

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 MFRSs, Amendments to MFRSs, IC Interpretation 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
Annual improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosures of interest in Other Entities)*	

The adoption of these MFRSs, Amendments to MFRSs, IC Interpretation 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 MFRSs, Amendments to MFRSs, IC Interpretation 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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* Not applicable to the Group's operations

The Group will adopt the above MFRSs, Amendments to MFRSs, IC Interpretation 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	271,912	38,571	-	-	310,483
Inter-company transactions	11,042	8,526	-	(19,568)	-
Total Sales	<u>282,954</u>	<u>47,097</u>	<u>-</u>	<u>(19,568)</u>	<u>310,483</u>
RESULTS					
Segment results	22,751	860	(409)	-	23,202
Finance cost	(5,431)	(211)	-	-	(5,642)
Interest income	97	123	-	-	220
Share of result in associated company	-	-	-	-	-
Taxation	(4,080)	(143)	-	-	(4,223)
Profit for the period	<u>13,337</u>	<u>629</u>	<u>(409)</u>	<u>-</u>	<u>13,557</u>
ASSETS	<u>536,261</u>	<u>52,443</u>	<u>35,512</u>	<u>(49,422)</u>	<u>574,794</u>
LIABILITIES	<u>319,338</u>	<u>25,605</u>	<u>325</u>	<u>(49,126)</u>	<u>296,142</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 2018 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	21
(b) Approved but not contracted for	26,011

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	
	30.09.2018 RM000	30.09.2017 RM000	RM000	%	30.09.2018 RM000	30.09.2017 RM000	RM000	%
Revenue	169,305	154,881	14,424	9.31%	310,483	279,931	30,552	10.91%
Operating Profit	12,126	11,268	858	7.61%	23,422	21,464	1,958	9.12%
Profit Before Interest and Tax	12,019	11,101	918	8.27%	23,202	21,018	2,184	10.39%
Profit Before Tax	9,147	9,002	145	1.61%	17,780	17,286	494	2.86%
Profit After Tax	7,166	6,561	605	9.22%	13,557	12,604	953	7.56%
Profit Attributable to Ordinary Equity Holders of the Parent	7,147	6,548	599	9.15%	13,535	12,586	949	7.54%

For the second quarter ended 30 September 2018, the Group registered revenue of RM169.305 million, an increase of RM14.424 million or 9.31% as compared to the revenue of RM154.881 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 both trading & services and manufacturing divisions resulting from higher market demand.

The Group operating profit increased by RM0.858 million to RM12.126 million in the current quarter as compared to RM11.268 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM9.147 million for the current quarter, an increase of RM0.145 million as compared to PBT of RM9.002 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 RM1.637 million to RM143.647 million for the current quarter compared to RM142.010 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.663 million to RM8.310 million for the current quarter as compared to segment PBT of RM8.973 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 higher cost of goods sold and interest expenses during the current quarter.

Manufacturing revenue increased by RM12.787 million to RM25.658 million for the current quarter compared to RM12.871 million for the corresponding quarter of the preceding year. The segment PBT increased by RM0.908 million to RM1.068 million for the current quarter as compared to PBT of RM0.160 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to the higher sales volume of IBS components, steel purlin, wire products and panels for sectional tanks. The higher segment PBT was due to higher revenue and lower cost of goods sold resulting from improved productivity during the current quarter under review.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Changes	
			RM'000	%
Revenue	169,305	141,178	28,127	19.92%
Operating Profit	12,126	11,296	830	7.35%
Profit Before Interest and Tax	12,019	11,183	836	7.48%
Profit Before Tax	9,147	8,633	514	5.95%
Profit After Tax	7,166	6,391	775	12.13%
Profit Attributable to Ordinary Equity	7,147	6,388	759	11.88%

The Group registered revenue of RM169.305 million in the current quarter which was RM28.127 million or 19.92% higher than the revenue of RM141.178 million for the immediate preceding quarter mainly attributable to higher sales volume of steel products from both the trading & services and manufacturing divisions resulting from higher market demand.

The Group operating profit increased by RM0.830 million to RM12.126 million in the current quarter as compared to RM11.296 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM0.514 million to RM9.147 million in the current quarter compared to PBT of RM8.633 million for the immediate preceding quarter. The increase operating profit and PBT was mainly due to higher revenue.

Trading & services revenue increased by RM15.382 million to RM143.647 million for the current quarter compared to RM128.265 million for the immediate preceding quarter. The segment PBT decreased by RM0.811 million to RM8.310 million in the current quarter as compared to segment PBT of RM9.121 million for the immediate preceding quarter. The higher segment revenue mainly attributable to the higher sales volume and higher sales selling prices of steel products resulting from higher demand. The lower segment PBT was mainly attributable to higher cost of goods sold and interest expenses in the current quarter.

Manufacturing revenue increased by RM12.745 million to RM25.658 million for the current quarter compared to RM12.913 million for the immediate preceding quarter. The segment PBT increased by RM1.386 million to RM 1.068 million for the current quarter as compared to loss before tax of RM0.318 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to the higher sales volume of IBS components, steel purlin, wire products and panels for sectional tanks. The higher segment PBT was due to higher revenue and lower cost of goods sold resulting from improved productivity during the current quarter under review.

16. PROSPECTS

The World Steel Association forecasted that the global steel demand will grow by 3.9% in 2018 and 1.4% in 2019 back by the recovery in investment activities in developed economies and the improved performance of emerging economies. On the domestic front, the outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.8% and 4.9% in 2018 and 2019 respectively and private sector expenditure will continue to be the key driver of growth for the economy in spite of the government moves to review and re-prioritise expenditure and rein in the fiscal deficit. Despite the resilient economic, steel industry remains challenging as infrastructure and construction jobs grow slower resulting from the cancellation or deferment of mega projects coupled with currencies pressures from the tensions in the global economy. The Group will continue to explore ways to improve its revenue growth while strengthening its operational and productivity efficiencies and cost saving measures to ensure the performance of the Group 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 30.09.2018 RM'000	6 months ended 30.09.2018 RM'000
Income tax		
- Current year taxation	1,981	4,223
- Prior year taxation	-	-
Deferred tax	-	-
	<u>1,981</u>	<u>4,223</u>

The Group's effective tax rate for the current quarter and year-to-date under review and was lower than the statutory tax rate of 24% mainly due to 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 30 September 2018 are as follows:

	As At End of Current Quarter 30.09.2018 RM'000	As At End of Immediate Preceding Quarter 30.06.2018 RM'000
<u>Short Term borrowings</u>		
Secured	261,165	220,820
<u>Long Term borrowings</u>		
Secured	954	1,189
Total borrowings	262,119	222,009

The Group's short term borrowings increased by RM40.345 million as at the current quarter to RM261.165 million compared with the immediate preceding quarter of RM220.820 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	27,668	27,685

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 September 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	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit/(Loss) attributable to owners of the parent (RM'000)	7,147	6,548	13,535	12,586
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.88	1.72	3.56	3.31
- 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	Cumulative 6 months ended
	30.09.2018	30.09.2018
	RM'000	RM'000
Interest Income	99	220
Other Income including Investment Income	436	688
Interest Expenses	2,971	5,642
Depreciation & Amortisation	1,193	2,392
Provision for/Write off of Receivables	(32)	(285)
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	75	621
- Unrealised	(95)	326
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 23rd November 2018.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Company Secretary
 23rd November 2018
 Selangor Darul Ehsan