

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

**INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017**

**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
<b>REVENUE</b>					
External sales	474,085	55,999	-	-	530,084
Inter-company transactions	2,293	849	412	(3,554)	-
Total Sales	<u>476,378</u>	<u>56,848</u>	<u>412</u>	<u>(3,554)</u>	<u>530,084</u>
<b>RESULTS</b>					
Segment results	44,956	2,437	(1,014)		46,379
Less:					
Finance cost					8,047
Interest income					(1,481)
Share of result in associated company					148
Taxation					<u>11,933</u>
Profit/(Loss) for the period					<u>27,732</u>
<b>ASSETS</b>	<u>388,383</u>	<u>44,574</u>	<u>42,732</u>	<u>(49,219)</u>	<u>426,470</u>
<b>LIABILITIES</b>	<u>202,126</u>	<u>16,178</u>	<u>8,474</u>	<u>(43,734)</u>	<u>183,044</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 March 2017 were as follows:

<b>Commitments in respect of capital expenditure</b>	<b>RM'000</b>
(a) Contracted but not provided for	27,228
(b) Approved but not contracted for	12,116

### 14. COMMENTARY ON FINANCIAL PERFORMANCE

For the fourth quarter ended 31 March 2017, the Group registered revenue of RM127.491 million, a decrease of RM18.573 million or 12.72% as compared to the revenue of RM146.064 million for the corresponding quarter of the preceding year. The lower revenue was mainly attributable 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 RM10.671 million for the current quarter, an increase of RM10.506 million as compared to PBT of RM0.165 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, lower net realised/unrealised loss on foreign exchange and interest expenses.

Trading revenue decreased by RM21.115 million to RM115.030 million for the current quarter compared to RM136.145 million for the corresponding quarter of the preceding year. The segment PBT increased by RM10.558 million to RM11.371 million for the current quarter as compared to segment PBT of RM0.813 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 lower net realised/unrealised loss on foreign exchange and interest expenses.

Manufacturing revenue increased by RM2.542 million to RM12.461 million for the current quarter compared to RM9.919 million for the corresponding quarter of the preceding year. The segment loss before tax ("LBT") increased by RM0.101 million to RM0.350 million for the current quarter as compared to a LBT of RM0.249 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 higher LBT was registered due to higher cost of goods sold and keen competition during the current quarter under review.

### 15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>3 months ended</b>	
	<b>31/03/2017</b>	<b>31/12/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	127,491	130,954
PBT	10,671	7,393

The Group registered revenue of RM127.491 million in the current quarter which was RM3.463 million or 2.64% lower than the revenue of RM130.954 million for the preceding quarter mainly

attributable to lower sales volume of steel products from the trading division resulting from softening market demand despite surging in the local steel prices. The Group registered an increase in PBT by RM3.278 million to RM10.671 million in the current quarter compared to PBT of RM7.393 million in the preceding quarter mainly attributable to the higher selling price in the current quarter under review.

## 16. PROSPECTS

The steel industry remains challenged by volatility of crude oil and raw material prices, oversupply in global steel industry that lead to volatility of international steel price and instability of the Ringgit against major world currencies. Despite the widespread unfavourable situations, the domestic requirement for steel related materials would be driven primarily by various revitalisation measures through the Economic Transformation Programme (ETP). Against this backdrop, the Group will continue to exercise caution in managing the businesses, focus on its cost management and resource optimization efforts so that the Group's performance will remain positive in the coming 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>12 months ended</b>
	<b>31.03.2017</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax		
- Current year taxation	2,666	10,167
- Prior year taxation	-	23
Deferred tax	1,743	1,743
	<u>4,409</u>	<u>11,933</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 provision of deferred taxation and 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 March 2017 are as follows:

	<b>31.03.2017</b>
	<b>RM'000</b>
<b><u>Short Term borrowings</u></b>	
Secured	142,832
Unsecured	717
<b><u>Long Term borrowings</u></b>	
Secured	1,216
Unsecured	935
<b>Total borrowings</b>	<b><u><u>144,765</u></u></b>

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 have proposed a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 March 2017 (4th Quarter FYE 2016: Nil), amounting to a net dividend payable of RM3,804,176.56. The dividend is subject to approval by shareholders of the forthcoming Annual General Meeting. The book closure and payment dates for this dividend will be announced in due course.

## 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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Profit/(Loss) attributable to owners of the parent (RM'000)	6,389	(477)	27,835	8,269
Number of ordinary shares in issue ('000)	380,418	380,418	380,418	380,418
Earnings/(loss) per share (sen)				
- Basic	1.68	(0.13)	7.32	2.17
- 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)

	12 months ended 31.03.2017 RM'000
Total retained profits of the Group:	
- Realised	180,737
- Unrealised profit/(loss)	6,068
Total Group retained profits as per condensed consolidated statements of financial position	<u>186,805</u>

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

	3 months ended 31.03.2017 RM'000	Cumulative 12 months ended 31.03.2017 RM'000
Interest Income	337	1,481
Other Income including Investment Income	290	1,127
Interest Expenses	1,891	8,047
Depreciation & Amortisation	738	2,922
Provision for/Write off of Receivables	513	986

Provision for/Write off of Inventories	0	0
Gain/(Loss) on disposal of Quoted and Unquoted Investment or Properties	24	50
Impairment of Assets	0	36
Gain/(Loss) on Foreign Exchange		
- Realised	129	1,013
- Unrealised	(330)	163
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> May 2017.

By Order of the Board  
Leong Oi Wah (MAICSA 7023802)  
Company Secretary  
22<sup>nd</sup> May 2017  
Selangor Darul Ehsan