

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/21	30/09/20	30/09/21	30/09/20
	RM'000	RM'000	RM'000	RM'000
Revenue	322,950	417,492	1,115,822	1,010,758
Cost of sales	(303,857)	(404,489)	(1,034,335)	(995,613)
Gross Profit	19,093	13,003	81,487	15,145
Operating expenses	(12,161)	(5,479)	(32,677)	(26,303)
Other expenses	-	-	(4,730)	(10,055)
Other income	417	2,575	1,360	11,590
Interest income	57	249	162	303
Finance cost	(3,774)	(4,449)	(14,132)	(18,772)
Share of (loss)/profit in associated company	(201)	139	(58)	39
Profit/(Loss) before tax	3,431	6,038	31,412	(28,053)
Tax (expenses)/credit	(746)	(2,273)	(10,946)	5,115
Profit/(Loss) for the period	2,685	3,765	20,466	(22,938)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Profit/(Loss)	2,685	3,765	20,466	(22,938)
Profit/(Loss) and Total Comprehensive Loss attributable to: Equity holders of the Company	2,685	3,765	20,466	(22,938)
Profit/(Loss) for the period	2,685	3,765	20,466	(22,938)
Earnings/(Loss) per share (sen)				
- Basic	0.59	0.85	4.52	(5.15)
- 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 2020 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2021**

	<b>30/09/21</b>	<b>31/12/20</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	761,542	774,436
Investment in Associate company	6,228	6,286
Deferred tax assets	-	5,452
	<u>767,770</u>	<u>786,174</u>
<u>Current Assets</u>		
Inventories	599,922	567,688
Trade and other receivables	222,400	211,797
Taxation recoverables	-	2,816
Short term deposit	19,699	23,800
Cash and bank balances	54,343	14,343
	<u>896,364</u>	<u>820,444</u>
<b>TOTAL ASSETS</b>	<u><u>1,664,134</u></u>	<u><u>1,606,618</u></u>
<b>EQUITY AND LIABILITIES</b>		
<u>Equity attributable to equity holders</u>		
Share capital	240,232	239,942
Revaluation reserves	76,649	76,649
Treasury shares	-	(1,490)
Retained profits	426,137	405,671
Total Equity	<u>743,018</u>	<u>720,772</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	6,744	8,659
Long term borrowings	90,000	90,000
Deferred tax liabilities	2,610	87
	<u>99,354</u>	<u>98,746</u>
<u>Current Liabilities</u>		
Trade and other payables	424,222	399,614
Trade deposits	47,389	59,925
Tax Payable	(248)	147
Lease Liabilities	3,530	3,427
Short term borrowings	346,869	323,987
	<u>821,762</u>	<u>787,100</u>
Total liabilities	<u>921,116</u>	<u>885,846</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,664,134</u></u>	<u><u>1,606,618</u></u>
Net Assets per share (RM)	1.64	1.59

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2020 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 2021

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Subscription Money received RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<i>9 months ended 30th September 2021</i>						
At 1st January 2021	239,942	-	76,649	405,671	(1,490)	720,772
Share resale	290	-	-	-	1,490	1,780
Total comprehensive income	-	-	-	20,466	-	20,466
At 30th September 2021	240,232	-	76,649	426,137	-	743,018
<i>9 months ended 30th September 2020</i>						
At 1st January 2020	233,310	950	76,649	420,397	(1,324)	729,982
New shares issued	6,633	(950)	-	-	-	5,683
Share buy back	-	-	-	-	(166)	(166)
Total comprehensive loss	-	-	-	(22,938)	-	(22,938)
At 30th September 2020	239,943	-	76,649	397,459	(1,490)	712,561

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 2020 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 2021**

	<b>Current year 01/01/21 to 30/09/21 RM'000</b>	<b>Preceding Year 01/01/20 to 30/09/20 RM'000</b>
<b>Cash Flow From Operating Activities:-</b>		
Profit/(Loss) before tax	31,412	(28,053)
Adjustment for:		
Depreciation of property, plant and equipment	24,195	24,573
Interest expenses	14,132	18,774
Impairment/(reversal) of inventories	571	(7,498)
Gain on disposal of property, plant and equipment	(173)	(131)
Share of loss/(gain) of associate	58	(39)
Others	3,207	(1,839)
Operating profit before changes in working capital	73,402	5,787
Changes in working capital		
Net change in inventories	(32,805)	33,815
Net change in receivables	(10,603)	(38,331)
Net change in payables	8,702	97,435
Cash generated from operations	38,696	98,706
Interest paid	(13,506)	(17,948)
Income tax paid	(550)	(282)
Income tax refund	-	1,937
GST refund	-	1,812
Net cash inflow from operating activities	<u>24,640</u>	<u>84,225</u>
Investing activities		
Purchase of property, plant and equipment	(10,794)	(47,922)
Interest received	162	303
Proceed from disposal	173	199
Net cash outflow from investing activities	<u>(10,459)</u>	<u>(47,420)</u>
Financing activities		
Bank borrowings	20,563	(39,846)
Issue of private placement	-	5,683
Share resales/(buy-back)	1,780	(166)
Finance lease interest paid	(625)	(826)
Net cash inflow/(outflow) from financing activities	<u>21,718</u>	<u>(35,155)</u>
Net increase in cash and cash equivalents	35,899	1,650
Cash and cash equivalents at beginning of the year	38,143	58,306
Cash and cash equivalents at end of the financial period	<u><u>74,042</u></u>	<u><u>59,956</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	19,699	38,182
Cash and bank balances	54,343	21,774
Bank overdraft	-	-
	<u><u>74,042</u></u>	<u><u>59,956</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 2020 and accompanying explanatory notes attached to the interim financial statements.

**MALAYSIA STEEL WORKS (KL) BHD**  
**Company No. 197101000213 (7878-V)**

**EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2021**

**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 31<sup>st</sup> December 2020, 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 31<sup>st</sup> December 2020.

**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 31<sup>st</sup> December 2020, except for the following:

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions
- Amendments to MFRS 9 Financial instruments
- Amendments to MFRS 139 Financial Instruments: Recognition and measurement
- Amendments to MFRS 7 Financial Instruments: Disclosures
- Amendments to MFRS 4 Insurance Contracts
- Amendments to MFRS 16 Leases - Interest Rate Benchmark Reform – Phase 2

*Standards and Amendments to MFRSs issued but not yet effective*

**Effective for financial periods beginning on or after 1<sup>st</sup> April 2021**

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions beyond 30 June 2021

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2022**

- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets
  - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020 :
  - Amendment to MFRS 1 First-time Adoption of Malaysia Financial Reporting Standards
  - Amendment to MFRS 9 Financial Instruments
  - Amendment to MFRS 141 Agriculture

**Effective for financial periods beginning on or after 1 January 2023**

MFRS 17 Insurance Contracts (MFRS 17) and Amendments to MFRS 17

Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors  
Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

**Effective date of these Amendments to Standards have been deferred, and yet to be announced**

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

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 31<sup>st</sup> December 2020 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 and the Full Movement Control Order (FMCO) imposed by the Government.

**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.

**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:

	<b>Current Quarter ended RM'000</b>	<b>Current Year to-date ended RM'000</b>
<b>Revenue</b>		
- Malaysia	285,155	1,003,785
- Outside Malaysia	37,795	112,037
	322,950	1,115,822

**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. In year 2019, the Company had a revaluation of land and the revaluation surplus was recognized to the equity as revaluation reserve.

**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. Significant Related Party Transactions**

In the normal course of business, the Group undertakes on normal trade terms with related companies and other related parties. The significant related party transactions of the Group carried out during the current quarter under review are as follows:

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
i) Transportation charged by a subsidiary	931	2,916
ii) Fabrication service charged by a subsidiary	12	63

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

**B1. Review of performance**

	Individual Period			Cumulative Period		
	3 months		Changes %	9 months		Changes %
	30/09/2021	30/09/2020		30/09/2021	30/09/2020	
	RM'000	RM'000		RM'000	RM'000	
Revenue	322,950	417,492	(22.65)	1,115,822	1,010,758	10.39
Profit before interest and tax	7,205	10,487	(31.30)	45,543	(9,281)	590.71
Profit/(loss) before tax	3,431	6,038	(43.18)	31,412	(28,053)	211.97

The Group reported a profit before tax of RM3.43 million on the revenue of RM322.95 million for the current quarter compared to a profit before tax of RM6.04 million on the revenue of RM417.49 million for the previous year corresponding quarter. The decrease in revenue in the current quarter were mainly attributed to lower sales volume due the Full Movement Control Order (FMCO) that severely affected the construction industry. The current quarter recorded a lower profit before tax mainly due to higher operating expenses resulted from the realized foreign exchange loss.

**B2. Variation of results against preceding quarter's**

	3 months ended		Changes %
	30/09/2021	30/06/2021	
	RM'000	RM'000	
Revenue	322,950	353,135	(8.55)
Profit before tax	3,431	15,011	(77.14)

The Group's revenue for the current quarter recorded a decrease of RM30.18 million to RM322.95 million mainly due to lower sales volume compared with last quarter as a consequence of a lower demand from the slowdown in the construction industry resulting from the FMCO. The Group recorded a profit before tax of RM3.43 million as compared to profit before tax of RM15.01 million achieved in the immediate preceding quarter mainly due to lower margin and higher operating expenses in the current quarter.

**B3. Prospects**

The Company expects the long steel market to moderate in the next 3 to 4 months as winter in China sets in which will restrict construction activities and domestically, the year-end holidays will affect the general sentiment and demand for steel.

The current general decline of regional steel prices due to China's Government policies to support carbon neutrality and the contemporaneous realignment of the property sector is expected to be normalised after Chinese New Year in 2022.

The Company continues to be vigilant of its costs management and capacity utilization with stringent enforcement of social distancing and hygiene protocols are constantly being observed. Despite having 99% of personnel being fully vaccinated, all efforts are focused on the prevention of the occurrence of Covid-19 cluster(s) within the workplace.



The Company's performance is expected to stay resilient in the ensuing period given the prevailing circumstances.

**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**

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)/loss	(417)	3,370
Realised foreign exchange loss/(gain)	1,187	(2,528)
Depreciation of property, plant and Equipment	7,943	24,195
Impairment for inventories	183	571
Share of loss in associate	(201)	(58)
Interest expense	3,774	14,132
Interest income	(57)	(162)
Impairment of assets	-	-
(Gain)/loss on disposal of quoted or unquoted investment or properties	-	-
Other income including investment income	-	-
Provision for and write off of receivables	-	-
(Gain)/loss on derivatives	-	-

**B6. Tax expenses/ (credit).**

Taxation comprises:

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	77	199
-Under provision in prior years	-	2,772
Deferred taxation:		
-Current year	669	9,159
-Over provision in prior years	-	(1,184)
	<u>746</u>	<u>10,946</u>

The effective tax rate of the Group for the current quarter ended 30<sup>th</sup> September 2021 was lower than the statutory tax rate mainly due to utilization of capital allowance and reinvestment allowance.

**B7. (a) Status of corporate proposals**

i) Renounceable Rights Issue with Warrants

On 7<sup>th</sup> December 2020, the Company announced that it is proposing to undertake the Propose Rights issue with Warrants (“Proposed Rights Issue”). The Proposed Rights Issue is set out as follows:

Issuance of up to 226,369,915 Rights Shares together with up to 226,369,915 Warrants on the basis of 1 Rights Share for every 2 existing Masteel Shares together with 1 Warrant for every 1 Rights Share subscribed.

Bursa Securities had, vide its letter dated 15<sup>th</sup> January 2021, approved the listing and quotation of the Proposed Rights Issue subjected to approval by shareholders at Extraordinary General Meeting (“EGM”) and full compliance of all the requirements as provided under Main LR.

On 8<sup>th</sup> February 2021, the Circular to Shareholders in relation to the Proposed Rights Issue was issued and announced.

On 23<sup>rd</sup> March 2021, the Company Proposed Rights Issue was approved by the shareholders via the fully virtual EGM.

On 6<sup>th</sup> May 2021, the Company announced that the Board has resolved to fix the issue price for the Rights Shares at RM0.586 per share and the exercise price of the Warrants at RM0.586 per share.

On 6<sup>th</sup> July 2021, Bursa Securities had vide its letter dated 6<sup>th</sup> July 2021, grant the Company an extension of time until 14<sup>th</sup> January 2022 to complete the Proposed Rights Issue.

On 19<sup>th</sup> August 2021, the Company announced that the Board has resolved to revise the issue price for the Rights Shares from RM0.586 to RM0.395 per share and the exercise price of the Warrants at RM0.586 to RM0.395 per warrant.

On 2<sup>nd</sup> September 2021, the Company announced that it has signed an Underwriting Agreement for the Proposed Rights Issue with the Underwriters.

On 27<sup>th</sup> October 2021, the Proposed Rights Issue has been completed following the quotation and listing of the Rights Shares and Warrants on the Main Market of Bursa Securities.

**(b) Status of utilization of proceed raised**

i) Renounceable Rights Issue with Warrants

The total proceed raised as at the reporting date by the Company from the Proposed Rights Issue had been utilised in the following manner.

	Proposed	Actual	Utilisation	Deviation		Explanation
	Utilisation	Utilisation		RM'000	%	
	RM'000	RM'000	Timeframe			
Repayment of bank borrowings	10,000	10,000	Within 12 months	-	-	
Working capital	76,816	75,170	Within 3 months	1,646	1.8	
Estimated expenses	2,600	2,152	Within 1 month	448	0.5	
<b>Total</b>	<b>89,416</b>	<b>88,233</b>		<b>2,094</b>	<b>2.3</b>	

**B8. Borrowings**

	<b>30/09/21</b>
	<b>RM'000</b>
<u>Secured:</u>	
Short term borrowings	346,869
Long term borrowings	<u>90,000</u>
Total borrowings	<u>436,869</u>

The above borrowings are all denominated in Ringgit Malaysia.

**B9. Material litigations**

The Company has been served with a Writ of Summons dated 17<sup>th</sup> July 2019 and Statement of Claim dated 12<sup>th</sup> 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 year 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.

On 8<sup>th</sup> January 2021, the Company's application to strike out Safety Capital's claim was dismissed with costs of RM3,500 and no appeal has been lodged against this decision. The trial was held from 16<sup>th</sup> August 2021 to 18<sup>th</sup> August 2021 via remote technology before the Judge at the Shah Alam High Court. At the end of the trial, the learned Judge directed the parties to present Written Submissions by 10<sup>th</sup> September 2021 and scheduled oral submissions by both counsel on 17<sup>th</sup> September 2021.

On 16<sup>th</sup> September 2021, the counsel for the Plaintiff, had applied to Court for an adjournment of the oral submissions/clarification and the Court has rescheduled the oral submissions/clarification to 14<sup>th</sup> October 2021. This was subsequently vacated and the matter was now scheduled for clarification on 17<sup>th</sup> November 2021.

On 17<sup>th</sup> November 2021, the parties made their oral submissions and upon completion of the same, the Judge scheduled the matter for decision by e-Review on 10<sup>th</sup> December 2021.

**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 earnings per share of the Company is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	<b>Current Quarter Ended</b>	<b>Current Year To-date Ended</b>
Earnings attributable to ordinary shareholders (RM'000)	<u>2,685</u>	<u>20,466</u>
Weighted average number of ordinary shares in issue ('000)	<u>452,739</u>	<u>452,739</u>
Basic Earnings Per Share (sen)	<u>0.59</u>	<u>4.52</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.