

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/19	30/06/18	30/06/19	30/06/18
	RM'000	RM'000	RM'000	RM'000
Revenue	294,675	324,694	574,897	759,496
Cost of sales	(290,458)	(298,173)	(566,833)	(702,743)
Gross Profit	4,217	26,521	8,064	56,753
Operating expenses	(9,175)	(12,236)	(22,312)	(20,385)
Other expenses	(2,055)	(4,782)	(2,055)	(4,782)
Other income	-	-	3,554	1,961
Interest income	28	65	94	314
Finance cost	(6,758)	(4,452)	(12,494)	(8,670)
Share of results of associated company	146	(52)	108	(155)
Profit/(Loss) before tax	(13,597)	5,064	(25,041)	25,036
Taxation	3,205	2,918	5,971	668
Profit/(Loss) for the period	(10,392)	7,982	(19,070)	25,704
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	(10,392)	7,982	(19,070)	25,704
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	(10,392)	7,982	(19,070)	25,704
Profit/(Loss) for the period	(10,392)	7,982	(19,070)	25,704
Earnings/(Loss) per share (sen)				
- Basic	(2.44)	1.89	(4.48)	6.07
- 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 2018 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	30/06/19 RM'000	31/12/18 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	654,910	630,463
Investment in Associate company	6,249	6,141
	<u>661,159</u>	<u>636,604</u>
<u>Current Assets</u>		
Inventories	502,550	499,479
Trade and other receivables	144,877	162,154
Taxation recoverables	6,474	5,445
Other investment	3,000	3,000
Short term deposit	40,800	48,108
Cash and bank balances	5,670	22,047
	<u>703,371</u>	<u>740,233</u>
TOTAL ASSETS	<u><u>1,364,530</u></u>	<u><u>1,376,837</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	230,094	230,094
Treasury shares	(1,324)	(1,199)
Retained profits	409,653	428,723
Total Equity	<u>638,423</u>	<u>657,618</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	154,113	146,809
Deferred tax liabilities	3,603	9,603
	<u>157,716</u>	<u>156,412</u>
<u>Current Liabilities</u>		
Trade and other payables	202,232	202,764
Trade deposits	113,379	116,843
Short term borrowings	252,780	243,200
	<u>568,391</u>	<u>562,807</u>
Total liabilities	<u>726,107</u>	<u>719,219</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,364,530</u></u>	<u><u>1,376,837</u></u>
Net Assets per share (RM)	1.49	1.54

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2018 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 2019

	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	
6 months ended 30th June 2019						
At 1st January 2019	230,094	-	-	428,723	(1,199)	657,618
Share buy back	-	-	-	-	(125)	(125)
Total comprehensive income	-	-	-	(19,070)	-	(19,070)
At 30th June 2019	230,094	-	-	409,653	(1,324)	638,423
6 months ended 30th June 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	-	-	-	25,704	-	25,704
At 30th June 2018	230,094	-	-	451,556	(1,000)	680,650

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Current year 01/01/19 to 30/06/19 RM'000	Preceding Year 01/01/18 to 30/06/18 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	(25,041)	25,036
Adjustment for:		
Depreciation of property, plant and equipment	14,885	14,177
Interest expenses	12,494	8,670
Reversal for inventories	(3,398)	(1,170)
Gain on disposal of property, plant and equipment	10	-
Share of profit in associate	(108)	155
Others	(1,565)	2,506
Operating (loss)/profit before changes in working capital	(2,723)	49,374
Changes in working capital		
Net change in inventories	327	(25,432)
Net change in receivables	17,277	78,317
Net change in payables	(2,497)	(11,971)
Cash generated from operations	12,384	90,288
Interest paid	(12,400)	(8,628)
Income tax paid	(1,058)	(624)
Net cash (outflow)/inflow from operating activities	(1,074)	81,036
Investing activities		
Purchase of property, plant and equipment	(39,000)	(50,499)
Interest received	66	314
Net cash outflow from investing activities	(38,934)	(50,185)
Financing activities		
Bank borrowings	16,542	(54,270)
Issue of private placement	-	7,610
Share resales/ (buy-back)	(125)	(687)
Finance lease interest paid	(94)	(42)
Net cash inflow/(outflow) from financing activities	16,323	(47,389)
Net decrease in cash and cash equivalents	(23,685)	(16,538)
Cash and cash equivalents at beginning of the year	70,155	50,576
Cash and cash equivalents at end of the financial period	46,470	34,038
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	40,800	17,884
Cash and bank balances	5,670	16,154
	46,470	34,038

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2018 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 2019

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”), the requirement of the Companies Act 2016 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 2018, 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 2018.

A2. Accounting Policies and Methods of Computation

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 2018, except for the following:

Standards and Amendments to MFRSs issued but not yet effective

Effective for financial periods beginning on or after 1st January 2020

- Amendments to MFRS 3 Business Combinations - Definition of a Business
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material
- Amendment to MFRS 101 Presentation of Financial Statements - Definition of Material

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 - Sale 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 2018 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 30th June 2019, a total of 1,675,000 shares were held as treasury shares out of its total issued share capital of 427,239,831 shares at an average price of RM0.79 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:

	Current Quarter ended RM'000	Current Year to-date ended RM'000
Revenue		
- Malaysia	294,624	574,361
- Outside Malaysia	51	536
	294,675	574,897

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

	30/06/19
	RM'000
Property, plant and equipment	
- Approved and contracted for	3,795
	<hr/>
	<u>3,795</u>

PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

	Individual Period			Cumulative Period		
	3 months			6 months		
	30/06/2019	30/06/2018	Changes	30/06/2019	30/06/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	294,675	324,694	(9.25)	574,897	759,496	(24.31)
(Loss)/Profit before interest and tax	(6,840)	9,516	(171.88)	(12,547)	33,706	(137.23)
(Loss)/Profit before tax	(13,597)	5,064	(368.51)	(25,041)	25,036	(200.02)

The Group reported a loss before tax of RM13.60 million on the revenue of RM294.67 million for the current quarter compared to a profit before tax of RM5.06 million on the revenue of RM324.69 million for the previous year corresponding quarter. The decrease in revenue in the current quarter were mainly attributed to lower sales volume and selling price resulting in a lower margin.

B2. Variation of results against preceding quarter's

	3 months ended		
	30/06/2019	31/03/2019	Changes
	RM'000	RM'000	%
Revenue	294,675	280,222	5.16
Loss before tax	(13,597)	(11,444)	18.81

The Group's revenue for the current quarter recorded an increase of RM14.45 million to RM294.67 million mainly due to higher average selling price compared with last quarter. The Group recorded a loss before tax of RM13.60 million as compared to loss before tax of RM11.44 million achieved in the immediate preceding quarter mainly due to unrealized foreign exchange loss in the current quarter as compared to an unrealized foreign exchange gain in the previous quarter.

B3. Prospects

The Company's initiatives, which commenced in 2017, were in anticipation of the increasing volatility in the domestic steel business environment.

Presently, the Company is beginning to realise its technology driven cost cutting measures and expects to see the improvement of its performance in the coming quarters.

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	2,055	(1,499)
Realised foreign exchange loss	652	46
Depreciation of property, plant and equipment	7,441	14,885
Reversal for inventories	(4,053)	(3,398)
Share of profits in associate	(146)	(108)
Interest expense	6,758	12,494
Interest income	(28)	(94)
Impairment of assets	-	-
Other income including investment income	-	-
Provision for and write off of receivables	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Gain or loss on derivatives	-	-

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	6	29
Deferred taxation:		
-Current year	(3,211)	(6,000)
	(3,205)	(5,971)

The effective tax rate of the Group for the current quarter ended 30th June 2019 was lower than the statutory tax rate mainly due utilization of allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Not applicable.

(b) Status of utilization of proceed raised

Not applicable.

B8. Borrowings

30/06/19
RM'000

<u>Secured:</u>	
Short term borrowings	252,780
Long term borrowings	154,113
Total borrowings	<u>406,893</u>

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

The Company has been served with a Writ of Summons dated 17th July 2019 and Statement of Claim dated 12th June 2019 by Safety Capital Sdn Bhd (“Safety Capital”). Safety Capital is seeking for, inter alia, the payment of RM10.681 million (“Sum”) by the Company, together with interest and costs (“Claim”), which is in relation to advances made by Safety Capital to the Company between the years 2002 to 2004. The Board of Directors has been advised by its solicitors that the Company has a strong case to dismiss the Claim. As the Sum claimed is non-trading in nature, the Management is of the view that the Writ of Summons will not have any material financial and operational impact on the Group.

The suit is schedule for case management on 11th September 2019 before the Registrar at the Shah Alam High Court.

B10. Dividend

No dividend has been proposed or declared by the Company during the current quarter under review.

B11. (Loss)/Earnings per share (“EPS”)

(a) *Basic (Loss)/Earnings per share*

The basic (loss)/earnings per share of the Company is calculated by dividing the (loss)/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
Loss attributable to ordinary shareholders (RM'000)	<u>(10,392)</u>	<u>(19,070)</u>
Weighted average number of ordinary shares in issue ('000)	<u>425,565</u>	<u>425,565</u>
Loss Per Share (sen)	<u>(2.44)</u>	<u>(4.48)</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.