

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/17 RM'000	30/09/16 RM'000	30/09/17 RM'000	30/09/16 RM'000
Revenue	401,445	275,451	1,040,932	861,811
Cost of sales	(361,866)	(256,696)	(941,315)	(798,667)
Gross Profit	39,578	18,755	99,617	63,144
Operating expenses	(12,666)	(12,591)	(43,780)	(35,159)
Other income	1,999	508	12,775	6,126
Interest income	188	79	594	241
Finance cost	(4,991)	(4,023)	(14,653)	(12,691)
Share of results of associated company	(113)	(199)	(373)	(616)
Profit before tax	23,995	2,529	54,180	21,045
Taxation	14,675	(1,286)	9,162	(4,049)
Profit for the period	38,670	1,243	63,342	16,996
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	38,670	1,243	63,342	16,996
Profit and Total Comprehensive Income attributable to: Equity holders of the Company	38,670	1,243	63,342	16,996
Profit for the period	38,670	1,243	63,342	16,996
Earnings per share (sen)				
- Basic	12.88	0.51	21.10	7.02
- Diluted	12.88	0.51	21.10	7.02

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 SEPTEMBER 2017

	30/09/17	31/12/16
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	601,390	611,663
Investment in Associate company	6,645	7,018
	<u>608,035</u>	<u>618,681</u>
<u>Current Assets</u>		
Inventories	444,982	392,308
Trade and other receivables	200,664	211,571
Taxation recoverables	6,259	5,428
Short term deposit	12,867	28,312
Cash and bank balances	12,979	32,397
	<u>677,751</u>	<u>670,016</u>
TOTAL ASSETS	<u><u>1,285,786</u></u>	<u><u>1,288,697</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	215,113	122,254
Share premium	-	78,204
Capital reserves	290	-
Treasury shares	(661)	(897)
Retained profits	414,748	351,406
Total Equity	<u>629,490</u>	<u>550,967</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	38,253	52,758
Deferred tax liabilities	8,808	18,011
	<u>47,061</u>	<u>70,769</u>
<u>Current Liabilities</u>		
Trade and other payables	311,522	358,581
Short term borrowings	297,713	308,380
	<u>609,235</u>	<u>666,961</u>
Total liabilities	<u>656,296</u>	<u>737,730</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,285,786</u></u>	<u><u>1,288,697</u></u>
Net Assets per share (RM)	2.03	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 SEPTEMBER 2017

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Capital Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<i>9 months ended 30th September 2017</i>						
At 1st January 2017	122,254	78,204	-	351,406	(897)	550,967
New shares issued	14,655	-	-	-	-	14,655
Adjustments for effects of Companies Act 2016 (Note A)	52,393	(52,393)	-	-	-	-
Treasury shares sales	-	-	290	-	236	526
Bonus issue	25,811	(25,811)	-	-	-	-
Total comprehensive income	-	-	-	63,342	-	63,342
At 30th September 2017	<u>215,113</u>	<u>-</u>	<u>290</u>	<u>414,748</u>	<u>(661)</u>	<u>629,490</u>
<i>9 months ended 30th September 2016</i>						
At 1st January 2016	122,254	78,204	-	329,976	(538)	529,896
Share buy-back	-	-	-	-	(62)	(62)
Total comprehensive income	-	-	-	16,996	-	16,996
At 30th September 2016	<u>122,254</u>	<u>78,204</u>	<u>-</u>	<u>346,972</u>	<u>(600)</u>	<u>546,830</u>

Note A With the Companies Act 2016 (New Act") coming into effect on 31 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 latest 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 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

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

	Current year 01/01/17 to 30/09/17 RM'000	Preceding Year 01/01/16 to 30/09/16 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	54,180	21,045
Adjustment for:		
Depreciation of property, plant and equipment	20,972	16,933
Interest expenses	14,653	12,691
Others	(13,014)	(5,752)
Operating profit before changes in working capital	76,791	44,917
Changes in working capital		
Net change in inventories	(52,674)	9,235
Net change in receivables	10,907	14,318
Net change in payables	(34,284)	(22,366)
Cash generated from operations	740	46,104
Interest paid	(14,613)	(12,657)
Income tax paid	(872)	(973)
Net cash (outflow)/inflow from operating activities	<u>(14,745)</u>	<u>32,474</u>
Investing activities		
Purchase of property, plant and equipment	(10,681)	(21,995)
Interest received	594	241
Proceed on disposal	-	25
Net cash outflow from investing activities	<u>(10,087)</u>	<u>(21,729)</u>
Financing activities		
Bank borrowings	(25,172)	8,641
Issue of private placement	14,655	-
Share buy back	-	(62)
Treasury share sales	526	-
Finance lease interest paid	(40)	(34)
Net cash inflow/(outflow) from financing activities	<u>(10,031)</u>	<u>8,545</u>
Net (decrease)/increase in cash and cash equivalents	(34,863)	19,290
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>23,846</u>	<u>28,069</u>
 1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	12,867	13,102
Cash and bank balances	12,979	16,967
Bank overdraft	(2,000)	(2,000)
	<u>23,846</u>	<u>28,069</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 SEPTEMBER 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

IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 140 Transfer 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 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 cancellation, repurchases and repayment of debts and equity securities for the current quarter under review, save as disclosed below.

A total of 14,500,000 ordinary shares were subscribed by a private placement on his entitlement at different tranches on an average price of RM1.01 per share.

On 14th September 2017 and 15th September 2017, the Company had disposed off a total of 250,000 and 70,000 shares in treasury shares at RM1.643 and RM1.646 per share respectively.

On 28th September 2017, the Company had issued 51,622,840 Bonus shares on the basis of 1 Bonus share for every 5 existing ordinary shares.

As at 30th September 2017, a total of 893,800 shares were held as treasury shares out of its total issued share capital of 310,630,843 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	398,674	1,014,398
- Outside Malaysia	2,771	26,534
	<hr/> 401,445 <hr/>	<hr/> 1,040,932 <hr/>

A10. Valuation

The valuation 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

	30/09/17 RM'000
Property, plant and equipment	
- Approved and contracted for	Nil
	<hr/> Nil <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			9 months		
	30/9/2017	30/9/2016	Changes	30/9/2017	30/9/2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	401,445	275,451	45.74	1,040,932	861,811	20.78
Profit before interest and tax	28,986	6,552	342.40	68,833	33,736	104.03
Profit before tax	23,995	2,529	848.80	54,180	21,045	157.45

The Group reported a profit before tax of RM23.99 million on the revenue of RM401.44 million for the current quarter compared to a profit before tax of RM2.53 million on the revenue of RM275.45 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 higher volume due to strengthening of local steel price and stronger domestic demand. The current quarter recorded a higher profit before tax mainly due to higher margin from improved local steel prices.

B2. Variation of results against preceding quarter's

	3 months ended		
	30.9.2017	30.6.2017	Changes
	RM'000	RM'000	%
Revenue	401,445	290,764	38
Profit before tax	23,995	12,503	92

The Group's revenue for the current quarter recorded an increase of RM110.68 million to RM401.44 million mainly due to higher selling price and higher volume. The Group recorded a profit before tax of RM23.99 million as compared to profit before tax of RM12.50 million achieved in the immediate preceding quarter mainly due to higher margin on an improved selling price in the current quarter.

B3. Prospects

Seasonal weather phenomenon and year-end holidays are expected to normally have a dampening effect on the demand and prices of steel bars.

Be that as it may, the subsequent rebound of demand could be stronger in the ensuing months as the roll out of major public infrastructure projects are expected to intensify. As such, prices are expected to recover in line with demand.

The performance of the Company will be closely linked to the convergence of the above mentioned factors.

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	(1,999)	(12,775)
Realised foreign exchange (gain)/ loss	(804)	2,237
Depreciation of property, plant and equipment	6,998	20,972
Interest expense	4,991	14,653
Interest income	(188)	(594)

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)	-
-Under provision in prior years	40	40
Deferred taxation:		
-Current year	5,928	11,377
-Over provision in prior years	(20,579)	(20,579)
	<u>(14,675)</u>	<u>(9,162)</u>

The effective tax rate of the Group for the current quarter ended 30th September 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 were subsequently approved by the shareholders at the Extraordinary General Meeting dated on 15th June 2017.

The first and second tranche of the private placement had been completed with a total of 19,500,000 ordinary shares listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

The proposed bonus issue of 51,622,840 bonus shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 29th September 2017, marking the completion of the bonus issue.

On 21st November 2017, the Company had submitted an application for an extension of time of 6 months up to 8th June 2018 to complete the implementation of the Private Placement.

(b) Status of utilization of proceed raised

i) Private Placement

The total proceed raised as at the reporting date by the Company from the Private Placement had been utilised in the following manner.

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000
Repayment of credit facilities	20,238	20,238	-
Listing expenses	180	180	-
	20,418	20,418	-
	20,418	20,418	-

B8. Borrowings

Secured:

Short term borrowings	297,713
Long term borrowings	38,253
Total borrowings	335,966

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>38,670</u>	<u>63,342</u>
Weighted average number of ordinary shares in issue ('000)	<u>300,242</u>	<u>300,242</u>
Basic Earnings Per Share (sen)	<u>12.88</u>	<u>21.10</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 30/09/17 RM'000	As at 31/12/16 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	381,420	347,466
- Unrealised	<u>34,997</u>	<u>5,236</u>
	416,417	352,702
Total share of accumulated losses from Associate :		
- Realised	<u>(1,669)</u>	<u>(1,296)</u>
Total Group retained profits as per consolidated accounts	<u>414,748</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.