

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

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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

During the financial year ending 31 March 2017, the Company has paid a first single tier interim dividend of 1.5 sen per share in respect of the financial year ended 31 March 2017 amounting to RM5,706,264.84 on 8 December 2016.

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	359,055	43,538	-	-	402,593
Inter-company transactions	2,185	771	309	(3,265)	-
Total Sales	<u>361,240</u>	<u>44,309</u>	<u>309</u>	<u>(3,265)</u>	<u>402,593</u>
RESULTS					
Segment results	31,914	2,860	(679)		34,095
Less:					
Finance cost					6,156
Interest income					(1,144)
Share of result in associated company					89
Taxation					7,524
Profit/(Loss) for the period					<u>21,470</u>
ASSETS	<u>377,408</u>	<u>44,771</u>	<u>36,679</u>	<u>(44,813)</u>	<u>414,045</u>
LIABILITIES	<u>195,322</u>	<u>15,769</u>	<u>6,570</u>	<u>(39,422)</u>	<u>178,239</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 2016 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	23,447
(b) Approved but not contracted for	14,799

14. COMMENTARY ON FINANCIAL PERFORMANCE

For the third quarter ended 31 December 2016, the Group registered revenue of RM130.954 million, a decrease of RM10.022 million or 7.11% as compared to the revenue of RM140.976 million for the corresponding quarter of the preceding year. The lower revenue was mainly due to lower sales volume despite higher selling prices of steel products from the trading division resulting from softening market demand.

The Group registered a profit before tax ("PBT") of RM7.393 million for the current quarter, an increase of RM5.829 million as compared to PBT of RM1.564 million in the corresponding quarter of the preceding year. The increase PBT was mainly due to increase PBT of the trading division resulting from higher selling price.

Trading revenue decreased by RM10.514 million to RM118.063 million for the current quarter compared to RM128.577 million for the corresponding quarter of the preceding year. The segment PBT increased by RM6.951 million to RM7.535 million for the current quarter as compared to segment PBT of RM0.584 million for the corresponding quarter of the preceding year. The lower revenue mainly attributable to the lower sales volume resulting from lower demand despite higher selling prices. However, higher PBT was mainly attributable to the recovery in selling prices of various steel products.

Manufacturing revenue increased by RM0.492 million to RM12.891 million for the current quarter compared to RM12.399 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM1.004 million to RM0.105 million for the current quarter as compared to segment PBT of RM1.109 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to the higher selling prices despite lower sales volume. The lower PBT was registered due to higher cost of goods sold during the current quarter under review.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended	
	31/12/2016	30/09/2016
	RM'000	RM'000
Revenue	130,954	126,827
PBT	7,393	7,214

The Group registered revenue of RM130.954 million in the current quarter which was RM4.127 million or 3.25% higher than the revenue of RM126.827 million for the preceding quarter mainly attributable to higher selling prices and sales volume of steel products from the trading division resulting from the volatility in both the international and local steel prices. The Group registered a slight increase in PBT by RM0.179 million to RM7.393 million in the current quarter compared to

PBT of RM7.214 million in the preceding quarter subsequent to a partial provision of sales tax refund which was recognised as income in previous financial year notwithstanding higher selling prices of various steel products and lower provision of doubtful receivables in the current quarter under review.

16. PROSPECTS

Notwithstanding the improving sentiment for commodities in general and China's commitment to tackle current excess capacity in its steel sector, the outlook for the steel industry remains challenging due to volatility of the global steel market conditions which impact global steel prices, the weakened Ringgit and fluctuation in oil prices.

On the domestic front, the Government spending and private consumption are predominantly driving the Malaysian economy. With the rollout of domestic key infrastructure projects and capital spending in the private sector, the Group expects these will spur the domestic requirement for steel related materials. Nonetheless, the Group will continue with its effort to maintain its strategies to focus on improving revenue growth, cost management and resources optimisation. Barring any unforeseen circumstances, the Group expects to maintain a satisfactory 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 ended 31 March 2017.

18. TAXATION

The tax figures comprise of:

	3 months ended 31.12.2016 RM'000	9 months ended 31.12.2016 RM'000
Income tax		
- Current year taxation	1,891	7,501
- Prior year taxation	28	23
Deferred tax	-	-
	<u>1,919</u>	<u>7,524</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 31 December 2016 are as follows:

	31.12.2016
	RM'000
<u>Short Term borrowings</u>	
Secured	149,293
<u>Long Term borrowings</u>	
Secured	2,018
Total borrowings	<u>151,311</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 31st December 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit/(Loss) attributable to owners of the parent (RM'000)	5,469	939	21,446	8,750
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.44	0.25	5.64	2.30
- 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 31.12.2016 RM'000
Total retained profits of the Group:	
- Realised	172,195
- Unrealised profit/(loss)	8,221
Total Group retained profits as per condensed consolidated statements of financial position	<u>180,416</u>

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

	3 months ended 31.12.2016 RM'000	Cumulative 9 months ended 31.12.2016 RM'000
Interest Income	312	1,144
Other Income including Investment Income	116	837
Interest Expenses	1,860	6,156
Depreciation & Amortisation	720	2,184
Provision for/Write off of Receivables	20	473

Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	0	26
Impairment of Assets	36	36
Gain/(Loss) on Foreign Exchange		
- Realised	348	884
- Unrealised	(82)	493
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 20th February 2017.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Company Secretary
20th February 2017
Selangor Darul Ehsan