

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 2014. 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 2014.

**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 2014, except for the following new and revised MFRSs and Amendments to MFRSs and IC Interpretation which are applicable to its financial statements:

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
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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 up to the date of issuance of the Group’s financial statements and have not been early adopted by the Group:

<b>Effective for financial periods beginning on or after 1 July 2014</b>	
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs	2010-2012 Cycle
Annual Improvements to MFRSs	2011-2013 Cycle

### **Effective for the financial period beginning on or after 1 January 2016**

Amendments to MFRS 11	Accounting for acquisition of interest in joint venture operations
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptance Methods of Depreciation and Amortisation

### **Effective for a date yet to be confirmed**

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

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 2015 were as follows:

	Trading RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	250,219	25,881	-	-	276,100
Inter-company transactions	<u>2,407</u>	<u>403</u>	<u>-</u>	<u>(2,810)</u>	<u>-</u>
Total Sales	<u>252,626</u>	<u>26,284</u>	<u>-</u>	<u>(2,810)</u>	<u>276,100</u>
<b>RESULTS</b>					
Segment results	8,897	948	(327)		9,518
Less:					
Finance cost					4,958
Interest income					(583)
Taxation					<u>1,703</u>
Profit/(Loss) for the period					<u>3,440</u>
<b>ASSETS</b>	<u>428,765</u>	<u>47,667</u>	<u>32,514</u>	<u>(45,585)</u>	<u>463,361</u>
<b>LIABILITIES</b>	<u>277,228</u>	<u>15,199</u>	<u>243</u>	<u>(42,554)</u>	<u>250,116</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 2014 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	595
(b) Approved but not contracted for	19,827

#### 14. COMMENTARY ON FINANCIAL PERFORMANCE

For the second quarter ended 30 September 2014, the Group registered revenue of RM137.674 million, a decrease of RM34.527 million or 20.05% as compared to the revenue of RM172.201 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 from the trading division resulting from weaker domestic demand and prolonged soft steel market worldwide.

The Group registered a profit before tax ("PBT") of RM3.028 million for the current quarter, an increase of RM0.495 million as compare to RM2.533 million in the corresponding quarter of the preceding year. The increase PBT was mainly due to increase PBT of the trading division resulting from lower cost of goods sold.

Trading revenue decreased by RM31.912 million to RM125.828 million for the current quarter compared to RM157.740 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.593 million to RM2.731 million for the current quarter as compared to segment PBT of RM1.138 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 and competition. However, higher PBT was registered due to lower cost of goods sold during the current quarter under review and incorporation of higher provision of doubtful debts in the corresponding quarter of the preceding year.

Manufacturing revenue decreased by RM2.615 million to RM11.846 million for the current quarter compared to RM14.461 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM1.036 million to RM0.489 million for the current quarter as compared to segment PBT of RM1.525 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume that leading to lower PBT.

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

	3 months ended	
	30/09/2014	30/06/2014
	RM'000	RM'000
Revenue	137,674	138,426
PBT	3,028	2,115

The Group registered revenue of RM137.674 million in the current quarter which was RM0.752 million or 0.54% lower than the revenue of RM138.426 million for the preceding quarter mainly attributable to lower sales volume and selling prices of steel products from manufacturing division resulting from competition. However, this has been mitigated by improved sales volume in the trading division resulting from the stabilization in the domestic market. The Group registered a higher PBT by RM0.913 million in the current quarter compared to RM2.115 million in the preceding quarter mainly resulting from lower cost of goods sold during the current quarter under review.

#### 16. PROSPECTS

The local steel industry continues to be hampered by the influx of cheap imported products which has depressed selling prices. The global oversupply situation spurred by China has led to the softened international steel prices which may remain in the near future as the world economy remains soft. Domestic Demand for steel products is expected to improve with the ongoing major construction projects under the ETP. The Group will continue its focus on improving its performance

by improving revenue growth as well as operational and productivity efficiencies. Barring any unforeseen circumstances, the Group 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 ending 31 March 2015.

## 18. TAXATION

The tax figures comprise of:

	<b>3 months ended 30.09.2014 RM'000</b>	<b>6 months ended 30.09.2014 RM'000</b>
Income tax		
- Current year taxation	841	1,713
- Prior year taxation	-	22
Deferred tax	-	(32)
	<u>841</u>	<u>1,703</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 certain income which are not taxable and utilization of unabsorbed capital allowances and tax losses by certain subsidiaries.

## 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.

On 7 August 2014, the listing application in respect of the Proposed Special Issue has been submitted to Bursa Securities.

Bursa Securities has, vide its letter dated 14 August 2014 (which was received on 15 August 2014), approved the listing of and quotation for 800,000 Special Issue Shares to be issued pursuant to the Proposed Special Issue.

On 28 August 2014 (“Price-Fixing Date”), the Company announced that the Board has fixed the issue price for the placement of 800,000 Special Issue Shares at RM0.50 per Special Issue Share to the identified Bumiputera investors by MITI who have accepted the “Surat Akuterima” issued by MITI.

As at the closing date for the payment of the Special Issue Shares on 5 September 2014, the Company did not receive payments from the identified Bumiputera investors for the subscription of 800,000 Special Issue Shares.

On 9 September 2014, the Company has notified the SC that AYS is deemed to have complied with the Bumiputera Equity Condition pursuant to the terms and conditions as set out in the approval letter dated 19 June 2013 from the SC for the Special Issue. In view that the Special Issue was previously undertaken to facilitate the compliance of the Bumiputera Equity Condition, the Board has decided not to proceed further with the Special Issue and accordingly terminates the Special Issue with immediate effect.

## 20. BORROWINGS

The Group's borrowings as at 30 September 2014 are as follows:

	<b>30.09.2014</b>
	<b>RM'000</b>
<b><u>Short Term borrowings</u></b>	
Secured	225,021
<b><u>Long Term borrowings</u></b>	
Secured	3,918
<b>Total borrowings</b>	<b><u>228,939</u></b>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM38.362 million (USD11.696 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 interim dividend in respect of the current quarter ended 30<sup>th</sup> September 2014 (2<sup>nd</sup> Quarter FYE 2014: 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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Profit/(Loss) attributable to owners of the parent (RM'000)	2,177	1,862	3,416	6,589
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	0.57	0.49	0.90	1.73
- Diluted	N/A	N/A	N/A	N/A

#### 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.

#### 24. REALISED AND UNREALISED PROFIT/(LOSS)

	<b>6 months ended</b> <b>30.09.2014</b> <b>RM'000</b>
Total retained profits of the Group:	
- Realised	156,507
- Unrealised profit /(loss)	3,874
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Total Group retained profits as per condensed consolidated statements of financial position	160,381
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#### 25. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

	<b>3 months ended</b> <b>30.09.2014</b> <b>RM'000</b>	<b>Cumulative</b> <b>6 months ended</b> <b>30.09.2014</b> <b>RM'000</b>
Interest Income	281	583
Other Income including Investment Income	106	375
Interest Expenses	2,530	4,958
Depreciation & Amortisation	745	1,478
Provision for/Write off of Receivables	154	869



Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	23	62
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	(908)	(920)
- Unrealised	409	414
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 11<sup>th</sup> November 2014.

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