

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/18	31/12/17	31/12/18	31/12/17
	RM'000	RM'000	RM'000	RM'000
Revenue	348,925	422,325	1,496,853	1,463,257
Cost of sales	(345,369)	(387,156)	(1,407,759)	(1,328,471)
Gross Profit	3,556	35,169	89,094	134,786
Operating expenses	(26,000)	(12,449)	(62,797)	(56,229)
Other expenses	-	(426)	(8,785)	(426)
Other income	656	-	2,616	12,775
Interest income	224	205	621	799
Finance cost	(2,589)	(5,456)	(15,747)	(20,109)
Share of results of associated company	6	(341)	(164)	(714)
Profit/(Loss) before tax	(24,147)	16,702	4,838	70,882
Taxation	(721)	(4,587)	1,867	4,575
Profit/(Loss) for the year	(24,868)	12,115	6,705	75,457
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	(24,868)	12,115	6,705	75,457
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	(24,868)	12,115	6,705	75,457
Profit/(Loss) for the year	(24,868)	12,115	6,705	75,457
Earnings/(Loss) per share (sen)				
- Basic	(5.84)	4.02	1.58	25.03
- 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 DECEMBER 2018**

	31/12/18 RM'000	31/12/17 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	630,463	596,697
Investment in Associate company	6,141	6,302
	<u>636,604</u>	<u>602,999</u>
<u>Current Assets</u>		
Inventories	499,479	430,216
Trade and other receivables	139,550	226,200
Taxation recoverables	5,445	5,120
Short term deposit	51,108	32,065
Cash and bank balances	22,047	20,511
	<u>717,630</u>	<u>714,112</u>
TOTAL ASSETS	<u><u>1,354,234</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	428,723	426,863
Total Equity	<u>657,618</u>	<u>648,022</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	146,916	33,542
Deferred tax liabilities	9,603	11,969
	<u>156,519</u>	<u>45,511</u>
<u>Current Liabilities</u>		
Trade and other payables	180,050	219,765
Trade deposits	116,843	82,411
Short term borrowings	243,204	321,402
	<u>540,097</u>	<u>623,578</u>
Total liabilities	<u>696,616</u>	<u>669,089</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,354,234</u></u>	<u><u>1,317,111</u></u>
Net Assets per share (RM)	1.55	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 YEAR ENDED 31 DECEMBER 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>12 months ended 31st December 2018</i>						
At 1st January 2018	221,472	-	-	426,863	(313)	648,022
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	-	-	-	6,705	-	6,705
At 31st December 2018	<u>230,094</u>	<u>-</u>	<u>-</u>	<u>428,723</u>	<u>(1,199)</u>	<u>657,618</u>
<i>12 months ended 31st December 2017</i>						
At 1st January 2017	122,254	78,204	-	351,406	(897)	550,967
New shares issued	20,417	-	-	-	-	20,417
Adjustments for effects of Companies Act 2016 (Note A)	78,801	(78,204)	(597)	-	-	-
Treasury shares sales	-	-	597	-	584	1,181
Total comprehensive income	-	-	-	75,457	-	75,457
At 31st December 2017	<u>221,472</u>	<u>-</u>	<u>-</u>	<u>426,863</u>	<u>(313)</u>	<u>648,022</u>

Note A During the quarter and period ended 31 Dec 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. During the financial year, the Company had utilised all the credit in the share premium account which are now part of the share capital.

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 YEAR ENDED 31 DECEMBER 2018**

	Current year 01/01/18 to 31/12/18 RM'000	Preceding Year 01/01/17 to 31/12/17 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	4,838	70,882
Adjustment for:		
Depreciation of property, plant and equipment	28,641	28,050
Interest expenses	15,746	20,109
Impairment of inventories	4,593	2,168
Gain on disposal of property, plant and equipment	(5)	(18)
Share of loss of associate	164	716
Others	5,543	(13,124)
Operating profit before changes in working capital	59,520	108,783
Changes in working capital		
Net change in inventories	(73,856)	(40,076)
Net change in receivables	86,650	(54,052)
Net change in payables	(11,452)	(4,633)
Cash generated from operations	60,862	10,022
Interest paid	(15,598)	(20,053)
Income tax paid	(823)	(1,159)
Net cash inflow/(outflow) from operating activities	44,441	(11,190)
Investing activities		
Purchase of property, plant and equipment	(62,402)	(12,202)
Interest received	621	774
Net cash outflow from investing activities	(61,781)	(11,428)
Financing activities		
Bank borrowings	37,176	(7,057)
Dividend paid	(3,833)	-
Issue of new shares	7,610	21,014
Share resales/ (buy-back)	(886)	584
Finance lease interest paid	(148)	(56)
Net cash inflow from financing activities	39,919	14,485
Net increase/(decrease) in cash and cash equivalents	22,579	(8,133)
Cash and cash equivalents at beginning of the year	50,576	58,709
Cash and cash equivalents at end of the financial year	1 73,155	50,576
1 Cash and cash equivalents at end of the financial year comprise :		
Short term deposit	51,108	32,065
Cash and bank balances	22,047	20,511
Bank overdraft	-	(2,000)
	73,155	50,576

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 DECEMBER 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

IFRS 15—Revenue from Contracts with customers-Assessment of promised goods or services.

September 2018, the IFRS Interpretations Committee (“IFRIC”) issued a clarification guidance on the recognition of non-refundable upfront fee charges by a stock exchange for admission and initial listing services. The IFRIC concluded, in its meeting on 16 January 2019, that a stock exchange does not promise to transfer any service to the customer other than the service of being listed on the exchange. In view of this, the Group now recognizes revenue from initial listing services over a period when the services are provided. Prior to the application of the IFRIC’s conclusion, the Group recognised initial listing fees from initial public offerings at a point in time upon the listing of an applicant’s securities. The Group has assessed that the impact of the retrospective application of the IFRIC’s conclusion on the Group’s financial statement to be immaterial.

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.

As at 31st December 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

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	339,456	1,487,325
- Outside Malaysia	9,469	9,528
	348,925	1,496,853
	348,925	1,496,853

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			12 months		
	31/12/2018	31/12/2017	Changes	31/12/2018	31/12/2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	348,925	422,325	(17.38)	1,496,853	1,463,257	2.30
(Loss)/Profit before interest and tax	(21,558)	22,159	(197.29)	20,585	90,992	(77.38)
(Loss)/Profit before tax	(24,147)	16,703	(244.57)	4,838	70,883	(93.17)

The Group reported a loss before tax of RM24.15 million on the revenue of RM348.92 million for the current quarter compared to a profit before tax of RM16.70 million on the revenue of RM422.32 million for the previous year corresponding quarter. The decrease in revenue in current quarter were mainly attributed to lower sales volume and selling price. The current quarter recorded a loss before tax mainly due to lower margin, impairment of inventories and higher administrative expenses.

For the year under review, the Company's revenue increased by 2.30% to RM1.49 billion as compared to RM1.46 billion for the previous financial year. This is mainly due to higher average selling price. The profit before tax decreased from RM70.88 million in the previous year to profit before tax of RM4.84 million mainly due to lower margin, impairment of inventories, higher administrative expenses and unrealized foreign exchange loss.

B2. Variation of results against preceding quarter's

	3 months ended		Changes
	31.12.2018	30.9.2018	
	RM'000	RM'000	%
Revenue	348,925	388,432	(10.17)
(Loss)/Profit before tax	(24,147)	3,951	(711.16)

The Group's revenue for the current quarter recorded a decrease of RM39.51 million to RM348.92 million mainly due to lower selling price and sales volume caused by the lower steel demand as compared with the last quarter. The Group recorded a loss before tax of RM24.15 million as compared to profit before tax of RM3.95 million achieved in the immediate preceding quarter mainly due to lower margin, higher administrative expenses and impairment of inventories in the current quarter.

B3. Prospects

The next quarter is expected to see the convergence of the material costs between iron ore and scrap for steel making resulting in better cost of production for the Company relative to its competitors.

In addition to the general slowdown in the construction and property sectors, the seasonal slowdown due to Chinese Lunar New Year is expected to further dampen the demand for the Company's product and prices.

Meanwhile extensive initiatives are being implemented to streamline the Company's manufacturing processes and supply chain to improve its margins.

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	(656)	6,169
Realised foreign exchange (gain)/ loss	244	(6,110)
Depreciation of property, plant and Equipment	7,388	28,641
Impairment of inventories	5,628	4,593
Impairment loss in associate	(6)	164
Interest expense	2,589	15,747
Interest income	(224)	(621)

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	(2,564)	1,178
-Over provision in prior years	-	(680)
Deferred taxation:		
-Current year	3,285	(1,103)
-Over provision in prior years	-	(1,262)
	721	(1,867)

The effective tax rate of the Group for the current quarter ended 31st December 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 GUANTEED 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.

On 30th November 2018, the Company had announced that its Sukuk Ijarah Issuance has been oversubscribed by approximately 30%.

(b) Status of utilization of proceed raised

The total proceed raised as at the reporting date by the Company from the Sukuk Ijarah Programme had been utilized in the following manner.

	Total Proceeds RM’000	Utilised RM’000	Unutilised RM’000
Refinance term loan facilities	40,000	28,234	11,766
Capital expenditure	30,000	27,941	2,059
General working capital and defray all relevant expenses	60,000	73,825	(13,825)
	130,000	130,000	-

B8. Borrowings

	31/12/18 RM’000
<u>Secured:</u>	
Short term borrowings	243,204
Long term borrowings	<u>146,916</u>
Total borrowings	<u><u>390,120</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
(Loss)/ Profit attributable to ordinary shareholders (RM'000)	<u>(24,868)</u>	<u>6,705</u>
Weighted average number of ordinary shares in issue ('000)	<u>425,491</u>	<u>425,491</u>
Basic (Loss)/ Earning Per Share (sen)	<u>(5.84)</u>	<u>1.58</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.