



**AMALGAMATED
INDUSTRIAL STEEL BERHAD**
COMPANY REGISTRATION NO. 9118-M

**Interim Financial Report
for Second Quarter**

Ended 30 June 2019

Condensed Consolidated Statement of Comprehensive Income For The Second Quarter Ended 30 June 2019

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year 2nd Quarter 01.04.2019 to 30.06.2019 RM	Preceding Year Corresponding Quarter RM	Current Year To-date 01.01.2019 to 30.06.2019 RM	Preceding Year Corresponding Period RM
Revenue	1,301,659	780,435	1,799,894	3,583,612
Operating expenses	(2,377,208)	(1,481,514)	(4,090,440)	(5,158,151)
Other operating income	389,667	462,890	841,976	771,664
Loss from operations	(685,882)	(238,189)	(1,448,570)	(802,875)
Finance costs	(32,963)	-	(56,018)	-
Loss before taxation	(718,845)	(238,189)	(1,504,588)	(802,875)
Tax income/ (expenses)	(14,090)	-	(28,064)	-
(Loss)/ Profit for the period	(732,935)	(238,189)	(1,532,652)	(802,875)
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income for the period	(732,935)	(238,189)	(1,532,652)	(802,875)
Loss attributable to:				
Owners of the Parent	(732,935)	(238,189)	(1,532,652)	(802,875)
Non-Controlling Interest	-	-	-	-
	(732,935)	(238,189)	(1,532,652)	(802,875)

Condensed Consolidated Statement of Comprehensive Income For The Second Quarter Ended 30 June 2019 (Cont'd)

INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
Current Year 2nd Quarter 01.04.2019 to 30.06.2019 RM	Preceding Year Corresponding Quarter RM	Current Year To-date 01.01.2019 to 30.06.2019 RM	Preceding Year Corresponding Period RM

Total comprehensive expenses attributable to:

Owners of the Parent	(732,935)	(238,189)	(1,532,652)	(802,875)
Non-Controlling Interest	-	-	-	-
	(732,935)	(238,189)	(1,532,652)	(802,875)

	<u>sen</u>	<u>sen</u>	<u>sen</u>	<u>sen</u>
(Loss)/ Earnings per share:				
- basic (sen)	(0.53)	(0.17)	(1.11)	(0.58)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018.

AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

Condensed Consolidated Statement of Financial Position As At 30 June 2019

	As At 30.06.2019 (Unaudited) RM	As At 31.12.2018 (Audited) RM
NON-CURRENT ASSETS		
Plant and equipment	1,049,876	671,072
Investment property	36,600,000	36,600,000
Club membership	11,818	11,818
Right-of-use assets	1,314,666	-
Other assets	32,060	32,060
Total Non-Current Assets	39,008,420	37,314,950
CURRENT ASSETS		
Inventories	57,710,112	59,922,511
Contract costs	3,112,390	-
Contract assets	655,585	-
Trade receivables	37,707	58,062
Other receivables, deposits and prepayments	302,274	317,853
Current tax assets	95,475	2,246
Fixed deposit with licensed bank	5,049,863	20,000,000
Short-term investments	10,002,694	24,667,864
Cash and bank balances	25,874,569	2,411,339
Total Current Assets	102,840,669	107,379,875
TOTAL ASSETS	141,849,089	144,694,825
EQUITY		
Share capital	22,160,982	19,566,458
Capital reserve	48,208,750	48,208,750
Share premium	-	2,594,524
Reserves	24,539,768	24,539,768
Retained profits	45,032,999	46,655,229
Treasury shares	(3,724,544)	(3,724,544)
TOTAL SHAREHOLDERS' EQUITY	136,217,955	137,840,185

*AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND
QUARTER ENDED 30 JUNE 2019*

Condensed Consolidated Statement of Financial Position As At 30 June 2019 (Cont'd)

	As At 30.06.2019 (Unaudited) RM	As At 31.12.2018 (Audited) RM
NON-CURRENT LIABILITIES		
Retirement benefit obligations	86,702	126,052
Deferred tax liabilities	1,681,070	1,681,070
Lease liabilities	1,205,536	-
Total Non-Current Liabilities	2,973,308	1,807,122
CURRENT LIABILITIES		
Trade payables	865,857	-
Other payables	1,448,323	2,082,576
Current tax liabilities	125,496	2,964,942
Lease liabilities	218,150	-
Total Current Liabilities	2,657,826	5,047,518
TOTAL LIABILITIES	5,631,134	6,854,640
TOTAL EQUITY AND LIABILITIES	141,849,089	144,694,825

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018.

Condensed Consolidated Statement of Changes In Equity For The Six Months Ended 30 June 2019

	Share Capital	Treasury Shares	Share Premium	Asset Revaluation Reserve	Capital Reserve	Retained Profit	Total Equity
	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2018	19,566,458	(3,724,544)	2,594,524	24,539,768	48,208,750	50,825,336	142,010,292
Profit after taxation for the financial year	-	-	-	-	-	(4,170,107)	(4,170,107)
Balance as at 31 December 2018	19,566,458	(3,724,544)	2,594,524	24,539,768	48,208,750	46,655,229	137,840,185
Effects of MFRS 16 Leases adoption	-	-	-	-	-	(89,578)	(89,578)
Adjustments for effects of Companies Act 2016	2,594,524	-	(2,594,524)	-	-	-	-
Balance as at 1 January 2019, restated	22,160,982	(3,724,544)	-	24,539,768	48,208,750	46,565,651	137,750,607
Profit after taxation for the financial period	-	-	-	-	-	(1,532,652)	(1,532,652)
Balance as at 30 June 2019	22,160,982	(3,724,544)	-	24,539,768	48,208,750	45,032,999	136,217,955

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018.

Condensed Consolidated Statement of Cash Flows

	6 Months to 30.06.2019 RM	Audited 2018 RM
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(1,504,589)	(4,975,497)
Amortization of club membership	-	364
Depreciation of plant & equipment	314,124	112,588
Plant and equipment written off	8	3,238
Reversal of allowances for impairment loss on trade receivables	(44,523)	(16,939)
Fair value loss on investment property	-	2,800,000
Loss/(Gain) on disposal of property, plant and equipment	20,275	(49,998)
Interest income	(755,056)	(1,559,336)
Interest expense	56,018	-
Retirement benefit obligations	16,746	(36,508)
Operating loss before working capital changes	<u>(1,896,997)</u>	<u>(3,722,088)</u>
Decrease/(Increase) in inventories	2,261,060	(598,901)
Increase in contract costs	(3,112,390)	-
Increase in contract assets	(655,585)	-
Decrease in trade and other receivables	80,453	350,408
Increase/(Decrease) in trade and other payables	182,948	(1,052,451)
Decrease in amount owing to a related party	-	(856,931)
CASH FOR OPERATIONS	<u>(3,140,511)</u>	<u>(5,879,963)</u>
Income tax refunded	-	33,090
Income tax paid	(2,960,738)	(69,496)
Retirement benefits paid	(56,096)	(71,824)
NET CASH FOR OPERATING ACTIVITIES	<u>(6,157,345)</u>	<u>(5,988,193)</u>
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	755,056	1,559,336
Purchase of plant and equipment	(490,438)	(213,658)
Placement of fixed deposits	-	(20,000,000)
Proceeds from short-term investments	14,950,137	-
Proceeds from disposal of property, plant and equipment	1,800	50,000
NET CASH FROM/(FOR) INVESTING ACTIVITIES	15,216,555	(18,604,322)

Condensed Consolidated Statement of Cash Flows (Cont'd)

	6 Months to 30.06.2019 RM	Audited 2018 RM
CASH FLOWS FOR FINANCING ACTIVITIES		
Lease liabilities paid	(261,150)	-
NET CASH FOR FINANCING ACTIVITIES	(261,150)	-
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		
	8,798,060	(24,592,515)
CASH AND BANK BALANCES : -		
AT BEGINNING OF THE FINANCIAL YEAR	<u>27,079,203</u>	<u>51,671,718</u>
AT END OF THE FINANCIAL YEAR	<u>35,877,263</u>	<u>27,079,203</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statement for the year ended 31 December 2018.

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Accounting Policies and Methods of Computation

The interim financial statements of the Group 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”), the requirements of the Companies Act 2016 in Malaysia 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 2018. 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 2018.

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 2018.

Effective from 1 January 2019, the Group has adopted MFRS 16 Leases retrospectively, but the impact of adoption is adjusted against the opening balance of retained profit on the date of initial application. Comparatives are not restated. MFRS 16 require the lessee to recognize the right-of-use of the underlying lease asset and the future lease payments liabilities in the Statement of Financial Position. For a lessor, MFRS 16 continue to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently. Right-of-use asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made.

The following table presents the impact of changes to the consolidated Statements of Financial Position of the Group resulting from the adoption of MFRS 16 Leases as at 1 January 2019:

AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	As at 31 December 2018 RM	Effect of MFRS 16 RM	As at 1 January 2019 RM
NON-CURRENT ASSETS			
Right-of-use assets	-	1,227,817	1,227,817
CURRENT LIABILITIES			
Lease liabilities	-	280,082	280,082
NON-CURRENT LIABILITIES			
Lease liabilities	-	1,037,313	1,037,313
EQUITY			
Retained profit	<u>46,655,229</u>	<u>89,578</u>	<u>46,565,651</u>

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.

New/Revised MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation	Effective for financial periods beginning on or after
MFRS 17	1 January 2021
Amendments to MFRS 3	1 January 2020
Amendments to MFRS 101 & MFRS 108	1 January 2020
Amendments to MFRS 10 & MFRS 128	Deferred
Amendments to Reference to the Conceptual Framework in MFRS Standards	1 January 2020

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.

A2 **Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

A3 **Comments about Seasonal or Cyclical Factors**

The business operations of the Group are not affected by seasonal or cyclical factor.

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 was no other issuance, cancellation, repurchase, resale and repayment of equity securities for the current financial period-to-date.

A7 **Dividend Paid**

There was no payment of dividend during the quarter.

A8 **Operating Segment Information**

No segmental information is provided as all sales are local.

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 2019.

A10 **Changes in Composition of the Group**

There was no change in the composition of the Group during the quarter.

A11 **Contingent Liabilities or Assets**

There were no contingent liability and contingent asset for the Group as at end of the current quarter.

A12 **Capital Commitments**

There was no capital commitment entered during or outstanding at the end of the current quarter.

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 second quarter ended 30 June 2019 ("Q2") was RM1.30 million, increased of RM0.52 million as compared to the revenue in the previous corresponding quarter ("PCQ2"). Higher revenue recorded in the current quarter was due to the revenue recognition for Group's maiden property project.

The loss after tax for Q2 was RM0.73 million compared to a loss after tax of RM0.24 million in PCQ2. The higher loss in the current quarter was mainly attributable to the higher marketing expenditures incurred for the sales launching on property development activities.

For the 6 months period, the revenue was RM1.80 million compared to a revenue of RM3.58 million for the corresponding period in the preceding year. Lower revenue recorded in the current 6 months period was due to lower trading activities in steel related products.

Other income of RM0.84 million is mainly derived from the interest income earned from short-term cash deposits and placements in fixed deposit with licensed bank.

The pre-tax loss for the period to-date was RM1.50 million compared to RM0.80 million for the corresponding period in the preceding year. Higher loss recorded in the current period to-date was due to lower revenue contribution from trading activities and higher marketing cost incurred for the property development project.

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

The Group's revenue of RM1.30 million for Q2 was mainly derived from rental income and revenue recognition from its property development project. The Group recorded a pre-tax loss of RM0.72 million in Q2 compared to a pre-tax loss of RM0.79 million in PQ1. Lower pre-tax loss due to the revenue contribution from Property Division in Q2.

B3 Prospect For The Current Financial Year

The Group expects higher contribution from its property development project following the launch of Utamara Boutique Residences in the first half of 2019.

B4 Profit Forecast or Profit Guarantee

This is not applicable to the Group.

B5 Taxation

	Current Quarter 01.04.2019 to 30.06.2019 RM	Preceding Year Corresponding Quarter 30.06.2018 RM	Current Year To-date Ended 30.06.2019 RM	Preceding Year Corresponding Period 30.06.2018 RM
In respect of current period income tax	14,090	-	28,064	-
Tax (expense)/ income	14,090	-	28,064	-

B6 Status of Corporate Proposals

No corporate exercise was undertaken or outstanding in the current quarter.

B7 Group Borrowings and Debt Securities

Parkwood Sdn Bhd, a wholly owned subsidiary of the Company had on 7 May 2019 accepted a fixed term loan and bridging loan facilities amounted to RM15.00 million offered by Hong Leong Bank Berhad for the development of its Utamara's residences project.

B8 Pending Material Litigation

There is no material litigation which may materially affect the Group for the current quarter under review.

B9 Dividend Payable

No interim dividend has been declared for the financial period-to-date ended 30 June 2019.

B10 (Loss)/Earnings per Share

	Current Year Second Quarter Ended 30.06.2019 RM	Preceding Year Corresponding Quarter Ended 30.06.2018 RM	Current Year To-date Ended 30.06.2019 RM	Preceding Year Corresponding Period Ended 30.06.2018 RM
<u>Basic (loss)/earnings per share</u>				
Profit/(Loss) for the financial period attributable to owners of the Parent (<i>RM</i>)	(732,935)	(238,189)	(1,532,652)	(802,875)
Weighted average number of ordinary shares in issue	137,585,442	137,585,442	137,585,442	137,585,442
Basic earnings/(loss) per share (sen)	(0.53)	(0.17)	(1.11)	(0.58)