

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 ending 31 March 2014 were as follows:

| | Trading RM'000 | Manufacturing RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--|-------------------|-------------------------|------------------|-----------------------|------------------------|
| REVENUE | | | | | |
| External sales | 333,966 | 30,095 | - | - | 364,061 |
| Inter-company transactions | <u>7,275</u> | <u>568</u> | <u>-</u> | <u>(7,843)</u> | <u>-</u> |
| Total Sales | <u>341,241</u> | <u>30,663</u> | <u>-</u> | <u>(7,843)</u> | <u>364,061</u> |
| RESULTS | | | | | |
| Segment results | 11,567 | 2,603 | (260) | - | 13,910 |
| Less: | | | | | |
| Impairment of goodwill | | | | | - |
| Cost related to the restructuring scheme | | | | | - |
| Finance cost | | | | | 4,868 |
| Interest income | | | | | (749) |
| Taxation | | | | | <u>3,174</u> |
| Profit/(Loss) for the period | | | | | <u>6,617</u> |
| ASSETS | <u>459,146</u> | <u>49,808</u> | <u>30,280</u> | <u>(39,417)</u> | <u>499,817</u> |
| LIABILITIES | <u>312,932</u> | <u>16,612</u> | <u>213</u> | <u>(38,288)</u> | <u>291,469</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 2013 were as follows:

| Commitments in respect of capital expenditure | RM'000 |
|---|--------|
| (a) Contracted but not provided for | 413 |
| (b) Approved but not contracted for | 19,422 |

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the second quarter ending 30 September 2013, the Group registered revenue of RM172.201 million, an increase of RM10.240 million or 6.32% as compared to the revenue of RM161.961 million for the corresponding quarter of the preceding year. The higher revenue was mainly due to higher sales volume of steel products from the trading division resulting from strengthening domestic demand coupled with increased selling price resulting from improved world steel price.

The Group registered a profit before tax ("PBT") of RM2.533 million for the current quarter, a decrease of RM2.832 million as compare to RM5.365 million in the corresponding quarter of the preceding year. The decrease PBT was mainly due to decrease PBT of the trading division resulting from higher cost of goods sold due to volatility of foreign exchange rates during the quarter under review.

Trading revenue increased by RM9.134 million to RM157.740 million for the current quarter compared to RM148.606 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM3.731 million to RM1.138 million for the current quarter as compared to segment PBT of RM4.869 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher sales volume resulting from strengthening domestic demand but PBT showed a decline mainly due to higher cost of goods sold during the quarter under review.

Manufacturing revenue increased by RM1.106 million to RM14.461 million for the current quarter compared to RM13.355 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher sales volume. The segment PBT increased by RM0.686 million to RM1.525 million for the current quarter as compared to segment PBT of RM0.839 million for the corresponding quarter of the preceding year. The higher PBT was mainly attributable to the higher sales.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

| | 3 months ended | |
|---------|----------------|------------|
| | 30/09/2013 | 30/06/2013 |
| | RM'000 | RM'000 |
| Revenue | 172,201 | 191,860 |
| PBT | 2,533 | 7,258 |

The Group registered revenue of RM172.201million in the current quarter which was RM19.659 million or 10.25% lower than the revenue of RM191.860 million for the preceding quarter mainly attributable to lower sales volume of steel products from trading division due to festive season coupled with decreased selling price due to market competition. The Group registered a lower PBT of RM2.533 million in the current quarter compared to RM7.258 million in the preceding quarter mainly due to the lower sales volume and selling price, higher cost of goods sold coupled with higher provision of doubtful debts during the current quarter under review.

16. PROSPECTS

The Board of Directors expects the Group's operating environment to remain challenging and competitive as the world steel market remains competitive despite the Malaysia economy is expected to expand at a stronger pace of between 5% and 5.5% in 2014, being supported by the

implementation of ongoing Economic Transformation projects, strong fundamentals and expectations of better external outlook. Domestic demand would thus remain strong, marked by strong private capital spending and resilient private consumption.

Amidst the challenges, the Group expects to maintain a positive 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 ending 31 March 2014.

18. TAXATION

The tax figures comprise of:

| | 3 months ended 30-Sep-13 RM'000 | 6 months ended 30-Sep-13 RM'000 |
|-------------------------|--|--|
| Income tax | | |
| - Current year taxation | 657 | 3,174 |
| - Prior year taxation | - | - |
| Deferred tax | - | - |
| | <u>657</u> | <u>3,174</u> |

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").

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.

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.

On 12 September 2013, the Company announced that the Board, after taking into account of the cost efficiency consideration, intends to implement the Proposed Special Issue in the following manner:

- (a) In the event that the subscription of the Special Issue Shares, cumulatively, does not exceed 10% of the issued and paid-up share capital of the Company at the point of issuance (“10% Threshold”), the Company will implement the Proposed Special Issue under Section 132D of the Companies Act, 1965 where such authority was obtained from its shareholders in a general meeting held on 28 June 2013; and
- (b) In the event that the cumulative subscription of the Special Issue Shares exceeds the 10% Threshold, the Company will then proceed to seek the shareholders’ approval at a general meeting to be convened.

20. BORROWINGS

The Group’s borrowings as at 30 September 2013 are as follows:

| | 30.09.2013 |
|-------------------------------------|-----------------------|
| | RM’000 |
| <u>Short Term borrowings</u> | |
| Secured | 252,978 |
| <u>Long Term borrowings</u> | |
| Secured | 4,652 |
| Total borrowings | <u><u>257,630</u></u> |

The Group’s borrowings are denominated in Ringgit Malaysia except for approximately RM65.135 million (USD19.983 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 declared a first single tier interim dividend of 1 sen per share in respect of the financial year ending 31 March 2014 (2nd Quarter FYE 2013: Nil). The interim dividend will be paid on 26 February 2014 to the Depositors registered in the Record of Depositors at the close of the business on 12 February 2014.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.00 p.m. on 12 February 2014 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.

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 | |
|---|--------------------|------------|--------------------|------------|
| | 30.09.2013 | 30.09.2012 | 30.09.2013 | 30.09.2012 |
| Profit/(Loss) attributable to owners of the parent (RM'000) | 1,862 | 3,885 | 6,589 | (186) |
| Weighted average number of ordinary shares in issue ('000) | 380,418 | 370,583 | 380,418 | 370,583 |
| Earnings/(loss) per share (sen) | | | | |
| - Basic | 0.49 | 1.05 | 1.73 | (0.05) |
| - 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)

| | 6 months ended 30.09.2013 RM'000 |
|---|---|
| Total retained profits of the Group: | |
| - Realised | 156,250 |
| - Unrealised profit /(loss) | (1,862) |
| Total Group retained profits as per condensed consolidated statements of financial position | <u>154,388</u> |

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

| | 3 months ended 30.09.2013 RM'000 | Cumulative 6 months ended 30.09.2013 RM'000 |
|---|---|--|
| Interest Income | 309 | 749 |
| Other Income including Investment Income | 200 | 484 |
| Interest Expenses | 2,520 | 4,868 |
| Depreciation & Amortisation | 745 | 1,476 |
| Provision for/Write off of Receivables | 956 | 1,507 |
| 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 | (1,419) | (1,561) |
| - Unrealised | 842 | (825) |
| Gain/(Loss) on Derivatives | 0 | 0 |
| Impairment of Goodwill | 0 | 0 |
| Transaction costs relating to the restructuring scheme | 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 27th November 2013.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Company Secretary
 27th November 2013
 Selangor Darul Ehsan