

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015

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 2015. 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 2015.

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 2015, except for the following Amendments to MFRS and Annual Improvements to MFRSs which are applicable to its financial statements:

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs	2010-2012 Cycle
Annual Improvements to MFRSs	2011-2013 Cycle

The adoption of these Amendments to MFRS and Annual Improvements to MFRSs 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, Amendments to MFRSs and Annual Improvements 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:

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

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities - Applying the Consolidated Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Venture Operations
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 141	Agriculture - Bearer Plants

Amendments to MFRS 10 and MFRS 128
Annual Improvements to MFRSs 2012 – 2014 Cycle

Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

Effective for the financial period beginning on or after 1 January 2017

MFRS 15 Revenue from Contracts with Customers

Effective for the financial period beginning on or after 1 January 2018

MFRS 9 Financial Instrument (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014)

The Group will adopt the above MFRS, Amendments to MFRS and Annual Improvements to MFRSs 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

During the financial year ending 31 March 2016, the Company has paid a final single tier dividend of 1 sen per share in respect of the financial year ending 31 March 2015 amounting to RM3,804.176.56 on 10 August 2015.

9. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the financial year ending 31 March 2016 were as follows:

	Trading RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	276,352	27,960	-	-	304,312
Inter-company transactions	4,879	-	-	(4,879)	-
Total Sales	<u>281,231</u>	<u>27,960</u>	<u>-</u>	<u>(4,879)</u>	<u>304,312</u>
RESULTS					
Segment results	9,969	1,492	(320)		11,141
Less:					
Finance cost					6,280
Interest income					(755)
Taxation					(2,197)
Profit/(Loss) for the period					<u>7,813</u>
ASSETS	<u>463,906</u>	<u>47,678</u>	<u>31,227</u>	<u>(46,806)</u>	<u>496,005</u>
LIABILITIES	<u>302,417</u>	<u>18,099</u>	<u>263</u>	<u>(42,270)</u>	<u>278,509</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

Save from disclosed below, there were no changes in the composition of the Group for the current quarter under review.

On 7 September 2015, the Company has entered into a Share Sales Agreement to acquire 100,000 ordinary share of RM1.00 each representing the entire interest in Infinity FZ Sdn Bhd ("IFZSB") ("Acquisition"). On 12 October 2015, the said Acquisition is completed pursuant to the Share Sales Agreement. IFZSB is now a wholly-owned subsidiary of AYS.

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 2015 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	1,642
(b) Approved but not contracted for	27,366

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the second quarter ended 30 September 2015, the Group registered revenue of RM158.751 million, an increase of RM21.077 million or 15.31% as compared to the revenue of RM137.674 million for the corresponding quarter of the preceding year. The higher revenue was mainly due to higher sales volume contributed from the trading division resulting from the higher demand despite lower selling prices of steel products due to weak global steel price and keen competition.

The Group registered a profit before tax ("PBT") of RM6.138 million for the current quarter, an increase of RM3.110 million as compare to PBT of 3.028 million in the corresponding quarter of the preceding year. The increase PBT was resulting from enhanced sales volume coupled with the incorporation of sales tax refund and the provision for additional duty payable.

Trading revenue increased by RM20.472 million to RM146.300 million for the current quarter compared to RM125.828 million for the corresponding quarter of the preceding year. The segment PBT increased by RM2.189 million to RM4.920 million for the current quarter as compared to segment PBT of RM2.731 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher sales volume despite a softened price. The higher PBT was registered mainly due to higher sales volume and the incorporation of sales tax refund during the current quarter under review.

Manufacturing revenue increased by RM0.605 million to RM12.451 million for the current quarter compared to RM11.846 million for the corresponding quarter of the preceding year. The segment PBT increased by RM0.886 million to RM1.375 million for the current quarter as compared to segment PBT of RM0.489 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher sales volume leading to the higher PBT.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended	
	30/09/2015	30/06/2015
	RM'000	RM'000
Revenue	158,751	145,561
PBT	6,138	3,872

The Group registered revenue of RM158.751 million in the current quarter which was RM13.190 million or 9.06% higher than the revenue of RM145.561 million for the preceding quarter mainly attributable to higher sales volume of steel products from the trading divisions resulting from higher demand. The Group registered a higher PBT by RM2.266 million to RM6.138 million in the current quarter compared to PBT of RM3.872 million in the preceding quarter mainly attributable to higher sales volume and the incorporation of sales tax refund in the current quarter under review.

16. PROSPECTS

Excess capacity in the global steel industry, a slump in oil and iron ore prices, the weakened currency and the weakened GDP growth domestically remain key challenges the industry faced. Despite these, with proactive measures in place to enhance the nation balance of payment position, the government continues with the implementation of various projects including the infrastructure developments under the Economic Transformation Programme (ETP), 10th Malaysia Plan and twelve (12) national key economic areas (NKEAS), couple with positive business sentiments from some industries sector, the board is cautiously optimistic these will lead to positive benefits to the business of the Group. The Group will continue to explore ways for the sustainability of its revenue while strengthening its operational and productivity efficiencies so that the Group's performance will remain positive for the remaining quarters 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 2016.

18. TAXATION

The tax figures comprise of:

	3 months ended 30.09.2015 RM'000	6 months ended 30.09.2015 RM'000
Income tax		
- Current year taxation	1,363	2,197
- Prior year taxation	-	-
Deferred tax	-	-
	<u>1,363</u>	<u>2,197</u>

The Group's effective tax rate for the current quarter under review was lower than the statutory tax rate of 24% mainly due to certain income which are not taxable, utilization of unabsorbed capital allowances and tax losses by a subsidiary but these effects have been partially offset by certain expenses which are not deductible for tax purposes.

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 30 September 2015 are as follows:

	30.09.2015
	RM'000
<u>Short Term borrowings</u>	
Secured	243,114
<u>Long Term borrowings</u>	
Secured	3,582
Total borrowings	<u><u>246,696</u></u>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM9.053 million (USD2.059 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 30th September 2015 (2nd Quarter FYE 2015: 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:

	Individual Quarter		Cumulative Quarter	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Profit/(Loss) attributable to owners of the parent (RM'000)	4,773	2,177	7,811	3,416
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.25	0.57	2.05	0.90
- 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)

	6 months ended 30.09.2015 RM'000
Total retained profits of the Group:	
- Realised	158,384
- Unrealised profit /(loss)	9,638
Total Group retained profits as per condensed consolidated statements of financial position	<u>168,022</u>

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

	3 months ended 30.09.2015 RM'000	Cumulative 6 months ended 30.09.2015 RM'000
Interest Income	438	755
Other Income including Investment Income	3,772	3,932
Interest Expenses	3,214	6,280
Depreciation & Amortisation	743	1,490
Provision for/Write off of Receivables	(514)	(685)
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	(252)	(1,659)
- Unrealised	881	1,785
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 23rd November 2015.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Company Secretary
23rd November 2015
Selangor Darul Ehsan