

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/22	30/09/21	30/09/22	30/09/21
	RM'000	RM'000	RM'000	RM'000
Revenue	437,221	322,950	1,331,721	1,115,822
Cost of sales	(409,723)	(303,857)	(1,238,213)	(1,034,335)
Gross Profit	27,498	19,093	93,508	81,487
Operating expenses	(19,314)	(12,161)	(53,656)	(32,677)
Other expenses	-	-	(2,886)	(4,730)
Other income	343	417	1,945	1,360
Interest income	73	57	268	162
Finance cost	(5,594)	(3,774)	(15,615)	(14,132)
Share of profit/ (loss) in associated company	496	(201)	935	(58)
Profit before tax	3,502	3,431	24,499	31,412
Tax expenses	(523)	(746)	(7,108)	(10,946)
Profit for the period	2,979	2,685	17,391	20,466
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit	2,979	2,685	17,391	20,466
Profit and Total Comprehensive Loss attributable to:				
Equity holders of the Company	2,979	2,685	17,391	20,466
Profit for the period	2,979	2,685	17,391	20,466
Earnings per share (sen)				
- Basic	0.44	0.59	2.56	4.52
- Diluted	0.37	N/A	2.16	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 30 SEPTEMBER 2022

	30/09/22	31/12/21
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	803,672	781,220
Investment in Associate company	7,374	6,439
Deferred tax assets	-	2,693
	<u>811,046</u>	<u>790,352</u>
<u>Current Assets</u>		
Inventories	704,704	652,559
Trade and other receivables	192,115	222,523
Taxation recoverables	398	278
Short term deposit	21,403	52,713
Cash and bank balances	43,342	4,305
	<u>961,962</u>	<u>932,378</u>
TOTAL ASSETS	<u><u>1,773,008</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	422,741	405,350
Total Equity	<u>861,562</u>	<u>844,372</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	3,382	5,498
Long term borrowings	67,000	67,000
Deferred tax liabilities	4,274	121
	<u>74,656</u>	<u>72,619</u>
<u>Current Liabilities</u>		
Trade and other payables	450,302	445,695
Trade deposits	9,765	42,497
Tax Payable	9	16
Lease Liabilities	3,541	3,649
Short term borrowings	373,173	313,882
	<u>836,790</u>	<u>805,739</u>
Total liabilities	<u>911,446</u>	<u>878,358</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,773,008</u></u>	<u><u>1,722,730</u></u>
Net Assets per share (RM)	1.27	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 30 SEPTEMBER 2022

	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	Warrants Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
9 months ended 30th September 2022							
At 1st January 2022	329,648	-	76,649	32,824	405,350	(99)	844,372
Share buy back	-	-	-	-	-	(201)	(201)
Total comprehensive income	-	-	-	-	17,391	-	17,391
At 30th September 2022	<u>329,648</u>	<u>-</u>	<u>76,649</u>	<u>32,824</u>	<u>422,741</u>	<u>(300)</u>	<u>861,562</u>
9 months ended 30th September 2021							
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	<u>240,232</u>	<u>-</u>	<u>76,649</u>	<u>-</u>	<u>426,137</u>	<u>-</u>	<u>743,018</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 31 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 30 SEPTEMBER 2022

	Current year 01/01/22 to 30/09/22 RM'000	Preceding Year 01/01/21 to 30/09/21 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	24,499	31,412
Adjustment for:		
Depreciation of property, plant and equipment	23,911	24,195
Interest expenses	15,615	14,132
Impairment of inventories	2,252	571
Gain on disposal of property, plant and equipment	(63)	(173)
Share of (gain)/ loss of associate	(935)	58
Others	673	3,207
Operating profit before changes in working capital	65,952	73,402
Changes in working capital		
Net change in inventories	(54,397)	(32,805)
Net change in receivables	30,408	(10,603)
Net change in payables	(29,066)	8,702
Cash generated from operations	12,897	38,696
Interest paid	(15,166)	(13,506)
Income tax paid	(389)	(550)
Net cash (used in)/generated from operating activities	(2,658)	24,640
Investing activities		
Purchase of property, plant and equipment	(45,781)	(10,794)
Interest received	268	162
Proceed from disposal	-	173
Net cash outflow used in investing activities	(45,513)	(10,459)
Financing activities		
Bank borrowings	56,612	20,563
Share (buy-back)/ resales	(201)	1,780
Finance lease interest paid	(449)	(625)
Net cash generated from financing activities	55,962	21,718
Net increase in cash and cash equivalents	7,791	35,899
Cash and cash equivalents at beginning of the year	56,954	38,143
Cash and cash equivalents at end of the financial period	64,745	74,042
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	21,403	19,699
Cash and bank balances	43,342	54,343
	64,745	74,042

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 30TH SEPTEMBER 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

- Amendment to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
- 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.

As at 30th September 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	417,573	1,302,105
- Outside Malaysia	19,648	29,616
	437,221	1,331,721

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	1,133	3,467

A14. Capital commitments

	30/09/22 RM'000
Property, plant and equipment	
- Contracted but not provided for	2,396
	<hr style="width: 100%; border: 0.5px solid black;"/>
	2,396 <hr style="width: 100%; border: 0.5px solid black;"/>

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 %
	30/09/2022	30/09/2021		30/09/2022	30/09/2021	
	RM'000	RM'000		RM'000	RM'000	
Revenue	437,221	322,950	35.38	1,331,721	1,115,822	19.35
Profit before interest and tax	9,096	7,205	26.25	40,114	45,544	(11.92)
Profit before tax	3,502	3,431	2.07	24,499	31,412	(22.01)

The Group reported a profit before tax of RM3.50 million on the revenue of RM437.22 million for the current quarter compared to a profit before tax of RM3.43 million on the revenue of RM322.95 million for the previous year corresponding quarter. The increase in revenue in the current quarter was mainly attributed to higher sales volume of steel products arising from the normalization of the steel demand as compared to the previous year corresponding quarter whereby the construction industry was affected by the Full Movement Control Order (FMCO). The current quarter recorded a higher profit before tax mainly due to higher margin.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	30.09.2022	30.06.2022	
	RM'000	RM'000	
Revenue	437,221	437,144	0.02
Profit before tax	3,502	3,619	(3.23)

The Group's revenue improved slightly to RM437.22 million mainly due to higher sales volume on the normalization of the steel prices as compared with the last quarter. The Group recorded a lower profit before tax of RM3.5 million as compared to profit before tax of RM3.62 million achieved in the immediate preceding quarter resulted from higher finance cost and stock impairment in the current quarter.

B3. Prospects

Steel prices are expected to continue its uptrend in the next few months after the last 6 months of downtrend as China has initiated policy adjustments to restore its ailing property sector. (<https://www.theguardian.com/world/2022/nov/14/Chinese-authorities-unveil-sweeping-measures-to-rescue-property-sector>)

China's State Council rolled out a trillion Yuan package in economic stimulus. The latest \$146 billion in assistance will target infrastructure, property and private business. The initiatives are expected to cover a range of targets the government has identified as in need of support. (<https://www.investopedia.com/china-s-new-economic-stimulus-plan-6503487#:~:q=China's%20State%20Council%20rolled%20out,as%20in%20need%20of%20support>)

The above policies have resulted in the recovery of steel prices in China which will invariably have a knocked on effect on domestic steel prices.

With the completion of 15th General Election on 19th November 2022, it is expected that the new Government to continue its expansionary fiscal policies which will result in the continuing demand for steel. This is underscored by Bank Negara Malaysia's (BNM) forecasts of no recession for Malaysia in 2023. As per BNM, the Malaysian economy is expected to grow between 3% to 5% in 2023. (<https://www.theedgemarkets.com/article/bnm-dismisses-recession-risk-2023-acknowledges-pressing-headwinds-will-dent-growth>)

Masteel will continue to improve its technological capabilities to reap the benefits arising from the anticipated upswing in demand and prices of steel in 2023. The Company is also making strides to be Malaysia's foremost Green steel producer by comprehensively implementing Environmental, Social and Governance (ESG) pillars by completing Scope 1, 2 & 3 and undertaking reporting in accordance to Task Force on Climate-related Financial Disclosures (TCFD) in its Sustainability Report for 2022.

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/(Loss) before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)/ loss	(343)	941
Realised foreign exchange loss	3,451	7,242
Depreciation of property, plant and Equipment	8,198	23,911
Impairment for inventories	1,757	2,252
Share of profit in associate	(496)	(935)
Interest expense	5,594	15,615
Interest income	(73)	(268)
Impairment of assets	-	-
(Gain)/loss on disposal of quoted or unquoted investment or properties	(28)	(63)
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	69	261
-Under/ (Over) provision in prior years	-	-
Deferred taxation:		
-Current year	925	7,318
-Under/ (Over) provision in prior years	(471)	(471)
	523	7,108
	523	7,108

The effective tax rate of the Group for the current quarter ended 30th September 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

	30/09/22 RM'000
<u>Secured:</u>	
Short term borrowings	373,173
Long term borrowings	67,000
Total borrowings	440,173

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 ('Judgment'). Safety Capital has filed a Notice of Appeal ('Appeal') to the Court of Appeal against the Judgment. However, the Board of Directors is of the view that there is no financial and operational impact arising from the Appeal.

The Appeal is scheduled for hearing on 31st March 2023 and the Court has given directions for the filing of written submissions by the parties. The next case management is fixed on 16th March 2023.

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>2,979</u>	<u>17,391</u>
Weighted average number of ordinary shares in issue ('000)	<u>678,149</u>	<u>678,149</u>
Basic Earnings Per Share (sen)	<u>0.44</u>	<u>2.56</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted loss 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>2,979</u>	<u>17,391</u>
Weighted average number of ordinary shares in issue ('000)	678,149	678,149
Effects of dilution ('000)	126,399	126,399
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>804,548</u>	<u>804,548</u>
Diluted Earnings Per Share (sen)	<u>0.37</u>	<u>2.16</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.