

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2014**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/14	31/12/13	31/12/14	31/12/13
	RM'000	RM'000	RM'000	RM'000
Revenue	392,169	351,961	1,451,933	1,375,441
Operating expenses	(372,325)	(345,050)	(1,399,209)	(1,333,682)
Other expenses	(8,534)	-	(10,494)	-
Other income	-	(162)	2,497	2,242
Interest income	44	87	157	172
Finance cost	(5,001)	(2,743)	(16,395)	(15,140)
Share of results of associated company	(167)	(46)	(381)	(76)
Profit before tax	6,186	4,047	28,108	28,957
Taxation	(1,671)	(421)	(12,311)	(1,943)
Profit for the period	4,515	3,626	15,797	27,014
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,515	3,626	15,797	27,014
Profit and Total Comprehensive Income attributable to:				
Equity holders of the Company	4,515	3,626	15,797	27,014
Profit for the period	4,515	3,626	15,797	27,014
Earnings per share (sen)				
- Basic	1.99	1.66	6.98	12.38
- Diluted	1.77	1.48	6.19	11.01

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2014

	31/12/14	31/12/13
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	536,719	482,307
Investment in Associate company	8,869	8,732
	<u>545,588</u>	<u>491,039</u>
<u>Current Assets</u>		
Stocks	165,153	220,618
Debtors	331,932	239,446
Taxation recoverables	1,775	2,540
Short term deposit	10,959	14,418
Cash & bank balances	31,217	45,978
	<u>541,036</u>	<u>523,000</u>
TOTAL ASSETS	<u><u>1,086,624</u></u>	<u><u>1,014,039</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	118,350	110,989
Share premium	38,354	35,851
Treasury shares	(349)	(438)
Warrants reserves	32,929	38,523
Retained profits	387,527	368,358
Total Equity	<u>576,811</u>	<u>553,283</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	34,548	25,205
Deferred tax liabilities	9,545	-
	<u>44,093</u>	<u>25,205</u>
<u>Current Liabilities</u>		
Creditors	186,995	171,549
Short term borrowings	278,725	264,002
	<u>465,720</u>	<u>435,551</u>
Total liabilities	<u>509,813</u>	<u>460,756</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,086,624</u></u>	<u><u>1,014,039</u></u>
Net Assets per share (RM)	2.44	2.50

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2014**

	Current year 01/01/14 to 31/12/14 RM'000	Preceding Year 01/01/13 to 31/12/13 RM'000
Profit before tax	28,108	28,957
Adjustment for:		
Depreciation of property, plant and equipment	22,399	21,638
Interest expense	16,125	14,968
Impairment of inventories	208	-
Gain on disposal of property, plant and equipment	(38)	(18)
Share of loss of associate	381	76
Others	7,045	3,849
Operating profit before changes in working capital	74,228	69,470
Changes in working capital		
Net change in inventories	55,257	(39,560)
Net change in receivables	(92,201)	47,085
Net change in payables	7,934	(16,931)
Cash generated from operations	45,218	60,064
Interest paid	(15,852)	(14,716)
Income tax paid	(2,001)	(639)
Net cash inflow from operating activities	27,365	44,709
Investing activities		
Purchase of property, plant and equipment	(76,811)	(43,441)
Investment in Associate	(520)	(800)
Interest received	157	172
Proceed on disposal	173	18
Net cash outflow in investing activities	(77,001)	(44,051)
Financing activities		
Bank borrowings	19,908	9,791
Dividend paid	(2,222)	(2,176)
Share buy back	(22)	(111)
Shares subscribed by warrant holder	9,864	2,681
Finance lease interest paid	(273)	(424)
Net cash inflow from financing activities	27,255	9,761
Net (decrease)/increase in cash and cash equivalents	(22,381)	10,419
Cash and cash equivalents at beginning of the year	58,396	47,977
Cash and cash equivalents at end of the financial year	1 36,015	58,396
1 Cash and cash equivalents at end of the financial year comprise :		
Short term deposit	10,959	14,418
Cash and bank balances	31,217	45,978
Bank overdraft	(6,161)	(2,000)
	36,015	58,396

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2014**

	Attributable to equity holders of the Company						Total RM'000
	Non-distributable			Distributable			
	Share Capital RM'000	Share Premium RM'000	Warrant Reserves RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
12 months ended 31st December 2014							
At 1st January 2014	110,989	35,851	38,523	-	368,358	(438)	553,283
Shares subscribed by warrant holder	7,361	2,503	(5,594)	-	5,594	-	9,864
Share buy-back	-	-	-	-	-	(22)	(22)
Treasury Share disposal	-	-	-	-	-	111	111
Dividend declared in respect of financial year ended 31st December 2014	-	-	-	-	(2,222)	-	(2,222)
Total comprehensive income	-	-	-	-	15,797	-	15,797
At 31st December 2014	118,350	38,354	32,929	-	387,527	(349)	576,811
12 months ended 31st December 2013							
At 1st January 2013, as previously stated	108,988	33,650	40,044	-	343,520	(327)	525,875
Shares subscribed by warrant holder	2,001	2,201	(1,521)	-	-	-	2,681
Share buy-back	-	-	-	-	-	(111)	(111)
Dividend declared in respect of financial year ended 31st December 2013	-	-	-	-	(2,176)	-	(2,176)
Total comprehensive income	-	-	-	-	27,014	-	27,014
At 31st December 2013	110,989	35,851	38,523	-	368,358	(438)	553,283

The Unaudited Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 31st December 2014

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 134: Interim Financial Reporting issued by International Accounting Standard Board (“IASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statement for the year ended 31st December 2013, which were prepared under Malaysian Financial Reporting Standards (“MFRSs”). 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 31st December 2013.

A2. Accounting Policies and Methods of Computation

Adoption of Standards, Amendments and IC Interpretations

The Group has adopted the following Amendments to Standards, with a date of initial application of 1st January 2014:-

Amendments to MFRS 10 Consolidated Financial Statements
Amendments to MFRS 12 Disclosure of Interests in Other Entities
Amendments to MFRS 127 Separate Financial Statements
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

Amendments to MFRSs issued but not yet effective

The following new MFRS and Amendment has been issued by MASB but are not yet effective, and have yet to be adopted by the Group:

MFRS 9 Financial Instruments
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

A3. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2013 was not qualified.

A4. Seasonal or Cyclical factors

The operations of the Company are subject to both cyclical factors in the construction industry as well as festive seasons.

A5. Extraordinary items

There are no extraordinary items for the financial period under review.

A6. Changes in Estimates

There have been no changes in the estimates of amount for the period under review.

A7. Debts and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current quarter under review, save as disclosed below.

A total of 2,000,000 ordinary shares were subscribed by a warrant holder on his entitlement at the exercise price of RM0.67 per share on 29th October 2014 and 29th December 2014 respectively.

As at 31st December 2014, a total of 322,000 shares were held as treasury shares out of its total issued share capital of 236,700,671 shares at an average price of RM1.008 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

No dividend was paid by Company in the current quarter under review and financial year to date.

A9. Segmental reporting

The Group is primarily organised in one business segment namely manufacturing of steel bars and billets. The business segment analysed by geographical location of customers are as follows:

	Current Quarter ended RM'000	Current Year to-date ended RM'000
Revenue		
- Malaysia	387,020	1,409,990
- Outside Malaysia	5,149	41,943
	392,169	1,451,933

A10. Valuation

The valuations of the property, plant and equipment has been brought forward and was regarded as deemed cost at the date of transition to MFRS. The relevant revaluation surplus was recognized to the retained earnings.

A11. Material subsequent events

There are no material subsequent events between the end of the current quarter under review and the date of this report.

A12. Changes in the composition of the Group

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

A13. Capital commitments

	31/12/14 RM'000
Property, plant and equipment	
- Approved and contracted for	<u>21,227</u>

PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group reported a profit before tax of RM6.19 million on the revenue of RM392.17 million for the current quarter compared to a profit before tax of RM4.05 million on the revenue of RM351.96 million for the previous year corresponding quarter. The increase in revenue in the current quarter is mainly attributed to higher sales volume. The Company recorded a higher profit mainly due to higher sales volume and higher margin in the current quarter.

For the year under review, the Company's revenue increased by 5.8% to RM1.45 billion as compared to RM1.37 billion for the previous financial year. This is mainly due to higher sales volume recorded. The profit for the year decreased from RM28.9 million in the previous year to RM28.1 million mainly due to the unrealised foreign exchange loss of RM7.5 million during the year.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM30.07 million to RM392.17 million mainly due to higher sales volume. The Group recorded an increase in profit before tax of RM6.19 million as compared to RM3.47 million achieved in the immediate preceding quarter mainly due to higher margin in the current quarter.

B3. Prospects

The Company is expected to increase its bar sales volume by 10% for the first half of the year and upon the commissioning of its new rolling mill during the second quarter, for the second half the year, it is anticipated to sell an additional 100,000 mt of high tensile steel bars.

The margin is expected to improve due to the following factors:

- 1) the continued decline in scrap prices.
- 2) the reduction in electricity tariff of 5.8% from March till June 2015.
- 3) higher levels of economies of scale due to higher volume of production .
- 4) the suspension of natural gas price revision by the Government.
- 5) due to the stabilizing international iron ore prices, the prices of Chinese steel imports are expected to bottom out.

The Company is expected to perform well in the following quarters based on prevailing business conditions.

The impending impositions of goods services tax (GST) on the Company's products are not expected to have any material impact on the sales volume of the Company.

B4. Profit forecast

The disclosure requirements for explanatory notes are not applicable as no profit forecast was published.

B5. Profit before taxation

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange(gain)/loss	8,171	7,512
Realised foreign exchange (gain)/loss	364	546
Provision/(Reversal) of doubtful debts	(74)	(285)
Provision for impairment of stock	208	208
Depreciation of property, plant and equipment	5,634	22,399
Interest expense	4,944	16,125
Interest income	(44)	(157)

B6. Taxation

i) Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current year's provision	1,048	2,766
Deferred tax liabilities	623	9,545
	1,671	12,311

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	6,144	28,108
Taxation at tax rate of 25%	1,536	7,027
Income not subject to tax	2,100	2,426
Utilization of unutilized reinvestment allowance	(2,631)	(7,113)
Deferred tax liabilities		
-current quarter	623	623
-previous quarters	-	8,922
Under provision in prior year	-	285
Others	43	141
	1,671	12,311

B7. (a) Status of corporate proposals

i) Head of Joint venture Agreement (“Proposed Joint-Venture”)

On 19th January 2011, the Board announced that the Company has entered into Head of Joint Venture Agreement with KUB Malaysia Berhad (“KUB”), a company listed on the Main Market of Bursa Malaysia Securities Berhad wherein the Company and KUB have agreed to combine their capabilities and resources related to the objective stated herein and are desirous to co-operate and collaborate with each other in the joint-venture company, Metropolitan Commuter Network Sdn Bhd (“MCN”) to pursue the rail transit network project in the Iskandar Malaysia.

MCN has submitted an updated proposal on 8th January 2015 to the Ministry of Transport. According to Yang Berhormat Datuk Seri Liow Tiong Lai, the Transport Minister, his Ministry will speed up the reviewing and updating process of the project and recommend its re-tabling to the Economic Council by this year.

The Minister also indicated that the MCN’s proposed system compliments the ongoing Gemas-Johor Bharu double tracking project, the KL-Singapore High Speed Rail, Johor-Woodlands, Singapore Rapid Transit System (RTS) and the Bus Rapid Transit (BRT) system for the economic corridor.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/12/14
	RM'000
<u>Secured:</u>	
Short term borrowings	278,725
Long term borrowings	<u>34,548</u>
Total borrowings	<u><u>313,273</u></u>

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

There are no material litigations during the current period under review.

B10. Dividend

No dividend has been proposed or declared by the Company during the current quarter under review.

B11. Earnings per share (“EPS”)

(a) *Basic earnings per share*

The basic earnings per share of the Company is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	Current Quarter Ended	Current Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>4,515</u>	<u>15,797</u>
Weighted average number of ordinary shares in issue ('000)	<u>226,367</u>	<u>226,367</u>
Basic Earnings Per Share (sen)	<u>1.99</u>	<u>6.98</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings per share, the weighted average numbers of shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the period as set out below:

	Current Quarter Ended	Current Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>4,515</u>	<u>15,797</u>
Weighted average number of ordinary shares in issue ('000)	226,367	226,367
Effects of dilution ('000)	28,741	28,741
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>255,108</u>	<u>255,108</u>
Diluted Earnings Per Share (sen)	<u>1.77</u>	<u>6.19</u>

B12. Realised and unrealised profits disclosure

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 31/12/14 RM'000	As at 31/12/13 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	364,847	341,665
- Unrealised	23,518	27,149
	<u>388,365</u>	<u>368,814</u>
Total share of accumulated losses from Associate :		
- Realised	(838)	(456)
Total Group retained profits as per consolidated accounts	<u>387,527</u>	<u>368,358</u>

B13. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.