

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL
QUARTER ENDED 30 JUNE 2012**

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 Listing Requirements of Bursa Malaysia Securities Bhd (“Bursa Securities”).

This is the first year interim financial report on consolidated basis being prepared and announced by the Company in compliance with the Listing Requirements, as such, there is no comparative figure for the preceding year’s corresponding quarter and period.

The interim financial statements should be read in conjunction with the proforma consolidated financial statements for the nine (9) months period ended 31 December 2011 as disclosed in the Prospectus of the Company dated 08 May 2012 and the accompanying notes attached to this interim financial report. 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 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The audited financial statements of the Group for the financial year ended 31 March 2012 were prepared in accordance with Financial Reporting standards (“FRS”).The Group has adopted the MFRS Framework issued by the Malaysian Accounting Standards Board effective 1st April 2012 in order to fully converge Malaysia’s existing FRS Framework with the International Financial Reporting Standards (“IFRS”) Framework issued by the International Accounting Standards Board (“IASB”).

These interim financial statements are the Group’s first MFRS compliant interim financial statements and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The adoption of the relevant MFRSs has no significant impact on the financial statements of the Group.

Below are the lists of MFRSs, Amendments to MFRSs and IC Interpretations (“IC Int”) issued but not yet effective and have not been early adopted by the Company:-

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101
Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

Amendments to MFRS 7
Disclosures - Offsetting Financial Assets and Financial Liabilities

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 Employee Benefits

MFRS 127 Separate Financial Statements

MFRS 128 Investments in Associates and Joint Ventures

IC Int 20 Stripping Costs in the Production Phase of a Surface Mine

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132
Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

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 :

- (i) following the completion of the share exchange of the entire issued and paid-up share capital of NV Multi Corporation Berhad (“NV Multi”) whereby NV Multi being transformed into a 100% owned subsidiary, the goodwill arose from the net assets over cost of business combination amounted to RM5.803 million has been recognised in the statement of comprehensive income;
- (ii) the recognition of the transaction costs relating to the restructuring scheme of RM1.773 million; and
- (iii) the gross proceeds of RM9.000 million from the Proposed Restricted Issue has been utilised for working capital and defraying the transaction costs relating to the restructuring scheme;

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

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the financial period under review.

Pursuant to the conditional restructuring agreement dated 22 December 2010 and the supplemental agreements dated 14 October 2011 and 20 March 2012 entered into between the Company, NV Multi, Oh Chiew Ho, Low Yang Leen and Tan Chee Kuan in relation to the Restructuring Scheme, the Company has :

- (i) proposed share split involving the subdivision of every 1 existing ordinary share of RM1.00 each in the Company into 2 ordinary shares of RM0.50 each in the Company (“AYS Ventures Shares”) and the conversion of the Company into a public company (“Proposed Share Split”), which was completed on 02 April 2012;
- (ii) proposed acquisition by the Company of the entire issued and paid-up share capital of Ann Yak Siong Hardware Sdn Bhd (“AYSH”) for a purchase consideration of RM172,000,000 (“Proposed Acquisition of AYSH”), which was completed on 09 April 2012;
- (iii) proposed share exchange of the entire issued and paid-up share capital of NV Multi of 115,110,300 ordinary shares of RM0.01 each in NV Multi (“NV Multi Shares”) for 18,417,648 new AYS Ventures Shares, at an issue price of RM0.50 per AYS Ventures Share on the basis of 8 new AYS Ventures Shares for every 50 existing NV Multi Shares held (“Proposed Share Exchange”), which was completed on 24 April 2012;
- (iv) proposed restricted issue of 18,000,000 new AYS Ventures Shares (“Restricted Issue Shares”) to Eligible Investors via a placement at an issue price of RM0.50 per Restricted Issue Share (“Proposed Restricted Issue”), which was completed on 24 April 2012;

(v) proposed offer for sale of up to 60,417,648 AYS Ventures Shares by Oh Chiew Ho and Tan Chee Kuan comprising:

(a) up to 18,417,648 ordinary shares of RM0.50 each in the Company ("AYS Ventures Shares")("Offer Shares") to the NV Multi 's shareholders at an offer price of RM0.50 per Offer Share on the basis of one (1) Offer Share for every one (1) existing AYS Ventures Share held as at 5.00 p.m. on 8 May 2012 ("Offer for Sale to NV Multi Shareholders"),which was completed on 06 June 2012; and

(b) up to 42,000,000 Offer Shares to Eligible Investors via a placement at an offer price of RM0.50 per Offer Share; which was completed on 24 April 2012.

In pursuant to the above, the issued and paid up share capital of the Company was subsequently increased from 8 shares to 380,417,656 shares of RM0.50 each as follow:

Date of Allotment	Number of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-up Share Capital (RM)
14/12/2010	4	1.00	Cash	4
02/04/2012	8	0.50	Share split	4
09/04/2012	344,000,000	0.50	Acquisition	172,000,004
24/04/2012	18,417,648	0.50	Share exchange	181,208,828
24/04/2012	18,000,000	0.50	Cash	190,208,828

8. DIVIDEND PAID

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

9. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the financial period ended 30 June 2012 were as follows:

	Trading RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	133,757	12,801	-	-	146,558
Inter-company transactions	<u>1,387</u>	<u>279</u>	<u>-</u>	<u>(1,666)</u>	<u>-</u>
Total Sales	<u>135,144</u>	<u>13,080</u>	<u>-</u>	<u>(1,666)</u>	<u>146,558</u>
RESULTS					
Segment results	4,941	1,273	(197)	-	6,017
Less:					
Impairment of goodwill					5,803
Cost related to the restructuring scheme					1,773
Finance cost					1,911
Interest income					(585)
Taxation					<u>1,176</u>
Profit/(Loss) for the period					<u>(4,061)</u>
ASSETS	<u>314,703</u>	<u>50,489</u>	<u>22,439</u>	<u>(28,364)</u>	<u>359,267</u>
LIABILITIES	<u>215,242</u>	<u>19,505</u>	<u>521</u>	<u>(31,959)</u>	<u>203,309</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE, PAYMENT AND INVESTMENT PROPERTIES

The costs of property, plant and equipment, prepaid lease payments and investment properties have been brought forward without amendments from the previous reports and financial statements.

11. 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.

12. CHANGES IN THE COMPOSITION OF THE GROUP

Save for the following, there were no changes in the composition of the Group for the current financial period-to-date.

Pursuant to the Restructuring Scheme, the Company had acquired the entire issued and paid-up share capital of the following companies:

(a) On 09 April 2012, the Company acquired the entire issued and paid-up share capital of AYSH for a purchase consideration of RM172,000,000 to be satisfied by the issuance of 344,000,000 new AYS Ventures Shares (which include 24,000,000 new AYS Ventures Shares issued prior to the completion of the acquisition of AYSH. AYSH has undertaken an internal restructuring of the AYSH Group involving the sale and transfer of 600,000 ordinary shares of RM1.00 each in CH Yodoform Sdn Bhd's ("CHY") representing the remaining 30% equity interest in CHY by Tan Chee Kuan to AYSH, for a purchase consideration of RM12,000,000 to be satisfied by the issuance by the Company to Tan Chee Kuan, of 24,000,000 new AYS Ventures Shares at an issue price of RM0.50 per AYS Ventures Share. The Internal Restructuring was completed on 04 April 2012).

(b) On 24 April 2012, the Company acquired the entire issued and paid-up share capital of NV Multi involving the share exchange of the entire issued and paid-up share capital of NV Multi of 115,110,300 NV Multi Shares for 18,417,648 new AYS Ventures Shares.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last reports and financial statements.

14. CAPITAL COMMITMENTS

The capital commitments as at 30 June 2012 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	3,115
(b) Approved but not contracted for	-

15. COMMENTARY ON FINANCIAL PERFORMANCE

For the first quarter financial period ended 30 June 2012, the AYS Group recorded revenue of RM146.558 million which was mainly derived from trading and manufacturing divisions of RM133.757 million and RM12.801 million respectively.

The AYS Group posted a loss before tax ("LBT") of RM2.885 million for the current quarter mainly attributed to the one-off impairment losses on goodwill of RM5.803 million and the recognition of the transaction costs relating to the restructuring scheme of RM1.773 million. Excluding these one-off expenses, the AYS Group would record an operational profit before tax ("PBT") of RM4.691 million in the current quarter mainly contributed by PBT of the trading and manufacturing divisions of RM3.567 million and RM1.287 million respectively.

16. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended	
	30/06/12 (RM'000)	Proforma 31/03/12 (RM'000)
Revenue	146,558	137,233
PBT/LBT	(2,885)	6,878

The Group recorded revenue of RM146.558 million in the current quarter which was RM9.325 million or 6.80% higher than the revenue of RM137.233 million for the preceding quarter mainly attributable to higher sales volume contributed from the trading division. The Group registered a LBT of RM2.885 million in the current quarter compared to a PBT of RM6.878 million in the preceding quarter mainly attributable to the one-off impairment losses on goodwill of RM5.803 million and the recognition of the transaction costs relating to the restructuring scheme of RM1.773 million. Excluding these one-off expenses, the AYS Group recorded an operational profit before tax ("PBT") of RM4.691 million in the current quarter, including the recognition of gain on disposal of investment properties amounting to RM1.066 million, the PBT was RM2.187 million or 31.80% lower than the PBT of RM6.878 million for the preceding quarter mainly attributable to lower selling price despite higher sales volume achieved in the trading division and the recognition of unrealized forex loss of RM1.152 million in the current quarter as opposed to unrealized forex gain of RM2.086 million in the preceding quarter. Whereas, the PBT in the manufacturing division for the current quarter was higher than the preceding quarter mainly due to higher selling price resulting from product mix despite lower sales volume.

17. PROSPECTS

Despite the world economy outlook remains weak with uncertainty arises mainly from the Eurozone, the Group expects the domestic GDP will continue its momentum of growth as registered in the second quarter due to robust public sector initiatives besides the investment growth in the private sectors. This positive sentiment will translate into favourable demand for the Group's engineering steels. While the market is likely to remain intensely competitive, the Group will continue with its business strategy of improving on competitiveness through strategic procurement activities, inventory management strategy, higher productivity and operational efficiency. The Group achieved operational PBT of RM4.691 million in the current quarter excluding the one-off impairment losses on goodwill and transaction costs related to the restructuring scheme, the Group is expected to maintain a satisfactory performance in the remaining periods of the year but it is also cautious of the challenging macro-economic environment.

18. 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 2013.

19. TAXATION

The tax figures comprise	3 months ended 30 June 2012 (RM'000)
Malaysian Taxation	
- Current year taxation	1,176
	<u>1,176</u>

The Group's effective tax rate for the current quarter and year-to-date under review are higher compared to statutory tax rate of 25% mainly due to certain expenses which are not deductible for tax purposes. The non-deductible expenses mainly included the impairment losses on goodwill, the recognition of the transaction costs relating to the restructuring scheme and unrealized forex loss.

20. 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.

(a) Utilisation of Proceeds from Proposed Restricted Issue

The gross proceeds of RM9.000 million from the Proposed Restricted Issue has been utilised in the following manner:-

	Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation (RM,000)	Explanation
(i)	Working capital	7,000	7,000	Within 3 months from the receipt of proceeds	-	N/A
(ii)	Defraying estimated expenses of the Restructuring Scheme	2,000	2,253	Within 3 months from the receipt of proceeds	253	The deviation has been funded by internal generated funds

21. BORROWINGS

The Group's borrowings as at 30 June 2012 are as follows:

	30 June 2012 (RM'000)
<u>Short Term borrowings</u>	
Secured	171,534
<u>Long Term borrowings</u>	
Secured	<u>6,315</u>
Total borrowings	<u>177,849</u>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM54.3 million (USD17.1million) of the above borrowings which are denominated in United States Dollars.

22. MATERIAL LITIGATION

There was no material litigation for the quarter under review.

23. DIVIDEND

The Board of Directors does not recommend any dividend for the current quarter under review.

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	
	30.06.2012	30.06.2011	30.06.2012	30.6.2011
Profit/(Loss) attributable to owners of the parent (RM'000)	(4,071)	NA	(4,071)	NA
Weighted average number of ordinary shares in issue ('000)	370,583	NA	370,583	NA
Basic earnings/(loss) per share (sen)	(1.10)	NA	(1.10)	NA

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. REALISED AND UNREALISED PROFIT/(LOSS)

	3 months ended 30.06.2012 (RM'000)
Total retained profits of the Group:	
- Realised	116,287
- Unrealised loss	(1,152)
Less: Consolidation adjustments	-
Total Group retained profits as per condensed consolidated statements of financial position	115,135

26. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

	3 months ended 30.06.2012 (RM'000)	Cumulative 3months ended 30.06.2012 (RM'000)
Interest Income	585	585
Other Income including Investment Income	1,417	1,417
Interest Expenses	1,911	1,911
Depreciation & Amortization	551	551
Provision For/Write Off of Receivables	147	147
Provision For/Write Off of Inventories	N/A	N/A
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	1,066	1,066
Impairment of Assets	N/A	N/A
Gain/(Loss) on Foreign Exchange		
- Realized	82	82
- Unrealised	(1,152)	(1,152)
Gain/(Loss) on Derivatives	N/A	N/A
Impairment of Goodwill	5,803	5,803
Transaction costs relating to the restructuring scheme	1,773	1,773

27. 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 28th August 2012.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Company Secretary
 28th August 2012
 Selangor Darul Ehsan