

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2016

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 2016. 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 2016.

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 2016, 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
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

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 2017

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 7	Financial Instrument – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures

Effective for the financial period beginning on or after 1 January 2019

MFRS 16	Leases
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Effective for a date yet to be confirmed

Amendments to MFRS 10 and FRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
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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

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 ended 31 March 2017 were as follows:

	Trading RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	129,049	15,763	-	-	144,812
Inter-company transactions	266	351	103	(720)	-
Total Sales	<u>129,315</u>	<u>16,114</u>	<u>-</u>	<u>(720)</u>	<u>144,812</u>
RESULTS					
Segment results	14,355	2,144	(239)		16,260
Less:					
Finance cost					2,196
Interest income					(385)
Share of result in associated company					62
Taxation					<u>3,626</u>
Profit/(Loss) for the period					<u>10,761</u>
ASSETS	<u>398,873</u>	<u>49,988</u>	<u>32,726</u>	<u>(45,152)</u>	<u>436,435</u>
LIABILITIES	<u>225,783</u>	<u>20,257</u>	<u>2,400</u>	<u>(39,862)</u>	<u>208,578</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 June 2016 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	366
(b) Approved but not contracted for	26,011

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the first quarter ended 30 June 2016, the Group registered revenue of RM144.812 million, a decrease of RM0.749 million or 0.51% as compared to the revenue of RM145.561 million for the corresponding quarter of the preceding year. The lower revenue was mainly due to selling price being lower than the corresponding quarter of the preceding year despite higher sales volume of steel products from both the trading division and manufacturing division.

The Group registered a profit before tax ("PBT") of RM14.387 million for the current quarter, an increase of RM10.515 million as compared to PBT of RM3.872 million in the corresponding quarter of the preceding year. The increase PBT was resulting from enhanced sales volume and lower cost of goods sold during the quarter.

Trading revenue decreased by RM1.003 million to RM129.049 million for the current quarter compared to RM130.052 million for the corresponding quarter of the preceding year. The segment PBT increased by RM7.925 million to RM12.461 million for the current quarter as compared to segment PBT of RM4.536 million for the corresponding quarter of the preceding year. The lower revenue mainly attributable to the selling prices being lower than the corresponding quarter of the preceding year despite higher sales volume of steel products in a core unit of the trading division. The higher PBT were mainly attributable to the higher sales volume and lower cost of goods sold during the quarter.

Manufacturing revenue increased by RM0.254 million to RM15.763 million for the current quarter compared to RM15.509 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.586 million to a profit before tax ("PBT") of RM2.165 million for the current quarter as compared to segment PBT of RM0.579 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	
	30/06/2016	31/03/2016
	RM'000	RM'000
Revenue	144,812	146,064
PBT	14,387	165

The Group registered revenue of RM144.812 million in the current quarter which was RM1.252 million or 0.86% lower than the revenue of RM146.064 million for the preceding quarter mainly attributable to lower sales volume of steel products from the trading division resulting from some shortage of steel supply and keen competition. The Group registered a higher PBT by RM14.222

million to RM14.387 million in the current quarter compared to PBT of RM0.165 million in the preceding quarter mainly attributable to the higher selling prices and lower cost of goods sold in the current quarter under review.

16. PROSPECTS

The global steel prices still remain volatile and supply side factors have been the main driving force behind affecting the global steel prices. On the domestic front, outlook for the local construction sector expects to be steady, driven by heightened rollout of domestic infrastructure projects and domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. Nonetheless, in view of the volatility of steel market, the Group has implemented more stringent control on the Group's procurement and inventory management. The Group will also continue to actively enhance its productivity and efficiency and to increase its competitiveness in the industry so that the Group's performance will remain competitive 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 ended 31 March 2017.

18. TAXATION

The tax figures comprise of:

	3 months ended
	30.06.2016
	RM'000
Income tax	
- Current year taxation	3,626
- Prior year taxation	-
Deferred tax	-
	<u>3,626</u>

The Group's effective tax rate for the current quarter was 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.

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 June 2016 are as follows:

	30.06.2016
	RM'000
<u>Short Term borrowings</u>	
Secured	179,485
<u>Long Term borrowings</u>	
Secured	2,611
Total borrowings	<u>182,096</u>

The Group's borrowings are denominated in Ringgit Malaysia.

21. MATERIAL LITIGATION

There was no material litigation for the quarter under review.

22. DIVIDEND

The Board of Directors does not recommend any dividend in respect of the financial quarter ended 30th June 2016.

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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Profit/(Loss) attributable to owners of the parent (RM'000)	10,739	3,038	10,739	3,038
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	2.82	0.80	2.82	0.80
- 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)

	3 months ended
	30.06.2016
	RM'000
Total retained profits of the Group:	
- Realised	167,177
- Unrealised profit/(loss)	8,238
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Total Group retained profits as per condensed consolidated statements of financial position	175,415
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25. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

	3 months ended	Cumulative 3 months ended
	30.06.2016	30.06.2016
	RM'000	RM'000
Interest Income	385	385
Other Income including Investment Income	417	417
Interest Expenses	2,196	2,196
Depreciation & Amortisation	725	725
Provision for/Write off of Receivables	17	17
Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	26	26
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	718	718
- Unrealised	314	314
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 August 2016.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Company Secretary
23rd August 2016
Selangor Darul Ehsan