

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/22	31/03/21	31/03/22	31/03/21
	RM'000	RM'000	RM'000	RM'000
Revenue	457,356	439,737	457,356	439,737
Cost of sales	(421,126)	(406,390)	(421,126)	(406,390)
Gross Profit	36,230	33,347	36,230	33,347
Operating expenses	(15,523)	(10,072)	(15,523)	(10,072)
Other expenses	-	(4,730)	-	(4,730)
Other income	1,602		1,602	
Interest income	93	22	93	22
Finance cost	(5,127)	(5,709)	(5,127)	(5,709)
Share of profit in associated company	103	112	103	112
Profit before tax	17,378	12,970	17,378	12,970
Tax expenses	(4,169)	(4,580)	(4,169)	(4,580)
Profit for the period	13,209	8,390	13,209	8,390
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit	13,209	8,390	13,209	8,390
Profit and Total Comprehensive Loss attributable to:				
Equity holders of the Company	13,209	8,390	13,209	8,390
Profit for the period	13,209	8,390	13,209	8,390
Earnings per share (sen)				
- Basic	1.95	1.87	1.95	1.87
- Diluted	1.59	N/A	1.59	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 2021 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	31/03/22 RM'000	31/12/21 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	790,113	781,220
Investment in Associate company	6,542	6,439
Deferred tax assets	-	2,693
	<u>796,655</u>	<u>790,352</u>
<u>Current Assets</u>		
Inventories	684,511	652,559
Trade and other receivables	179,226	222,523
Taxation recoverables	-	278
Short term deposit	22,295	52,713
Cash and bank balances	27,481	4,305
	<u>913,513</u>	<u>932,378</u>
TOTAL ASSETS	<u><u>1,710,168</u></u>	<u><u>1,722,730</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	329,648	329,648
Revaluation reserves	76,649	76,649
Treasury shares	(300)	(99)
Warrants reserves	32,824	32,824
Retained profits	418,559	405,350
Total Equity	<u>857,380</u>	<u>844,372</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	4,678	5,498
Long term borrowings	67,000	67,000
Deferred tax liabilities	788	121
	<u>72,466</u>	<u>72,619</u>
<u>Current Liabilities</u>		
Trade and other payables	395,340	445,695
Trade deposits	30,669	42,497
Tax Payable	445	16
Lease Liabilities	3,689	3,649
Short term borrowings	350,179	313,882
	<u>780,322</u>	<u>805,739</u>
Total liabilities	<u>852,788</u>	<u>878,358</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,710,168</u></u>	<u><u>1,722,730</u></u>
Net Assets per share (RM)	1.26	1.24

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2021 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 2022

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Revaluation Reserves RM'000	Warrants Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<i>3 months ended 31st March 2022</i>						
At 1st January 2022	329,648	76,649	32,824	405,350	(99)	844,372
Share buy back	-	-	-	-	(201)	(201)
Total comprehensive income	-	-	-	13,209	-	13,209
At 31st March 2022	<u>329,648</u>	<u>76,649</u>	<u>32,824</u>	<u>418,559</u>	<u>(300)</u>	<u>857,380</u>
<i>3 months ended 31st March 2021</i>						
At 1st January 2021	239,942	76,649	-	405,671	(1,490)	720,772
Total comprehensive income	-	-	-	8,390	-	8,390
At 31st March 2021	<u>239,942</u>	<u>76,649</u>	<u>-</u>	<u>414,061</u>	<u>(1,490)</u>	<u>729,162</u>

The above condensed consolidated statement of change of equity should be read in conjunction with the audited financial statements for the financial year ended 31st December 2021 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 2022

	Current year 01/01/22 to 31/03/22 RM'000	Preceding Year 01/01/21 to 31/03/21 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	17,378	12,970
Adjustment for:		
Depreciation of property, plant and equipment	7,809	7,956
Interest expenses	5,127	5,708
Impairment/(reversal) of inventories	(358)	73
Share of gain in associate	(103)	(112)
Others	(1,694)	4,708
Operating profit before changes in working capital	28,160	31,303
Changes in working capital		
Net change in inventories	(31,594)	(23,501)
Net change in receivables	43,297	(17,551)
Net change in payables	(60,581)	27,194
Cash (used in)/generated from operations	(20,718)	17,445
Interest paid	(4,963)	(5,483)
Income tax paid	(103)	(141)
Net cash (outflow)/inflow from operating activities	<u>(25,784)</u>	<u>11,821</u>
Investing activities		
Purchase of property, plant and equipment	(16,702)	(10,091)
Interest received	93	22
Net cash outflow from investing activities	<u>(16,609)</u>	<u>(10,069)</u>
Financing activities		
Bank borrowings	35,581	(2,781)
Share resales/ (buy-back)	(201)	-
Finance lease interest paid	(164)	(225)
Net cash inflow/(outflow) from financing activities	<u>35,216</u>	<u>(3,006)</u>
Net decrease in cash and cash equivalents	(7,178)	(1,254)
Cash and cash equivalents at beginning of the year	56,954	38,143
Cash and cash equivalents at end of the financial period	<u><u>49,776</u></u>	<u><u>36,889</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	22,295	17,684
Cash and bank balances	27,481	20,651
Bank overdraft	-	(1,446)
	<u><u>49,776</u></u>	<u><u>36,889</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 2021 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 31ST MARCH 2022

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 2021, 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 2021.

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 2021, except for the following:

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions beyond 30 June 2021
- 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 Provisions, 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 Malaysian Financial Reporting Standards
 - Amendment to MFRS 9 Financial instruments
 - Amendment to MFRS 141 Agriculture

Standards and Amendments to MFRSs issued but not yet effective

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 Disclosed 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 31st December 2021 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 4th March 2022, the Company had buy back a total of 615,000 share in treasury shares at an average price of RM0.33 per share.

As at 31st March 2022, a total of 960,000 shares were held as treasury shares out of its total issued share capital of 679,109,746 shares at an average price of RM0.312 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	447,388	447,388
- Outside Malaysia	9,968	9,968
	457,356	457,356

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:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
i) Transportation charged by a subsidiary	1,234	1,234

A14. Capital commitments

	31/03/22 RM'000
Property, plant and equipment	
- Contracted but not provided for	21,028
- Authorised but not contracted for	440
	21,468
	21,468

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		
	31/03/2022	31/03/2021	Changes	31/03/2022	31/03/2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	457,356	439,737	4.01	457,356	439,737	4.01
Profit before interest and tax	22,505	18,679	20.48	22,505	18,679	20.48
Profit before tax	17,378	12,970	33.98	17,378	12,970	33.98

The Group reported a profit before tax of RM17.38 million on the revenue of RM457.36 million for the current quarter compared to a profit before tax of RM12.97 million on the revenue of RM439.74 million for the previous year corresponding quarter. The increase in revenue in the current quarter were mainly attributed to higher selling price of steel products in line with the rising of global steel prices and recovery of the Malaysian economy. The Group recorded a higher profit before tax in tandem with the recovery of the average selling price and higher margin.

B2. Variation of results against preceding quarter's

	3 months ended		
	31/03/2022	31/12/2021	Changes
	RM'000	RM'000	%
Revenue	457,356	463,869	(1.40)
Profit before tax	17,378	6,976	149.13

The Group's revenue decreased by RM6.51 million to RM457.36 million, as compared to RM463.87 million in Q4 FYE2021. The decrease in revenue was mainly due to lower average selling price despite higher sales volume as compared to last quarter. The Group recorded a profit before tax of RM17.38 million as compared to profit before tax of RM6.97 million achieved in the immediate preceding quarter mainly due to lower operating expense and unrealized foreign exchange gain.

B3. Prospects

The gradual normalisation of international supply chain and the ending of Covid-19 lockdown in major cities in China is expected to improve the demand for raw materials for steel making and will provide a firm support level for prices of steel in the near term.

Conversely, the dampening effects of high inflation and higher interest rates will result in headwinds for the global economic recovery including Malaysia.

The Company expects to perform satisfactorily given the prevailing circumstances except for the possible interruption of earnings due to seasonal holidays.

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	(1,602)	(1,602)
Realised foreign exchange gain	(498)	(498)
Depreciation of property, plant and Equipment	7,809	7,809
Reversal of inventories	(358)	(358)
Share of profit in associate	(103)	(103)
Interest expense	5,127	5,127
Interest income	(93)	(93)
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

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	808	808
-Under/(Over) provision in prior years	-	-
Deferred taxation:		
-Current year	3,361	3,361
-Under/(Over) provision in prior years	-	-
	4,169	4,169

The effective tax rate of the Group for the current quarter ended 31st March 2022 was lower than the statutory tax rate mainly due to utilization of capital allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Not applicable

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/03/22
	RM'000
<u>Secured:</u>	
Short term borrowings	350,179
Long term borrowings	67,000
Total borrowings	<u>417,179</u>

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

The Company was served with a Writ of Summons dated 17th July 2019 and Statement of Claim dated 12th June 2019 ('Suit') by Safety Capital Sdn Bhd ('Safety Capital'). Safety Capital is seeking for, inter alia, the payment of RM10.681 million ('Sum') from the Company, together with interest and costs, which is in relation to advances made by Safety Capital to the Company between the year 2002 to 2004. As the relief is non-trading in nature, the Management is of the view that the Suit will not have any material financial and operational impact on the Group.

On 10th December 2021, the Shah Alam High Court dismissed the Suit and ordered costs of RM80,000.00 to be paid by Safety Capital to the Company. Safety Capital has filed a Notice of Appeal ('Appeal') to the Court of Appeal against the decision on 10th December 2021. However, the Board of Directors is of the view that there is no financial and operational impact arising from the Appeal.

The hearing date for the Appeal has not yet been fixed and the matter is presently scheduled for case management on 28th June 2022.

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.

	Current Quarter Ended	Current Year To-date Ended
Earnings attributable to ordinary shareholders (RM'000)	<u>13,209</u>	<u>13,209</u>
Weighted average number of ordinary shares in issue ('000)	<u>678,149</u>	<u>678,149</u>
Basic Earnings Per Share (sen)	<u>1.95</u>	<u>1.95</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings 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
Earning attributable to ordinary shareholders (RM'000)	<u>13,209</u>	<u>13,209</u>
Weighted average number of ordinary shares in issue ('000)	678,149	678,149
Effects of dilution ('000)	152,983	152,983
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>831,132</u>	<u>831,132</u>
Diluted Earnings Per Share (sen)	<u>1.59</u>	<u>1.59</u>

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.