

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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	373,720	37,957	-	-	411,677
Inter-company transactions	5,503	671	-	(6,174)	-
Total Sales	<u>379,223</u>	<u>38,628</u>	<u>-</u>	<u>(6,174)</u>	<u>411,677</u>
<b>RESULTS</b>					
Segment results	9,079	971	(496)		9,554
Less:					
Finance cost					7,573
Interest income					(969)
Taxation					1,541
Profit/(Loss) for the period					<u>1,409</u>
<b>ASSETS</b>	<u>450,885</u>	<u>48,989</u>	<u>32,355</u>	<u>(45,549)</u>	<u>486,680</u>
<b>LIABILITIES</b>	<u>302,779</u>	<u>16,716</u>	<u>253</u>	<u>(42,469)</u>	<u>277,279</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 2014 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	250
(b) Approved but not contracted for	19,199

#### 14. COMMENTARY ON FINANCIAL PERFORMANCE

For the third quarter ended 31 December 2014, the Group registered revenue of RM135.575 million, a decrease of RM11.327 million or 7.71% as compared to the revenue of RM146.902 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 softening of domestic demand.

The Group registered a loss before tax (“LBT”) of RM2.192 million for the current quarter, a decrease of RM4.798 million as compare to PBT of RM2.606 million in the corresponding quarter of the preceding year. The LBT was mainly due to decrease PBT of the trading division resulting from higher cost of goods sold due to weakened local currency, provision of doubtful receivables and declined selling prices during the quarter under review.

Trading revenue decreased by RM10.433 million to RM123.499 million for the current quarter compared to RM133.932 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM4.136 million to LBT of RM2.102 million for the current quarter as compared to segment PBT of RM2.034 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. The LBT was registered due to higher cost of goods sold resulting from weakened local currency, provision of doubtful receivables and declined selling prices during the current quarter under review.

Manufacturing revenue decreased by RM0.894 million to RM12.076 million for the current quarter compared to RM12.970 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.669 million to RM0.078 million for the current quarter as compared to segment PBT of RM0.747 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable to the lower sales volume and selling prices that resulting in lower PBT.

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

	3 months ended	
	31/12/2014	30/09/2014
	RM'000	RM'000
Revenue	135,575	137,674
(LBT)/PBT	(2,192)	3,028

The Group registered revenue of RM135.575 million in the current quarter which was RM2.099 million or 1.52% lower than the revenue of RM137.674 million for the preceding quarter mainly attributable to lower sales volume and selling prices of steel products from the trading division resulting from softening of domestic demand. The Group registered a lower PBT by RM5.220 million to LBT of RM2.192 million in the current quarter compared to PBT of RM3.028 million in the preceding quarter mainly resulting from higher cost of goods sold due to weakened local currency, provision of doubtful receivables and declined selling prices during the current quarter under review.

## 16. PROSPECTS

The slump in crude oil prices last year has emerged as a major concern on government's fiscal position, coupled with the selling down of assets by foreign investors that lead to a weakened Ringgit. However the government has taken prompt measures in announcing a revised budget plan to mitigate these impacts, with the curtailing of operational expenses without reducing the capital expenditure of the state to ensure growth, development and narrowing of deficit remained on track in responding to changes in the global economic landscape; and is confident that the country's gross domestic product would grow by between 4.5 and 5.5% in 2015. This is a positive assurance on the domestic demand for steel products with the on track major construction projects under the ETP as well as the private sector's capital investment expected to continue in the near future. Amidst the challenges, the Group will continue to explore ways to improve its revenue growth while strengthening operational and productivity efficiencies so as 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 2015.

## 18. TAXATION

The tax figures comprise of:

	<b>3 months ended 31.12.2014 RM'000</b>	<b>9 months ended 31.12.2014 RM'000</b>
Income tax		
- Current year taxation	119	1,832
- Prior year taxation	(281)	(259)
Deferred tax	-	(32)
	<u>(162)</u>	<u>1,541</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 loss incurred during the quarter and overprovision of taxation in the prior year. The Group's effective tax rate for the 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 availability of certain income which are not taxable and utilization of unabsorbed capital allowances and tax losses by certain subsidiaries.

## 19. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the latest practical date from the issuance of this report.

## 20. BORROWINGS

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

	<b>31.12.2014</b>
	<b>RM'000</b>
<b><u>Short Term borrowings</u></b>	
Secured	247,253
<b><u>Long Term borrowings</u></b>	
Secured	4,337
<b>Total borrowings</b>	<b><u>251,590</u></b>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM72.167 million (USD20.640 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 31<sup>st</sup> December 2014 (3<sup>rd</sup> Quarter FYE 2014: 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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Profit/(Loss) attributable to owners of the parent (RM'000)	(2,036)	1,874	1,379	8,464
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	(0.54)	0.49	0.36	2.22
- 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>9 months ended 31.12.2014 RM'000</b>
Total retained profits of the Group:	
- Realised	157,820
- Unrealised profit /(loss)	524
Total Group retained profits as per condensed consolidated statements of financial position	<u>158,344</u>

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

	<b>3 months ended 31.12.2014 RM'000</b>	<b>Cumulative 9 months ended 31.12.2014 RM'000</b>
Interest Income	386	969
Other Income including Investment Income	83	458
Interest Expenses	2,614	7,573
Depreciation & Amortisation	826	2,304
Provision for/Write off of Receivables	574	1,443
Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	62
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	(867)	(1,787)
- Unrealised	(4,179)	(3,765)
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 17<sup>th</sup> February 2015.

By Order of the Board  
Leong Oi Wah (MAICSA 7023802)  
Company Secretary  
17<sup>th</sup> February 2015  
Selangor Darul Ehsan