

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/23	30/06/22	30/06/23	30/06/22
	RM'000	RM'000	RM'000	RM'000
Revenue	464,298	437,144	934,330	894,500
Cost of sales	(440,628)	(407,364)	(890,159)	(828,490)
Gross Profit	23,670	29,780	44,171	66,010
Operating expenses	(15,405)	(18,819)	(21,842)	(34,342)
Other expenses	(552)	(2,886)	(5,887)	(2,886)
Other income	-	-	-	1,602
Interest income	147	102	261	195
Finance cost	(6,960)	(4,894)	(15,241)	(10,021)
Share of profit in associated company	640	336	967	439
Profit before tax	1,540	3,619	2,429	20,997
Tax expenses	(384)	(2,416)	(622)	(6,585)
Profit for the period	1,156	1,203	1,807	14,412
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit	1,156	1,203	1,807	14,412
Profit and Total Comprehensive Loss attributable to:				
Equity holders of the Company	1,156	1,203	1,807	14,412
Profit for the period	1,156	1,203	1,807	14,412
Earnings per share (sen)				
- Basic	0.17	0.18	0.27	2.13
- Diluted	0.14	0.15	0.23	1.76

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2022 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	30/06/23	31/12/22
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	810,212	825,278
Investment in Associate company	8,335	7,368
	<u>818,547</u>	<u>832,646</u>
<u>Current Assets</u>		
Inventories	720,391	714,429
Trade and other receivables	221,179	193,098
Taxation recoverables	524	445
Short term deposit	43,988	24,830
Cash and bank balances	56,484	38,008
	<u>1,042,566</u>	<u>970,810</u>
TOTAL ASSETS	<u><u>1,861,113</u></u>	<u><u>1,803,456</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	(587)	(587)
Warrants reserves	32,824	32,824
Retained profits	426,228	424,421
Total Equity	<u>864,762</u>	<u>862,955</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	1,595	3,337
Long term borrowings	83,502	87,142
Deferred tax liabilities	4,408	3,936
	<u>89,505</u>	<u>94,415</u>
<u>Current Liabilities</u>		
Trade and other payables	504,592	458,247
Tax Payable	22	17
Lease Liabilities	3,491	3,522
Short term borrowings	398,741	384,300
	<u>906,846</u>	<u>846,086</u>
Total liabilities	<u>996,351</u>	<u>940,501</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,861,113</u></u>	<u><u>1,803,456</u></u>
Net Assets per share (RM)	1.27	1.27

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2022 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 JUNE 2023

	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	
6 months ended 30th June 2023						
At 1st January 2023	329,648	76,649	32,824	424,421	(587)	862,955
Total comprehensive income	-	-	-	1,807	-	1,807
At 30th June 2023	329,648	76,649	32,824	426,228	(587)	864,762
6 months ended 30th June 2022						
At 1st January 2022	329,648	76,649	32,824	405,350	(99)	844,372
Share buy back	-	-	-	-	(201)	(201)
Total comprehensive income	-	-	-	14,412	-	14,412
At 30th June 2022	329,648	76,649	32,824	419,762	(300)	858,583

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 2022 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	Current year 01/01/23 to 30/06/23 RM'000	Preceding Year 01/01/22 to 30/06/22 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	2,429	20,997
Adjustment for:		
Depreciation of property, plant and equipment	17,248	15,713
Interest expenses	15,241	10,021
(Reversal)/ impairment of inventories	(2,840)	495
Gain on disposal of property, plant and equipment	-	(35)
Share of gain of associate	(967)	(439)
Others	5,627	2,692
Operating profit before changes in working capital	36,738	49,444
Changes in working capital		
Net change in inventories	(3,122)	(50,260)
Net change in receivables	(28,081)	76,510
Net change in payables	40,457	(110,610)
Cash generated/ (used in) operations	45,992	(34,916)
Interest paid	(15,028)	(9,706)
Income tax paid	(224)	(271)
Net cash generated from/(used in) operating activities	<u>30,740</u>	<u>(44,893)</u>
Investing activities		
Purchase of property, plant and equipment	(2,182)	(19,626)
Interest received	261	195
Net cash used in investing activities	<u>(1,921)</u>	<u>(19,431)</u>
Financing activities		
Bank borrowings	9,028	69,978
Share buy-back	-	(201)
Finance lease interest paid	(213)	(315)
Net cash generated from financing activities	<u>8,815</u>	<u>69,462</u>
Net increase in cash and cash equivalents	37,634	5,138
Cash and cash equivalents at beginning of the year	62,838	56,954
Cash and cash equivalents at end of the financial period	<u><u>100,472</u></u>	<u><u>62,092</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	43,988	14,702
Cash and bank balances	56,484	47,390
	<u><u>100,472</u></u>	<u><u>62,092</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 2022 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 JUNE 2023

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 2022, 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 2022.

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 2022, except for the following:

MFRS 17 Insurance Contracts (“MFRS 17”) and Amendments to MFRS 17 - Initial Application of MFRS 17 and MFRS 9 - Comparative Information.

-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 and International Tax Reform - Pillar Two Model Rules.

Standards and Amendments to MFRSs issued but not yet effective

Effective for financial periods beginning on or after 1 January 2024

-Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback

-Amendments to MFRS 101 Presentation of Financial Statements - Non-current Liabilities with Covenants.

-Amendments to MFRS 107 Statement of cash flows and MFRS 7 Financial Instruments Disclosure - Supplier Financial Arrangements.

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 2022 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.

As at 30th June 2023, a total of 1,840,000 shares were held as treasury shares out of its total issued share capital of 679,109,746 shares at an average price of RM0.319 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	418,954	823,598
- Outside Malaysia	45,344	110,732
	464,298	934,330

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	942	2,183

A14. Capital commitments

	30/06/23 RM'000
Property, plant and equipment	
- Contracted but not provided for	2,396
	2,396
	2,396

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

B1. Review of performance

	Individual Period			Cumulative Period		
	3 months			6 months		
	30/06/2023	30/06/2022	Changes	30/06/2023	30/06/2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	464,298	437,144	6.21	934,330	894,500	4.45
Profit before interest and tax	8,500	8,513	(0.15)	17,670	31,018	(43.03)
Profit before tax	1,540	3,619	(57.45)	2,429	20,997	(88.43)

The Group reported a profit before tax of RM1.54 million on the revenue of RM464.30 million for the current quarter compared to a profit before tax of RM3.62 million on the revenue of RM437.14 million for the previous year corresponding quarter. The increase in revenue in current quarter was mainly attributed to higher export volume of steel products. The current quarter recorded a lower profit before tax mainly due to lower margin resulted from increase in utilities costs.

B2. Variation of results against preceding quarter's

	3 months ended		
	30/06/2023	31/03/2023	Changes
	RM'000	RM'000	%
Revenue	464,298	470,032	(1.22)
Profit before tax	1,540	889	73.23

The Group's revenue decreased by RM5.73 million to RM464.29 million mainly due to lower selling price as compared with the last quarter resulted from the softening of steel prices.

The Group recorded a higher profit before tax of RM1.54 million as compared to profit before tax of RM0.89 million achieved in the immediate preceding quarter resulted from lower cost of production.

B3. Prospects

The Construction Index of Bursa Malaysia had rallied by over 11% since the start of 2023, resulting it as one of the best performers in this year. Stocks of major builders such as WCT Holdings Berhad, Gamuda Berhad and Sunway Construction Group Berhad had also rallied by 132%, 16.4% and 11.3% respectively.

In last month alone, the index had risen by over 3%. This underscores the Company's expectation of a faster pace in the roll out of many major infrastructure projects such as the RM45 billion MRT 3, RM32 billion Penang Transport Master Plan and the disbursement of the RM97 billion gross development expenditure budgeted under Budget 2023 in the coming few quarters.

The current environment of low margin on the sales of steel bars is not expected to persist for too long.

Meanwhile, the Company is making a major investment to improve its competitiveness whilst continuing its mission to decarbonize and maintain its lead as the lowest emitter of Green House Gases for Scope 1 amongst all steel mills in Malaysia.

The Company expects improvement of its earnings in the quarters ahead.

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 loss	552	5,887
Realised foreign exchange loss/ (gain)	2,121	(4,015)
Depreciation of property, plant and Equipment	8,566	17,248
Reversal for impairment of inventories	(264)	(2,840)
Share of profit in associate	(640)	(967)
Interest expense	6,960	15,241
Interest income	(147)	(261)
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	49	149
-Under/ (Over) provision in prior years	-	-
Deferred taxation:		
-Current year	335	473
-Under/ (Over) provision in prior years	-	-
	384	622
	384	622

The effective tax rate of the Group for the current quarter ended 30th June 2023 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

30/06/23

RM'000

Secured:

Short term borrowings

398,741

Long term borrowings

83,502

Total borrowings

482,243

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 7th November 2023 and the Court has given directions for the filing of written submissions by the parties. The next case management is fixed on 23rd October 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>1,156</u>	<u>1,807</u>
Weighted average number of ordinary shares in issue ('000)	<u>677,269</u>	<u>677,269</u>
Basic Earnings Per Share (sen)	<u>0.17</u>	<u>0.27</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
Earnings attributable to ordinary shareholders (RM'000)	<u>1,156</u>	<u>1,807</u>
Weighted average number of ordinary shares in issue ('000)	677,269	677,269
Effects of dilution ('000)	122,098	122,098
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>799,367</u>	<u>799,367</u>
Diluted Earnings Per Share (sen)	<u>0.14</u>	<u>0.23</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.