

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/15 RM'000	31/12/14 RM'000	31/12/15 RM'000	31/12/14 RM'000
Revenue	274,664	392,169	1,143,694	1,456,279
Cost of sales	(261,189)	(363,157)	(1,097,690)	(1,357,739)
Gross Profit	13,475	29,012	46,004	98,540
Operating expenses	(12,761)	(9,168)	(52,083)	(48,274)
Other expenses	-	(8,534)	(25,381)	(10,494)
Other income	1,680	-	1,947	4,662
Interest income	69	44	164	157
Finance cost	(4,358)	(5,001)	(17,181)	(16,125)
Share of results of associated company	(236)	(167)	(445)	(382)
Profit/(Loss) before tax	(2,131)	6,186	(46,975)	28,084
Taxation	155	(1,671)	(4,011)	(12,256)
Profit/(Loss) for the period	(1,976)	4,515	(50,986)	15,828
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	(1,976)	4,515	(50,986)	15,828
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	(1,976)	4,515	(50,986)	15,828
Profit/(Loss) for the period	(1,976)	4,515	(50,986)	15,828
Earnings/(Loss) per share (sen)				
- Basic	(0.82)	1.99	(21.05)	6.99
- Diluted	(0.82)	1.77	(21.05)	6.20

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 31ST DECEMBER 2015

	31/12/15 RM'000	31/12/14 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	602,191	536,719
Investment in Associate company	8,425	8,870
	<u>610,616</u>	<u>545,589</u>
<u>Current Assets</u>		
Inventories	382,265	165,153
Trade and other receivables	119,824	334,634
Taxation recoverables	4,164	1,791
Current tax assets	3,476	-
Short term deposit	11,290	10,959
Cash and bank balances	3,615	31,217
	<u>524,634</u>	<u>543,754</u>
TOTAL ASSETS	<u><u>1,135,250</u></u>	<u><u>1,089,343</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	122,254	118,350
Share premium	78,204	43,948
Treasury shares	(538)	(349)
Warrants reserves	-	32,929
Retained profits	329,393	381,965
Total Equity	<u>529,313</u>	<u>576,843</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	50,611	34,550
Deferred tax liabilities	13,501	9,506
	<u>64,112</u>	<u>44,056</u>
<u>Current Liabilities</u>		
Trade and other payables	239,622	189,721
Short term borrowings	302,203	278,723
	<u>541,825</u>	<u>468,444</u>
Total liabilities	<u>605,937</u>	<u>512,500</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,135,250</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.

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 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	
<i>12 months ended 31st December 2015</i>						
At 1st January 2015	118,350	43,948	32,929	381,965	(349)	576,843
Shares subscribed by warrant holder	3,904	4,294	(2,967)	-	-	5,231
Reclassification from Warrant expiry	-	29,962	(29,962)	-	-	-
Share buy-back	-	-	-	-	(189)	(189)
Dividend declared in respect of financial year ended 31st December 2014	-	-	-	(1,586)	-	(1,586)
Total comprehensive loss	-	-	-	(50,986)	-	(50,986)
At 31st December 2015	122,254	78,204	-	329,393	(538)	529,313
<i>12 months ended 31st December 2014</i>						
At 1st January 2014	110,989	35,851	38,523	368,358	(438)	553,283
Share subscribed by warrant holder	7,361	8,097	(5,594)	-	-	9,864
Treasury Share (net movement)	-	-	-	-	89	89
Dividend declared in respect of financial year ended 31st December 2013	-	-	-	(2,221)	-	(2,221)
Total comprehensive income	-	-	-	15,828	-	15,828
At 31st December 2014	118,350	43,948	32,929	381,965	(349)	576,843

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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015**

	Current year 01/01/15 to 31/12/15 RM'000	Preceding Year 01/01/14 to 31/12/14 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	(46,975)	28,084
Adjustment for:		
Depreciation of property, plant and equipment	22,368	22,399
Interest expense	16,828	16,125
Others	23,005	7,597
Operating profit before changes in working capital	15,226	74,205
Changes in working capital		
Net change in inventories	(217,112)	55,257
Net change in receivables	211,334	(91,512)
Net change in payables	27,151	7,270
Cash generated from operations	36,599	45,220
Interest paid	(16,718)	(15,852)
Income tax paid	(2,389)	(2,001)
Net cash inflow from operating activities	<u>17,492</u>	<u>27,367</u>
Investing activities		
Purchase of property, plant and equipment	(87,840)	(76,630)
Interest received	164	157
Proceed on disposal	25	38
Investment in Associate	-	(520)
Net cash outflow from investing activities	<u>(87,651)</u>	<u>(76,955)</u>
Financing activities		
Bank borrowings	39,576	19,725
Dividend paid	(1,586)	(2,221)
Share buy back	(189)	(22)
Shares subscribed by warrant holder	5,231	9,864
Proceed from disposal of treasury shares	-	135
Finance lease interest paid	(110)	(273)
Net cash inflow from financing activities	<u>42,922</u>	<u>27,208</u>
Net decrease in cash and cash equivalents	(27,237)	(22,380)
Cash and cash equivalents at beginning of the year	36,016	58,396
Cash and cash equivalents at end of the financial year	<u><u>8,779</u></u>	<u><u>36,016</u></u>
1 Cash and cash equivalents at end of the financial year comprise :		
Short term deposit	11,290	10,959
Cash and bank balances	3,615	31,217
Bank overdraft	(6,126)	(6,160)
	<u><u>8,779</u></u>	<u><u>36,016</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.

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 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 31st 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 31st 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 1st 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 1st 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 1st 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 1st January 2017

MFRS 15	Revenue from Contracts with Customers
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Effective for financial periods beginning on or after 1st 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 31st 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 31st 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.

A5. Unusual items affecting the assets liabilities, equity, net income or cash flows.

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.

The warrants had expired on 26th October 2015.

A total of 12,100 ordinary shares were subscribed by a warrant holder on his entitlement at the exercise price of RM0.67 per share on 26th October 2015 and 3rd November 2015 respectively.

As at 31st December 2015, a total of 650,800 shares were held as treasury shares out of its total issued share capital of 244,508,003 shares at an average price of RM0.83 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

No dividend was paid by the 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	260,286	1,055,538
- Outside Malaysia	14,378	88,156
	274,664	1,143,694

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

	31/12/15 RM'000
Property, plant and equipment	
- Approved and contracted for	7,992
	<hr/>
	<u>7,992</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 RM2.13 million on the revenue of RM274.66 million for the current quarter compared to a profit before tax of RM6.19 million on the revenue of RM392.17 million for the previous year corresponding quarter. The decrease in revenue and loss incurred in the current quarter were mainly attributed to lower selling price, sales volume and margin.

For the year under review, the Company's revenue decreased by 21.46% to RM1.14 billion as compared to RM1.46 billion for the previous financial year. This is mainly due to lower sales volume recorded. The profit before tax decreased from RM28.08 million in the previous year to loss before tax of RM46.98 million due to lower margin achieved and higher foreign exchange losses.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a decrease of RM26.78 million to RM274.66 million mainly due to lower selling price and sales volume. The Group recorded a loss before tax of RM2.13 million as compared to loss before tax of RM22.45 million achieved in the immediate preceding quarter mainly due to higher margin in the current quarter and recorded foreign exchange gains instead of foreign exchange losses of RM18.68 million in the immediate preceding quarter.

B3. Prospects

Steel prices are expected to be range bound for the year as there are many external factors that will affect any sustained price recovery.

The pace of closure of the excess China steel making capacity and the direction of the monetary policy by the U.S. Federal Reserve will be the determining factors for the recovery of global steel industries.

With the improving prospect of the Ringgit for 2016, the effects of realized and unrealized forex loses that had severely impacted the profit before tax (PBT) of the Company in 2015 are expected to be minimal.

The Company's earnings are expected to face headwinds in the year ahead. Despite the challenges, the management is striving to improve the Company's performance by continuously reviewing its business strategy.

B4. Profit forecast

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

B5. Condensed Consolidated Statements of Comprehensive Income

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Loss before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)/ loss	(124)	22,750
Realised foreign exchange (gain)/ loss	(1,421)	843
Depreciation of property, plant and equipment	5,602	22,368
Interest expense	4,292	16,828
Interest income	(69)	(164)

B6. Taxation

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	-	-
-Under provision in prior years	16	16
Deferred taxation:		
-Current year	(171)	3,959
-Under provision in prior years	-	36
	<u>(155)</u>	<u>4,011</u>

The disproportionate tax charge of the Group for the current quarter ended 31st December 2015 was mainly attributable due to certain expenses being disallowed for tax purpose.

B7. Status of corporate proposals

i) Head of Joint Venture Agreement (“MOU”)

On 19th 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 had meetings with the Government on 31st December 2015 and 23rd February 2016 to discuss the Company’s proposal and requirements for the realization of the said project. Subsequent requests from the Government are being complied with by the Company.

B8. Borrowings

31/12/15
RM'000

<u>Secured:</u>	
Short term borrowings	302,203
Long term borrowings	50,611
Total borrowings	<u>352,814</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.

	Current Quarter Ended	Current Year To-date Ended
Loss attributable to ordinary shareholders (RM'000)	<u>(1,976)</u>	<u>(50,986)</u>
Weighted average number of ordinary shares in issue ('000)	<u>242,226</u>	<u>242,226</u>
Basic Loss Per Share (sen)	<u>(0.82)</u>	<u>(21.05)</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:

	Current Quarter Ended	Current Year To-date Ended
Loss attributable to ordinary shareholders (RM'000)	<u>(1,976)</u>	<u>(50,986)</u>
Weighted average number of ordinary shares in issue ('000)	242,226	242,226
Effects of dilution ('000)	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>242,226</u>	<u>242,226</u>
Diluted Loss Per Share (sen)	<u>(0.82)</u>	<u>(21.05)</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 31/12/15 RM'000	As at 31/12/14 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	322,394	359,285
- Unrealised	<u>8,281</u>	<u>23,518</u>
	330,675	382,803
Total share of accumulated losses from Associate :		
- Realised	<u>(1,282)</u>	<u>(838)</u>
Total Group retained profits as per consolidated accounts	<u>329,393</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.