

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/18	30/06/17	30/06/18	30/06/17
	RM'000	RM'000	RM'000	RM'000
Revenue	324,694	290,764	759,496	639,487
Cost of sales	(298,173)	(266,556)	(702,743)	(579,448)
Gross Profit	26,521	24,208	56,753	60,039
Operating expenses	(12,236)	(12,905)	(20,385)	(31,114)
Other expenses	(4,782)	-	(4,782)	-
Other income	-	5,878	1,961	10,776
Interest income	65	251	314	406
Finance cost	(4,452)	(4,798)	(8,670)	(9,662)
Share of results of associated company	(52)	(131)	(155)	(260)
Profit before tax	5,064	12,503	25,036	30,185
Taxation	2,918	(1,914)	668	(5,513)
Profit for the period	7,982	10,589	25,704	24,672
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,982	10,589	25,704	24,672
Profit and Total Comprehensive Income attributable to: Equity holders of the Company	7,982	10,589	25,704	24,672
Profit for the period	7,982	10,589	25,704	24,672
Earnings per share (sen)				
- Basic	1.89	4.38	6.07	10.21
- Diluted	N/A	N/A	N/A	N/A

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2017 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	30/06/18 RM'000	31/12/17 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	633,019	596,697
Investment in Associate company	6,149	6,302
	<u>639,168</u>	<u>602,999</u>
<u>Current Assets</u>		
Inventories	456,818	430,216
Trade and other receivables	147,883	226,200
Taxation recoverables	2,410	5,120
Short term deposit	17,884	32,065
Cash and bank balances	16,154	20,511
	<u>641,149</u>	<u>714,112</u>
TOTAL ASSETS	<u><u>1,280,317</u></u>	<u><u>1,317,111</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	230,094	221,472
Treasury shares	(1,000)	(313)
Retained profits	451,556	426,864
Total Equity	<u>680,650</u>	<u>648,023</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	12,903	33,542
Deferred tax liabilities	7,968	11,969
	<u>20,871</u>	<u>45,511</u>
<u>Current Liabilities</u>		
Trade and other payables	200,870	219,764
Trade deposits	92,156	82,411
Short term borrowings	285,770	321,402
	<u>578,796</u>	<u>623,577</u>
Total liabilities	<u>599,667</u>	<u>669,088</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,280,317</u></u>	<u><u>1,317,111</u></u>
Net Assets per share (RM)	1.60	2.05

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2017 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 2018

	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	
6 months ended 30th June 2018					
At 1st January 2018	221,472	-	426,864	(313)	648,023
New shares issued	7,610	-	-	-	7,610
Share resale	-	-	-	313	313
Share buy back	-	-	-	(1,000)	(1,000)
Bonus issue	1,012	-	(1,012)	-	-
Total comprehensive income	-	-	25,704	-	25,704
At 30th June 2018	230,094	-	451,556	(1,000)	680,650
6 months ended 30th June 2017					
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

Note A During the quarter and period ended 30 June 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 2017 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 2018**

	Current year 01/01/18 to 30/06/18 RM'000	Preceding Year 01/01/17 to 30/06/17 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	25,036	30,185
Adjustment for:		
Depreciation of property, plant and equipment	14,177	13,974
Interest expenses	8,670	9,662
Impairment of inventories	(1,170)	-
Share of loss of associate	155	260
Others	2,506	(11,199)
Operating profit before changes in working capital	49,374	42,882
Changes in working capital		
Net change in inventories	(25,432)	(40,844)
Net change in receivables	78,317	53,029
Net change in payables	(11,971)	(62,932)
Cash generated from/(used in) operations	90,288	(7,865)
Interest paid	(8,628)	(9,636)
Income tax paid	(624)	(584)
Net cash inflow/(outflow) from operating activities	<u>81,036</u>	<u>(18,085)</u>
Investing activities		
Purchase of property, plant and equipment	(50,499)	(847)
Interest received	314	406
Net cash outflow from investing activities	<u>(50,185)</u>	<u>(441)</u>
Financing activities		
Bank borrowings	(54,270)	(13,225)
Issue of private placement	7,610	-
Share buy back	(687)	-
Finance lease interest paid	(42)	(26)
Net cash outflow from financing activities	<u>(47,389)</u>	<u>(13,251)</u>
Net decrease in cash and cash equivalents	(16,538)	(31,777)
Cash and cash equivalents at beginning of the year	50,576	58,709
Cash and cash equivalents at end of the financial period	<u>1</u> <u>34,038</u>	<u>26,932</u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	17,884	7,951
Cash and bank balances	16,154	22,832
Bank overdraft	-	(3,851)
	<u>34,038</u>	<u>26,932</u>

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2017 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 2018

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 2017, 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 2017.

A2. Accounting Policies and Methods of Computation

Adoption of Amendments and Annual Improvements to Standards

The accounting policies adopted in the preparation of the Condensed Report are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31st December 2017, except for the following:

Amendments to standards, Annual Improvements to Standard and IC Interpretation

Effective for financial periods beginning on after 1st January 2019

Amendments to MFRS 9 Financial Instruments-Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employment Benefits-Plan Amendment, Curtailment of Settlement

Amendments to MFRS 128 Investments in Associates and Joint Ventures- Long-term interests in Associates and Joint Ventures

Amendments to MFRS 3 Business Combinations
(Annual Improvements to MFRS Standards 2015- 2017 Cycle)

Amendments to MFRS 11 Joint Arrangements
(Annual Improvements to MFRS Standards 2015- 2017 Cycle)

Amendments to MFRS 112 Income taxes
(Annual Improvements to MFRS Standards 2015- 2017 Cycle)

Amendments to MFRS 113 Borrowing Costs
(Annual Improvements to MFRS Standards 2015- 2017 Cycle)

IC Interpretation 23 Uncertainty over Income Tax Treatments

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 2020

Amendments to MFRS 2 Share-based Payment
Amendments to MFRS 3 Business Combinations
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 101 Presentation of Financial Statements
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134 Interim Financial Reporting
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138 Intangible Assets
Amendments to IC Interpretation 12 Service Concession Arrangements
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132 Intangible Assets- Web Site Costs

Effective for financial periods beginning on or after 1st January 2021

MFRS 17 Insurance Contracts

Effective date of these Standard have been deferred, and yet to be announced

Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

A3. Disclosure of Audit Report Qualification

The audit report of the Group's annual financial statements for the financial year ended 31st December 2017 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 2018, a total of 1,031,000 shares were held as treasury shares out of its total issued share capital of 427,239,831 shares at an average price of RM0.97 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	324,694	759,496
- Outside Malaysia	-	-
	324,694	759,496

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.

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 %
	30/06/2018	30/06/2017		30/06/2018	30/06/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	324,694	290,764	11.67	759,496	639,487	18.77
Profit before interest and tax	9,516	17,301	(45.00)	33,706	39,847	(15.41)
Profit before tax	5,063	12,503	(59.50)	25,036	30,185	(17.06)

The Group reported a profit before tax of RM5.06 million on the revenue of RM324.69 million for the current quarter compared to a profit before tax of RM12.50 million on the revenue of RM290.76 million for the previous year corresponding quarter. The increase in revenue in the current quarter were mainly attributed to higher selling price due to strengthening of local steel price. The current quarter recorded a lower profit before tax mainly due higher unrealized forex loss as compare to an unrealized forex gain in the previous year corresponding quarter.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	30.06.2018	31.3.2018	
	RM'000	RM'000	
Revenue	324,694	424,802	(23.64)
Profit before tax	5,064	19,972	(74.65)

The Group's revenue for the current quarter recorded a decrease of RM100.10 million to RM324.69 million mainly due to lower selling price and lower sales volume as compared with the last quarter due to softening of the local steel demand and changes in the government fiscal policy. The Group recorded a lower profit before tax of RM5.06 million as compared to profit before tax of RM19.97 million achieved in the immediate preceding quarter resulted from the lower revenue generated in the current quarter and higher administrative expenses contributed by lower realized forex gain in the current quarter.

B3. Prospects

The domestic steel bar market has since rebounded from the seasonal Ramadan and General election interruption and the sale volumes are continuing to normalize.

In the near term, the Company will likely face head winds from on-going global trade wars that may result in diversion into Malaysia, steel products from other countries that have been affected by US import tariffs.

However, the Company is not directly affected by US tariffs as the Company historically does not export its products to the US.

In the ensuing months, the domestic steel market is expected to be well supplied resulting in steel prices remaining subdued.

Despite the volatile market condition, the Company through the revamping of its facilities is expected to maintain its competitiveness and sustain its position as a competitive steel producer in the South East Asia region.

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	4,782	2,821
Realised foreign exchange (gain)/ loss	(1,828)	(7,018)
Depreciation of property, plant and equipment	7,101	14,177
Impairment on inventories	3	(1,170)
Interest expense	4,452	8,670
Interest income	(65)	(314)

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	2,053	3,334
-Under provision in prior years	-	-
Deferred taxation:		
-Current year	(4,971)	(4,002)
-Over provision in prior years	-	-
	<u>(2,918)</u>	<u>668</u>

The effective tax rate of the Group for the current quarter ended 30th June 2018 was lower than the statutory tax rate mainly due to utilization of allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Not applicable

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

30/06/18
RM'000

Secured:

Short term borrowings	285,770
Long term borrowings	12,903
Total borrowings	<u>298,673</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 0.90 sen per share had been proposed in respect of the financial year ended 31st December 2017 and approved by the shareholders at the 46th Annual General Meeting of the Company held on 21st June 2018.

On 16th July 2018, the Company announced that the entitlement date for the dividend and the payment date for the dividend will be on 31st July 2018 and 21st August 2018 respectively.

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>7,982</u>	<u>25,704</u>
Weighted average number of ordinary shares in issue ('000)	<u>423,421</u>	<u>423,421</u>
Basic Earning Per Share (sen)	<u>1.89</u>	<u>6.07</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. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.