

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/17	31/03/16	31/03/17	31/03/16
	RM'000	RM'000	RM'000	RM'000
Revenue	348,723	318,011	348,723	318,011
Cost of sales	(312,892)	(299,541)	(312,892)	(299,541)
Gross Profit	35,831	18,470	35,831	18,470
Operating expenses	(18,209)	(13,081)	(18,209)	(13,081)
Other income	4,898	5,375	4,898	5,375
Interest income	155	90	155	90
Finance cost	(4,864)	(4,287)	(4,864)	(4,287)
Share of results of associated company	(129)	(200)	(129)	(200)
Profit before tax	17,682	6,367	17,682	6,367
Taxation	(3,599)	(1,291)	(3,599)	(1,291)
Profit for the period	14,083	5,076	14,083	5,076
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,083	5,076	14,083	5,076
Profit and Total Comprehensive Income attributable to: Equity holders of the Company	14,083	5,076	14,083	5,076
Profit for the period	14,083	5,076	14,083	5,076
Earnings per share (sen)				
- Basic	5.83	2.10	5.83	2.10
- Diluted	5.83	2.10	5.83	2.10

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2016 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	31/03/17	31/12/16
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	604,739	611,663
Investment in Associate company	6,889	7,018
	<u>611,628</u>	<u>618,681</u>
<u>Current Assets</u>		
Inventories	376,904	392,308
Trade and other receivables	185,400	211,571
Taxation recoverables	5,726	5,428
Short term deposit	23,812	28,312
Cash and bank balances	37,878	32,397
	<u>629,720</u>	<u>670,016</u>
TOTAL ASSETS	<u><u>1,241,348</u></u>	<u><u>1,288,697</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	122,254	122,254
Share premium	78,204	78,204
Treasury shares	(897)	(897)
Retained profits	365,489	351,406
Total Equity	<u>565,050</u>	<u>550,967</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	48,182	52,758
Deferred tax liabilities	21,610	18,011
	<u>69,792</u>	<u>70,769</u>
<u>Current Liabilities</u>		
Trade and other payables	294,162	358,581
Short term borrowings	312,344	308,380
	<u>606,506</u>	<u>666,961</u>
Total liabilities	<u>676,298</u>	<u>737,730</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,241,348</u></u>	<u><u>1,288,697</u></u>
Net Assets per share (RM)	2.32	2.26

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2016 and accompanying explanatory notes attached to the interim financial statements.

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Attributable to equity holders of the Company				Total RM'000
	Non-distributable		Distributable		
	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Treasury Shares RM'000	
3 months ended 31st March 2017					
At 1st January 2017	122,254	78,204	351,406	(897)	550,967
Total comprehensive income	-	-	14,083	-	14,083
At 31st March 2017	122,254	78,204	365,489	(897)	565,050
3 months ended 31st March 2016					
At 1st January 2016	122,254	78,204	329,976	(538)	529,896
Share buy-back	-	-	-	(62)	(62)
Total comprehensive income	-	-	5,076	-	5,076
At 31st March 2016	122,254	78,204	335,052	(600)	534,910

The Unaudited Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2016 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	Current year 01/01/17 to 31/03/17 RM'000	Preceding Year 01/01/16 to 31/03/16 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	17,682	6,367
Adjustment for:		
Depreciation of property, plant and equipment	6,995	5,643
Interest expenses	4,864	4,287
Others	(4,924)	(5,271)
Operating profit before changes in working capital	24,617	11,026
Changes in working capital		
Net change in inventories	15,404	53,641
Net change in receivables	26,171	(7,127)
Net change in payables	(59,521)	(48,690)
Cash generated from operations	6,671	8,850
Interest paid	(4,851)	(4,276)
Income tax paid	(298)	(334)
Net cash inflow from operating activities	<u>1,522</u>	<u>4,240</u>
Investing activities		
Purchase of property, plant and equipment	(71)	(6,416)
Interest received	155	90
Net cash inflow/(outflow) from investing activities	<u>84</u>	<u>(6,326)</u>
Financing activities		
Bank borrowings	(612)	6,429
Share buy back	-	(62)
Finance lease interest paid	(13)	(11)
Net cash inflow/(outflow) from financing activities	<u>(625)</u>	<u>6,356</u>
Net decrease in cash and cash equivalents	981	4,270
Cash and cash equivalents at beginning of the year	58,709	8,779
Cash and cash equivalents at end of the financial period	<u>1</u> <u>59,690</u>	<u>13,049</u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	23,812	6,180
Cash and bank balances	37,878	15,353
Bank overdraft	(2,000)	(8,484)
	<u>59,690</u>	<u>13,049</u>

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2016 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 MARCH 2017

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”) 34: 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 2015, 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 2016.

A2. Accounting Policies and Methods of Computation

Adoption of Amendments and Annual Improvements to Standards

The Group has adopted the following Amendments to Standards, with a date of initial application of 1st January 2017:-

Amendments to MFRS12 Disclosure of Interests in Other Entities
(Annual Improvements to MFRSs 2014 – 2016 Cycle)

Amendments to MFRS107 Disclosure Initiative
(Statement of Cash Flows)

Amendments to MFRS112 Recognition of Deferred Tax Assets for Unrealised Losses
(Statement of Taxes)

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 2018

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

MFRS 9 Financial Instruments (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014

Amendments to MFRS 15 Clarifications to MFRS 15 Revenue from Contracts with Customers

IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 140 Transfers of Investment Property

Effective for financial periods beginning on or after 1st January 2019

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 Standard described below, for which the effects are still being assessed:-

(i) MFRS 16 Leases

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Under this Standard, all long term leases will be brought onto its statement of financial position as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions.

A3. Disclosure of Audit Report Qualification

The audit report of the Group's annual financial statements for the financial year ended 31st December 2016 did not contain any qualification.

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.

As at 31st March 2017, a total of 1,213,800 shares were held as treasury shares out of its total issued share capital of 244,508,003 shares at an average price of RM0.74 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	331,360	331,360
- Outside Malaysia	17,363	17,363
	<hr/> 348,723 <hr/>	<hr/> 348,723 <hr/>

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

	31/03/17 RM'000
Property, plant and equipment	
- Approved and contracted for	3,618
	<hr/> 3,618 <hr/>

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 RM17.68 million on the revenue of RM348.72 million for the current quarter compared to a profit before tax of RM6.37 million on the revenue of RM318.00 million for the previous year corresponding quarter. The increase in revenue and profit in the current quarter were mainly attributed to higher selling price and margin.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM3.77 million to RM348.72 million mainly due to higher selling price. The Group recorded a profit before tax of RM17.68 million as compared to profit before tax of RM6.22 million achieved in the immediate preceding quarter mainly due to lower operating expenses contributed by the gain in foreign exchange in the current quarter.

B3. Prospects

Prices of steel bars and corresponding raw material such as steel scrap continues to be volatile in the medium term, demand for the Company's products is expected to soften in the very near term due to seasonal effects such as the Ramadan period.

The Company continues to produce record quantities of premium steel products for the local and Australian markets.

With the impending national election (PRU 14) within the next 12 months coupled with the 3 years of Safeguard Import duty commencing from 11th April 2017, the Company expects the quickening of the roll out of major infrastructure stimulus packages by the Government, this will contribute positively to the steady pricing and demand for steel bars.

The Company foresees the opportunities for better business returns to continue in the following quarters.

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
Profit before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)	(4,898)	(4,898)
Realised foreign exchange loss	3,601	3,601
Depreciation of property, plant and equipment	6,995	6,995
Interest expense	4,864	4,864
Interest income	(155)	(155)

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	-	-
Deferred taxation:		
-Current year	3,599	3,599
-Under provision in prior years	-	-
	<u>3,599</u>	<u>3,599</u>

The effective tax rate of the Group for the current quarter ended 31st March 2017 was lower than the statutory tax rate mainly due to certain expenses were disallowed for tax purposes and utilization of allowances.

B7. (a) Status of corporate proposals

- i) Proposed Private Placement of up to 24,450,800 new ordinary shares, representing up to 10% of the total number of issued shares of the Company; and
- ii) Proposed Bonus Issue of up to 53,791,760 new ordinary shares on the basis of 1 Bonus share for every 5 Existing shares held on an entitlement date to be determined later.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/03/17 RM'000
<u>Secured:</u>	
Short term borrowings	312,344
Long term borrowings	48,182
Total borrowings	<u>360,526</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

A final single-tier dividend of 0.85 sen per share had been proposed in respect of the financial year ended 31st December 2016 and subject to approval by the shareholders at the forthcoming 45th Annual General Meeting of the Company to be held on 15th June 2017.

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>14,083</u>	<u>14,083</u>
Weighted average number of ordinary shares in issue ('000)	<u>241,663</u>	<u>241,663</u>
Basic Earning Per Share (sen)	<u>5.83</u>	<u>5.83</u>

(b) *Diluted earnings per share*

There is no dilution of any shares during the period. Accordingly, the diluted earnings per share calculation is the same as that of Basic Earnings per share.

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 31/03/17 RM'000	As at 31/12/16 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	352,595	347,466
- Unrealised	<u>14,319</u>	<u>5,236</u>
	366,914	352,702
Total share of accumulated losses from Associate :		
- Realised	<u>(1,425)</u>	<u>(1,296)</u>
Total Group retained profits as per consolidated accounts	<u>365,489</u>	<u>351,406</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.