

AMALGAMATED INDUSTRIAL STEEL BERHAD
(Company No. 9118-M)

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

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1 Review of Performance of the Group and Company

The Group's revenue for the third quarter ended 30 September 2013 ("Q3") was RM21.7 million, 42% lower than RM37.4 million recorded in the previous corresponding period ("PCQ3"). The decrease was mainly attributable to the slower market condition in Q3 and the Group change of strategy to sell at lesser volume aligns with the plants consolidation exercise that is expected to lower down the production cost.

The slow market resulted in the Group posting a lower profit margin but cushioned by lower expenses resulted in a slightly lower pre-tax loss of RM1.96 million in Q3 as compared to a pre-tax loss of RM2.15 million in PCQ3.

The Group's revenue of RM69.6 million for the nine months of 2013 was 41% lower than the revenue of RM117.5 million recorded in the corresponding period. On the back of the lower revenue and lower profit margin, net loss before tax increased from RM4.21 million in the corresponding period to RM4.84 million. The deteriorated performance was due to the slower market condition and the Group change of strategy to sell at lesser volume aligns with the plants consolidation exercise but cushioned by lower expenses.

The Company reported a lower pre-tax loss of RM1.74 million in Q3 as compared to a pre-tax loss of RM1.93 million in PCQ3 due to lower expenses but a higher pre-tax loss of RM4.5 million in the nine months of 2013 compare to RM3.79 million in the corresponding period due to the slower market condition and plants consolidation exercise.

B2 Material Changes in the Group Quarterly Results Compared to the Results of the Preceding Quarter

The Group recorded a 6% higher revenue of RM21.6 million in Q3 as compared to the immediate preceding quarter (PQ2) revenue of RM20.4 million as the plants consolidation exercise was completed in August and market started to improve in September 2013.

The Group registered a higher pre-tax loss of RM1.96 million in Q3 as compared to a pre-tax loss of RM1.6 million in PQ2 mainly due to the gain on disposal of asset of RM378,984 taken up in PQ2.

B3 Current Year Prospects

The domestic market prices of mild steel hot-rolled coil ("HRC") and cold-rolled coil ("CRC") products softened in first eight months of 2013 but started to recover in September and are expected to further improve in the fourth quarter of 2013. With domestic selling prices stabilizing at the present levels, business activity cum margin is expected to improve with the Group's plants consolidation exercise resulting in better cost efficiencies.

The strategy to reintroduce cold-rolled products and other trading items and plants consolidation exercise to bring down unit product cost to be more competitive will affect positively the results of fourth quarter of 2013 onwards.

Management will manage its costs tightly going forward and also make a concerted effort to manage the Group's working capital effectively by optimizing inventory level and improving its cash flow plan, as well as improve on operation efficiencies.

Various Government ETP projects are expected to impact positively on market demand at the end of the year. China's dumping of steel products are expected to be lower due to stricter government agencies enforcement and China Government enforcement to cut over capacity and the effect of the weaker

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-EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)*

Ringgit on import cost.

B4 Profit Forecast or Profit Guarantee

This is not applicable to the Group.

B5 Taxation

	Current Quarter 3 months ended		Cumulative Period-to-date 9 months ended	
	30.09.2013 RM	30.09.2012 RM	30.09.2013 RM	30.09.2012 RM
In respect of :-				
current period				
- income tax	-	-	-	-
- deferred tax	450,599	387,951	997,578	752,358
prior period				
- income tax	(16,487)	-	(16,487)	-
- deferred tax	-	-	-	-
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Tax (expense)/ income	434,112	387,951	981,091	752,358

The Company and one of its subsidiaries reported losses for the financial period ended 30 September 2013 and the loss of the Company is available for utilization against future taxable profit.

B6 Status of Corporate Proposals

There were no corporate proposals for the quarter.

B7 Group Borrowings and Debt Securities

The total Group borrowings of RM38.4 million were unsecured, covered by way of negative pledges, and all are short term and were denominated in Ringgit Malaysia.

B8 Pending Material Litigation

There was no pending material litigation for the quarter.

B9 Dividend Payable

No interim dividend has been declared for the period ended 30 September 2013 (30 September 2012: Nil).

B10 (Loss)/Earnings per Share

	Current Quarter 3 months ended		Cumulative Period-to-date 9 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
a) <u>Basic (loss)/earnings per share</u>				
(Loss) for the financial period attributable to owners of the Parent (RM)	(1,521,953)	(1,758,360)	(3,862,262)	(3,457,830)
Weighted average number of ordinary shares in issue	113,724,575	113,724,575	113,724,575	113,725,112
Basic (loss) per share (Sen)	(1.34)	(1.55)	(3.40)	(3.04)

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b) **Diluted earnings/ (loss) per share**

This is not applicable to the Group.

B11 <u>Disclosure of realised and unrealised profits/ (losses)</u>			
	<u>Current financial year end</u>		As at the end of last financial year
	<u>Current Quarter</u>	<u>Preceding Quarter</u>	
	<u>RM</u>	<u>RM</u>	<u>RM</u>
Total retained profits / (accumulated losses) of the Group:			
- Realised	(7,384,146)	(5,539,838)	(2,516,557)
- Unrealised	<u>4,005,638</u>	<u>3,683,282</u>	<u>3,000,311</u>
Total Group retained profit as per consolidated accounts	<u>(3,378,508)</u>	<u>(1,856,556)</u>	<u>483,754</u>