

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2016**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/16 RM'000	31/03/15 RM'000	31/03/16 RM'000	31/03/15 RM'000
Revenue	318,011	325,397	318,011	325,397
Cost of sales	(299,541)	(312,932)	(299,541)	(312,932)
Gross Profit	18,470	12,465	18,470	12,465
Operating expenses	(13,081)	(13,220)	(13,081)	(13,220)
Other expenses	-	(3,925)	-	(3,925)
Other income	5,375	-	5,375	-
Interest income	90	40	90	40
Finance cost	(4,287)	(5,222)	(4,287)	(5,222)
Share of results of associated company	(200)	(38)	(200)	(38)
Profit/(Loss) before tax	6,367	(9,900)	6,367	(9,900)
Taxation	(1,291)	(809)	(1,291)	(809)
Profit/(Loss) for the period	5,076	(10,709)	5,076	(10,709)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	5,076	(10,709)	5,076	(10,709)
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	5,076	(10,709)	5,076	(10,709)
Profit/(Loss) for the period	5,076	(10,709)	5,076	(10,709)
Earnings/(Loss) per share (sen)				
- Basic	2.10	(4.53)	2.10	(4.53)
- Diluted	2.10	(4.09)	2.10	(4.09)

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2015 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31ST MARCH 2016

	31/03/16 RM'000	31/12/15 RM'000
<b>ASSETS</b>		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	602,964	602,191
Investment in Associate company	8,225	8,421
	<u>611,189</u>	<u>610,612</u>
<u>Current Assets</u>		
Inventories	328,624	382,265
Trade and other receivables	158,931	151,804
Taxation recoverables	4,489	4,165
Short term deposit	6,180	11,290
Cash and bank balances	15,353	3,615
	<u>513,577</u>	<u>553,139</u>
<b>TOTAL ASSETS</b>	<u><u>1,124,766</u></u>	<u><u>1,163,751</u></u>
<b>EQUITY AND LIABILITIES</b>		
<u>Equity attributable to equity holders</u>		
Share capital	122,254	122,254
Share premium	78,204	78,204
Treasury shares	(600)	(538)
Retained profits	335,052	329,976
Total Equity	<u>534,910</u>	<u>529,896</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	62,476	42,487
Deferred tax liabilities	14,780	13,501
	<u>77,256</u>	<u>55,988</u>
<u>Current Liabilities</u>		
Trade and other payables	213,473	267,539
Short term borrowings	299,127	310,328
	<u>512,600</u>	<u>577,867</u>
Total liabilities	<u>589,856</u>	<u>633,855</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,124,766</u></u>	<u><u>1,163,751</u></u>
Net Assets per share (RM)	2.19	2.17

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2015 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2016**

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Warrant Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<b>3 months ended 31st March 2016</b>						
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	<u>122,254</u>	<u>78,204</u>	<u>-</u>	<u>335,052</u>	<u>(600)</u>	<u>534,910</u>
<b>3 months ended 31st March 2015</b>						
At 1st January 2015	118,350	43,948	32,929	381,965	(349)	576,843
Share subscribed by warrant holder	2,389	2,627	(1,816)	-	-	3,200
Share buy-back	-	-	-	-	(119)	(119)
Total comprehensive loss	-	-	-	(10,709)	-	(10,709)
At 31st March 2015	<u>120,739</u>	<u>46,575</u>	<u>31,113</u>	<u>371,256</u>	<u>(468)</u>	<u>569,215</u>

The Unaudited Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2015 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2016

	Current year 01/01/16 to 31/03/16 RM'000	Preceding Year 01/01/15 to 31/03/15 RM'000
<b>Cash Flow From Operating Activities:-</b>		
Profit/(Loss) before tax	6,367	(9,900)
Adjustment for:		
Depreciation of property, plant and equipment	5,643	5,597
Interest expense	4,287	5,134
Others	(5,271)	2,787
Operating profit before changes in working capital	11,026	3,618
Changes in working capital		
Net change in inventories	53,641	(189,176)
Net change in receivables	(7,127)	163,460
Net change in payables	(48,690)	(5,580)
Cash generated from operations	8,850	(27,678)
Interest paid	(4,276)	(5,091)
Income tax paid	(334)	(384)
Net cash inflow/(outflow) from operating activities	4,240	(33,153)
Investing activities		
Purchase of property, plant and equipment	(6,416)	(15,888)
Interest received	90	40
Net cash outflow from investing activities	(6,326)	(15,848)
Financing activities		
Bank borrowings	6,429	21,512
Share buy back	(62)	(119)
Shares subscribed by warrant holder	-	3,200
Finance lease interest paid	(11)	(43)
Net cash inflow from financing activities	6,356	24,550
Net increase/(decrease) in cash and cash equivalents	4,270	(24,451)
Cash and cash equivalents at beginning of the year	8,779	36,016
Cash and cash equivalents at end of the financial period	1 13,049	11,565
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	6,180	2,969
Cash and bank balances	15,353	12,381
Bank overdraft	(8,484)	(3,785)
	13,049	11,565

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2015 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 31<sup>st</sup> March 2016**

**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 31<sup>st</sup> 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 31<sup>st</sup> December 2015.

**A2. Accounting Policies and Methods of Computation**

*Adoption of Amendments and Annual Improvements to Standards*

The Group has adopted the following Amendments and Annual Improvements to Standards, with a date of initial application of 1<sup>st</sup> January 2016:-

Amendments to MFRS 5	Non-current assets Held for sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments Disclosures (annual Improvements 2012-2014 Cycle)
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10 (Consolidated Financial Statement), MFRS 12 (Disclosure of Interests in Other Entities) and MFRS 128 (Investments in Associates And Joint Ventures)	Investment Entities: Applying the Consolidation Exception.
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Joint Arrangement)
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative

Amendments to MFRS116 Clarification of Acceptable Methods of Depreciation and  
(Property, plant and equipment) Amortisation  
And MFRS 138 (Intangible  
Assets)

Amendments to MFRS 127 Consolidated and Separate Financial Statements -Equity  
Method in Separate Financial Statements

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 1<sup>st</sup> January 2017**

Amendments to MFRS107 Disclosure Initiative  
(Statement of Cash Flows)

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

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2018**

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

MFRS 15 Revenue from Contracts with Customers

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2019**

MFRS 16 Leases

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 is still being assessed:-

**(i) MFRS 15 Revenue from Contracts with Customers**

MFRS 15 established a new five-step model which will apply to recognition of revenue arising from contracts with customers and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

**A3. Disclosure of Audit Report Qualification**

The audit report of the Group’s annual financial statements for the financial year ended 31<sup>st</sup> December 2015 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.

On 21<sup>st</sup> March 2016 and 22<sup>nd</sup> March 2016, the Company repurchased its shares totaling 80,000 and 33,000 ordinary shares of RM0.50 each at an average price of RM0.55 and RM0.56 per ordinary shares respectively. The repurchase transaction was financed by internally generated funds.

As at 31<sup>st</sup> March 2016, a total of 763,800 shares were held as treasury shares out of its total issued share capital of 244,508,003 shares at an average price of RM0.79 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:

	<b>Current Quarter ended RM'000</b>	<b>Current Year to-date ended RM'000</b>
<b>Revenue</b>		
- Malaysia	287,841	287,841
- Outside Malaysia	30,170	30,170
	<hr/> 318,011 <hr/>	<hr/> 318,011 <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**

	<b>31/03/16</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	
- Approved and contracted for	7,878
	<hr/>
	<u>7,878</u>



**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 RM6.37 million on the revenue of RM318.01 million for the current quarter compared to a loss before tax of RM9.90 million on the revenue of RM325.39 million for the previous year corresponding quarter. The increase in revenue and gain incurred in the current quarter were mainly attributed to higher sales volume, margin and forex gain.

**B2. Comparisons with immediate preceding quarter's results**

The Group's revenue for the current quarter recorded an increase of RM43.35 million to RM318.01 million mainly due to higher sales volume. The Group recorded a profit before tax of RM6.37 million as compared to loss before tax of RM2.13 million achieved in the immediate preceding quarter mainly due to higher margin and forex gain in the current quarter.

**B3. Prospects**

The sustainability of the recent global steel prices surge is incumbent upon many factors from within China. Factors such as the restarting of mothballed steel making capacities, banking liquidity and the volatility of the steel material futures markets will drive international steel prices going forward. In the home front, seasonal fluctuation in demand due to Ramadhan festivities in June and July will affect the demand and prices of steel bars and billets in the near future.

Meanwhile, the Company's steel prices are expected to be boosted by a favorable preliminary determination by the Ministry of International Trade and Industry (MITI) of the application for Safeguard duty by the Malaysian Steel Association (MSA) which is expected to be known by June this year.

Going forward the prices and margins of the Company's steel products are not expected to revisit the unprecedented lows of the 2nd half of 2015. This would augur well for the strengthening of the Company's finances.

The commissioning of the Company's new 200,000mt rolling mill is progressing well and further improvement in productivity is expected in the ensuing months which will contribute favorably towards the top and bottom line of the Company.

**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**

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
Profit before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)/ loss	(5,375)	(5,375)
Realised foreign exchange (gain)/ loss	(674)	(674)
Depreciation of property, plant and equipment	5,643	5,643
Interest expense	4,287	4,287
Interest income	(90)	(90)

**B6. Taxation**

Taxation comprises:

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	-	-
-Under provision in prior years	12	12
Deferred taxation:		
-Current year	1,279	1,279
	1,291	1,291

The effective tax rate of the Group for the current quarter ended 31<sup>st</sup> March 2016 was higher than the statutory tax rate mainly attributable to certain expenses being disallowed for tax purposes.

**B7. (a) Status of corporate proposals**

*i) Head of Joint venture Agreement (“Proposed Joint-Venture”)*

On 19<sup>th</sup> January 2011, the Board announced that the Company has entered into Head of Joint Venture Agreement (“MOU”) with KUB Malaysia Berhad (“KUB”), a company listed on the Main Market of Bursa Malaysia Securities Berhad wherein the Company and KUB have agreed to combine their capabilities and resources related to the objective stated herein and are desirous to co-operate and collaborate with each other in the joint-venture company, Metropolitan Commuter Network Sdn Bhd (“MCN”) to pursue the rail transit network project in the Iskandar Malaysia.

The Company is still in discussion with the relevant Government agencies on the Company’s proposal in Iskandar Malaysia for the necessary approval.

**(b) Status of utilization of proceed raised**

Not applicable

**B8. Borrowings**

	<b>31/03/16</b>
	<b>RM’000</b>
<u>Secured:</u>	
Short term borrowings	299,127
Long term borrowings	62,476
Total borrowings	<u>361,603</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.

	<b>Current Quarter Ended</b>	<b>Current Year To-date Ended</b>
Profit attributable to ordinary shareholders (RM'000)	<u>5,076</u>	<u>5,076</u>
Weighted average number of ordinary shares in issue ('000)	<u>242,113</u>	<u>242,113</u>
Basic Earning Per Share (sen)	<u>2.10</u>	<u>2.10</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:

	<b>As at 31/03/16 RM'000</b>	<b>As at 31/12/15 RM'000</b>
Total retained profits of the Company and its subsidiary :		
- Realised	314,913	335,905
- Unrealised	<u>21,626</u>	<u>(4,642)</u>
	336,539	331,263
Total share of accumulated losses from Associate :		
- Realised	<u>(1,487)</u>	<u>(1,287)</u>
Total Group retained profits as per consolidated accounts	<u>335,052</u>	<u>329,976</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.