

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/19	30/09/18	30/09/19	30/09/18
	RM'000	RM'000	RM'000	RM'000
Revenue	270,554	388,432	845,451	1,147,928
Cost of sales	(247,093)	(359,647)	(813,926)	(1,062,390)
Gross Profit	23,461	28,785	31,525	85,538
Operating expenses	(16,955)	(16,412)	(39,267)	(36,797)
Other expenses	-	(4,003)	(2,055)	(8,785)
Other income	175	-	3,729	1,960
Interest income	138	83	232	397
Finance cost	(4,745)	(4,487)	(17,239)	(13,157)
Share of profit/ (loss) in associated company	24	(15)	132	(170)
Profit/(Loss) before tax	2,098	3,951	(22,943)	28,986
Tax credit/ (expense)	7,980	1,921	13,950	2,589
Profit/(Loss) for the period	10,078	5,872	(8,993)	31,575
Other Comprehensive Income - Revaluation of land	76,649	-	76,649	-
Total Comprehensive Income	86,727	5,872	67,656	31,575
Profit/(Loss) and Total Comprehensive Income attributable to: Equity holders of the Company	86,727	5,872	67,656	31,575
Profit/(Loss) for the period	10,078	5,872	(8,993)	31,575
Earnings/(Loss) per share (sen)				
- Basic	2.37	1.38	(2.11)	7.44
- 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 SEPTEMBER 2019

	30/09/19 RM'000	31/12/18 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	738,491	630,463
Investment in Associate company	6,273	6,141
Deferred tax assets	5,306	-
	<u>750,070</u>	<u>636,604</u>
<u>Current Assets</u>		
Inventories	539,662	499,479
Trade and other receivables	148,930	162,154
Taxation recoverables	5,645	5,445
Other investment	-	3,000
Short term deposit	32,407	48,108
Cash and bank balances	31,361	22,047
	<u>758,005</u>	<u>740,233</u>
TOTAL ASSETS	<u><u>1,508,075</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
Revaluation reserves	76,649	-
Treasury shares	(1,324)	(1,199)
Retained profits	419,730	428,723
Total Equity	<u>725,149</u>	<u>657,618</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	154,762	146,809
Deferred tax liabilities	40	9,603
	<u>154,802</u>	<u>156,412</u>
<u>Current Liabilities</u>		
Trade and other payables	245,302	202,764
Trade deposits	83,049	116,843
Short term borrowings	299,773	243,200
	<u>628,124</u>	<u>562,807</u>
Total liabilities	<u>782,926</u>	<u>719,219</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,508,075</u></u>	<u><u>1,376,837</u></u>
Net Assets per share (RM)	1.70	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 SEPTEMBER 2019

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Revaluation Reserves RM'000	Capital Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
9 months ended 30th September 2019						
At 1st January 2019	230,094	-	-	428,723	(1,199)	657,618
Share buy back	-	-	-	-	(125)	(125)
Total comprehensive income	-	76,649	-	(8,993)	-	67,656
At 30th September 2019	230,094	76,649	-	419,730	(1,324)	725,149
9 months ended 30th September 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	-	-	-	-	(1,199)	(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	230,094	-	-	453,594	(1,199)	682,489

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 SEPTEMBER 2019**

	Current year 01/01/19 to 30/09/19 RM'000	Preceding Year 01/01/18 to 30/09/18 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	(22,943)	28,986
Adjustment for:		
Depreciation of property, plant and equipment	22,347	21,253
Interest expenses	17,239	13,157
Impairment of inventories	1,236	(1,035)
Loss/ (Gain) on disposal of property, plant and equipment	10	(5)
Share of (profit)/loss of associate	(132)	170
Others	(1,882)	6,423
Operating profit before changes in working capital	15,875	68,949
Changes in working capital		
Net change in inventories	(41,419)	(64,046)
Net change in receivables	13,224	69,954
Net change in payables	10,418	23,059
Cash (used)/generated from operations	(1,902)	97,916
Interest paid	(16,839)	(13,062)
Income tax paid	(1,143)	(819)
Net cash (outflow)/inflow from operating activities	(19,884)	84,035
Investing activities		
Purchase of property, plant and equipment	(53,736)	(60,276)
Decrease in other investment	3,000	-
Interest received	232	398
Net cash outflow from investing activities	(50,504)	(59,878)
Financing activities		
Bank borrowings	62,526	(39,108)
Dividend paid	-	(3,833)
Issue of private placement	-	7,610
Share resales/ (buy-back)	(125)	(886)
Finance lease interest paid	(400)	(95)
Net cash inflow/(outflow) from financing activities	62,001	(36,312)
Net decrease in cash and cash equivalents	(8,387)	(12,155)
Cash and cash equivalents at beginning of the year	70,155	50,576
Cash and cash equivalents at end of the financial period	61,768	38,421
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	32,407	22,400
Cash and bank balances	31,361	16,021
Bank overdraft	(2,000)	-
	61,768	38,421

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 SEPTEMBER 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, save as disclosed below.

A total of 2,800,000 new Masteel Shares was issued from 1st October 2019 to 1st November 2019 at an average price of RM0.35 per share.

As at 30th September 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	269,923	844,284
- Outside Malaysia	631	1,167
	270,554	845,451

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. On 30th September 2019, the Company had a revaluation of land and the revaluation surplus of RM76.65 million was recognized in the other comprehensive income and to the equity.

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

	30/09/19 RM'000
Property, plant and equipment	
- Approved and contracted for	2,481
	<hr/>
	<u>2,481</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			9 months		
	30/09/2019	30/09/2018	Changes	30/09/2019	30/09/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	270,554	388,432	(30.35)	845,451	1,147,928	(26.35)
Profit/(loss) before interest and tax	6,843	8,438	(18.91)	(5,704)	42,143	(113.54)
Profit/(Loss) before tax	2,098	3,951	(46.90)	(22,943)	28,986	(179.15)

The Group reported a profit before tax of RM2.09 million on the revenue of RM270.55 million for the current quarter as compared to a profit before tax of RM3.95 million on the revenue of RM388.43 million for the previous year corresponding quarter. The decrease in revenue in current quarter were mainly attributed to lower sales volume and selling price. However, the current quarter recorded a better margin as a result of its technology driven cost cutting measures undertaken.

B2. Variation of results against preceding quarter's

	9 months ended		Changes
	30.09.2019	30.06.2019	
	RM'000	RM'000	%
Revenue	270,554	294,675	(8.19)
Profit/ (Loss) before tax	2,098	(13,597)	(115.43)

The Group's revenue for the current quarter recorded a decrease of RM24.12 million to RM270.55 million mainly due to lower selling price as compared with last quarter. The Group recorded a profit before tax of RM2.09 million as compared to a loss before tax of RM13.59 million achieved in the immediate preceding quarter mainly due to better margin recorded as a result from the realization of its technology driven cost cutting measure.

B3. Prospects

The local demand for steel bars have rebounded from a trough in September 2019. The Company expects a gradual recovery towards end of the year and this turnaround is expected to gather strength in year 2020.

Meanwhile, the Company is continuing to fine tune its new plant and machinery to ensure that the delivery of healthier performance is in line with the recovery of steel demand in the coming year.

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	(175)	(1,674)
Realised foreign exchange gain	(605)	(559)
Depreciation of property, plant and Equipment	7,462	22,347
Impairment for inventories	4,634	1,236
Share of profit in associate	(24)	(132)
Interest expense	4,745	17,239
Interest income	(138)	(232)
Revaluation of land	76,649	76,649
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. Tax (credit)/ expense

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	109	500
-Over provision in prior years	28	419
Deferred taxation:		
-Current year	(5,298)	(11,293)
-Over provision in prior years	(2,819)	(3,576)
	<u>(7,980)</u>	<u>(13,950)</u>

The effective tax rate of the Group for the current quarter ended 30th September 2019 was lower than the statutory tax rate mainly due to unabsorbed losses and unutilised of capital allowance.

B7. (a) Status of corporate proposals

Refer to the announcements dated 13th September 2019 and 17th September 2019, the Company propose to undertake the following private placement pursuant to Section 75 and 76 of the Companies Act 2016 (“Proposed Private Placement”):-

- i) Up to 42,500,000 new Masteel Shares, representing up to approximately 10% of the Company’s total number of issued shares.

Bursa Securities had, vide its letter dated 19th September 2019, approved the listing and quotation of the Proposed Private Placement.

The above corporate proposals was approved by the shareholders at the Annual General Meeting dated on 20th June 2019.

A total of 2,800,000 new Masteel Shares was issued from 1st October 2019 to 1st November 2019 at an average price of RM0.35 per share.

(b) Status of utilization of proceed raised

- i) Private Placement

The total proceed raised as at the reporting date by the Company from the Private Placement had been utilised in the following manner.

	Total Proceeds RM’000	Utilised RM’000	Unutilised RM’000
Repayment of bank borrowings	984	984	-
	984	984	-

B8. Borrowings

	30/09/19 RM’000
<u>Secured:</u>	
Short term borrowings	299,773
Long term borrowings	154,762
Total borrowings	454,535

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 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 reschedule for case management on 10th December 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. Earnings/(Loss) per share (“EPS”)

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

The basic earnings/(loss) per share of the Company is calculated by dividing the profit/(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
Profit/ (Loss) attributable to ordinary shareholders (RM'000)	<u>10,078</u>	<u>(8,993)</u>
Weighted average number of ordinary shares in issue ('000)	<u>425,565</u>	<u>425,565</u>
Basic Earning/ (Loss) Per Share (sen)	<u>2.37</u>	<u>(2.11)</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.