

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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.

The Company will pay a first single tier interim dividend of 1 sen per share in respect of the financial year ending 31 March 2014 on 26 February 2014.

## 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
<b>REVENUE</b>					
External sales	467,898	43,065	-	-	510,963
Inter-company transactions	<u>7,729</u>	<u>1,303</u>	<u>-</u>	<u>(9,032)</u>	<u>-</u>
Total Sales	<u>475,627</u>	<u>44,368</u>	<u>-</u>	<u>(9,032)</u>	<u>510,963</u>
<b>RESULTS</b>					
Segment results	15,878	3,288	(385)	-	18,781
Less:					
Impairment of goodwill					-
Cost related to the restructuring scheme					-
Finance cost					7,422
Interest income					(1,039)
Taxation					<u>3,901</u>
Profit/(Loss) for the period					<u>8,497</u>
<b>ASSETS</b>	<u>423,901</u>	<u>48,258</u>	<u>34,683</u>	<u>(43,097)</u>	<u>463,745</u>
<b>LIABILITIES</b>	<u>278,726</u>	<u>17,547</u>	<u>245</u>	<u>(41,917)</u>	<u>254,601</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 31 December 2013 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	943
(b) Approved but not contracted for	17,528

#### 14. COMMENTARY ON FINANCIAL PERFORMANCE

For the third quarter ending 31 December 2013, the Group registered revenue of RM146.902 million, a decrease of RM28.074 million or 16.04% as compared to the revenue of RM174.976 million for the corresponding quarter of the preceding year. The lower revenue was mainly due to lower sales volume of steel products and building materials from the trading division resulting from softening of domestic demand.

The Group registered a profit before tax ("PBT") of RM2.606 million for the current quarter, a decrease of RM2.794 million as compare to RM5.400 million in the corresponding quarter of the preceding year. The decrease PBT was mainly due to decrease PBT of the trading division resulting from lower sales during the quarter under review.

Trading revenue decreased by RM26.508 million to RM133.932 million for the current quarter compared to RM160.440 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM2.645 million to RM2.034 million for the current quarter as compared to segment PBT of RM4.679 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume resulting from softening of domestic demand thus leading to lower PBT.

Manufacturing revenue decreased by RM1.566 million to RM12.970 million for the current quarter compared to RM14.536 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.085 million to RM0.747 million for the current quarter as compared to segment PBT of RM0.832 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume thus leading to lower PBT.

#### 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended	
	30/09/2013	30/06/2013
	RM'000	RM'000
Revenue	146,902	172,201
PBT	2,606	2,533

The Group registered revenue of RM146.902 million in the current quarter which was RM25.299 million or 14.69% lower than the revenue of RM172.201million for the preceding quarter mainly attributable to lower sales volume of steel products from trading division due to softening of domestic demand. The Group registered a higher PBT of RM2.606 million in the current quarter compared to RM2.533 million in the preceding quarter mainly due to lower cost of goods sold during the current quarter under review.

#### 16. PROSPECTS

The Board of Directors expects the Group's operating environment to remain challenging and competitive despite the Malaysian economy growth forecast for year 2014 of 5.1% YOY due to expectation of a moderation in domestic demand amid fiscal consolidation and higher cost pressure. The Board will continue to exercise caution in managing the Group's business in the remaining quarter of the financial year besides continue to explore ways to improve revenue growth while strengthening its operational and productivity efficiencies.

Amidst the challenges, the Group expects to maintain a positive performance for the remaining period 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:

	<b>3 months ended 31-Dec-13 RM'000</b>	<b>9 months ended 31-Dec-13 RM'000</b>
Income tax		
- Current year taxation	695	3,869
- Prior year taxation	32	32
Deferred tax	-	-
	<u>727</u>	<u>3,901</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 31 December 2013 are as follows:

	<b>31.12.2013</b>
	<b>RM'000</b>
<b><u>Short Term borrowings</u></b>	
Secured	223,521
<b><u>Long Term borrowings</u></b>	
Secured	4,774
<b>Total borrowings</b>	<u><u>228,295</u></u>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM30.895 million (USD9.431 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 31<sup>st</sup> December 2013 (2<sup>nd</sup> Quarter FYE 2013: 1 sen per share).

## 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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit/(Loss) attributable to owners of the parent (RM'000)	1,874	4,291	8,464	4,105
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	1.16	2.22	1.11
- 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)

	9 months ended 31.12.2013 RM'000
Total retained profits of the Group:	
- Realised	157,189
- Unrealised profit /(loss)	(926)
Total Group retained profits as per condensed consolidated statements of financial position	<u>156,263</u>

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

	<b>3 months ended 31.12.2013 RM'000</b>	<b>Cumulative 9 months ended 31.12.2013 RM'000</b>
Interest Income	290	1,039
Other Income including Investment Income	272	756
Interest Expenses	2,555	7,422
Depreciation & Amortisation	787	2,263
Provision for/Write off of Receivables	690	2,197
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	(516)	(1,719)
- Unrealised	936	111
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 24<sup>th</sup> February 2014.

By Order of the Board  
 Leong Oi Wah (MAICSA 7023802)  
 Company Secretary  
 24<sup>th</sup> February 2014  
 Selangor Darul Ehsan