

AMALGAMATED INDUSTRIAL STEEL BERHAD

(Company No. 9118-M)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Accounting Policies and Methods of Computation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012. 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 year ended 31 December 2012.

The accounting policies and methods of computation used in preparing the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 31 December 2012.

The Group and Company has not applied the following MFRSs, Amendments to MFRSs, Issue Committee Interpretations (“IC Interpretations”) and Amendments to IC Interpretation that have been issued by MASB but are not yet effective.

New/Revised MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation		Effective for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013

*AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE THIRD QUARTER ENDED 30 SEPTEMBER 2013
- NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)*

MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
MFRS 141	Agriculture	1 January 2014
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 1	Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 101	Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 116	Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 132	Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 134	Annual Improvements 2009-2011 Cycle	1 January 2013
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 2	Annual Improvements 2009-2011 Cycle	1 January 2013

MFRS 9, Financial Instruments

The Standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments.

MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the FRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group has yet to assess the full impact of MFRS 9 and intends to adopt MFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the International Accounting Standards Board.

MFRS 12, Disclosure of Interests in Other Entities

The Standard includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this MFRS will have no effect to the results and financial position of the Group.

MFRS 13, Fair Value Measurement

The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. This MFRS explains how to measure the fair value of assets, liabilities and equity but does not introduce new fair value measurement requirements.

The Group has yet to assess the full impact of MFRS 13 and intends to adopt MFRS 13 no later than the accounting period beginning on or after 1 January 2013.

Except as indicated above, the adoption of the above MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation are not expected to have significant impact on the financial statements of the Group and of the Company.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

A3 Comments about Seasonal or Cyclical Factors

The business operation of the Group may, generally, be deemed seasonal and cyclical. In most years, a drop occurred around the time of major local festivities, specifically Hari Raya and Chinese New Year.

A4 Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter.

A5 Material Changes in Estimates

There have been no significant changes in estimates used for the preparation of the interim financial statements.

A6 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year to date.

A7 Dividend Paid

There was no payment of dividend during the quarter.

A8 Operating Segment Information

	3 months ended 30.09.2013 RM	9 months ended 30.09.2013 RM	9 months ended 30.09.2012 RM
<u>Segment Revenue</u>			
Local	18,604,795	59,914,380	99,127,658
Overseas	3,054,682	9,681,880	18,419,176
	<u>21,659,477</u>	<u>69,596,260</u>	<u>117,546,834</u>

	3 months ended 30.09.2013 RM	9 months ended 30.09.2013 RM	9 months ended 30.09.2012 RM
<u>Segment Results</u>			
Local	(1,218,224)	(2,679,847)	(1,667,814)
Overseas	(251,061)	(486,279)	312,693
	<u>(1,469,285)</u>	<u>(3,166,126)</u>	<u>(1,355,121)</u>
Profit/ (Loss) from operations	(1,469,285)	(3,166,126)	(1,355,121)
Finance cost	(486,780)	(1,677,227)	(2,855,067)
Tax income/ (expense)	434,112	981,091	752,358
	<u>(1,521,953)</u>	<u>(3,862,262)</u>	<u>(3,457,830)</u>
Loss for the period	(1,521,953)	(3,862,262)	(3,457,830)

A9 Subsequent Events

There were no material events subsequent to the end of the current period up to the date of this announcement that have not been reflected in the financial statements for the period ended 30 September 2013.

A10 Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter.

A11 Contingent Liabilities or Assets

The contingent liability and contingent asset of the Group as at end of the prior financial year 31 December 2012 have remained unchanged.

A12 Capital Commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 September 2013 are as follows:-

	RM
Approved but not contracted	<u>267,000</u>