

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30TH SEPTEMBER 2015**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/15	30/09/14	30/09/15	30/09/14
	RM'000	RM'000	RM'000	RM'000
Revenue	301,438	362,099	869,031	1,059,764
Operating expenses	(300,869)	(352,826)	(875,822)	(1,026,884)
Other expenses	(18,678)	(1,960)	(25,381)	(1,960)
Other income	-	74	267	2,497
Interest income	30	48	95	113
Finance cost	(4,323)	(3,782)	(12,823)	(11,394)
Share of results of associated company	(47)	(186)	(209)	(214)
Profit/(Loss) before tax	(22,449)	3,467	(44,842)	21,922
Taxation	(1,690)	(9,565)	(4,167)	(10,640)
Profit/(Loss) for the period	(24,139)	(6,098)	(49,009)	11,282
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	(24,139)	(6,098)	(49,009)	11,282
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	(24,139)	(6,098)	(49,009)	11,282
Profit/(Loss) for the period	(24,139)	(6,098)	(49,009)	11,282
Earnings/(Loss) per share (sen)				
- Basic	(10.04)	(2.73)	(20.38)	5.06
- Diluted	(9.81)	(2.40)	(19.91)	4.44

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH SEPTEMBER 2015**

	<b>30/09/15</b> <b>RM'000</b>	<b>31/12/14</b> <b>RM'000</b>
<b>ASSETS</b>		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	590,593	536,719
Investment in Associate company	8,661	8,870
	<u>599,254</u>	<u>545,589</u>
<u>Current Assets</u>		
Inventories	354,645	165,153
Trade and other receivables	157,864	334,634
Taxation recoverables	3,806	1,791
Current tax assets	1,637	-
Short term deposit	4,681	10,959
Cash and bank balances	20,195	31,217
	<u>542,828</u>	<u>543,754</u>
<b>TOTAL ASSETS</b>	<u><u>1,142,082</u></u>	<u><u>1,089,343</u></u>
<b>EQUITY AND LIABILITIES</b>		
<u>Equity attributable to equity holders</u>		
Share capital	122,248	118,350
Share premium	48,235	43,948
Treasury shares	(468)	(349)
Warrants reserves	29,966	32,929
Retained profits	331,370	381,965
Total Equity	<u>531,351</u>	<u>576,843</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	52,988	34,550
Deferred tax liabilities	13,673	9,506
	<u>66,661</u>	<u>44,056</u>
<u>Current Liabilities</u>		
Trade and other payables	251,186	189,721
Short term borrowings	292,884	278,723
	<u>544,070</u>	<u>468,444</u>
Total liabilities	<u>610,731</u>	<u>512,500</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,142,082</u></u>	<u><u>1,089,343</u></u>
Net Assets per share (RM)	2.17	2.44

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE FINANCIAL PERIOD ENDED 30TH SEPTEMBER 2015**

	<b>Current year 01/01/15 to 30/09/15 RM'000</b>	<b>Preceding Year 01/01/14 to 30/09/14 RM'000</b>
Profit/(Loss) before tax	(44,842)	21,922
Adjustment for:		
Depreciation of property, plant and equipment	16,766	16,766
Interest expense	12,537	11,181
Others	22,963	(831)
Operating profit before changes in working capital	7,424	49,038
Changes in working capital		
Net change in inventories	(189,492)	7,896
Net change in receivables	175,133	(4,641)
Net change in payables	38,591	32,236
Cash generated from operations	31,656	84,529
Interest paid	(12,439)	(10,961)
Income tax paid	(2,015)	(1,598)
Net cash inflow from operating activities	<u>17,202</u>	<u>71,970</u>
Investing activities		
Purchase of property, plant and equipment	(70,640)	(53,099)
Interest received	95	113
Proceed on disposal	25	164
Net cash outflow from investing activities	<u>(70,520)</u>	<u>(52,822)</u>
Financing activities		
Bank borrowings	36,757	(33,984)
Dividend paid	(1,586)	(2,221)
Share buy back	(119)	(22)
Shares subscribed by warrant holder	5,223	8,524
Finance lease interest paid	(98)	(220)
Net cash inflow/(outflow) from financing activities	<u>40,177</u>	<u>(27,923)</u>
Net decrease in cash and cash equivalents	(13,141)	(8,775)
Cash and cash equivalents at beginning of the year	36,017	58,396
Cash and cash equivalents at end of the financial period	<u><u>1</u> 22,876</u>	<u><u>49,621</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	4,681	12,260
Cash and bank balances	20,195	37,361
Bank overdraft	(2,000)	-
	<u><u>22,876</u></u>	<u><u>49,621</u></u>

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30TH SEPTEMBER 2015**

	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	Retained Profits RM'000	Treasury Shares RM'000	
<b>9 months ended 30th September 2015</b>						
At 1st January 2015	118,350	43,948	32,929	381,965	(349)	576,843
Shares subscribed by warrant holder	3,898	4,287	(2,963)	-	-	5,222
Share buy-back	-	-	-	-	(119)	(119)
Dividend declared in respect of financial year ended 31st December 2014	-	-	-	(1,586)	-	(1,586)
Total comprehensive loss	-	-	-	(49,009)	-	(49,009)
At 30th September 2015	<u>122,248</u>	<u>48,235</u>	<u>29,966</u>	<u>331,370</u>	<u>(468)</u>	<u>531,351</u>
<b>9 months ended 30th September 2014</b>						
At 1st January 2014	110,989	35,851	38,523	368,356	(438)	553,281
Share subscribed by warrant holder	6,361	2,163	(4,834)	4,834	-	8,524
Treasury Share (net movement)	-	-	-	-	89	89
Dividend declared in respect of financial year ended 31st December 2013	-	-	-	(2,221)	-	(2,221)
Total comprehensive income	-	-	-	11,282	-	11,282
At 30th September 2014	<u>117,350</u>	<u>38,014</u>	<u>33,689</u>	<u>382,251</u>	<u>(349)</u>	<u>570,955</u>

The Unaudited Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

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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 30<sup>st</sup> SEPTEMBER 2015**

**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 31<sup>st</sup> December 2014, 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 31<sup>st</sup> December 2014.

**A2. Accounting Policies and Methods of Computation**

*Adoption of Amendments and Annual Improvements to Standards*

The Group has adopted the following Amendments and Annual Improvements to Standards, with a date of initial application of 1<sup>st</sup> January 2015:-

Amendments to MFRS 119	Employee Benefits - Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 - 2012 Cycle	
Annual Improvements to MFRSs 2011 - 2013 Cycle	

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

*Standards and 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:

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2016**

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 127	Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2016 (cont'd)**

Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 141 Agriculture - Bearer Plants
Amendments to MFRS 10	Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 - 2014 Cycle	

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2017**

MFRS 15	Revenue from Contracts with Customers
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**Effective for financial periods beginning on or after 1<sup>st</sup> January 2018**

MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014)
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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 except for the two Standards described below, for which the effects are still being assessed:-

**(i) MFRS 15 Revenue from Contracts with Customers**

MFRS 15 established a new five-step model which will apply to recognition of revenue arising from contracts with customers and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

**A3. Qualification of Financial Statements**

The Auditors’ for the financial statements for the financial year ended 31<sup>st</sup> December 2014 expressed that the audit evidence obtained is sufficient and appropriate to provide a basis for the qualified audit opinion. Except for the key significant matters described in the Basis for Qualified Opinion paragraphs and subject to the effects of any other information that may arise from on-going regulatory reviews. In the auditor’s opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31<sup>st</sup> December 2014 and of their financial performance and cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

**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.

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**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.

The warrants will be expiring on 26<sup>th</sup> October 2015.

As at 30<sup>th</sup> September 2015, a total of 456,300 shares were held as treasury shares out of its total issued share capital of 244,495,903 shares at an average price of RM1.025 per share. The share buyback transactions were financed by internally generated funds.

**A8. Dividend**

The Company paid a final single-tier dividend of 1.3% per ordinary share of RM0.50 each amounted to RM1,586,248.16 on 28<sup>th</sup> August 2015 in respect of the financial year ended 31<sup>st</sup> December 2014.

**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:

	<b>Current Quarter ended RM'000</b>	<b>Current Year to-date ended RM'000</b>
<b>Revenue</b>		
- Malaysia	236,986	795,253
- Outside Malaysia	64,452	73,778
	301,438	869,031

**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**

	<b>30/09/15</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	
- Approved and contracted for	9,416
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	<u>9,416</u>



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

**B1. Review of performance**

The Group reported a loss before tax of RM22.45 million on the revenue of RM301.44 million for the current quarter compared to a profit before tax of RM3.47 million on the revenue of RM362.10 million for the previous year corresponding quarter. The decrease in revenue in the current quarter was mainly attributed to lower selling price and sales volume as a result of the importation of low price Chinese made steel bars. The increase in loss before tax is mainly due to lower margin and unrealized foreign exchange loss in the current quarter.

**B2. Comparisons with immediate preceding quarter's results**

The Group's revenue for the current quarter recorded an increase of RM59.24 million to RM301.44 million mainly due to higher sales volume from the improvement in the export markets. The Group recorded a loss before tax of RM22.45 million as compared to loss before tax of RM12.49 million achieved in the immediate preceding quarter mainly due to unrealized foreign exchange loss in the current quarter.

**B3. Prospects**

With the commencement of commissioning of the Company's new high capacity steel bar rolling mill in mid-October, the Company has the capacity to progressively convert most of its upstream billet output to steel bars that commands a price premium over other steel products such as wire rods and hot rolled coils.

These better price products is expected to contribute positively towards the bottom line of the Company in the ensuing months.

The rapid depreciation of the Ringgit has had a dual effect on the financials of the Company. On one hand the weaker ringgit has resulted in cheap Chinese made steels to become less competitive compared to locally made steel products and it has opened up some export opportunities for the Company. However, as the Company has certain amounts of foreign currency exposure through its trade obligations, the Company has been impacted by unrealized and realized forex losses.

With the stabilization of the Ringgit, the Company expects decreasing amounts of forex losses in the future.

The Company anticipates to steadily overcome the effects from the severe downturn of global steel prices in the future.

**B4. Profit forecast**

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

**B5. Loss before taxation**

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
Loss before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange loss	17,307	22,874
Realised foreign exchange loss/ (gain)	1,371	2,264
Depreciation of property, plant and equipment	5,584	16,766
Interest expense	4,176	12,537
Interest income	(30)	(95)

**B6. Taxation**

i) Taxation comprises:

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	-	-
Deferred taxation:		
-Current year	1,690	4,131
-Under provision in prior years	-	36
	1,690	4,167

ii) Reconciliation of income tax expenses

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
Loss before taxation	(22,449)	(44,842)
Taxation at tax rate of 25%	(5,612)	(11,210)
Income not subject to tax	4,411	5,993
Effect of unutilized capital allowance and reinvestment allowance	(813)	1,983
Deferred tax liabilities		
-current year	1,689	4,130
-under provision in prior year	-	36
Effect on unabsorbed business losses	2,005	3,125
Others	10	110
	1,690	4,167

**B7. (a) Status of corporate proposals**

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

On 19<sup>th</sup> January 2011, the Board announced that the Company has entered into Head of Joint Venture Agreement (“MOU”) 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.

The Company has recently met Perbadanan Aset Keretapi (PAK)’s senior management to present the Company’s town planning scheme for Kempas land that is earmarked for the construction of the Company’s proposed commuter train depot and other assets as required by the Ministry of Transport.

**(b) Status of utilization of proceed raised**

Not applicable

**B8. Borrowings**

	<b>30/09/15</b>
	<b>RM'000</b>
<u>Secured:</u>	
Short term borrowings	292,884
Long term borrowings	<u>52,988</u>
Total borrowings	<u><u>345,872</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. Loss per share (“EPS”)**

(a) *Basic loss per share*

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

	<b>Current Quarter Ended</b>	<b>Current Year To-date Ended</b>
Loss attributable to ordinary shareholders (RM'000)	<u>(24,139)</u>	<u>(49,009)</u>
Weighted average number of ordinary shares in issue ('000)	<u>240,454</u>	<u>240,454</u>
Basic Loss Per Share (sen)	<u>(10.04)</u>	<u>(20.38)</u>

(b) *Diluted loss per share*

For the purpose of calculating diluted loss 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:

	<b>Current Quarter Ended</b>	<b>Current Year To-date Ended</b>
Loss attributable to ordinary shareholders (RM'000)	<u>(24,139)</u>	<u>(49,009)</u>
Weighted average number of ordinary shares in issue ('000)	240,454	240,454
Effects of dilution ('000)	5,730	5,730
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>246,184</u>	<u>246,184</u>
Diluted Loss Per Share (sen)	<u>(9.81)</u>	<u>(19.91)</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:

	<b>As at 30/09/15 RM'000</b>	<b>As at 31/12/14 RM'000</b>
Total retained profits of the Company and its subsidiary :		
- Realised	324,261	359,285
- Unrealised	8,156	23,518
	<u>332,417</u>	<u>382,803</u>
Total share of accumulated losses from Associate :		
- Realised	(1,047)	(838)
Total Group retained profits as per consolidated accounts	<u>331,370</u>	<u>381,965</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.