

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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
<b>REVENUE</b>					
External sales	240,991	30,648	-	-	271,639
Inter-company transactions	758	647	206	(1,611)	-
Total Sales	<u>241,749</u>	<u>31,295</u>	<u>206</u>	<u>(1,611)</u>	<u>271,639</u>
<b>RESULTS</b>					
Segment results	22,867	2,782	(477)		25,172
Less:					
Finance cost					4,296
Interest income					(832)
Share of result in associated company					107
Taxation					<u>5,605</u>
Profit/(Loss) for the period					<u>15,996</u>
<b>ASSETS</b>	<u>368,555</u>	<u>45,531</u>	<u>40,321</u>	<u>(49,858)</u>	<u>404,549</u>
<b>LIABILITIES</b>	<u>193,695</u>	<u>16,374</u>	<u>4,277</u>	<u>(44,517)</u>	<u>169,829</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 2016 were as follows:

<b>Commitments in respect of capital expenditure</b>	<b>RM'000</b>
(a) Contracted but not provided for	3,119
(b) Approved but not contracted for	22,002

### 14. COMMENTARY ON FINANCIAL PERFORMANCE

For the second quarter ended 30 September 2016, the Group registered revenue of RM126.827 million, a decrease of RM31.924 million or 20.11% as compared to the revenue of RM158.751 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 market demand.

The Group registered a profit before tax ("PBT") of RM7.214 million for the current quarter, an increase of RM1.076 million as compared to PBT of RM6.138 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 RM34.653 million to RM111.647 million for the current quarter compared to RM146.300 million for the corresponding quarter of the preceding year. The segment PBT increased by RM1.921 million to RM6.841 million for the current quarter as compared to segment PBT of RM4.920 million for the corresponding quarter of the preceding year. The lower revenue mainly attributable to the lower sales volume and selling prices resulting from lower demand. However, higher PBT were mainly attributable to the lower cost of goods sold during the quarter.

Manufacturing revenue increased by RM2.729 million to RM15.180 million for the current quarter compared to RM12.451 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM0.719 million to a profit before tax ("PBT") of RM0.656 million for the current quarter as compared to segment PBT of RM1.375 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher sales volume despite lower selling prices which led to lower PBT.

### 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>3 months ended</b>	
	<b>30/09/2016</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	126,827	144,812
PBT	7,214	14,387

The Group registered revenue of RM126.827 million in the current quarter which was RM17.985 million or 12.42% lower than the revenue of RM144.812 million for the preceding quarter mainly attributable to lower sales volume of steel products from the trading division resulting from softening market demand in light of the volatility in both the international and local steel prices. The Group registered a lower PBT by RM7.173 million to RM7.214 million in the current quarter compared to

PBT of RM14.387 million in the preceding quarter mainly attributable to the lower sales and higher cost of goods sold in the current quarter under review.

## 16. PROSPECTS

The volatility of the global steel market conditions and global steel prices coupled with the fluctuation of exchange rates, weakening oil prices and escalation of costs due to inflationary pressure remain challenging and competitive. Nonetheless, it is expected that our domestic demand, particularly private consumption and continued construction and infrastructure spending as well as property development activities will continue to be the growth driver. The Group will continue to maintain its strategies to focus on improving revenue growth, strengthen the operational and productivity efficiencies whilst keeping the costs under control. 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 ended 31 March 2017.

## 18. TAXATION

The tax figures comprise of:

	<b>3 months ended</b>	<b>6 months ended</b>
	<b>30.09.2016</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax		
- Current year taxation	1,984	5,610
- Prior year taxation	(5)	(5)
Deferred tax	-	-
	<u>1,979</u>	<u>5,605</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 and utilisation of unabsorbed capital allowances and reinvestment allowance by a subsidiary.

## 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 2016 are as follows:

	<b>30.09.2016</b>
	<b>RM'000</b>
<b><u>Short Term borrowings</u></b>	
Secured	145,649
<b><u>Long Term borrowings</u></b>	
Secured	2,325
<b>Total borrowings</b>	<b><u><u>147,974</u></u></b>

The Group's borrowings are denominated in Ringgit Malaysia except for approximately RM0.467 million (USD0.113 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 1.5 sen per share in respect of the financial year ending 31 March 2017 (2<sup>nd</sup> Quarter FYE 2016: Nil), amounting to a net dividend payable of RM5,706,264.84. The interim dividend will be paid on 22 December 2016 to the Depositors registered in the Record of Depositors at the close of the business on 08 December 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 08 December 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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit/(Loss) attributable to owners of the parent (RM'000)	5,238	4,773	15,977	7,811
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.38	1.25	4.20	2.05
- 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 30.09.2016 RM'000
Total retained profits of the Group:	
- Realised	172,154
- Unrealised profit/(loss)	8,499
Total Group retained profits as per condensed consolidated statements of financial position	<u>180,653</u>

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

	3 months ended 30.09.2016 RM'000	Cumulative 6 months ended 30.09.2016 RM'000
Interest Income	447	832
Other Income including Investment Income	304	721
Interest Expenses	2,100	4,296
Depreciation & Amortisation	739	1,464
Provision for/Write off of Receivables	436	453

Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	26
Impairment of Assets	0	0
Gain/(Loss) on Foreign Exchange		
- Realised	(182)	536
- Unrealised	261	575
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 22<sup>nd</sup> November 2016.

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