

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/18	30/09/17	30/09/18	30/09/17
	RM'000	RM'000	RM'000	RM'000
Revenue	388,432	401,445	1,147,928	1,040,932
Cost of sales	(359,647)	(361,866)	(1,062,390)	(941,315)
Gross Profit	28,785	39,579	85,538	99,617
Operating expenses	(16,412)	(12,666)	(36,797)	(43,780)
Other expenses	(4,003)	-	(8,785)	-
Other income	-	1,999	1,960	12,775
Interest income	83	188	397	594
Finance cost	(4,487)	(4,991)	(13,157)	(14,653)
Share of results of associated company	(15)	(113)	(170)	(373)
Profit before tax	3,951	23,995	28,986	54,180
Taxation	1,921	14,675	2,589	9,162
Profit for the period	5,872	38,670	31,575	63,342
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,872	38,670	31,575	63,342
Profit and Total Comprehensive Income attributable to:				
Equity holders of the Company	5,872	38,670	31,575	63,342
Profit for the period	5,872	38,670	31,575	63,342
Earnings per share (sen)				
- Basic	1.38	12.88	7.44	21.10
- 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 SEPTEMBER 2018**

	30/09/18 RM'000	31/12/17 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	635,725	596,697
Investment in Associate company	6,135	6,302
	<u>641,860</u>	<u>602,999</u>
<u>Current Assets</u>		
Inventories	495,297	430,216
Trade and other receivables	156,246	226,200
Taxation recoverables	2,877	5,120
Short term deposit	22,400	32,065
Cash and bank balances	16,021	20,511
	<u>692,841</u>	<u>714,112</u>
TOTAL ASSETS	<u><u>1,334,701</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	(1,199)	(313)
Retained profits	453,594	426,864
Total Equity	<u>682,489</u>	<u>648,023</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	20,012	33,542
Deferred tax liabilities	6,317	11,969
	<u>26,329</u>	<u>45,511</u>
<u>Current Liabilities</u>		
Trade and other payables	217,758	219,764
Trade deposits	114,301	82,411
Short term borrowings	293,824	321,402
	<u>625,883</u>	<u>623,577</u>
Total liabilities	<u>652,212</u>	<u>669,088</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,334,701</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 SEPTEMBER 2018**

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Capital Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<i>9 months ended 30th September 2018</i>						
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	-	-	-	-	(1,199)	(1,199)
Bonus issue	1,012	-	-	(1,012)	-	-
Dividend declared in respect of financial year ended 31st December 2017	-	-	-	(3,833)	-	(3,833)
Total comprehensive income	-	-	-	31,575	-	31,575
At 30th September 2018	<u>230,094</u>	<u>-</u>	<u>-</u>	<u>453,594</u>	<u>(1,199)</u>	<u>682,489</u>
<i>9 months ended 30th September 2017</i>						
At 1st January 2017	122,254	78,204	-	351,406	(897)	550,967
New shares issued	14,655	-	-	-	-	14,655
Adjustments for effects of Companies Act 2016 (Note A)	78,204	(78,204)	-	-	-	-
Treasury shares sales	-	-	290	-	236	526
Total comprehensive income	-	-	-	63,342	-	63,342
At 30th September 2017	<u>215,113</u>	<u>-</u>	<u>290</u>	<u>414,748</u>	<u>(661)</u>	<u>629,490</u>

Note A During the quarter and period ended 30 Sept 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 30 SEPTEMBER 2018**

	Current year 01/01/18 to 30/09/18 RM'000	Preceding Year 01/01/17 to 30/09/17 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	28,986	54,180
Adjustment for:		
Depreciation of property, plant and equipment	21,253	20,972
Interest expenses	13,157	14,653
Impairment of inventories	(1,035)	-
Gain on disposal of property, plant and equipment	(5)	(18)
Share of loss of associate	170	373
Others	6,423	(13,369)
Operating profit before changes in working capital	68,949	76,791
Changes in working capital		
Net change in inventories	(64,046)	(52,674)
Net change in receivables	69,954	10,907
Net change in payables	23,059	(34,284)
Cash generated from operations	97,916	740
Interest paid	(13,062)	(14,613)
Income tax paid	(819)	(872)
Net cash inflow from operating activities	84,035	(14,745)
Investing activities		
Purchase of property, plant and equipment	(60,276)	(10,681)
Interest received	398	594
Net cash outflow from investing activities	(59,878)	(10,087)
Financing activities		
Bank borrowings	(39,108)	(25,172)
Dividend paid	(3,833)	-
Issue of private placement	7,610	14,655
Share buy back	(886)	-
Treasury share sale	-	526
Finance lease interest paid	(95)	(40)
Net cash outflow from financing activities	(36,312)	(10,031)
Net decrease in cash and cash equivalents	(12,155)	(34,863)
Cash and cash equivalents at beginning of the year	50,576	58,709
Cash and cash equivalents at end of the financial period	1 38,421	23,846
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	22,400	12,867
Cash and bank balances	16,021	12,979
Bank overdraft	-	(2,000)
	38,421	23,846

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 SEPTEMBER 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 and Issues Committee (“IC”) interpretations

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:

Early amendments to standards, Annual Improvements to Standard and IC Interpretations

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

Annual Improvements to MFRS Standards 2015-2017 Cycle:

-Amendments to MFRS 3 Business Combinations
(Previously held interest in a joint operation)

-Amendments to MFRS 11 Joint Arrangements
(Previously held interest in a joint operation)

-Amendments to MFRS 112 Income taxes
(Income tax consequences of payments on financial instruments classified as equity)

-Amendments to MFRS 123 Borrowing Costs
(Borrowing costs eligible for capitalisation)

IC Interpretation 23 Uncertainty over Income Tax Treatments

Effective for financial periods beginning on after 1st January 2020

Conceptual Framework in MFRS Standards:

- 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, Change 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 Asset- Web site costs

Standards and Amendments to MFRSs issued but not yet effective

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

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group.

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.

On 5th July 2018, the Company had purchased a total of 350,000 share as treasury shares at an average price of RM0.57 per share.

As at 30th September 2018, a total of 1,381,000 shares were held as treasury shares out of its total issued share capital of 427,239,831 shares at an average price of RM0.87 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

The Company had paid a final dividend of 0.9 sen per share amounted to approximately RM3,832,712 on 17th July 2018 in respect of the financial year ended 31st December 2017.

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	388,373	1,147,869
- Outside Malaysia	59	59
	388,432	1,147,928

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 %	9 months		Changes %
	30/09/2018 RM'000	30/09/2017 RM'000		30/09/2018 RM'000	30/09/2017 RM'000	
Revenue	388,432	401,445	(3.24)	1,147,928	1,040,932	10.28
Profit before interest and tax	8,438	28,986	(70.89)	42,143	68,833	(38.78)
Profit before tax	3,951	23,995	(83.53)	28,986	54,180	(46.50)

The Group reported a profit before tax of RM3.95 million on the revenue of RM388.43 million for the current quarter compared to a profit before tax of RM24.00 million on the revenue of RM401.45 million for the previous year corresponding quarter. The marginal decrease in revenue in current quarter were mainly attributed to lower sales volume on a softer domestic demand. The current quarter recorded a lower profit before tax mainly due to the lower margin and higher foreign exchange loss.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	30.09.2018 RM'000	30.6.2018 RM'000	
Revenue	388,432	324,694	19.63
Profit before tax	3,951	5,064	(21.98)

The Group's revenue for the current quarter recorded an increase of RM63.74 million to RM388.43 million as compared with the preceding quarter mainly due to higher sales volume from the strengthening of the construction industry on a lower selling price. The Group recorded a profit before tax of RM3.95 million as compared to profit before tax of RM5.06 million achieved in the immediate preceding quarter mainly due to lower margin and higher foreign exchange loss in the current quarter.

B3. Prospects

The Malaysian steel bar market is being supplied by the new entrants of billets and bars, the former from Turkey and the latter from a new integrated steel producer based in the East Coast of peninsular Malaysia.

Local steel bar prices continue to trend downwards which is impacting the margins of the Company's products.

Despite these challenges, the Company is diligently constructing its new and more cost efficient steel making equipment to keep pace with the more competitive business environment.

Upon the coming on stream of the new equipment and facilities in 2019, the Company expects its margin to improve to maintain its position as one of the principal manufacturer of billets and rebar in Malaysia.

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	4,003	6,825
Realised foreign exchange (gain)/ loss	1,153	(5,866)
Depreciation of property, plant and Equipment	7,076	21,253
Impairment on inventories (gain)/ loss	134	(1,035)
Impairment loss in associate	15	170
Interest expense	4,487	13,157
Interest income	(83)	(397)

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	408	3,742
-Over provision in prior years	(680)	(680)
Deferred taxation:		
-Current year	(387)	(4,389)
-Over provision in prior years	(1,262)	(1,262)
	<u>(1,921)</u>	<u>(2,589)</u>

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

B7. (a) Status of corporate proposals

AN ISLAMIC MEDIUM TERM NOTES ISSUANCE PROGRAMME UNDER THE SHARIAH PRINCIPLE OF IJARAH ("SUKUK IJARAH") TO BE GUARANTEED BY DANAJAMIN NASIONAL BERHAD ("DANAJAMIN") OF UP TO RM130 MILLION IN NOMINAL VALUE ("SUKUK IJARAH PROGRAMME")

On 8th November 2018 the Company had announced that the Sukuk Ijarah Programme had been lodged with the Securities Commission Malaysia ("SC") for the proposed establishment of the Sukuk Ijarah Programme under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The tenure of the Sukuk Ijarah Programme is up to seven (7) years from the date of first issuance under the Sukuk Ijarah Programme.

Danajamin will issue a Kafalah Guarantee to guarantee the nominal value of Sukuk Ijarah issued (of up to nominal value of RM130 million) and one (1) profit / rental payment obligation. First issuance of the Sukuk Ijarah is expected to be for a period of up to five (5) years. Danajamin may at its discretion extend the tenure of the Kafalah Guarantee for a further period of two (2) years.

The proceeds from the issuance of the Sukuk Ijarah shall be used for refinancing, capital expenditure and general working capital requirements.

Kuwait Finance House (Malaysia) Berhad is the Principal Adviser / Lead Arranger, Lead Manager, Shariah Adviser and Facility Agent for the Sukuk Ijarah Programme.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	30/09/18
	RM'000
<u>Secured:</u>	
Short term borrowings	293,824
Long term borrowings	<u>20,012</u>
Total borrowings	<u><u>313,836</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

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>5,872</u>	<u>31,575</u>
Weighted average number of ordinary shares in issue ('000)	<u>424,281</u>	<u>424,281</u>
Basic Earning Per Share (sen)	<u>1.38</u>	<u>7.44</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.