

AMALGAMATED INDUSTRIAL STEEL BERHAD

Condensed Consolidated Statement Of Comprehensive Income For The Third Quarter Ended 30 September 2016

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year 3rd Quarter 01.07.2016 to 30.09.2016 RM	Preceding Year Corresponding Quarter RM	Current Year To-date 01.01.2016 to 30.09.2016 RM	Preceding Year Corresponding Period RM
Revenue	11,458,766	17,306,857	41,731,737	53,199,490
Operating expenses	(11,935,310)	(18,101,697)	(41,124,131)	(56,432,776)
Other operating income	164,737	229,201	154,880	1,046,613
(Loss)/ Profit from operations	(311,807)	(565,639)	762,486	(2,186,673)
Finance cost	(340,883)	(457,645)	(1,018,504)	(1,471,760)
(Loss)/ Profit from ordinary activities before tax	(652,690)	(1,023,284)	(256,018)	(3,658,433)
Fair value gain on investment property	-	-	-	-
Net (loss)/ profit before tax	(652,690)	(1,023,284)	(256,018)	(3,658,433)
Tax income/ (expenses)	93,491	284,127	(157,643)	881,981
(Loss)/ Profit for the period	(559,199)	(739,157)	(413,661)	(2,776,452)
Other comprehensive income net of tax				
Gain on revaluation of property	-	-	-	-
Total comprehensive income for the period	(559,199)	(739,157)	(413,661)	(2,776,452)
(Loss)/ Profit attributable to:				
Owners of the Parent	(559,199)	(739,157)	(413,661)	(2,776,452)
Non-Controlling Interest	-	-	-	-
Total comprehensive income attributable to:				
Owners of the Parent	(559,199)	(739,157)	(413,661)	(2,776,452)
Non-Controlling Interest	-	-	-	-
(Loss)/Earnings per share:				
- basic	(0.45)	<u>sen</u> (0.59)	(0.33)	<u>sen</u> (2.22)

Notes

Included under Operating Expenses:

- Inventories written down	0	0	0	0
- Provision for doubtful debt	0	0	0	0

Included under Other Operating Incomes:

- Foreign exchange gain / (loss)	142,327	173,218	122,809	299,081
- Gain on disposal of assets	0	2,996	0	2,996

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

AMALGAMATED INDUSTRIAL STEEL BERHAD

Condensed Consolidated Statement Of Financial Position As At 30 September 2016

	9 months ended 30.09.2016 RM	12 months ended 31.12.2015 RM
NON-CURRENT ASSETS		
Property, plant and equipment	2,559,432	49,145,791
Investment property	61,000,000	61,000,000
Other investments	16,013	12,909
Other assets	418,017	157,641
Deferred tax assets	-	-
Total Non-Current Assets	63,993,462	110,316,341
CURRENT ASSETS		
Inventories	13,363,420	15,792,354
Trade receivables	13,437,645	20,048,302
Other receivables, deposits and prepayments	426,378	757,124
Current tax assets	17,065	62,415
Cash and cash equivalents	12,995,064	3,922,141
	40,239,572	40,582,336
Assets classified as held for sale	45,553,798	-
Total Current Assets	85,793,370	40,582,336
	149,786,832	150,898,677
TOTAL ASSETS		
EQUITY		
Share capital	13,187,497	13,187,497
Capital reserve	48,208,750	48,208,750
Share premium	2,655,217	2,655,217
Reserves, non-distributable	49,757,408	50,203,610
Unappropriated profit	2,857,952	2,825,411
Treasury shares	(3,724,544)	(3,724,544)
TOTAL SHAREHOLDERS' EQUITY	112,942,280	113,355,941
NON-CURRENT LIABILITIES		
Retirement benefit obligations	211,367	212,352
Deferred tax liabilities	4,433,251	4,433,251
Total Non-Current Liabilities	4,644,618	4,645,603
CURRENT LIABILITIES		
Trade payables	3,307,536	2,314,391
Other payables	6,134,755	862,742
Bank borrowings	22,600,000	29,720,000
Current tax liabilities	157,643	-
Total Current Liabilities	32,199,934	32,897,133
	36,844,552	37,542,736
TOTAL LIABILITIES		
	149,786,832	150,898,677
TOTAL EQUITY AND LIABILITIES		

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

AMALGAMATED INDUSTRIAL STEEL BERHAD

Condensed Consolidated Statement Of Changes In Equity For The Nine Months Ended 30 September 2016

	Attributable To Owners Of The Parent									
	Issued and fully paid ordinary share of 10 sen each		Treasury Shares		Non-distributable			Distributable		Total Equity
	Number of shares	Nominal value RM	Number of shares	Purchased value RM	Share premium RM	Asset Revaluation Reserve RM	Capital reserve RM	Retained profit RM		RM
At 1 January 2015	120,521,875	12,052,188	(6,797,300)	(3,724,544)	28,751	49,596,015	48,208,750	8,436,201		114,597,361
Issue of new shares - Share Placement	11,353,100	1,135,309			2,626,466	(892,405)		892,405		3,761,775
Realization of reserve on amortization of revalued properties										-
Loss after taxation for the financial year								(6,503,195)		(6,503,195)
Other comprehensive income for the financial year - - Revaluation of property						1,500,000				1,500,000
Total comprehensive income for the year						1,500,000		(6,503,195)		(5,003,195)
Balance as at 31 December 2015	131,874,975	13,187,497	(6,797,300)	(3,724,544)	2,655,217	50,203,610	48,208,750	2,825,411		113,355,941
At 1 January 2016	131,874,975	13,187,497	(6,797,300)	(3,724,544)	2,655,217	50,203,610	48,208,750	2,825,411		113,355,941
Realization of reserve on amortization of revalued properties						(446,202)		446,202		-
Profit after taxation for the financial period								(413,661)		(413,661)
Total comprehensive income for the period								(413,661)		(413,661)
Balance as at 30 September 2016	131,874,975	13,187,497	(6,797,300)	(3,724,544)	2,655,217	49,757,408	48,208,750	2,857,952		112,942,280

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

AMALGAMATED INDUSTRIAL STEEL BERHAD

Condensed Consolidated Statement Of Cash Flows

	9 Months to 30.09.2016 RM	Audited 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(256,018)	(4,580,348)
Amortization of club membership	273	364
Depreciation of property, plant & equipment	1,032,289	1,263,515
Gain/(Loss) on disposal of property, plant and equipment	-	(278,829)
Property, plant and equipment written off	-	35,327
Interest income	(23,571)	(8,049)
Interest expense	1,018,504	1,740,195
Inventories written down	-	263,475
Inventories written off	-	7,961
Retirement benefit obligations	25,123	25,872
Unrealized gain on foreign exchange	-	(93,168)
Operating profit/(loss) before working capital changes	<u>1,796,600</u>	<u>(1,623,685)</u>
(Increase)/Decrease in inventories	2,428,933	6,658,388
(Increase)/Decrease in trade and other receivables	6,753,314	439,335
Increase/(Decrease) in trade and other payables	<u>6,454,242</u>	<u>(2,491,507)</u>
CASH FROM OPERATIONS	<u>17,433,089</u>	<u>2,982,531</u>
Retirement benefit paid	(26,107)	(99,225)
Income tax refund/(paid)	44,355	48,190
Interest paid	<u>(1,018,504)</u>	<u>(1,740,195)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>16,432,833</u>	<u>1,191,301</u>
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	23,571	8,049
Purchase of property, plant and equipment	-	(59,000)
Purchase of other assets	(263,481)	(157,641)
Proceeds from disposal of property, plant and equipment	-	508,000
NET CASH FROM/(FOR) INVESTING ACTIVITIES	(239,910)	299,408
CASH FLOWS FOR FINANCING ACTIVITIES		
Cash received from Share Placement	-	3,761,775
Drawdown of bank borrowings	-	43,143,000
Repayment of bank borrowings	(7,120,000)	(48,555,000)
NET CASH FOR FINANCING ACTIVITIES	(7,120,000)	(1,650,225)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	9,072,923	(159,516)
CASH AND BANK BALANCES : -		
AT BEGINNING OF THE FINANCIAL YEAR	3,922,141	4,081,657
AT END OF FINANCIAL YEAR	<u>12,995,064</u>	<u>3,922,141</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statement for the year ended 31 December 2015

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Accounting Policies and Methods of Computation

The interim financial statements are unaudited and have been prepared under the historical cost convention and modified to include other bases of valuation, and in compliance with the requirements of Malaysian Financial Reporting Standards (“MFRS”), 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 2015. 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 2015.

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 2015.

The Group and Company have 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.

*AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
- NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)*

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 Customers & Amendments to MFRS 15:	1 January 2018
Amendments to MFRS 10 & MFRS 128 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
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 127 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvement	to MFRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group's upon their application 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.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2015 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

Except for the deposits of RM4,865,000 received from the proposed disposal of property, as stated in Note B6, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter.

The said property is under "Assets classified as held for sale."

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.

A7 Dividend Paid

There was no payment of dividend during the quarter.

A8 Operating Segment Information

	3 months ended 30.09.2016 RM	9 months ended 30.09.2016 RM	9 months ended 30.09.2015 RM
<u>Segment Revenue</u>			
Local	11,458,766	38,659,948	42,685,090
Overseas	-	3,071,789	10,514,400
	<hr/>	<hr/>	<hr/>
Sales	11,458,766	41,731,737	53,199,490
	<hr/>	<hr/>	<hr/>
	3 months ended 30.09.2016 RM	9 months ended 30.09.2016 RM	9 months ended 30.09.2015 RM
<u>Segment Results</u>			
Local	(311,807)	996,208	(1,902,707)
Overseas	-	(233,722)	(283,966)
	<hr/>	<hr/>	<hr/>
Profit/ (Loss) from operations	(311,807)	762,486	(2,186,673)
Finance cost	(340,883)	(1,018,504)	(1,471,760)
Fair value gain on Investment Property	-	-	-
Tax income/ (expense)	93,491	(157,643)	881,981
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Profit/ (Loss) for the period	(559,199)	(413,661)	(2,776,452)
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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 2016, other than as stated in Notes A4 and B6.

A10 Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter other than the acquisition of a new dormant subsidiary, Parkwood Damansara Sdn. Bhd., on 23 August 2016.

A11 Contingent Liabilities or Assets

The contingent liability and contingent asset of the Group as at end of the previous financial year ended 31 December 2015 have remained unchanged.

A12 Capital Commitments

There is no capital commitment provided for in the interim financial statements as at 30 September 2016.

AMALGAMATED INDUSTRIAL STEEL BERHAD

(Company No. 9118-M)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

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 2016 ("Q3") was RM11.46 million, 33.79% lower than the revenue of RM17.31 million recorded in the previous corresponding quarter ("PCQ3"). The drop in sales is mainly due to retail stockist continuing to stay on the sideline, with the uncertainty and direction of steel prices, and buying only on need basis instead of keeping stock.

Though the turnover was much lower, the lower administrative expenses coupled with the lower finance cost has resulted in a lower loss before tax of RM0.65 million for Q3 as compared to a loss of RM1.02 million in PCQ3.

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

The Group's revenue of RM11.46 million for Q3 was 24.21% lower than the revenue of RM15.12 million recorded in the second quarter ("Q2"). The lower sales volume and higher product cost, which resulted from the spike in raw materials prices, from USD420 per MT to USD550 per MT, had caused the Group to record a loss before tax of RM0.65 million in Q3 as compared to the pre-tax profit of RM1.55 million in Q2.

B3 Current Year Prospects

International prices of prime hot rolled coils which surged to a peak of USD500 per metric ton, had contributed to the higher cost of the Company's imported raw materials received between July and August 2016. This higher average material cost scenario pushed retail prices of most steel product upward and had contributed to the lower demand and lower product margins. Prices of raw materials began to soften back towards the end of the third quarter but are expected to remain erratic with a tendency to moving upward towards the end of the final quarter.

The Group will continue to strive to turnaround its business performance. Cost efficiency and prudent cash management are the strategies employed to improve the Group's financial performance.

Barring any unforeseen circumstances, the Group is expected to perform better in the current financial year.

B4 Profit Forecast or Profit Guarantee

This is not applicable to the Group.

B5 Taxation

	Current Quarter 01.07.2016 to 30.09.2016 RM	Preceding Year Corresponding Quarter 30.09.2015 RM	Current Year To-date Ended 30.09.2016 RM	Corresponding Period Ended 30.09.2015 RM
In respect of :-				
current period				
- income tax	93,491	-	(157,643)	-
- deferred tax	-	284,127	-	431,040
prior period				
- income tax	(251,134)	-	-	-
- deferred tax	-	146,913	-	450,941
- deferred tax on fair value gain of investment property	-	-	-	-
Tax (expense)/ income	<u>(157,643)</u>	<u>431,040</u>	<u>(157,643)</u>	<u>881,981</u>

Operating losses of its subsidiaries for the financial period ended 30 September 2016 is available for utilization against future taxable profit.

B6 Status of Corporate Proposals

On 26 August 2016, the Board announced to Bursa Securities that Amalgamated Industrial Steel Berhad had, on 26 August 2016, entered into a Sales & Purchase Agreement with Daikin Malaysia Sdn Bhd (formerly known as O.Y.L. Manufacturing Company Sdn Bhd) for the proposed disposal of two (2) adjoining contiguous detached industrial lots held under title Nos. HSD 167540, Locality of Tapak Perusahaan di Shah Alam, Mukim of Damansara and HSD 168507, Town of Shah Alam, all in District of Petaling, State of Selangor Darul Ehsan, for a total disposal consideration of RM69,500,000 (Ringgit Malaysia Sixty-Nine Million Five Hundred Thousand).

The said proposal is subject to shareholders approval at an Extraordinary General Meeting, scheduled to be held on 23 November 2016.

B7 Group Borrowings and Debt Securities

The total Group borrowings of RM22.60 million as at Q3 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 30 September 2016.

B10 (Loss)/Earnings per Share

	Current Year Second Quarter Ended 30.09.2016 RM	Preceding Year Corresponding Quarter Ended 30.09.2015 RM	Current Year To-date Ended 30.09.2016 RM	Preceding Year Corresponding Period Ended 30.09.2015 RM
a) <u>Basic (loss)/earnings per share</u>				
(Loss)/ profit for the financial period attributable to owners of the Parent (<i>RM</i>)	(559,199)	(739,157)	(413,661)	(2,776,452)
Weighted average number of ordinary shares in issue	131,874,975	131,874,975	131,874,975	131,874,975
Basic (loss) / earning per share (<i>Sen</i>)	(0.45)	(0.59)	(0.33)	(2.22)

*AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
-EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)*

b) Diluted earnings/
(loss) per share

This is not
applicable to the
Group.

B11 Disclosure of realised and unrealised profits/ (losses)			
	Current Year Second Quarter Ended 30.09.16 RM	Preceding Year Corresponding Quarter 30.09.15 RM	As at the end of last financial year 31.12.2015 RM
Total retained profits / (accumulated losses) of the Group:			
- Realized	2,857,952	6,014,858	1,868,136
- Unrealized	<u>NIL</u>	<u>NIL</u>	<u>957,275</u>
Total Group retained profit as per consolidated accounts	<u>2,857,952</u>	<u>6,014,858</u>	<u>2,825,411</u>