

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/16	30/09/15	30/09/16	30/09/15
	RM'000	RM'000	RM'000	RM'000
Revenue	275,451	301,438	861,811	869,031
Cost of sales	(256,696)	(288,350)	(798,667)	(836,500)
Gross Profit	18,755	13,088	63,144	32,531
Operating expenses	(12,591)	(13,890)	(35,159)	(41,829)
Other expenses	-	(17,307)	-	(22,874)
Other income	508	-	6,126	267
Interest income	79	30	241	95
Finance cost	(4,023)	(4,323)	(12,691)	(12,823)
Share of results of associated company	(199)	(47)	(616)	(209)
Profit/(Loss) before tax	2,529	(22,449)	21,045	(44,842)
Taxation	(1,286)	(1,690)	(4,049)	(4,167)
Profit/(Loss) for the period	1,243	(24,139)	16,996	(49,009)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	1,243	(24,139)	16,996	(49,009)
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	1,243	(24,139)	16,996	(49,009)
Profit/(Loss) for the period	1,243	(24,139)	16,996	(49,009)
Earnings/(Loss) per share (sen)				
- Basic	0.51	(10.04)	7.02	(20.38)
- Diluted	0.51	(9.81)	7.02	(19.91)

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 SEPTEMBER 2016

	30/09/16 RM'000	31/12/15 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	607,228	602,191
Investment in Associate company	7,805	8,421
	<u>615,033</u>	<u>610,612</u>
<u>Current Assets</u>		
Inventories	373,030	382,265
Trade and other receivables	137,486	151,804
Taxation recoverables	5,107	4,165
Short term deposit	13,102	11,290
Cash and bank balances	16,967	3,615
	<u>545,692</u>	<u>553,139</u>
TOTAL ASSETS	<u><u>1,160,725</u></u>	<u><u>1,163,751</u></u>
EQUITY AND LIABILITIES		
<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	346,972	329,976
Total Equity	<u>546,830</u>	<u>529,896</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	56,075	42,487
Deferred tax liabilities	17,519	13,501
	<u>73,594</u>	<u>55,988</u>
<u>Current Liabilities</u>		
Trade and other payables	239,045	267,539
Short term borrowings	301,256	310,328
	<u>540,301</u>	<u>577,867</u>
Total liabilities	<u>613,895</u>	<u>633,855</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,160,725</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 SEPTEMBER 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	
9 months ended 30th September 2016						
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	122,254	78,204	-	346,972	(600)	546,830
9 months ended 30th September 2015						
At 1st January 2015	118,350	43,948	32,929	381,965	(349)	576,843
Share subscribed by warrant holder	3,898	4,287	(2,963)	-	-	5,222
Share buy-back	-	-	-	-	(119)	(119)
Dividend declared in respect of financial year ended 31st December 2014	-	-	-	(1,586)	-	(1,586)
Total comprehensive income	-	-	-	(49,009)	-	(49,009)
At 30th September 2015	122,248	48,235	29,966	331,370	(468)	531,351

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 SEPTEMBER 2016

	Current year 01/01/16 to 30/09/16 RM'000	Preceding Year 01/01/15 to 30/09/15 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	21,045	(44,842)
Adjustment for:		
Depreciation of property, plant and equipment	16,933	16,766
Interest expenses	12,691	12,537
Others	(5,752)	22,963
Operating profit before changes in working capital	44,917	7,424
Changes in working capital		
Net change in inventories	9,235	(189,492)
Net change in receivables	14,318	175,133
Net change in payables	(22,366)	38,591
Cash generated from operations	46,104	31,656
Interest paid	(12,657)	(12,439)
Income tax paid	(973)	(2,015)
Net cash inflow from operating activities	32,474	17,202
Investing activities		
Purchase of property, plant and equipment	(21,995)	(70,640)
Increase in investment in associate	-	-
Interest received	241	95
Proceed on disposal	25	25
Net cash outflow from investing activities	(21,729)	(70,520)
Financing activities		
Bank borrowings	8,641	36,757
Dividend paid	-	(1,586)
Share buy back	(62)	(119)
Shares subscribed by warrant holder	-	5,223
Finance lease interest paid	(34)	(98)
Net cash inflow from financing activities	8,545	40,177
Net increase/(decrease) in cash and cash equivalents	19,290	(13,141)
Cash and cash equivalents at beginning of the year	8,779	36,017
Cash and cash equivalents at end of the financial period	1 28,069	22,876
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	13,102	4,681
Cash and bank balances	16,967	20,195
Bank overdraft	(2,000)	(2,000)
	28,069	22,876

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 SEPTEMBER 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 31st 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 31st 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 1st 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 (Property, plant and equipment) And MFRS 138 (Intangible Assets)	Clarification of Acceptable Methods of Depreciation and Amortisation

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 1st 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 1st January 2018

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transaction

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

Amendments to MFRS 15 Clarifications to MFRS 15 Revenue from Contracts with Customers

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 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.

(ii) 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 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.

As at 30th September 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:

	Current Quarter ended RM'000	Current Year to-date ended RM'000
Revenue		
- Malaysia	213,276	758,468
- Outside Malaysia	62,175	103,343
	275,451	861,811

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

	30/09/16 RM'000
Property, plant and equipment	
- Approved and contracted for	7,053
	<hr/>
	7,053
	<hr/>

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 RM2.53 million on the revenue of RM275.45 million for the current quarter compared to a loss before tax of RM22.45 million on the revenue of RM301.44 million for the previous year corresponding quarter. The decrease in revenue and increase in gain incurred in the current quarter were mainly attributed to lower sales volume and higher margin on a lower operating cost.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM7.10 million to RM275.45 million mainly due to higher sales volume. The Group recorded a profit before tax of RM2.53 million as compared to profit before tax of RM12.15 million achieved in the immediate preceding quarter mainly due to lower selling price and lower margin in the current quarter.

B3. Prospects

Due to the various favorable policy driven factors emanating from within China such as steel plant consolidation, robust construction activities, reducing steel inventory and rising production costs, this has resulted in the steady increase of steel prices.

The recent news on the election agenda of the President- elect of the United States of America, Mr Donald Trump which has promised to spend up to USD 550 billion for stimulus plan is estimated to increase steel demand in the USA by 22 million metric tons of steel per year for the next 5 years (Source: Morgan Stanley 14th November 2016)

The global steel market is buoyed by the above news and domestic steel prices is expected to continue to improve underscored by the effects of the weaker ringgit and safeguard duty being in placed since end of September 2016 and thus making imported steel products to be substantially more costly.

A strong upward steel price trajectory is expected to be tempered by the current softness in domestic demand for steel. However, the Company is well poised to benefit from any opportunity due to the timely commissioning of its new rolling mill, improved steel making technology and proximity to major markets.

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	(508)	(6,126)
Realised foreign exchange (gain)/ loss	207	(224)
Depreciation of property, plant and equipment	5,639	16,933
Interest expense	4,023	12,691
Interest income	(79)	(241)

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	(179)	-
-Under provision in prior years	18	30
Deferred taxation:		
-Current year	1,447	3,479
-Under provision in prior years	-	540
	<u>1,286</u>	<u>4,049</u>

The effective tax rate of the Group for the current quarter ended 30th September 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 19th 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 and KUB mutually agreed to terminate the MOU and the Company would allocated back the resources to focus on their existing core business.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	30/09/16
	RM'000
<u>Secured:</u>	
Short term borrowings	301,256
Long term borrowings	56,075
Total borrowings	<u>357,331</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>1,243</u>	<u>16,996</u>
Weighted average number of ordinary shares in issue ('000)	<u>242,113</u>	<u>242,113</u>
Basic Earning Per Share (sen)	<u>0.51</u>	<u>7.02</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:

	As at 30/09/16 RM'000	As at 31/12/15 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	329,238	335,905
- Unrealised	<u>19,637</u>	<u>(4,642)</u>
	348,875	331,263
Total share of accumulated losses from Associate :		
- Realised	<u>(1,903)</u>	<u>(1,287)</u>
Total Group retained profits as per consolidated accounts	<u>346,972</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.