

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/18 RM'000	31/03/17 RM'000	31/03/18 RM'000	31/03/17 RM'000
Revenue	434,802	348,723	434,802	348,723
Cost of sales	(404,570)	(312,892)	(404,570)	(312,892)
Gross Profit	30,232	35,831	30,232	35,831
Operating expenses	(8,148)	(18,209)	(8,148)	(18,209)
Other income	1,960	4,898	1,960	4,898
Interest income	249	155	249	155
Finance cost	(4,218)	(4,864)	(4,218)	(4,864)
Share of results of associated company	(103)	(129)	(103)	(129)
Profit/(Loss) before tax	19,972	17,682	19,972	17,682
Taxation	(2,250)	(3,599)	(2,250)	(3,599)
Profit/(Loss) for the period	17,722	14,083	17,722	14,083
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	17,722	14,083	17,722	14,083
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	17,722	14,083	17,722	14,083
Profit/(Loss) for the period	17,722	14,083	17,722	14,083
Earnings/(Loss) per share (sen)				
- Basic	4.20	5.83	4.20	5.83
- 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 31 MARCH 2018

	31/03/18 RM'000	31/12/17 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	590,216	596,697
Investment in Associate company	6,201	6,302
	<u>596,417</u>	<u>602,999</u>
<u>Current Assets</u>		
Inventories	380,891	430,216
Trade and other receivables	218,021	226,200
Taxation recoverables	4,101	5,120
Short term deposit	14,372	32,065
Cash and bank balances	16,969	20,511
	<u>634,354</u>	<u>714,112</u>
TOTAL ASSETS	<u><u>1,230,771</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	443,574	426,864
Total Equity	<u>672,668</u>	<u>648,023</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	22,197	33,542
Deferred tax liabilities	12,938	11,969
	<u>35,135</u>	<u>45,511</u>
<u>Current Liabilities</u>		
Trade and other payables	151,234	219,764
Trade deposits	90,247	82,411
Short term borrowings	281,487	321,402
	<u>522,968</u>	<u>623,577</u>
Total liabilities	<u>558,103</u>	<u>669,088</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,230,771</u></u>	<u><u>1,317,111</u></u>
Net Assets per share (RM)	1.59	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 31 MARCH 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	
3 months ended 31st March 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	-	-	17,722	-	17,722
At 31st March 2018	<u>230,094</u>	<u>-</u>	<u>443,574</u>	<u>(1,000)</u>	<u>672,668</u>
3 months ended 31st March 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	-	-	14,083	-	14,083
At 31st March 2017	<u>200,458</u>	<u>-</u>	<u>365,489</u>	<u>(897)</u>	<u>565,050</u>

Note A During the quarter and period ended 31 March 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 notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Current year 01/01/18 to 31/03/18 RM'000	Preceding Year 01/01/17 to 31/03/17 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	19,972	17,682
Adjustment for:		
Depreciation of property, plant and equipment	7,076	6,995
Interest expenses	4,218	4,864
Impairment of inventories	(1,172)	-
Share of loss of associate	103	129
Others	(2,211)	(5,053)
Operating profit before changes in working capital	27,986	24,617
Changes in working capital		
Net change in inventories	50,497	15,404
Net change in receivables	8,179	26,171
Net change in payables	(58,734)	(59,521)
Cash generated from operations	27,928	6,671
Interest paid	(4,201)	(4,851)
Income tax paid	(262)	(298)
Net cash inflow from operating activities	<u>23,465</u>	<u>1,522</u>
Investing activities		
Purchase of property, plant and equipment	(595)	(71)
Interest received	249	155
Net cash inflow/(outflow) from investing activities	<u>(346)</u>	<u>84</u>
Financing activities		
Bank borrowings	(49,260)	(612)
Issue of private placement	7,610	-
Share buy back	(687)	-
Finance lease interest paid	(17)	(13)
Net cash outflow from financing activities	<u>(42,354)</u>	<u>(625)</u>
Net increase/(decrease) in cash and cash equivalents	(19,235)	981
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>31,341</u>	<u>59,690</u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	14,372	23,812
Cash and bank balances	16,969	37,878
Bank overdraft	-	(2,000)
	<u>31,341</u>	<u>59,690</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 31st MARCH 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 31 December 2017, except for the following:

Amendments to standards, Annual Improvements to Standard and IC Interpretation

Effective for financial periods beginning on after 1 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 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, save as disclosed below.

A total of 4,800,000 ordinary shares were subscribed by a private placement on his entitlement at the exercise price of average price of RM1.502 per share

On 23rd January 2018 and 24th January 2018, the Company had disposed off a total of 250,000 and 173,800 share in treasury shares at an average price of RM1.65 and RM1.72 per share respectively.

On 14th February 2018, the Company had issued 106,808,988 Bonus shares on the basis of 1 Bonus share for every 3 existing ordinary shares.

On 9th March 2018 and 12th March 2018, the Company had buy back a total of 514,000 and 517,000 share in treasury shares at an average price of RM0.972 and RM0.968 per share respectively.

As at 31st March 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	434,802	434,802
	434,802	434,802
	434,802	434,802

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			3 months		
	31/03/2018	31/03/2017	Changes	31/03/2018	31/03/2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	434,802	348,723	24.68	434,802	348,723	24.68
Profit before interest and tax	24,190	22,546	7.29	24,190	22,546	7.29
Profit before tax	19,972	17,682	12.95	19,972	17,682	12.95

The Group reported a profit before tax of RM19.97 million on the revenue of RM434.80 million for the current quarter compared to a profit before tax of RM17.68 million on the revenue of RM348.72 million for the previous year corresponding quarter. The increase in revenue and profit in current quarter were mainly attributed to higher selling price and higher volume due to strengthening of local steel price and stronger domestic demand. The forex gain in the current quarter has also contributed to the higher profit before tax.

B2. Variation of results against preceding quarter's

	3 months ended		
	31.03.2018	30.12.2017	Changes
	RM'000	RM'000	%
Revenue	424,802	422,325	0.59
Profit before tax	19,972	16,702	19.58

The Group's revenue for the current quarter recorded an increase of RM2.48 million to RM424.80 million mainly due to higher selling price. The Group recorded a profit before tax of RM19.97 million as compared to profit before tax of RM16.70 million achieved in the immediate preceding quarter mainly due to lower administrative expenses in the current quarter.

B3. Prospects

The commencement of Ramadan festivities from mid May and the announcement by the Government to reduce GST to zero rated from 1st June 2018 has softened the demand for the Company's products. The Company expects the demand to improve during the 2nd half of the year.

Meanwhile, new technology packages are being installed at both the Company's facilities at Petaling Jaya and Klang which will enhance its competitiveness and augur well with the bottom line of the Company in the near future.

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	(1,960)	(1,960)
Realised foreign exchange (gain)/ loss	(5,190)	(5,190)
Depreciation of property, plant and equipment	7,076	7,076
Impairment of inventories	(1,172)	(1,172)
Interest expense	4,218	4,218
Interest income	(249)	(249)

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	1,281	1,281
Deferred taxation:		
-Current year	969	969
	2,250	2,250

The effective tax rate of the Group for the current quarter ended 31st March 2018 was lower than the statutory tax rate mainly due utilization of allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Bonus Issue

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 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

Not applicable

B8. Borrowings

	31/03/18
	RM'000
<u>Secured:</u>	
Short term borrowings	281,487
Long term borrowings	<u>22,197</u>
Total borrowings	<u><u>303,684</u></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 subject to approval by the shareholders at the forthcoming 46th Annual General Meeting of the Company to be held on 21st June 2018.

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>17,722</u>	<u>17,722</u>
Weighted average number of ordinary shares in issue ('000)	<u>422,224</u>	<u>422,224</u>
Basic Earning Per Share (sen)	<u><u>4.20</u></u>	<u><u>4.20</u></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.

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.