

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/19 RM'000	31/03/18 RM'000	31/03/19 RM'000	31/03/18 RM'000
Revenue	280,222	434,802	280,222	434,802
Cost of sales	(276,375)	(404,570)	(276,375)	(404,570)
Gross Profit	3,847	30,232	3,847	30,232
Operating expenses	(13,137)	(8,148)	(13,137)	(8,148)
Other income	3,554	1,960	3,554	1,960
Interest income	66	249	66	249
Finance cost	(5,736)	(4,218)	(5,736)	(4,218)
Share of results of associated company	(38)	(103)	(38)	(103)
Profit/(Loss) before tax	(11,444)	19,972	(11,444)	19,972
Taxation	2,766	(2,250)	2,766	(2,250)
Profit/(Loss) for the period	(8,678)	17,722	(8,678)	17,722
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	(8,678)	17,722	(8,678)	17,722
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	(8,678)	17,722	(8,678)	17,722
Profit/(Loss) for the period	(8,678)	17,722	(8,678)	17,722
Earnings/(Loss) per share (sen)				
- Basic	(2.04)	4.20	(2.04)	4.20
- 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 31 MARCH 2019**

	31/03/19 RM'000	31/12/18 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	644,101	630,463
Investment in Associate company	6,103	6,141
	<u>650,204</u>	<u>636,604</u>
<u>Current Assets</u>		
Inventories	504,992	499,479
Trade and other receivables	147,762	162,154
Taxation recoverables	6,013	5,445
Other investment	3,000	3,000
Short term deposit	16,400	48,108
Cash and bank balances	19,297	22,047
	<u>697,464</u>	<u>740,233</u>
TOTAL ASSETS	<u><u>1,347,668</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	420,045	428,723
Total Equity	<u>648,815</u>	<u>657,618</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	146,100	146,809
Deferred tax liabilities	6,815	9,603
	<u>152,915</u>	<u>156,412</u>
<u>Current Liabilities</u>		
Trade and other payables	136,834	202,764
Trade deposits	111,507	116,843
Short term borrowings	297,597	243,200
	<u>545,938</u>	<u>562,807</u>
Total liabilities	<u>698,853</u>	<u>719,219</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,347,668</u></u>	<u><u>1,376,837</u></u>
Net Assets per share (RM)	1.52	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 31 MARCH 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	
3 months ended 31st March 2019						
At 1st January 2019	230,094	-	-	428,723	(1,199)	657,618
Share buy back	-	-	-	-	(125)	(125)
Total comprehensive income	-	-	-	(8,678)	-	(8,678)
At 31st March 2019	230,094	-	-	420,045	(1,324)	648,815
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	230,094	-	-	443,574	(1,000)	672,668

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 31 MARCH 2019**

	Current year 01/01/19 to 31/03/19 RM'000	Preceding Year 01/01/18 to 31/03/18 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	(11,444)	19,972
Adjustment for:		
Depreciation of property, plant and equipment	7,444	7,076
Interest expenses	5,736	4,218
Impairment of inventories	656	(1,172)
Share of loss of associate	38	103
Others	(3,619)	(2,211)
Operating (loss)/profit before changes in working capital	(1,189)	27,986
Changes in working capital		
Net change in inventories	(6,169)	50,497
Net change in receivables	14,392	8,179
Net change in payables	(67,712)	(58,734)
Cash (used)/generated from operations	(60,678)	27,928
Interest paid	(5,686)	(4,201)
Income tax paid	(591)	(262)
Net cash (outflow)/inflow from operating activities	<u>(66,955)</u>	<u>23,465</u>
Investing activities		
Purchase of property, plant and equipment	(20,895)	(595)
Interest received	66	249
Net cash outflow from investing activities	<u>(20,829)</u>	<u>(346)</u>
Financing activities		
Bank borrowings	53,501	(49,260)
Issue of private placement	-	7,610
Share resales/ (buy-back)	(125)	(687)
Finance lease interest paid	(50)	(17)
Net cash inflow/(outflow) from financing activities	<u>53,326</u>	<u>(42,354)</u>
Net decrease in cash and cash equivalents	(34,458)	(19,235)
Cash and cash equivalents at beginning of the year	70,155	50,576
Cash and cash equivalents at end of the financial period	<u><u>35,697</u></u>	<u><u>31,341</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	16,400	14,372
Cash and bank balances	19,297	16,969
	<u><u>35,697</u></u>	<u><u>31,341</u></u>

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 31ST MARCH 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 the following Standards have been deferred, and yet to be announced

- Amendments to MFRS 10 Consolidated Financial Statement
- 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 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, save as disclosed below.

On 3rd January 2019, 7th January 2019 and 10th January 2019, the Company had buy back a total of 133,000, 109,000 and 52,000 share in treasury shares at an average price of RM0.375, RM0.459 and RM0.474 per share respectively

As at 31st March 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.

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	279,737	279,737
- Outside Malaysia	485	485
	280,222	280,222
	280,222	280,222

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

	31/03/19
	RM'000
Property, plant and equipment	
- Approved and contracted for	3,837
	<hr/>
	<u>3,837</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			3 months		
	31/03/2019	31/03/2018	Changes	31/03/2019	31/03/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	280,222	434,802	(35.55)	280,222	434,802	(35.55)
(Loss)/Profit before interest and tax	(5,708)	24,190	(123.59)	(5,708)	24,190	(123.59)
(Loss)/Profit before tax	(11,444)	19,972	(157.30)	(11,444)	19,972	(157.30)

The Group reported a loss before tax of RM11.44 million on the revenue of RM280.22 million for the current quarter compared to a profit before tax of RM19.97 million on the revenue of RM434.80 million for the previous year corresponding quarter. The decrease in revenue in current quarter were mainly attributed to lower sales volume and lower selling price. The current quarter recorded a loss before tax mainly due to lower margin and higher operating expenses.

B2. Variation of results against preceding quarter's

	3 months ended		
	31.03.2019	31.12.2018	Changes
	RM'000	RM'000	%
Revenue	280,222	348,925	(19.69)
(Loss)/Profit before tax	(11,444)	(24,147)	(52.61)

The Group's revenue for the current quarter recorded a decrease of RM68.70 million to RM280.22 million mainly due to lower sales volume and lower selling price as compared with last quarter. The Group recorded a lower loss before tax of RM11.44 million as compared to loss before tax of RM24.15 million achieved in the immediate preceding quarter mainly due to higher margin and lower administrative expenses in the current quarter.

B3. Prospects

The Domestic steel bar market continues to underperform due to the slowing of the local construction sectors as a result of continued fiscal prudence of the Government and lackluster consumer sentiment.

With the gradual depreciation of the Ringgit it will cause imported raw materials to be more costly for the Company. Seasonal factors are also contributing to the lower demand in May and June which are expected to subdue demand and prices.

The Company is striving to complete the deployment of the technology packages and expects the impact of the benefits of the new technologies to materialize in the next few months.

This could coincide favourably with the expected mild recovery of the construction industry towards the last quarter of the year. The Company and management team is steadfastly focused on delivering better results in the next few 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	(3,554)	(3,554)
Realised foreign exchange (gain)/ loss	(606)	(606)
Depreciation of property, plant and Equipment	7,444	7,444
Impairment of inventories	656	656
Impairment in associate	38	38
Interest expense	5,736	5,736
Interest income	(66)	(66)

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	23	23
-Over provision in prior years	-	-
Deferred taxation:		
-Current year	(2,789)	(2,789)
-Over provision in prior years	-	-
	<u>(2,766)</u>	<u>(2,766)</u>

The effective tax rate of the Group for the current quarter ended 31st March 2019 was lower than the statutory tax rate mainly due to 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

31/03/19
RM'000

<u>Secured:</u>	
Short term borrowings	297,597
Long term borrowings	146,100
Total borrowings	<u>443,697</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 attributable to ordinary shareholders (RM'000)	<u>(8,678)</u>	<u>(8,678)</u>
Weighted average number of ordinary shares in issue ('000)	<u>425,565</u>	<u>425,565</u>
Basic Loss Per Share (sen)	<u>(2.04)</u>	<u>(2.04)</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.