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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013

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 2013. 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 2013.

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 2013, except for the following new and revised MFRSs and Amendments to MFRSs and IC Interpretation which are applicable to its financial statements:

MFRS 3	Business Combination
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 (revised)
MFRS 127	Consolidated and Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 1	First-time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Financial Instrument Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to IC Interpretations and MFRS 2009 – 2011 Cycle	

The adoption of these new and revised MFRSs, IC Interpretations and Amendments to MFRSs and IC Interpretation 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 and Amendments to MFRSs were issued but not yet effective and have not been early adopted by the Group:

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosure

The Group will adopt the above MFRSs and Amendments to MFRS 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

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 year ended 31 March 2014 were as follows:

	Trading RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	176,227	15,633	-	-	191,860
Inter-company transactions	3,387	225	-	(3,612)	-
Total Sales	179,614	15,858	-	(3,612)	191,860
RESULTS					
Segment results	8,214	1,083	(131)	-	9,166
Less:					
Impairment of goodwill					-
Cost related to the restructuring scheme					-
Finance cost					2,348
Interest income					(440)
Taxation					2,517
Profit/(Loss) for the period					4,741
ASSETS	437,920	55,112	30,725	(42,462)	481,295
LIABILITIES	291,854	23,184	528	(41,382)	274,184

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 2013 were as follows:

Commitments in respect of capital expenditure	**RM'000**
(a) Contracted but not provided for	117
(b) Approved but not contracted for	19,582

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the first quarter ended 30 June 2013, the Group recorded revenue of RM191.860 million, an increase of RM45.302 million or 30.91% as compared to the revenue of RM146.558 million for the corresponding quarter of the preceding year. The higher in revenue was mainly due to higher sales volume of steel products from both the trading division resulting from enhanced domestic demand despite declined selling price due to keen competition and softening of global steel price.

The Group recorded a profit before tax ("PBT") of RM7.258 million for the current quarter, an increase of RM 10.143 million as compare to the loss before tax of RM2.885 million in the corresponding quarter of the preceding year. The increase PBT was mainly due to the incorporation of 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 in the corresponding quarter of the preceding year. Excluding these one-off expenses, the Group would record an increase in operational PBT of RM2.567 million mainly contributed by increased PBT of the trading divisions by RM2.772 million resulting from higher sales volume coupled with improved domestic demand.

Trading revenue increased by RM42.470 million to RM176.227 million for the current quarter compared to RM133.757 million for the corresponding quarter of the preceding year. The segment PBT increased by RM2.772 million to RM6.339 million for the current quarter as compared to segment PBT of RM3.567 million for the corresponding quarter of the preceding year. The higher revenue and PBT was mainly attributable to the higher sales volume resulting from enhanced domestic demand despite declined selling price due to keen competition and softening of global steel price.

Manufacturing revenue increased by RM2.832 million to RM15.633 million for the current quarter compared to RM12.801 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher sales volume despite lower selling price. The segment PBT decreased by RM0.237 million to RM1.050 million for the current quarter as compared to segment PBT of RM1.287 million for the corresponding quarter of the preceding year. The lower PBT was attributable to the lower selling price coupled with the higher raw material cost.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended	
	30/06/2013	**31/03/2013**
	RM'000	**RM'000**
Revenue	191,860	165,284
PBT	7,258	7,083

The Group recorded revenue of RM191.860 million in the current quarter which was RM26.576 million or 16.08% higher than the revenue of RM165.284 million for the preceding quarter mainly attributable to higher sales volume of steel products from trading division resulting from enhanced domestic demand despite decrease selling price due to keen competition and softening of global steel price. The Group registered a higher PBT of RM7.258 million in the current quarter compared to RM7.083 million in the preceding quarter mainly due to the higher sales volume from the trading division.

16. PROSPECTS

The global economy continues to recover albeit less uniformly, this help to stabilize and generate more positive sentiment to the global steel price. Despite the softer GDP growth, Malaysia economy with its low inflation rate and backed by the broad expansionary policy would generate business activities that support the growth of the domestic steel and construction industries.

Amidst the challenges, the Group will continue to improve its productivity and expects to maintain a satisfactory performance for the remaining periods 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 ended 31 March 2014.

18. TAXATION

The tax figures comprise of:

	3 months ended 30-Jun-13 RM'000
Income tax	
- Current year taxation	2,517
- Prior year taxation	-
Deferred tax	-
	2,517

The Group's effective tax rate for the current quarter under review was higher than the statutory tax rate of 25% mainly due to certain expenses which are not deductible for tax purposes despite availability of tax incentives and certain income which are not taxable.

19. STATUS OF CORPORATE PROPOSALS

Save from disclosed below, there were no corporate proposals announced but not completed as at the latest practical date from the issuance of this report.

On 22 May 2013, the Company announced that the Company proposed to undertake a special issue of up to 54,345,380 new ordinary shares of RM0.50 each in the Company ("AYS Shares") ("Special Issue Shares"), representing approximately 12.5% of the enlarged issued and paid-up share capital of the Company, to Bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry ("MITI") at an issue price to be determined later after obtaining all relevant approvals ("Proposed Special Issue").

On 23 May 2013, the applications for the Proposed Special Issue have been submitted to the MITI and the Securities Commission Malaysia ("SC").The Company has also submitted an application to the SC to seek an extension of time for the Company to rectify the shortfall between the actual Bumiputera equity interests upon listing and the prescribed equity requirement of 12.5% within 1 year after the completion of the Restructuring Scheme ("Bumiputera Equity Condition').

On 21 June 2013, the SC had, via its letter dated 19 June 2013 (which was received on 21 June 2013), approved the following:

(i) the Proposed Special Issue; and

(ii) the extension of time of up to 22 May 2014 to comply with the Bumiputera Equity Condition.

In the event that the Special Issue Shares are not fully allocated to the Bumiputera investors within a year from the date of the application to MITI, the Company will be deemed to have complied with the Bumiputera Equity Condition.

On 18 July 2013, the MITI had, via its letter dated 17 July 2013 (which was received on 18 July 2013), approved the following:

(i) the Proposed Special Issue; and

(ii) the recognition of the Bumiputera shareholdings in the Company as at 9 May 2012 amounting to 4,639,527 AYS Shares, representing approximately 1.21% of the existing issued and paid-up share capital of the Company.

20. BORROWINGS

The Group's borrowings as at 30 June 2013 are as follows:

	30.06.2013
	RM'000
Short Term borrowings	
Secured	228,042
Long Term borrowings	
Secured	4,894
Total borrowings	232,936

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM55.588 million (USD17.436 million) of the above borrowings which are denominated in United States Dollars.

21. MATERIAL LITIGATION

There was no material litigation for the quarter under review.

22. DIVIDEND

The Board of Directors does not recommend any interim dividend in respect of the current quarter ended 30th June 2013 (1st Quarter FYE 2013: Nil).

23. 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	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit/(Loss) attributable to owners of the parent (RM'000)	4,727	(4,071)	4,727	(4,071)
Weighted average number of ordinary shares in issue ('000)	380,418	370,583	380,418	370,583
Earnings/(loss) per share (sen)				
- Basic	1.24	(1.10)	1.24	(1.10)
- Diluted	N/A	N/A	N/A	N/A

Diluted earnings per share

The Proposed Special Issue was not included in the calculation of diluted EPS as it has no potential dilution for the period presented.

24. REALISED AND UNREALISED PROFIT/(LOSS)

	3 months ended 30.06.2013 RM'000
Total retained profits of the Group:	
- Realised	155,229
- Unrealised profit /(loss)	(2,703)
Less: Consolidation adjustments	
Total Group retained profits as per condensed consolidated statements of financial position	152,526

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

	3 months ended 30.06.2013 RM'000
Interest Income	440
Other Income including Investment Income	284
Interest Expenses	2,348
Depreciation & Amortisation	731
Provision for/Write off of Receivables	551
Provision for/Write off of Inventories	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0
Impairment of Assets	0
Gain/(Loss) on Foreign Exchange	
- Realised	(142)
- Unrealised	(1,667)
Gain/(Loss) on Derivatives	0
Impairment of Goodwill	0
Transaction costs relating to the restructuring scheme	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 28th August 2013.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Company Secretary
28th August 2013
Selangor Darul Ehsan