AMALGAMATED INDUSTRIAL STEEL BERHAD

(Company No. 9118-M)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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", International Financial Reporting Standards ("IFRS") 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 2014. 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 2014.

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 2014.

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 the Malaysian Accounting Standards Board ("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 (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with	1 January 2017

	Customers	
Amendments to MFRS 10 and MFRS 128 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011)	Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119	Defined Benefit Plans; Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvement	to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvement	to MRFSs 2011 – 2013 Cycle	1 July 2014
Annual Improvement	to MFRSs 2012 – 2014 Cycle	1 January 2016

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows: -

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. There will be no material impact on the financial statements of the Group upon its initial application.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognize revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future is not expected to have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

(c) The amendments to MFRS 119 simplify the accounting treatment of contributions from employees and third parties to defined benefit plans. Contributions that are independent of the number of years of service shall be recognized as a reduction in the service cost in the period in which the related service is rendered. For contributions that are dependent on the number of years of service, the Company is required to attribute those contributions to periods of service using either based on the plan's contribution formula or on a straight-line basis, as appropriate. There will be no material impact on the financial statements of the Group upon its initial application.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2014 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 other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year-to-date, except for the private placement of 11,353,100 new ordinary shares at an issue price of RM0.34 each, which was completed at end of March 2015.

A7 **Dividend Paid**

There was no declaration of dividend for the current financial year, up to the second quarter ended 30th June 2015.

A8 **Operating Segment Information**

	3 months ended 31.03.2015	6 months ended 30.06.2015	6 months ended 30.06.2014
	RM	RM	RM
Segment Revenue			
Local	16,758,363	29,706,466	34,910,723
Overseas	2,798,582	6,186,167	6,840,913
Sales	19,556,945	35,892,633	41,751,636

	3 months ended 31.03.2015	6 months ended 30.06.2015	6 months ended 30.06.2014
	RM	RM	RM
Segment Results			
Local	(992,877)	(1,296,115)	(425,093)
Overseas	(146,775)	(324,919)	7,805

Profit/ (Loss) from operations	(1,139,652)	(1,621,034)	(417,288)
Finance cost	(544,782)	(1,014,115)	(1,165,022)
Fair value gain on Investment Property	0	0	0
Tax income/ (expense)	450,941	597,854	238,608
Profit/ (Loss) for the period	(1,233,493)	(2,037,295)	(1,343,702)

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 June 2015.

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 previous financial year ended 31December 2014 have remained unchanged.

A12 **Capital Commitments**

There is no capital commitments not provided for in the interim financial statements as at 30 June 2015.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2015

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

B1 <u>Review of Performance of the Group and Company</u>

The Group's revenue for the second quarter ended 30 June 2015 ("Q2") was RM16.34 million, 8.15% lower than the revenue of RM17.79 million recorded in the previous corresponding quarter ("PCQ2"). The drop in sales was attributable to the continuing sluggish market condition in Q2.

The net loss before tax of RM0.95 million recorded in Q2 was lower as compared to a net loss before tax of RM1.21 million in PCQ2. The lower loss was due to other operating income derived from the stripping and sale of copper scrap at the Company's Jalan Playar factory amounting to RM0.4 million.

After transferring its steel business operation to its wholly-owned subsidiary at the beginning of the new financial year, the Company's income is mainly rent and management fee. For the current quarter, the Company's loss before tax of RM8,850 is minimal as compared to a loss of RM0.235 million in PCQ2.

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

The Group's revenue of RM16.34 million for Q2 was 16.46% lower than the revenue of RM19.56 million recorded in the first quarter. Although the Group recorded slightly lower sales volume, the slightly better product margin from pricing control and lower operating expenses contributed to lower net loss before tax of RM0.95 million compared to RM1.68 million in the first quarter. The gain of RM0.4 million from the sale of copper scrap pared down the loss in Q2.

B3 Current Year Prospects

Despite the Government having instituted anti-dumping actions against certain steel mills from various countries, the base prices for imported steel continued to slump at rates faster than those of local supplies. As such, competitors had taken position to import more steel at cheaper cost base. Currently, even though overseas steel are cheaper in US dollar term, the steep drop in Ringgit value to above four Ringgit per US dollar, is a cause of concern to industry players with regard to foreign exchange losses which will depress margins further.

As business environment remains uncertain going forward, Management will continue to focus trading within its available resources to keep operation cost lean, to optimize working capital and conserve cash flow.

B4 Profit Forecast or Profit Guarantee

This is not applicable to the Group.

B5 Taxation

	Current Quarter 3 months ended 30.06.2015 RM	Preceding Year Corresponding Quarter 30.06.2014 RM	Current Year To-date Ended 30.06.2015 RM	Correspon ding Period Ended 30.06.2014 RM
In respect of :-				
current period				
- income tax	-	-	-	-
- deferred tax	146,913	220,522	597,854	238,608
prior period				
- income tax	-	-	-	-
- deferred tax	450,941	(3,034)	-	-
- deferred tax on fair value gain of investment property	-	-	-	-
Tax (expense)/ income	597,854	217,488	597,854	238,608

The Company and its subsidiaries reported operating losses for the financial period ended 30 June 2015 and the loss of the Company is available for utilization against future taxable profit.

B6 Status of Corporate Proposals

The proposed diversification in operations to include property development business has been approved in the EGM on 16th February 2015.

The proposed private placement of 11,372,457 new ordinary shares of RM0.10 each was completed at the end of March 2015 with 11,353,100 shares being issued at an issue price of RM0.34 per share. The full proceed from the placement was received on 3rd April 2015.

B7 Group Borrowings and Debt Securities

The total Group borrowings of RM26.67 million as at Q2 are secured by way of a charge on two pieces of land bearing title number H.S. (D) 167540 located at Mukim Damansara, Daerah Petaling, and H.S. (D) 168507 located at Bandar Shah Alam, Daerah Petaling.

B8 Pending Material Litigation

There was no pending material litigation for the quarter.

B9 Dividend Payable

No interim dividend has been declared for the financial period –to date ended 30th June 2015.

B10 <u>(Loss)/Earnings per Share</u>

		Current Year Quarter Ended 30.06.2015 RM	Preceding Year Corresponding Quarter Ended 30.06.2014 RM	Current Year To-date Ended 30.06.2015 RM	Preceding Year Corresponding Period Ended 30.06.2014 RM
a)	**Basic (loss)/earnings per share**				
	(Loss)/ profit for the financial period attributable to owners of the Parent *(RM)*	(803,802)	(994,424)	(2,037,295)	(1,343,702)
	Weighted average number of ordinary shares in issue	131,874,975	113,724,575	131,874,975	113,724,575
	Basic (loss) / earning per share *(Sen)*	(0.61)	(0.87)	(1.55)	(1.18)
b)	**Diluted earnings/ (loss) per share** This is not applicable to the Group.				

B11 **Disclosure of realised and unrealised profits/ (losses)**

	Current Year Quarter Ended 30.06.15 RM	Preceding Year Corresponding Quarter 30.06.14 RM	As at the end of last financial year 31.12.2014 RM
Total retained profits / (accumulated losses) of the Group:			
- Realized	4,966,921	(1,915,781)	6,140,411
- Unrealized	1,678,456	33,976,041	2,295,790
Total Group retained profit as per consolidated accounts	6,645,377	32,060,260	8,436,201