax	11,183	8,810	2,373	26.94%
Profit Before Tax	8,633	6,394	2,239	35.02%
Profit After Tax	6,391	2,912	3,479	119.47%
Profit Attributable to Ordinary Equity	6,388	2,914	3,474	119.22%

The Group registered revenue of RM141.178 million in the current quarter which was RM5.155 million or 3.52% lower than the revenue of RM146.333 million for the immediate preceding quarter mainly attributable to lower sales volume despite higher selling price of steel products from the trading & services division resulting from lower market demand.

The Group operating profit increased by RM2.250 million to RM11.296 million in the current quarter as compared to RM9.046 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM2.239 million to RM8.633 million in the current quarter compared to PBT of RM6.394 million for the immediate preceding quarter. The increase operating profit and PBT was mainly due to incorporation of revaluation loss on property on property, plant and equipment comprising of building and higher transportation cost in the preceding quarter.

Trading & services revenue decreased by RM7.673 million to RM128.265 million for the current quarter compared to RM135.938 million for the immediate preceding quarter. The segment PBT increased by RM1.377 million to RM9.121 million in the current quarter as compared to segment PBT of RM7.744 million for the immediate preceding quarter. The lower segment revenue mainly attributable to the lower sales volume despite higher sales selling prices of steel products resulting from lower demand. The higher segment PBT was mainly attributable to the incorporation of revaluation loss on property, plant and equipment comprising of building and higher transportation cost in the immediate preceding quarter.

Manufacturing revenue increased by RM2.518 million to RM12.913 million for the current quarter compared to RM10.395 million for the immediate preceding quarter. The segment loss before tax ("LBT") decreased by RM0.758 million to RM0.318 million for the current quarter as compared to a LBT of RM1.076 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to the higher sales volume of wire products, panels for sectional tanks, steel purlin and IBS components. The lower segment LBT was due to higher revenue and lower cost of goods sold resulting from improved productivity during the current quarter under review.

16. PROSPECTS

Steel industry remains challenging due to continued uncertainties in the global environment, amidst heightened trade barriers, steel prices across the globe expects to remain stable. Growth is becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. On the domestic front, the nation's GDP grew slower year-on-year at 4.5% in 2Q18 compared to the 5.4% expansion in 1Q18. Going forward, the Malaysian economy is expected to remain on a steady growth path. Private sector activities continued to be the primary driver of growth as both private consumption and investment would support the local economy in spite of the new government has taken a critical view of large-scale infrastructure projects. The Group will constantly review its operations with a view to improve revenue while strengthening its operational and productivity efficiencies. Barring any unforeseen circumstances, the Group expects its performance will remain positive 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 2019.

18. TAXATION

The tax figures comprise of:

	3 months ended 30.06.2018 RM'000
Income tax	
- Current year taxation	2,242
- Prior year taxation	-
Deferred tax	-
	<u>2,242</u> :

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes and non-available of group tax relief but the effect has been mitigated 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 2018 are as follows:

	As At End of Current Quarter 30.06.2018 RM'000	As At End of Immediate Preceding Quarter 31.03.2018 RM'000
<u>Short Term borrowings</u>		
Secured	220,820	218,424
<u>Long Term borrowings</u>		
Secured	1,189	1,213
Total borrowings	222,009	219,637

The Group's short term borrowings increased by RM2.396 million as at the current quarter to RM220.820 million compared with the immediate preceding quarter of RM218.424 million mainly due to higher importation of steel products in the current quarter under review.

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	46,304	46,668

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 30th June 2018.

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	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Profit/(Loss) attributable to owners of the parent (RM'000)	6,388	6,038	6,388	6,038
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.68	1.59	1.68	1.59
- 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	121	121
Other Income including Investment Income	252	252
Interest Expenses	2,671	2,671
Depreciation & Amortisation	1,199	1,199
Provision for/Write off of Receivables	(253)	(253)
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	546	546
- Unrealised	421	421
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 29th August 2018.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Company Secretary
29th August 2018
Selangor Darul Ehsan