

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

|   | INDIVIDUAL PERIOD    |                                      | CUMULATIVE PERIOD    |   |
|---|----------------------|--------------------------------------|----------------------|---|
|   | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD TO DATE |
|   | 30/06/16<br>RM'000   | 30/06/15<br>RM'000                   | 30/06/16<br>RM'000   | 30/06/15<br>RM'000                          |
| Revenue   | 268,349              | 242,196                              | 586,360              | 567,593                                     |
| Cost of sales   | (242,430)            | (235,218)                            | (541,971)            | (548,151)                                   |
| Gross Profit  | 25,919               | 6,978                                | 44,389               | 19,442                                      |
| Operating expenses  | (9,487)              | (13,581)                             | (22,569)             | (26,801)                                    |
| Other expenses  | -                    | (2,778)                              | -                    | (6,703)                                     |
| Other income  | 243                  | 267                                  | 5,618                | 267   |
| Interest income   | 72                   | 25                                   | 162                  | 65  |
| Finance cost  | (4,381)              | (3,278)                              | (8,668)              | (8,500)                                     |
| Share of results of associated company  | (217)                | (124)                                | (417)                | (162)                                       |
| Profit/(Loss) before tax  | 12,149               | (12,491)                             | 18,515               | (22,392)                                    |
| Taxation  | (1,472)              | (1,668)                              | (2,763)              | (2,477)                                     |
| Profit/(Loss) for the period  | 10,677               | (14,159)                             | 15,752               | (24,869)                                    |
| Other Comprehensive Income  | -                    | -                                    | -                    | -   |
| Total Comprehensive Income/(Loss)   | 10,677               | (14,159)                             | 15,752               | (24,869)                                    |
| Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:<br>Equity holders of the Company | 10,677               | (14,159)                             | 15,752               | (24,869)                                    |
| Profit/(Loss) for the period  | 10,677               | (14,159)                             | 15,752               | (24,869)                                    |
| Earnings/(Loss) per share (sen)   |                      |                                      |                      |   |
| - Basic   | 4.41                 | (5.94)                               | 6.51                 | (10.43)                                     |
| - Diluted   | 4.41                 | (5.51)                               | 6.51                 | (9.68)                                      |

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 30 JUNE 2016**

|  | <b>30/06/16</b>         | <b>31/12/15</b>         |
|--|-------------------------|-------------------------|
|  | <b>RM'000</b>           | <b>RM'000</b>           |
| <b>ASSETS</b>                                |                         |                         |
| <u>Non-Current Assets</u>                    |                         |                         |
| Property, Plant & Equipment                  | 605,294                 | 602,191                 |
| Investment in Associate company              | 8,004                   | 8,421                   |
|  | <u>613,298</u>          | <u>610,612</u>          |
| <u>Current Assets</u>                        |                         |                         |
| Inventories                                  | 372,482                 | 382,265                 |
| Trade and other receivables                  | 148,371                 | 151,804                 |
| Taxation recoverables                        | 4,629                   | 4,165                   |
| Short term deposit                           | 2,915                   | 11,290                  |
| Cash and bank balances                       | 14,675                  | 3,615                   |
|  | <u>543,072</u>          | <u>553,139</u>          |
| <b>TOTAL ASSETS</b>                          | <u><u>1,156,370</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                             | 345,728                 | 329,976                 |
| Total Equity                                 | <u>545,586</u>          | <u>529,896</u>          |
| <u>Non-Current Liabilities</u>               |                         |                         |
| Long term borrowings                         | 59,395                  | 42,487                  |
| Deferred tax liabilities                     | 16,073                  | 13,501                  |
|  | <u>75,468</u>           | <u>55,988</u>           |
| <u>Current Liabilities</u>                   |                         |                         |
| Trade and other payables                     | 233,865                 | 267,539                 |
| Short term borrowings                        | 301,451                 | 310,328                 |
|  | <u>535,316</u>          | <u>577,867</u>          |
| Total liabilities                            | <u>610,784</u>          | <u>633,855</u>          |
| <b>TOTAL EQUITY AND LIABILITIES</b>          | <u><u>1,156,370</u></u> | <u><u>1,163,751</u></u> |
| Net Assets per share (RM)                    | 2.24                    | 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 30 JUNE 2016

|                                      | Attributable to equity holders of the Company |                            |                               |                               |                              | Total<br>RM'000 |
|--------------------------------------|---|----------------------------|-------------------------------|-------------------------------|------------------------------|-----------------|
|                                      | Non-distributable                             |                            |                               | Distributable                 |                              |                 |
|                                      | Share<br>Capital<br>RM'000                    | Share<br>Premium<br>RM'000 | Warrant<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 | Treasury<br>Shares<br>RM'000 |                 |
| <b>6 months ended 30th June 2016</b> |   |                            |                               |                               |                              |                 |
| 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         |
| <b>6 months ended 30th June 2015</b> |   |                            |                               |                               |                              |                 |
| At 1st January 2015                  | 118,350                                       | 43,948                     | 32,929                        | 381,965                       | (349)                        | 576,843         |
| Share subscribed by warrant holder   | 3,898   | 4,287                      | (2,962)                       | -                             | -                            | 5,223           |
| Share buy-back                       | -   | -                          | -                             | -                             | (119)                        | (119)           |
| Total comprehensive loss             | -   | -                          | -                             | (24,869)                      | -                            | (24,869)        |
| At 30th June 2015                    | 122,248                                       | 48,235                     | 29,967                        | 357,096                       | (468)                        | 557,078         |

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 30 JUNE 2016**

|   | <b>Current year<br/>01/01/16<br/>to 30/06/16<br/>RM'000</b> | <b>Preceding Year<br/>01/01/15<br/>to 30/06/15<br/>RM'000</b> |
|---|---|---|
| <b>Cash Flow From Operating Activities:-</b>                          |   |   |
| Profit/(Loss) before tax  | 18,515  | (22,392)  |
| Adjustment for:   |   |   |
| Depreciation of property, plant and equipment                         | 11,294  | 11,183  |
| Interest expenses   | 8,668   | 8,361   |
| Others  | (5,358)   | 5,640   |
| Operating profit before changes in working capital                    | 33,119  | 2,792   |
| Changes in working capital  |   |   |
| Net change in inventories   | 9,783   | (205,931)   |
| Net change in receivables   | 3,433   | 145,058   |
| Net change in payables  | (28,061)  | 68,153  |
| Cash generated from operations  | 18,274  | 10,072  |
| Interest paid   | (8,647)   | (8,285)   |
| Income tax paid   | (655)   | (759)   |
| Net cash inflow from operating activities                             | <u>8,972</u>  | <u>1,028</u>  |
| Investing activities  |   |   |
| Purchase of property, plant and equipment                             | (14,422)  | (59,334)  |
| Interest received   | 163   | 65  |
| Proceed on disposal   | 25  | 25  |
| Net cash outflow from investing activities                            | <u>(14,234)</u>   | <u>(59,244)</u>   |
| Financing activities  |   |   |
| Bank borrowings   | 11,228  | 31,162  |
| Share buy back  | (62)  | (119)   |
| Shares subscribed by warrant holder                                   | -   | 5,223   |
| Finance lease interest paid   | (22)  | (76)  |
| Net cash inflow from financing activities                             | <u>11,144</u>   | <u>36,190</u>   |
| Net increase/(decrease) in cash and cash equivalents                  | 5,882   | (22,026)  |
| Cash and cash equivalents at beginning of the year                    | 8,779   | 36,017  |
| Cash and cash equivalents at end of the financial period              | <u><u>14,661</u></u>  | <u><u>13,991</u></u>  |
| 1 Cash and cash equivalents at end of the financial period comprise : |   |   |
| Short term deposit  | 2,915   | 2,376   |
| Cash and bank balances  | 14,675  | 13,725  |
| Bank overdraft  | (2,929)   | (2,110)   |
|   | <u><u>14,661</u></u>  | <u><u>13,991</u></u>  |

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 30TH JUNE 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 (Joint Arrangement)   | Accounting for Acquisitions of Interests in Joint Operations                                       |
| 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 two Standards described below, for which the effects are 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.

As at 30<sup>th</sup> June 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 the 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<br/>Quarter ended<br/>RM'000</b>  | <b>Current Year<br/>to-date ended<br/>RM'000</b>   |
|--------------------|--|--|
| <b>Revenue</b>     |  |  |
| - Malaysia         | 257,351  | 545,192  |
| - Outside Malaysia | 10,998   | 41,168   |
|                    | <hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px; width: 100%;"/> | <hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px; width: 100%;"/> |
|                    | 268,349  | 586,360  |

**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>30/06/16</b> |
|--------------------------------------|-----------------|
|                                      | <b>RM'000</b>   |
| <b>Property, plant and equipment</b> |                 |
| - Approved and contracted for        | 7,724           |
|                                      | <hr/>           |
|                                      | <u>7,724</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 RM12.15 million on the revenue of RM268.35 million for the current quarter compared to a loss before tax of RM12.49 million on the revenue of RM242.20 million for the previous year corresponding quarter. The increase in revenue and gain incurred in the current quarter were mainly attributed to higher selling price, sales volume and margin on an improved market demand and productivity.

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

The Group's revenue for the current quarter recorded a decrease of RM49.66 million to RM268.35 million mainly due to lower sales volume. The Group recorded a profit before tax of RM12.15 million as compared to profit before tax of RM6.37 million achieved in the immediate preceding quarter mainly due to higher margin in the current quarter on an improved productivity.

**B3. Prospects**

The sentiments of international steel market continues to stabilize with improving prices of steel and iron ore in China.

The domestic demand of steel is expected to pick up in the next few months together with better prices.

The preliminary determination of the safe guard duty by the Ministry of International Trade and Industry (MITI) is expected to be finalized at the start of the fourth quarter. A positive result will significantly raise the imported prices of steel bars. This will translate to better performance for the Company.

The Company is cautiously optimistic of more conducive business environment for the months ahead.

**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<br/>Ended<br/>RM'000</b> | <b>Current Year<br/>To-date Ended<br/>RM'000</b> |
|--|---|--|
| Profit before taxation is arrived at after charging/(crediting): |   |  |
| Unrealised foreign exchange (gain)/ loss                         | (244)                                       | (5,618)  |
| Realised foreign exchange (gain)/ loss                           | 243   | (431)  |
| Depreciation of property, plant and equipment                    | 5,651                                       | 11,294   |
| Interest expense   | 4,381                                       | 8,668  |
| Interest income  | (72)  | (162)  |

**B6. Taxation**

Taxation comprises:

|                                 | <b>Current Quarter<br/>Ended<br/>RM'000</b> | <b>Current Year<br/>To-date Ended<br/>RM'000</b> |
|---------------------------------|---|--|
| <u>Malaysian income tax</u>     |   |  |
| Current taxation:               |   |  |
| -Current year                   | 179   | 179  |
| -Under provision in prior years | -   | 12   |
| Deferred taxation:              |   |  |
| -Current year                   | 1,293                                       | 2,572  |
| -Under provision in prior years | -   | -  |
|                                 | 1,472                                       | 2,763  |

The effective tax rate of the Group for the current quarter ended 30<sup>th</sup> June 2016 was lower than the statutory tax rate mainly attributable to utilization of brought forward unabsorbed capital allowances.

**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 waiting for the outcome from the relevant Government agencies on the Company’s Proposal in Iskandar Malaysia.

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

Not applicable

**B8. Borrowings**

|                       | <b>30/06/16</b> |
|-----------------------|-----------------|
|                       | <b>RM'000</b>   |
| <u>Secured:</u>       |                 |
| Short term borrowings | 301,451         |
| Long term borrowings  | 59,395          |
| Total borrowings      | <u>360,846</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<br/>Quarter<br/>Ended</b> | <b>Current<br/>Year To-date<br/>Ended</b> |
|---|--------------------------------------|---|
| Profit attributable to ordinary shareholders<br>(RM'000)      | <u>10,677</u>                        | <u>15,752</u>                             |
| Weighted average number of ordinary shares<br>in issue ('000) | <u>242,113</u>                       | <u>242,113</u>                            |
| Basic Earnings Per Share (sen)                                | <u>4.41</u>                          | <u>6.51</u>                               |

(b) *Diluted earnings / (loss) per share*

There is no dilution of any shares during the period. Accordingly, the diluted earnings / (loss) per share calculation is the same as that of Basic Earnings/ (loss) 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<br/>30/06/16<br/>RM'000</b> | <b>As at<br/>31/12/15<br/>RM'000</b> |
|--|--------------------------------------|--------------------------------------|
| Total retained profits of the Company and its subsidiary : |                                      |                                      |
| - Realised   | 326,856                              | 335,905                              |
| - Unrealised   | <u>20,576</u>                        | <u>(4,642)</u>                       |
|  | 347,432                              | 331,263                              |
| Total share of accumulated losses from Associate :         |                                      |                                      |
| - Realised   | <u>(1,704)</u>                       | <u>(1,287)</u>                       |
| Total Group retained profits as per consolidated accounts  | <u>345,728</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.