

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2014

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

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 under review:

- (i) An update valuation on investment properties comprising of land & buildings without the benefit of detailed site inspection which were carried out by independent qualified valuers on 31/03/2014 which resulted in the recognition of Fair Value Adjustment in the statements of profit or loss and other comprehensive income amounted to RM925,000 in the financial year ended 31/03/2014.

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

During the financial year ended 31 March 2014, the Company has paid a first single tier interim dividend of 1 sen per share in respect of the financial year ending 31 March 2014 amounting to RM3,804,176.56 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
REVENUE					
External sales	601,219	54,846	-	-	656,065
Inter-company transactions	8,543	1,621	-	(10,164)	-
Total Sales	<u>609,762</u>	<u>56,467</u>	<u>-</u>	<u>(10,164)</u>	<u>656,065</u>
RESULTS					
Segment results	23,674	3,462	(521)	-	26,615
Less:					
Impairment of goodwill					-
Cost related to the restructuring scheme					-
Finance cost					9,974
Interest income					(1,531)
Taxation					5,136
Profit/(Loss) for the period					<u>13,036</u>
ASSETS	<u>412,616</u>	<u>48,238</u>	<u>32,853</u>	<u>(43,535)</u>	<u>450,172</u>
LIABILITIES	<u>265,136</u>	<u>16,357</u>	<u>255</u>	<u>(42,305)</u>	<u>239,443</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 March 2014 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	906
(b) Approved but not contracted for	19,962

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the fourth quarter ended 31 March 2014, the Group registered revenue of RM145.102 million, a decrease of RM20.182 million or 12.21% as compared to the revenue of RM165.284 million for the corresponding quarter of the preceding year. The lower revenue was mainly due to lower sales volume and selling prices of steel products and building materials from the trading division resulting from lower domestic demand.

The Group registered a profit before tax ("PBT") of RM5.772 million for the current quarter, a decrease of RM1.311 million as compare to RM7.083 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 RM16.673 million to RM133.321 million for the current quarter compared to RM149.994 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM1.683 million to RM5.358 million for the current quarter as compared to segment PBT of RM7.041 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume and selling prices resulting from lower domestic demand thus leading to lower PBT.

Manufacturing revenue decreased by RM3.509 million to RM11.781 million for the current quarter compared to RM15.290 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.180 million to RM0.552 million for the current quarter as compared to segment PBT of RM0.732 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	
	31/03/2014	31/12/2013
	RM'000	RM'000
Revenue	145,102	146,902
PBT	5,772	2,606

The Group registered revenue of RM145.102 million in the current quarter which was RM1.800 million or 1.23% lower than the revenue of RM146.902 million for the preceding quarter mainly attributable to lower sales volume of steel products from trading division resulting from the festive season with lesser working days and sites activities slowed down. The Group registered a higher PBT of RM5.772 million in the current quarter compared to RM2.606 million in the preceding quarter mainly due to some variation in products mix that lead to higher effective prices of steel products from the trading division and the incorporation of fair value adjustment on certain investment properties.

16. PROSPECTS

The Board of Directors is cautiously optimistic that despite the slower economy growth in the major steel producing countries, the other major global economic environment has shown sign of improvement and with stable domestic demand, private investment driven by the ongoing implementation of multi-year projects and the expected improvement in external demand that will remain the key driver of growth. The Group will continue its efforts to improve revenue growth and strive for improvement in operational and productivity efficiencies in the coming financial year.

Barring any unforeseen and adverse circumstances, the Group expects to maintain a satisfactory performance in the coming 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 31.03.2014 RM'000	12 months 31.03.2014 RM'000
Income tax		
- Current year taxation	1,502	5,370
- Prior year taxation	(186)	(154)
Deferred tax	(80)	(80)
	<u>1,236</u>	<u>5,136</u>

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

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.

On 8 May 2014, the application to seek a further extension of time for the Company to comply with the Bumiputera Equity Condition has been submitted to the SC.

The SC had, via its letter dated 19 May 2014 (which was received on 20 May 2014), approved the extension of time of up to 30 September 2014 to comply with the Bumiputera Equity Condition.

20. BORROWINGS

The Group's borrowings as at 31 March 2014 are as follows:

	31.03.2014
	RM'000
<u>Short Term borrowings</u>	
Secured	215,451
<u>Long Term borrowings</u>	
Secured	4,425
Total borrowings	<u>219,876</u>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM36.528 million (USD11.169 million) 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 final dividend in respect of the financial year ended 31st March 2014.

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	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Profit/(Loss) attributable to owners of the parent (RM'000)	4,503	5,446	12,970	9,551
Weighted average number of ordinary shares in issue ('000)	380,418	370,583	380,418	370,583
Earnings/(loss) per share (sen)				
- Basic	1.18	1.47	3.41	2.58
- 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)

	12 months ended
	31.03.2014
	RM'000
Total retained profits of the Group:	
- Realised	152,825
- Unrealised profit /(loss)	4,140
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Total Group retained profits as per condensed consolidated statements of financial position	156,965
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25. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

	3 months ended	Cumulative 12 months ended
	31.03.2014	31.03.2014
	RM'000	RM'000
Interest Income	492	1,531
Other Income including Investment Income	1,268	2,024
Interest Expenses	2,552	9,974
Depreciation & Amortisation	849	3,112
Provision for/Write off of Receivables	641	2,828
Provision for/Write off of Inventories	33	33
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	70	70
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	608	(1,111)
- Unrealised	5	116
Gain/(Loss) on Derivatives	0	0
Impairment of Goodwill	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 28th May 2014.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Company Secretary
28th May 2014
Selangor Darul Ehsan