

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/17	31/12/16	31/12/17	31/12/16
	RM'000	RM'000	RM'000	RM'000
Revenue	422,325	344,947	1,463,257	1,206,758
Cost of sales	(386,556)	(308,613)	(1,327,871)	(1,109,183)
Gross Profit	35,769	36,334	135,386	97,575
Operating expenses	(13,049)	(21,238)	(56,829)	(56,957)
Other expenses	(426)	(4,622)	(426)	(4,622)
Other income	-	-	12,775	7,886
Interest income	205	113	799	329
Finance cost	(5,456)	(4,147)	(20,109)	(16,838)
Share of results of associated company	(341)	(217)	(714)	(1,403)
Profit before tax	16,702	6,223	70,882	25,970
Taxation	(4,587)	(2,192)	4,575	(4,540)
Profit for the period	12,115	4,031	75,457	21,430
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,115	4,031	75,457	21,430
Profit and Total Comprehensive Income attributable to: Equity holders of the Company	12,115	4,031	75,457	21,430
Profit for the period	12,115	4,031	75,457	21,430
Earnings per share (sen)				
- Basic	4.02	1.67	25.03	8.87
- Diluted	NA	NA	NA	NA

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 DECEMBER 2017

	31/12/17 RM'000	31/12/16 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	596,697	611,663
Investment in Associate company	6,304	7,018
	<u>603,001</u>	<u>618,681</u>
<u>Current Assets</u>		
Inventories	430,216	392,308
Trade and other receivables	186,605	211,571
Taxation recoverables	5,120	5,428
Short term deposit	34,265	28,312
Cash and bank balances	20,511	32,397
	<u>676,717</u>	<u>670,016</u>
TOTAL ASSETS	<u><u>1,279,718</u></u>	<u><u>1,288,697</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	220,875	122,254
Share premium	-	78,204
Capital reserves	597	-
Treasury shares	(313)	(897)
Retained profits	426,863	351,406
Total Equity	<u>648,022</u>	<u>550,967</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	33,519	52,758
Deferred tax liabilities	11,969	18,011
	<u>45,488</u>	<u>70,769</u>
<u>Current Liabilities</u>		
Trade and other payables	264,784	358,581
Short term borrowings	321,424	308,380
	<u>586,208</u>	<u>666,961</u>
Total liabilities	<u>631,696</u>	<u>737,730</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,279,718</u></u>	<u><u>1,288,697</u></u>
Net Assets per share (RM)	2.05	2.25

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 YEAR ENDED 31 DECEMBER 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>12 months ended 31st December 2017</i>						
At 1st January 2017	122,254	78,204	-	351,406	(897)	550,967
New shares issued	20,417	-	-	-	-	20,417
Adjustments for effects of Companies Act 2016 (Note A)	52,393	(52,393)	-	-	-	-
Share resale	-	-	597	-	584	1,181
Bonus issue	25,811	(25,811)	-	-	-	-
Total comprehensive income	-	-	-	75,457	-	75,457
At 31st December 2017	<u>220,875</u>	<u>-</u>	<u>597</u>	<u>426,863</u>	<u>(313)</u>	<u>648,022</u>
<i>12 months ended 31st December 2016</i>						
At 1st January 2016	122,254	78,204	-	329,976	(538)	529,896
Share buy-back	-	-	-	-	(359)	(359)
Total comprehensive income	-	-	-	21,430	-	21,430
At 31st December 2016	<u>122,254</u>	<u>78,204</u>	<u>-</u>	<u>351,406</u>	<u>(897)</u>	<u>550,967</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 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 noted attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Current year 01/01/17 to 31/12/17 RM'000	Preceding Year 01/01/16 to 31/12/16 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	70,882	25,970
Adjustment for:		
Depreciation of property, plant and equipment	28,050	23,002
Interest expenses	20,109	16,838
Impairment of inventories	2,168	-
Gain on disposal of property, plant and equipment	(18)	(126)
Share of results of associate	714	1,403
Others	(13,150)	7,455
Operating profit before changes in working capital	108,755	74,542
Changes in working capital		
Net change in inventories	(40,076)	(10,043)
Net change in receivables	24,966	(60,228)
Net change in payables	(81,447)	83,719
Cash generated from operations	12,198	87,990
Interest paid	(20,053)	(16,793)
Income tax paid	(1,158)	(1,293)
Net cash inflow/(outflow) from operating activities	(9,013)	69,904
Investing activities		
Purchase of property, plant and equipment	(13,084)	(32,165)
Interest received	799	329
Proceed on disposal of property, plant and equipment	18	160
Net cash outflow from investing activities	(12,267)	(31,676)
Financing activities		
Bank borrowings	(6,195)	12,106
Issue of new shares	20,417	-
Share buy back	-	(359)
Share resale	1,181	-
Finance lease interest paid	(56)	(45)
Net cash inflow from financing activities	15,347	11,702
Net increase/(decrease) in cash and cash equivalents	(5,933)	49,930
Cash and cash equivalents at beginning of the year	58,709	8,779
Cash and cash equivalents at end of the financial period	1 52,776	58,709
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	34,265	28,312
Cash and bank balances	20,511	32,397
Bank overdraft	(2,000)	(2,000)
	52,776	58,709

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 DECEMBER 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 issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current quarter under review, save as disclosed below.

A total of 5,000,000 ordinary shares were subscribed by a private placement on his entitlement at different tranches on an average price of RM1.15 per share.

On 4th October 2017, 9th October 2017, 11th October 2017, 13th November 2017 and 14th November 2017, the Company had disposed off a total of 20,000, 40,000, 20,000, 370,000 and 20,000 share in treasury shares at an average price of RM1.33, RM1.35, RM1.36, RM1.40 and RM1.45 per share respectively.

As at 31st December 2017, a total of 423,800 shares were held as treasury shares out of its total issued share capital of 315,630,843 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	413,083	1,427,481
- Outside Malaysia	9,242	35,776
	<hr/> 422,325 <hr/>	<hr/> 1,463,257 <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

	31/12/17 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			12 months		
	31/12/2017	31/12/2016	Changes	31/12/2017	31/12/2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	422,325	344,947	22.43	1,463,257	1,206,758	21.26
Profit before interest and tax	22,158	10,370	113.67	90,991	42,808	112.56
Profit before tax	16,702	6,223	168.39	70,882	25,970	172.94

The Group reported a profit before tax of RM16.70 million on the revenue of RM422.33 million for the current quarter compared to a profit before tax of RM6.22 million on the revenue of RM344.95 million for the previous year corresponding quarter. The increase in revenue in the current quarter was mainly attributed to higher steel prices and higher steel bars volume due to strengthening of local steel price and stronger domestic demand in the infrastructure and construction projects. The current quarter recorded a higher profit before tax mainly due to higher margin from improved local steel prices despite higher production cost.

For the year under review, the Company's revenue increased by 21.26% to RM1.46 billion as compared to RM1.21 billion for the previous financial year. This is mainly due to higher steel bars volume and steel prices recorded on a stronger domestic demand. The profit before tax increased from RM25.97 million in the previous year to profit before tax of RM70.88 million due to higher margin achieved and higher foreign exchange gain resulted from the strengthening of the Ringgit.

B2. Variation of results against preceding quarter's

	3 months ended		
	31.12.2017	30.9.2017	Changes
	RM'000	RM'000	%
Revenue	422,325	401,445	5.20
Profit before tax	16,702	23,995	(30.39)

The Group's revenue for the current quarter recorded an increase of RM20.88 million to RM422.32 million mainly due to higher steel prices and sales volume. The Group recorded a profit before tax of RM16.70 million as compared to profit before tax of RM23.99 million achieved in the immediate preceding quarter mainly due to lower margin on a higher material and consumables cost despite an improved selling price in the current quarter.

B3. Prospects

In 2018, the global demand of steel is expected to moderately increase over the levels of 2017. Steel prices are expected to remain at 2017 levels underscored by the increase of prices of many consumables that are used for steel making.

The higher steel prices are also caused by supply side restrictions arising from capacity cut backs, environmental regulations and weather induced interruptions.

Locally, the new steel supply due to the coming on stream of China owned Steel Mill in Kuantan, will gradually increase the supply of wire rods and steel bars in the local markets. The effects of the new supply on the Company's performance will largely be driven by the rate of commercialization of the steel output of the new entrant, percentage of its steel exported and the pace of roll out of the many infrastructure projects particularly in the public transport sector.

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	426	(12,349)
Realised foreign exchange (gain)/ loss	(5,103)	(2,866)
Depreciation of property, plant and equipment	7,077	28,050
Impairment of inventories	2,168	2,168
Interest expense	5,456	20,109
Interest income	(205)	(799)

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	1,426	1,426
-Under provision in prior years	-	40
Deferred taxation:		
-Current year	3,161	14,538
-Over provision in prior years	-	(20,579)
	4,587	(4,575)

The effective tax rate of the Group for the current quarter ended 31st December 2017 was higher than the statutory tax rate mainly due to unallowable expenses.

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 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.

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.

The first, second and final third tranche of the private placement had been completed on 30th January 2018 with a total of 24,300,000 ordinary shares listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

Further refer to the announcements dated 23rd November 2017 and 14th December 2017 in relation to the Proposed Bonus Issue and the circular to shareholders dated 29th December 2017. Bursa Securities had vide its letter dated 14th December 2017, resolved to approve the listing and quotation of the following:-

- i) Up to 106,810,281 Bonus shares to be issued pursuant to the Proposed Bonus Issue. On the basis of 1 Bonus share for every 3 Existing shares.

The above corporate proposals was subsequently approved by the shareholders at the Extraordinary General Meeting dated on 29th January 2018.

The proposed bonus issue of 106,808,988 bonus shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 15th February 2018, marking the completion of the bonus issue.

(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 utilized in the following manner.

	Total Proceeds	Utilised	Unutilised
	RM'000	RM'000	RM'000
Repayment of credit facilities	27,447	27,447	-
Listing expenses	180	180	-
	<u>27,627</u>	<u>27,627</u>	<u>-</u>

B8. Borrowings

	31/12/17
	RM'000
<u>Secured:</u>	
Short term borrowings	321,424
Long term borrowings	33,519
Total borrowings	<u>354,943</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. 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>12,115</u>	<u>75,457</u>
Weighted average number of ordinary shares in issue ('000)	<u>301,493</u>	<u>301,493</u>
Basic Earning Per Share (sen)	<u>4.02</u>	<u>25.03</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 31/12/17 RM'000	As at 31/12/16 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	397,463	347,466
- Unrealised	31,410	5,236
	<u>428,873</u>	<u>352,702</u>
Total share of accumulated losses from Associate :		
- Realised	(2,010)	(1,296)
Total Group retained profits as per consolidated accounts	<u>426,863</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.