

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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      Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture  
Annual Improvements to MFRSs 2012 – 2014 Cycle

**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 ended 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
<b>REVENUE</b>					
External sales	404,928	40,360	-	-	445,288
Inter-company transactions	5,482	-	-	(5,482)	-
Total Sales	<u>410,410</u>	<u>40,360</u>	<u>-</u>	<u>(5,482)</u>	<u>445,288</u>
<b>RESULTS</b>					
Segment results	16,706	3,425	(432)		19,699
Less:					
Finance cost					9,186
Interest income					(1,078)
Share of result in associated company			17		17
Taxation					<u>2,812</u>
Profit/(Loss) for the period					<u>8,762</u>
<b>ASSETS</b>	<u>437,688</u>	<u>45,149</u>	<u>31,753</u>	<u>(48,687)</u>	<u>465,903</u>
<b>LIABILITIES</b>	<u>276,619</u>	<u>14,532</u>	<u>906</u>	<u>(44,099)</u>	<u>247,958</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 below, there were no changes in the composition of the Group for the current quarter under review.

- (1) On 7 September 2015, the Company entered into a Share Sales Agreement to acquire 100,000 ordinary share of RM1.00 each representing the entire equity interest in Infinity FZ Sdn Bhd ("IFZSB"). Upon completion of the Acquisition on 12 October 2015, IFZSB becomes a wholly-owned subsidiary of the Company.
- (2) On 25th September 2015, the Company signed a Joint Venture Agreement with Kondo Steel Corporation Japan, Okaya & Co. Ltd. Japan and Okaya International (Malaysia) Sdn Bhd to establish a joint venture company, now known as AOK Engineering Services Sdn Bhd ("AOK") for the purpose to venture into the business of engineering services and solution provider and producing precision engineering details on components of building structure. As at the latest practical date from the issuance of this report, the Company has paid and subscribed upto 45% of the ordinary shares of RM1.00 each representing 450,000 ordinary shares of this new associated company.

## 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 2015 were as follows:

<b>Commitments in respect of capital expenditure</b>	<b>RM'000</b>
(a) Contracted but not provided for	2,672
(b) Approved but not contracted for	26,039

## 14. COMMENTARY ON FINANCIAL PERFORMANCE

For the third quarter ended 31 December 2015, the Group registered revenue of RM140.976 million, an increase of RM5.401 million or 3.98% as compared to the revenue of RM135.575 million for the corresponding quarter of the preceding year. The higher revenue was mainly due to higher sales volume contributed from the both trading and manufacturing divisions 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 RM1.564 million for the current quarter, an increase of RM3.756 million as compared to a loss before tax ("LBT") of RM2.192 million in the corresponding quarter of the preceding year. The increase PBT was resulting from enhanced sales volume during the quarter and non-incorporation of provision of doubtful receivables.

Trading revenue increased by RM5.078 million to RM128.577 million for the current quarter compared to RM123.499 million for the corresponding quarter of the preceding year. The segment PBT increased by RM2.686 million to RM0.584 million for the current quarter as compared to segment LBT of RM2.102 million for the corresponding quarter of the preceding year. The higher revenue and PBT were mainly attributable to the higher sales volume despite a softened price and non-incorporation of provision of doubtful receivables.

Manufacturing revenue increased by RM0.323 million to RM12.399 million for the current quarter compared to RM12.076 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.031 million to RM1.109 million for the current quarter as compared to segment PBT of RM0.078 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

	<b>3 months ended</b>	
	<b>31/12/2015</b>	<b>30/09/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	140,976	158,751
PBT	1,564	6,138

The Group registered revenue of RM140.976 million in the current quarter which was RM17.775 million or 11.20% lower than the revenue of RM158.751 million for the preceding quarter mainly attributable to lower sales volume of steel products from the trading division resulting from lower demand. The Group registered a lower PBT by RM4.574 million to RM1.564 million in the current quarter compared to PBT of RM6,138 million in the preceding quarter mainly attributable to the incorporation of one-off sales tax refund in the preceding quarter and lower sales volume in the current quarter under review.

## 16. PROSPECTS

The year 2016 is certainly a very challenging year for the Malaysian economy, as downside risks on the external front have increased, while global growth forecasts have been revised downwards by both the IMF and World Bank. With continue excess capacity in the global steel industry, slump in oil price, the weakened currency and the weakened GDP growth domestically remain key challenges the industry faced. The recalibration of Budget reaffirmed that nation intention to continue with the major infrastructure projects, the multiplier effect of which is expected to contribute to the future revenue of the Group. Nevertheless, 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 quarter 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:

	<b>3 months ended</b> <b>31.12.2015</b> <b>RM'000</b>	<b>9 months ended</b> <b>31.12.2015</b> <b>RM'000</b>
Income tax		
- Current year taxation	742	2,939
- Prior year taxation	(127)	(127)
Deferred tax	-	-
	<u>615</u>	<u>2,812</u>

The Group's effective tax rate for the current quarter and year-to-date under review were higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes but the effect has been partially offset by certain income which are not taxable, utilization of unabsorbed capital allowances and tax losses by a subsidiary and overprovision of taxation in the prior year.

## 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 2015 are as follows:

	31.12.2015
	RM'000
<b><u>Short Term borrowings</u></b>	
Secured	211,842
<b><u>Long Term borrowings</u></b>	
Secured	3,221
<b>Total borrowings</b>	<b><u>215,063</u></b>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM0.247 million (USD0.057 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 declared a first single tier interim dividend of 1 sen per share in respect of the financial year ending 31 March 2016 (3rd Quarter FYE 2015: Nil). The interim dividend will be paid on 22 March 2016 to the Depositors registered in the Record of Depositors at the close of the business on 09 March 2016.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.00 p.m. on 09 March 2016 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.

## 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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Profit/(Loss) attributable to owners of the parent (RM'000)	939	(2,036)	8,750	1,379
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	0.25	(0.54)	2.30	0.36
- 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)

	9 months ended 31.12.2015 RM'000
Total retained profits of the Group:	
- Realised	160,838
- Unrealised profit /(loss)	8,123
Total Group retained profits as per condensed consolidated statements of financial position	<u>168,961</u>

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

	3 months ended 31.12.2015 RM'000	Cumulative 9 months ended 31.12.2015 RM'000
Interest Income	323	1,078
Other Income including Investment Income	196	4,128
Interest Expenses	2,906	9,186
Depreciation & Amortisation	771	2,261
Provision for/Write off of Receivables	36	721

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	237	(1,422)
- Unrealised	(1,513)	272
Gain/(Loss) on Derivatives	0	0
Impairment of Goodwill	4	4

## 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 22<sup>nd</sup> February 2016.

By Order of the Board  
Leong Oi Wah (MAICSA 7023802)  
Company Secretary  
22<sup>nd</sup> February 2016  
Selangor Darul Ehsan