



INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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	651,818	17,516	2,706	-	672,040
Inter-company transactions	113,373	4,354	509	(118,236)	-
Total Sales	<u>765,191</u>	<u>21,870</u>	<u>3,215</u>	<u>(118,236)</u>	<u>672,040</u>
RESULTS					
Segment results	25,744	963	2,908	-	29,615
Finance cost	(12,146)	(114)	(649)	-	(12,909)
Interest income	243	5	12	-	260
Share of result in associated company	-	-	-	-	-
Taxation	(3,560)	(302)	(604)	-	(4,465)
Profit for the period	<u>10,281</u>	<u>552</u>	<u>1,667</u>	<u>-</u>	<u>12,501</u>
ASSETS					
	<u>1,267,095</u>	<u>37,125</u>	<u>107,814</u>	<u>(238,173)</u>	<u>1,173,861</u>
LIABILITIES					
	<u>886,449</u>	<u>11,647</u>	<u>40,332</u>	<u>(241,571)</u>	<u>696,857</u>

9.2 Geographical Segments

	3 months ended 30.09.2023 RM'000	6 months ended 30.09.2023 RM'000
External Sales		
Malaysia	230,933	403,225
APEC countries	137,700	252,806
Other countries	6,196	16,008
	<u>374,829</u>	<u>672,040</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, Steelarlis 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 September 2023 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	21,076
(b) Approved but not contracted for	47,376

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	
	30.09.2023 RM'000	30.09.2022 RM'000	RM'000	%	30.09.2023 RM'000	30.09.2022 RM'000	RM'000	%
Revenue	374,829	303,687	71,142	23.43%	672,040	655,858	16,182	2.47%
Operating Profit	10,735	14,941	(4,206)	-28.15%	29,200	53,247	(24,047)	-45.16%
Profit Before Interest and Tax	10,871	14,943	(4,072)	-27.25%	29,615	53,215	(23,601)	-44.35%
Profit Before Tax	4,480	10,684	(6,204)	-58.07%	16,966	45,111	(28,145)	-62.39%
Profit After Tax	2,574	8,372	(5,798)	-69.25%	12,501	33,292	(20,791)	-62.45%
Profit Attributable to Ordinary Equity Holders of the Parent	2,891	7,825	(4,934)	-63.05%	12,054	29,766	(17,712)	-59.50%

For the second quarter ended 30 September 2023, the Group registered revenue of RM374.829 million, an increase of RM71.142 million or 23.43% as compared to the revenue of RM303.687 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher revenue in Trading & Services and Others division despite a decrease of revenue recorded in Manufacturing division.



The Group operating profit decreased by RM4.206 million to operating profit of RM10.735 million in the current quarter as compared to operating profit of RM14.941 million for the corresponding quarter of the preceding year. The Group registered a profit before tax (“PBT”) of RM4.480 million for the current quarter, a decrease in PBT of RM6.204 million as compared to PBT of RM10.684 million in the corresponding quarter of the preceding year. The decrease in operating profit and PBT were mainly due to lower average selling price and higher interest expense despite higher revenue in the current quarter.

Trading & Services division’s revenue increased by RM74.251 million to RM363.335 million for the current quarter compared to RM289.084 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM5.492 million to PBT of RM2.889 million for the current quarter as compared to segment PBT of RM8.381 million for the corresponding quarter of the preceding year. The lower segment PBT was mainly attributable to lower average selling price coupled with higher interest expenses despite the increase in sales volume.

Manufacturing division’s revenue decreased by RM3.665 million to RM10.142 million for the current quarter compared to RM13.807 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM1.361 million to PBT of RM0.477 million for the current quarter as compared to PBT of RM1.838 million for the corresponding quarter of the preceding year. The lower segment revenue and PBT was mainly attributable to lower sales volume and average selling price coupled with higher production cost.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.09.2023 RM'000	30.06.2023 RM'000	RM'000	%
Revenue	374,829	297,211	77,618	26.12%
Operating Profit	10,735	18,465	(7,730)	-41.86%
Profit Before Interest and Tax	10,871	18,740	(7,869)	-41.99%
Profit Before Tax	4,480	12,486	(8,006)	-64.12%
Profit After Tax	2,574	9,927	(7,353)	-74.07%
Profit Attributable to Ordinary Equity	2,891	9,163	(6,272)	-68.45%

The Group registered revenue of RM374.829 million in the current quarter which was RM77.618 million or 26.12% higher than the revenue of RM297.211 million for the immediate preceding quarter. The higher revenue was mainly attributable to higher sales volume despite lower average selling price in both Trading and Services and Manufacturing division.

The Group operating profit decreased by RM7.730 million to operating profit of RM10.735 million in the current quarter as compared to the operating profit of RM18.465 million for the immediate preceding quarter. The PBT of the Group decreased by RM8.006 million to PBT of RM4.480 million in the current quarter compared to PBT of RM12.486 million for the immediate preceding quarter. The decrease in operating profit and PBT were mainly attributable to lower average selling price and higher interest expenses during the current quarter under review.



Trading & Services division's revenue increased by RM74.852 million to RM363.335 million for the current quarter compared to RM288.483 million for the immediate preceding quarter. The segment PBT decreased by RM8.061 million to RM2.889 million in the current quarter as compared to the segment PBT of RM10.950 million for the immediate preceding quarter. The higher segment revenue was mainly attributable to higher sales volume. However, lower PBT was mainly attributable to lower average selling price and higher interest expenses during the current quarter under review.

Manufacturing division's revenue increased by RM2.767 million to RM10.142 million for the current quarter compared to RM7.375 million for the immediate preceding quarter. The segment PBT increased by RM0.099 million to PBT of RM0.477 million for the current quarter as compared to segment PBT of RM0.378 million for the immediate preceding quarter. The higher segment revenue and PBT was mainly attributable to higher sales volume and productivity despite lower average selling price.

16. PROSPECTS

In the October 2023 World Economic Outlook report, the International Monetary Fund maintained its 2023 global growth projection at 3.0 per cent as the global economy continues to recover from COVID-19 pandemic, Russia's invasion of Ukraine and last year's energy crisis.

On the domestic front, the Malaysian economy grew moderately by 2.9 per cent year-on-year in the second quarter of 2023, weighed mainly due to slower external demand. Bank Negara Malaysia projected Malaysia's Gross Domestic Product ("GDP") growth at approximately 4.0 per cent for 2023, driven by sustained domestic demand and a recovery in exports. Besides, the Malaysian government has recently unveiled the largest budget in Malaysia's history with an allocation totalling RM393.8 billion with aims to enhance governance and public delivery system, restructuring the economy to boost growth and elevate the wellbeing of Malaysian. In Singapore, based on advance estimates from the Ministry of Trade and Industry of Singapore, the economy grew by 0.7 per cent on year-on-year in the third quarter of 2023 back on the growth in the construction industry. The Monetary Authority of Singapore expected GDP growth in 2023 to come in at the lower half of the 0.5 per cent to 1.5 per cent forecast range.

For steel demand, The World Steel Association has in October 2023 released an update of the Short Range Outlook for 2023, forecasts that steel demand will grow by 1.8 per cent in 2023 after contracting by 3.3 per cent in 2022. In Malaysia, the steel demand will be driven by domestic demand despite deteriorating external condition. Singapore will show marginally increase in steel demand amidst large pipelines of construction projects in progress with the public sector remaining the key growth driver.

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. The Group remains committed to be vigilant and proactively navigate this challenging business environment, emphasise on delivering long-term sustainable growth by providing total solutions in quality products and services, monitor risk management strategies including but not limited to cost reduction, cost optimisation measures, enhance 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	6 months ended
	30.09.23	30.09.23
	RM'000	RM'000
Income tax		
- Current year taxation	1,906	4,465
- Prior year taxation	-	-
Deferred tax	-	-
	1,906	4,465

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.

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 2023 are as follows:

	As At End of	As At End of
	Current	Immediate
	Quarter	Preceding
	30.09.2023	Quarter
	RM'000	30.06.2023
	RM'000	RM'000
<u>Short Term borrowings</u>		
Secured	454,603	421,282
<u>Long Term borrowings</u>		
Secured	30,960	32,682
Total borrowings	485,563	453,964

The Group's borrowings increased by RM31.599 million as at the current quarter to RM485.563 million compared with the immediate preceding quarter of RM453.964 million was mainly due to higher inventory holding and trade receivables 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	213,684	218,240

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 September 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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Profit attributable to owners of the parent (RM'000)	2,891	7,825	12,054	29,766
Number of ordinary shares in issue ('000)	418,459	418,459	418,459	418,459
Earnings per share (sen)				
- Basic	0.69	1.87	2.88	7.11
- 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 30.09.2023 RM'000	Cumulative 6 months Ended 30.09.2023 RM'000
Interest Income	194	260
Other Income including Investment Income	547	1,391
Interest Expenses	6,586	12,909
Depreciation & Amortisation	2,056	4,336
Provision for/Write off of Receivables	(2)	(7)
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	3,778	8,632
- Unrealised	(3,234)	(1,280)
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 27 November 2023.

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