

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2015**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/15	30/06/14	30/06/15	30/06/14
	RM'000	RM'000	RM'000	RM'000
Revenue	242,196	359,987	567,593	697,666
Operating expenses	(248,799)	(346,372)	(574,952)	(674,058)
Other expenses	(2,778)	-	(6,703)	-
Other income	267	739	267	2,423
Interest income	25	31	65	65
Finance cost	(3,278)	(3,583)	(8,500)	(7,612)
Share of results of associated company	(124)	(13)	(162)	(28)
Profit/(Loss) before tax	(12,491)	10,789	(22,392)	18,456
Taxation	(1,668)	(689)	(2,477)	(1,075)
Profit/(Loss) for the period	(14,159)	10,100	(24,869)	17,381
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	(14,159)	10,100	(24,869)	17,381
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	(14,159)	10,100	(24,869)	17,381
Profit/(Loss) for the period	(14,159)	10,100	(24,869)	17,381
Earnings/(Loss) per share (sen)				
- Basic	(5.94)	4.56	(10.43)	7.85
- Diluted	(5.51)	3.93	(9.68)	6.77

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015

	30/06/15 RM'000	31/12/14 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	584,871	536,719
Investment in Associate company	8,708	8,870
	<u>593,579</u>	<u>545,589</u>
<u>Current Assets</u>		
Inventories	371,084	165,153
Trade and other receivables	175,173	334,634
Taxation recoverables	2,551	1,791
Current tax assets	2,416	-
Short term deposit	2,376	10,959
Cash and bank balances	13,725	31,217
	<u>567,325</u>	<u>543,754</u>
TOTAL ASSETS	<u><u>1,160,904</u></u>	<u><u>1,089,343</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	122,248	118,350
Share premium	48,235	43,948
Treasury shares	(468)	(349)
Warrants reserves	29,967	32,929
Retained profits	357,096	381,965
Total Equity	<u>557,078</u>	<u>576,843</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	56,948	34,550
Deferred tax liabilities	11,983	9,506
	<u>68,931</u>	<u>44,056</u>
<u>Current Liabilities</u>		
Trade and other payables	251,455	189,721
Short term borrowings	283,440	278,723
	<u>534,895</u>	<u>468,444</u>
Total liabilities	<u>603,826</u>	<u>512,500</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,160,904</u></u>	<u><u>1,089,343</u></u>
Net Assets per share (RM)	2.28	2.44

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2015**

	Current year 01/01/15 to 30/06/15 RM'000	Preceding Year 01/01/14 to 30/06/14 RM'000
Profit/(Loss) before tax	(22,392)	18,456
Adjustment for:		
Depreciation of property, plant and equipment	11,183	11,136
Interest expense	8,361	7,522
Others	5,640	(295)
Operating profit before changes in working capital	2,792	36,819
Changes in working capital		
Net change in inventories	(205,931)	(11,625)
Net change in receivables	145,058	36,902
Net change in payables	68,153	(8,737)
Cash generated from operations	10,072	53,359
Interest paid	(8,285)	(7,365)
Income tax paid	(759)	(830)
Net cash inflow from operating activities	1,028	45,164
Investing activities		
Purchase of property, plant and equipment	(59,334)	(34,752)
Interest received	65	65
Proceed on disposal	25	38
Net cash outflow from investing activities	(59,244)	(34,649)
Financing activities		
Bank borrowings	31,162	(15,284)
Dividend paid	-	(1,108)
Share buy back	(119)	(22)
Shares subscribed by warrant holder	5,223	138
Finance lease interest paid	(76)	(157)
Net cash inflow/(outflow) from financing activities	36,190	(16,433)
Net decrease in cash and cash equivalents	(22,026)	(5,918)
Cash and cash equivalents at beginning of the year	36,017	58,396
Cash and cash equivalents at end of the financial period	1	13,991
	13,991	52,478
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	2,376	3,074
Cash and bank balances	13,725	49,404
Bank overdraft	(2,110)	-
	13,991	52,478

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2014 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2015**

	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	
6 months ended 30th June 2015						
At 1st January 2015	118,350	43,948	32,929	381,965	(349)	576,843
Shares 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	<u>122,248</u>	<u>48,235</u>	<u>29,967</u>	<u>357,096</u>	<u>(468)</u>	<u>557,078</u>
6 months ended 30th June 2014						
At 1st January 2014	110,989	35,851	38,523	368,356	(438)	553,281
Share subscribed by warrant holder	103	35	(78)	78	(22)	116
Dividend declared in respect of financial year ended 31st December 2013	-	-	-	(1,108)	-	(1,108)
Total comprehensive income	-	-	-	17,381	-	17,381
At 30th June 2014	<u>111,092</u>	<u>35,886</u>	<u>38,445</u>	<u>384,707</u>	<u>(460)</u>	<u>569,670</u>

The Unaudited Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2014 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 30st JUNE 2015

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”) 134: 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 2014, 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 2014.

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 2015:-

Amendments to MFRS 119 Employee Benefits - Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 - 2012 Cycle
Annual Improvements to MFRSs 2011 - 2013 Cycle

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 2016

MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective for financial periods beginning on or after 1st January 2016 (cont'd)

Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 141 Agriculture - Bearer Plants
Amendments to MFRS 10	Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 - 2014 Cycle	

Effective for financial periods beginning on or after 1st January 2017

MFRS 15	Revenue from Contracts with Customers
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Effective for financial periods beginning on or after 1st January 2018

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

The Auditors’ for the financial statements for the financial year ended 31st December 2014 expressed that the audit evidence obtained is sufficient and appropriate to provide a basis for the qualified audit opinion. Except for the key significant matters described in the Basis for Qualified Opinion paragraphs and subject to the effects of any other information that may arise from on-going regulatory reviews. In the auditor’s opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2014 and of their financial performance and cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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. Extraordinary items

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 5,018,500 ordinary shares were subscribed by a warrant holder on his entitlement at the exercise price of RM0.67 per share on 3rd April 2015 and 10th April'2015 respectively.

As at 30th June 2015, a total of 456,300 shares were held as treasury shares out of its total issued share capital of 244,495,903 shares at an average price of RM1.008 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	232,870	558,267
- Outside Malaysia	9,326	9,326
	242,196	567,593

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

	30/06/15 RM'000
Property, plant and equipment	
- Approved and contracted for	9,964
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	<u>9,964</u>

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

B1. Review of performance

The Group reported a loss before tax of RM12.49 million on the revenue of RM242.20 million for the current quarter compared to a profit before tax of RM10.79 million on the revenue of RM359.99 million for the previous year corresponding quarter. The decrease in revenue and loss incurred in the current quarter were mainly attributed to lower selling price, sales volume and margin.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a decrease of RM83.19 million to RM242.20 million mainly due to lower selling price and sales volume. The Group recorded a loss before tax of RM12.49 million as compared to loss before tax of RM9.90 million achieved in the immediate preceding quarter mainly due to lower margin in the current quarter.

B3. Prospects

With the implementation of Goods Service Tax (GST) in April 2015, this has resulted in the softening of demand for steel products in the domestic market as the whole supply chain is attempting to adjust to the new fiscal measures. The large overhang of imported steel in the market is expected to weight down on any price recovery in the immediate future.

Focus on boosting the future earnings of the Company, the Management is diligently working towards completing its new high capacity steel mill to produce higher value steel bars. The decline in the exchange rate of the ringgit against the U.S. Dollar (USD) has also helped in the opening up of new export sales opportunities for the Company and cause imported steel products to be less competitive.

The Company is working closely with the relevant authorities to ensure the expedient implementation of the 5% import duty for imported steel bars and the enforcement of illegal use of non-Malaysian standard (MS) compliance steel products.

Meanwhile, the business environment is expected to remain challenging in the remaining quarters.

B4. Profit forecast

The disclosure requirements for explanatory notes are not applicable as no profit forecast was published.

B5. Loss before taxation

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Loss before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange loss	2,778	5,567
Realised foreign exchange loss/ (gain)	(242)	893
Depreciation of property, plant and equipment	5,586	11,183
Interest expense	3,227	8,361
Interest income	(25)	(65)

B6. Taxation

i) Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	-	-
Deferred taxation:		
-Current year	1,632	2,441
-Under provision in prior years	36	36
	1,668	2,477

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Loss before taxation	(12,491)	(22,392)
Taxation at tax rate of 25%	(3,123)	(5,598)
Income not subject to tax	796	1,582
Effect of unutilized capital allowance and reinvestment allowance	1,397	2,796
Deferred tax liabilities		
-current year	1,632	2,441
-under provision in prior year	36	36
Effect on unabsorbed business losses	905	1,121
Others	25	99
	1,668	2,477

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.

MCN’s joint-venture partner KUB Malaysia Berhad had recently announced its new Group Managing Director’s appointment and its management is expected to consider and review the project soon.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	30/06/15
	RM'000
<u>Secured:</u>	
Short term borrowings	283,440
Long term borrowings	<u>56,948</u>
Total borrowings	<u><u>340,388</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. Loss per share (“EPS”)

(a) *Basic loss per share*

The basic loss per share of the Company is calculated by dividing the loss 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>(14,159)</u>	<u>(24,869)</u>
Weighted average number of ordinary shares in issue ('000)	<u>238,489</u>	<u>238,489</u>
Basic Loss Per Share (sen)	<u>(5.94)</u>	<u>(10.43)</u>

(b) *Diluted loss per share*

For the purpose of calculating diluted loss per share, the weighted average numbers of shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the period as set out below:

	Current Quarter Ended	Current Year To-date Ended
Loss attributable to ordinary shareholders (RM'000)	<u>(14,159)</u>	<u>(24,869)</u>
Weighted average number of ordinary shares in issue ('000)	238,489	238,489
Effects of dilution ('000)	18,504	18,504
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>256,993</u>	<u>256,993</u>
Diluted Loss Per Share (sen)	<u>(5.51)</u>	<u>(9.68)</u>

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 30/06/15 RM'000	As at 31/12/14 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	332,633	359,285
- Unrealised	25,463	23,518
	<u>358,096</u>	<u>382,803</u>
Total share of accumulated losses from Associate :		
- Realised	(1,000)	(838)
Total Group retained profits as per consolidated accounts	<u><u>357,096</u></u>	<u><u>381,965</u></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.