

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/17	30/06/16	30/06/17	30/06/16
	RM'000	RM'000	RM'000	RM'000
Revenue	290,764	268,349	639,487	586,360
Cost of sales	(266,556)	(242,430)	(579,448)	(541,971)
Gross Profit	24,208	25,919	60,039	44,389
Operating expenses	(12,905)	(9,487)	(31,114)	(22,569)
Other income	5,878	243	10,776	5,618
Interest income	251	72	406	162
Finance cost	(4,798)	(4,381)	(9,662)	(8,668)
Share of results of associated company	(131)	(217)	(260)	(417)
Profit before tax	12,503	12,149	30,185	18,515
Taxation	(1,914)	(1,472)	(5,513)	(2,763)
Profit for the period	10,589	10,677	24,672	15,752
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,589	10,677	24,672	15,752
Profit and Total Comprehensive Income attributable to: Equity holders of the Company	10,589	10,677	24,672	15,752
Profit for the period	10,589	10,677	24,672	15,752
Earnings per share (sen)				
- Basic	4.38	4.41	10.21	6.51
- Diluted	4.38	4.41	10.21	6.51

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 30 JUNE 2017

	30/06/17	31/12/16
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	598,554	611,663
Investment in Associate company	6,758	7,018
	<u>605,312</u>	<u>618,681</u>
<u>Current Assets</u>		
Inventories	433,152	392,308
Trade and other receivables	158,542	211,571
Taxation recoverables	5,948	5,428
Short term deposit	7,951	28,312
Cash and bank balances	22,832	32,397
	<u>628,425</u>	<u>670,016</u>
TOTAL ASSETS	<u><u>1,233,737</u></u>	<u><u>1,288,697</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	200,458	122,254
Share premium	-	78,204
Treasury shares	(897)	(897)
Retained profits	376,078	351,406
Total Equity	<u>575,639</u>	<u>550,967</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	43,207	52,758
Deferred tax liabilities	23,460	18,011
	<u>66,667</u>	<u>70,769</u>
<u>Current Liabilities</u>		
Trade and other payables	284,871	358,581
Short term borrowings	306,560	308,380
	<u>591,431</u>	<u>666,961</u>
Total liabilities	<u>658,098</u>	<u>737,730</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,233,737</u></u>	<u><u>1,288,697</u></u>
Net Assets per share (RM)	2.37	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 30 JUNE 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	
<i>6 months ended 30th June 2017</i>					
At 1st January 2017	122,254	78,204	351,406	(897)	550,967
Adjustments for effects of Companies Act 2016 (Note A)	78,204	(78,204)	-	-	-
Total comprehensive income	-	-	24,672	-	24,672
At 30th June 2017	200,458	-	376,078	(897)	575,639
<i>6 months ended 30th June 2016</i>					
At 1st January 2016	122,254	78,204	329,976	(538)	529,896
Share buy-back	-	-	-	(62)	(62)
Total comprehensive income	-	-	15,752	-	15,752
At 30th June 2016	122,254	78,204	345,728	(600)	545,586

Note A: With the Companies Act 2016 (New Act") coming into effect on 31st January 2017, the credit standing in the share premium RM78,204,000, has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its rights to use the credit amount being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31st January 2019.

The above condensed consolidated statement of change of equity should be read in conjunction with the audited financial statements for the financial year ended 31st December 2016 and the accompanying explanatory noted attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Current year 01/01/17 to 30/06/17 RM'000	Preceding Year 01/01/16 to 30/06/16 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	30,185	18,515
Adjustment for:		
Depreciation of property, plant and equipment	13,974	11,294
Interest expenses	9,662	8,668
Others	(10,939)	(5,358)
Operating profit before changes in working capital	42,882	33,119
Changes in working capital		
Net change in inventories	(40,844)	9,783
Net change in receivables	53,029	3,433
Net change in payables	(62,932)	(28,061)
Cash (used in)/generated from operations	(7,865)	18,274
Interest paid	(9,636)	(8,647)
Income tax paid	(584)	(655)
Net cash (outflow)/inflow from operating activities	<u>(18,085)</u>	<u>8,972</u>
Investing activities		
Purchase of property, plant and equipment	(847)	(14,422)
Interest received	406	163
Proceed on disposal	-	25
Net cash outflow from investing activities	<u>(441)</u>	<u>(14,234)</u>
Financing activities		
Bank borrowings	(13,225)	11,228
Share buy back	-	(62)
Finance lease interest paid	(26)	(22)
Net cash (outflow)/inflow from financing activities	<u>(13,251)</u>	<u>11,144</u>
Net (decrease)/increase in cash and cash equivalents	(31,777)	5,882
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>26,932</u>	<u>14,661</u>
 1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	7,951	2,915
Cash and bank balances	22,832	14,675
Bank overdraft	(3,851)	(2,929)
	<u>26,932</u>	<u>14,661</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 30TH JUNE 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 2016, 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 MFRS 12 Disclosure of Interests in Other Entities
(Annual Improvement to MFRSs 2014 -2016 Cycle)

Amendments to MFRS 107 Disclosure Initiative
(Statement of Cash Flows)

Amendments to MFRS 112 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 Classification to MFRS 15 Revenue from Contracts with Customers

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 Standards 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 30th June 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	284,364	615,724
- Outside Malaysia	6,400	23,763
	<hr/> 290,764 <hr/>	<hr/> 639,487 <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

	30/06/17 RM'000
Property, plant and equipment	
- Approved and contracted for	1,804
	<hr/> 1,804 <hr/>

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

B1. Review of performance

	Individual Period			Cumulative Period		
	3 months		Changes %	6 months		Changes %
	30/6/2017 RM'000	30/6/2016 RM'000		30/6/2017 RM'000	30/6/2016 RM'000	
Revenue	290,764	268,349	8.35	639,487	586,360	9.06
Profit before interest and tax	12,252	12,077	1.45	29,779	18,353	62.26
Profit before tax	12,503	12,149	2.91	30,185	18,515	63.06

The Group reported a profit before tax of RM12.50 million on the revenue of RM290.76 million for the current quarter as compared to a profit before tax of RM12.15 million on the revenue of RM268.35 million for the previous year corresponding quarter. The increase in revenue in the current quarter were mainly attributed to higher selling price due to recovery of steel price in China and stronger domestic demand. The current quarter recorded a higher profit before tax mainly due to higher forex gain from the strengthening of Malaysia Ringgit.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	30/6/2017 RM'000	30/3/2017 RM'000	
Revenue	290,764	348,723	(17)
Profit before tax	12,503	17,682	(29)

The Group's revenue for the current quarter recorded a decrease of RM57.96 million to RM290.76 million mainly due to lower selling price and sales volume as a result of weaker domestic demand of the construction activity as compared to the preceding quarter. The Group recorded a profit before tax of RM12.50 million as compared to profit before tax of RM17.68 million achieved in the preceding quarter mainly due to lower selling price that resulted in a lower margin in the current quarter.

B3. Prospects

Strong international steel prices driven by tight supply of finished goods and increase of raw materials costs have yet to be fully reflected in local steel prices. The local demand for steel remains subdued while the roll out of many mega project is expected to only materialize in the next few quarters.

The high price of imported steel together with increasing costs of raw materials present a potentially conducive condition for the margins of the Company's products to improve in the near term.

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)/ loss	(5,878)	(10,777)
Realised foreign exchange (gain)/ loss	(560)	3,041
Depreciation of property, plant and equipment	6,979	13,974
Interest expense	4,798	9,662
Interest income	(251)	(406)

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	64	64
-Under provision in prior years	-	-
Deferred taxation:		
-Current year	1,850	5,449
-Under provision in prior years	-	-
	<u>1,914</u>	<u>5,513</u>

The effective tax rate of the Group for the current quarter ended 30th June 2017 was lower than the statutory tax rate mainly due to utilization of capital allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Refer to the announcements dated 25th May 2017 and 26th May 2017 in relation to the Proposals and the circular to shareholders dated 31st May 2017. Bursa Securities had vide its letter dated 9th June 2017, resolved to approve the listing and quotation of the following:-

- i) Up to 24,450,800 new Masteel Shares to be issued pursuant to the Proposed Private Placement, and
- ii) Up to to 53,791,760 Bonus shares to be issued pursuant to the Proposed Bonus Issue. On the basis of 1 Bonus share for every 5 Existing shares.

The above corporate proposals was subsequently approved by the shareholders at the Extraordinary General Meeting dated on 15th June 2017.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

30/06/17
RM'000

Secured:

Short term borrowings	306,560
Long term borrowings	43,207
Total borrowings	<u>349,767</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

The previous proposed final single-tier dividend of 0.85 sen per ordinary share in respect of the financial year ended 31st December 2016 was not approved by the shareholders at the Annual General Meeting dated on 15th June 2017. Therefore, the proposed dividend entitlement announcement made on 27th April 2017 would not be carried out.

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>10,589</u>	<u>24,672</u>
Weighted average number of ordinary shares in issue ('000)	<u>241,663</u>	<u>241,663</u>
Basic Earning Per Share (sen)	<u>4.38</u>	<u>10.21</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 30/06/17 RM'000	As at 31/12/16 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	359,287	347,466
- Unrealised	18,347	5,236
	<u>377,634</u>	<u>352,702</u>
Total share of accumulated losses from Associate :		
- Realised	(1,556)	(1,296)
Total Group retained profits as per consolidated accounts	<u>376,078</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.