

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2023

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 2023. 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 2023.

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 2023, except for the following Amendments to MFRS which are applicable to its financial statements:

Effective for financial period beginning on or after 1 January 2023:-

- MFRS 17 and Amendments to MFRS17 Insurance Contracts
- Amendments to MFRS 17 Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112 Income taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

At the date of authorisation of these interim financial statements, the following Standards and amendments to Standards 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 financial period beginning on or after 1 January 2024:-

- Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current
- Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants

Effective Date Deferred Indefinitely:-



- 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

The Group will adopt the above Standards and amendments to Standards when they become effective in the respective financial periods. The above pronouncements are either not relevant or do not have any impact on the financial statements of 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

There were no dividends paid during the financial period-to-date.

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 steel purlin, structural steel components and other steel products.



- (c) Others
Investment holding and dormant.

9.1 Business Segments

The segment revenue, segment results and segment assets for the financial year ending 31 March 2024 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	288,483	7,375	1,353	-	297,211
Inter-company transactions	51,276	2,113	-	(53,389)	-
Total Sales	<u>339,759</u>	<u>9,488</u>	<u>1,353</u>	<u>(53,389)</u>	<u>297,211</u>
RESULTS					
Segment results	16,829	435	1,479	-	18,743
Finance cost	(5,940)	(60)	(323)	-	(6,323)
Interest income	61	3	2	-	66
Share of result in associated company	-	-	-	-	-
Taxation	(2,115)	(140)	(304)	-	(2,559)
Profit for the period	<u>8,835</u>	<u>238</u>	<u>854</u>	<u>-</u>	<u>9,927</u>
ASSETS					
	<u>1,215,828</u>	<u>35,284</u>	<u>107,095</u>	<u>(238,822)</u>	<u>1,119,385</u>
LIABILITIES					
	<u>836,687</u>	<u>10,120</u>	<u>40,429</u>	<u>(242,228)</u>	<u>645,008</u>

9.2 Geographical Segments

	3 months ended 30.06.2023 RM'000
External Sales	
Malaysia	172,293
APEC countries	115,106
Other countries	9,812
	<u>297,211</u>

10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event 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

Save as disclosed below, there were no changes in the composition of the Group for the current quarter under review and financial period to-date.

On 15 May 2023, Steelaris Pte. Ltd., a 51% owned subsidiary of the Company, has subscribed One Thousand (1,000) unit ordinary shares of SPL Services Sdn Bhd (“SPLS”) representing 100% of the entire issued capital of SPLS for a total consideration of RM1,000.00 and SPLS has effectively become a 51% owned subsidiary of the AYS Group.

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 2023 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	4,089
(b) Approved but not contracted for	56,492

14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (1st Quarter)			
	Current Quarter	Preceding Year Corresponding Quarter	Changes	
	30.06.2023 RM'000	30.06.2022 RM'000	RM'000	%
Revenue	297,211	352,171	(54,960)	-15.61%
Operating Profit	18,465	38,306	(19,841)	-51.80%
Profit Before Interest and Tax	18,740	38,272	(19,532)	-51.03%
Profit Before Tax	12,486	34,427	(21,941)	-63.73%
Profit After Tax	9,927	24,920	(14,993)	-60.16%
Profit Attributable to Ordinary Equity Holders of the Parent	9,163	21,941	(12,778)	-58.24%

For the first quarter ended 30 June 2023, the Group registered revenue of RM297.211 million, a decrease of RM54.960 million or 15.61% as compared to the revenue of RM352.171 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to lower revenue in both Trading & Services and Manufacturing division.

The Group operating profit decreased by RM19.841 million to operating profit of RM18.465 million in the current quarter as compared to the operating profit of RM38.306 million for the corresponding quarter of the preceding year. The Group registered a profit before tax (“PBT”) of RM12.486 million for the current quarter, a decrease in profit before tax of RM21.941 million as compared to PBT of RM34.427 million in the corresponding quarter of the preceding year. The decrease in operating profit

and PBT were mainly due to lower sales volume and lower average selling price coupled with higher interest expenses in the current quarter.

Trading & Services division's revenue decreased by RM53.204 million to RM288.483 million for the current quarter compared to RM341.687 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM21.632 million to PBT of RM10.950 million for the current quarter as compared to segment PBT of RM32.582 million for the corresponding quarter of the preceding year. The lower segment revenue and PBT was mainly attributable to the lower sales volume, lower average selling price coupled with higher interest expenses.

Manufacturing division's revenue decreased by RM2.315 million to RM7.375 million for the current quarter compared to RM9.690 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.900 million to PBT of RM0.378 million for the current quarter as compared to PBT of RM1.278 million for the corresponding quarter of the preceding year. The lower segment revenue and PBT was mainly attributable to lower sales volume coupled with lower average selling price of manufactured products.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter 30.06.2023 RM'000	Immediate Preceding Quarter 31.03.2023 RM'000	Changes	
			RM'000	%
Revenue	297,211	336,321	(39,110)	-11.63%
Operating Profit	18,465	21,200	(2,735)	-12.90%
Profit Before Interest and Tax	18,740	21,967	(3,227)	-14.69%
Profit Before Tax	12,486	15,628	(3,142)	-20.10%
Profit After Tax	9,927	14,619	(4,692)	-32.10%
Profit Attributable to Ordinary Equity	9,163	15,251	(6,088)	-39.92%

The group registered revenue of RM297.211 million in the current quarter which was RM39.110 million or 11.63% lower than the revenue of RM336.321 million for the immediate preceding quarter. The lower revenue was mainly attributable to lower sales volume coupled with lower average selling price in the Trading and Services division.

The Group operating profit decreased by RM2.735 million to operating profit of RM18.465 million in the current quarter as compared to operating profit of RM21.200 million for the immediate preceding quarter. The PBT of the Group decreased by RM3.142 million to PBT of RM12.486 million in the current quarter compared to PBT of RM15.628 million for the immediate preceding quarter. The decrease in operating profit and PBT were mainly attributable to lower sales volume, lower average selling prices, higher average cost of goods sold and higher interest expenses during the current quarter under review.

Trading & Services division's revenue decreased by RM39.522 million to RM288.483 million for the current quarter compared to RM328.005 million for the immediate preceding quarter. The segment PBT decreased by RM2.219 million to RM10.950 million in the current quarter as compared to segment PBT of RM13.169 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to lower sales volume couple with lower average selling price, higher average cost of goods sold and higher interest expenses during the current quarter under review.



Manufacturing division's revenue increased by RM0.404 million to RM7.375 million for the current quarter compared to RM6.971 million for the immediate preceding quarter. The segment PBT decreased by RM0.132 million to PBT of RM0.378 million for the current quarter as compared to segment PBT of RM0.510 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to higher sales volume and higher average selling price. However, the lower segment PBT was mainly attributable to lower productivity in the current quarter.

16. PROSPECTS

Malaysia's economy grew moderately at 2.9% in the second quarter of 2023, slower than the 5.6% growth rate recorded in first quarter of 2023. The growth was supported by sustained domestic demand, especially strong private consumption spending, continued investment activity, improvement in labour market conditions and recovery in tourism. Nevertheless, the global economic forecast by the IMF and World Bank, the Malaysian GDP growth is expected to moderate in 2023 due to slower external demand as a result of weakening global trade.

On the international front, IMF has revised the global growth projection to 3% from 2.8%, reflecting the tightening of monetary policy of central banks of most economies to curb inflation, escalating geopolitical conflicts, weakening investment globally and re-emergence of supply chain disruptions.

The Board is of the view that prospects and performance of the Group in the financial year ending 31 March 2024 remains challenging and competitive amidst the global economic uncertainties, volatility of global steel prices coupled with the inflationary pressures, high interest rates and fluctuation of exchange rates. Nonetheless, the Group will remain vigilant and proactively navigate this challenging business environment and maintain its strategy to focus on delivering long-term sustainable growth by providing total solutions in quality products and services, remain prudent in business aspects to mitigate risks, adopt a cautious approach on cost management and actively enhance its productivity and efficiency and to increase its competitiveness in the industry.

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 2024.

18. TAXATION

The tax figures comprise of:

	3 months ended
	30.06.23
	RM'000
Income tax	
- Current year taxation	2,559
- Prior year taxation	-
Deferred tax	-
	<u>2,559</u>

The Group's effective tax rate for the current quarter under review was lower than the statutory tax rate of 24% mainly due to certain incomes 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 2023 are as follows:

	As At End of Current Quarter 30.06.2023 RM'000	As At End of Immediate Preceding Quarter 31.03.2023 RM'000
<u>Short Term borrowings</u>		
Secured	421,282	402,821
<u>Long Term borrowings</u>		
Secured	32,682	34,322
Total borrowings	453,964	437,143

The Group's borrowings increased by RM16.821 million as at the current quarter to RM453.964 million compared with the immediate preceding quarter of RM437.143 million was mainly due to higher inventory holding and higher repayment to trade payables during 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	266,466	274,581

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 June 2023.

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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit attributable to owners of the parent (RM'000)	9,163	21,941	9,163	21,941
Number of ordinary shares in issue ('000)	418,459	418,459	418,459	418,459
Earnings per share (sen)				
- Basic	2.19	5.24	2.19	5.24
- 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 30.06.2023 RM'000	Cumulative 3 months Ended 30.06.2023 RM'000
Interest Income	66	66
Other Income including Investment Income	844	844
Interest Expenses	6,323	6,323
Depreciation & Amortisation	2,280	2,280



Provision for/Write off of Receivables	(5)	(5)
Provision for/Write off of Inventories	-	-
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	-	-
Impairment of Assets	-	-
Gain/(Loss) on Foreign Exchange		
- Realised	4,854	4,854
- Unrealised	1,954	1,954
Gain/(Loss) on Derivatives	-	-
Impairment of Goodwill	-	-

26. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 August 2023.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
SSM Practising Certificate No. 201908000717
Company Secretary
21 August 2023
Selangor Darul Ehsan