

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/24	30/09/23	30/09/24	30/09/23
	RM'000	RM'000	RM'000	RM'000
Revenue	606,430	552,593	1,825,427	1,486,923
Cost of sales	(574,078)	(528,664)	(1,732,019)	(1,418,823)
Gross Profit	32,352	23,929	93,408	68,100
Operating expenses	(17,789)	(17,467)	(51,944)	(39,309)
Other expenses	-	-	-	(5,887)
Other income	8,657	1,477	9,564	1,477
Interest income	186	205	1,100	466
Finance cost	(7,240)	(7,163)	(24,393)	(22,404)
Share of profit in associated company	636	1,312	1,596	2,279
Profit before tax	16,802	2,293	29,331	4,722
Tax expenses	(647)	(449)	(5,740)	(1,071)
Profit for the period	16,155	1,844	23,591	3,651
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit	16,155	1,844	23,591	3,651
Profit and Total Comprehensive Loss attributable to: Equity holders of the Company	16,155	1,844	23,591	3,651
Profit for the period	16,155	1,844	23,591	3,651
Earnings per share (sen)				
- Basic	2.38	0.27	3.48	0.54
- Diluted	2.38	0.23	3.48	0.45

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2023 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	30/09/24	31/12/23
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	886,171	801,203
Right-of-use assets	3,530	17,115
Investment in Associate company	12,564	10,968
	<u>902,265</u>	<u>829,286</u>
<u>Current Assets</u>		
Inventories	808,413	791,066
Trade and other receivables	300,228	288,006
Taxation recoverables	526	609
Short term deposit	21,745	20,569
Cash and bank balances	56,431	33,797
	<u>1,187,343</u>	<u>1,134,047</u>
TOTAL ASSETS	<u><u>2,089,608</u></u>	<u><u>1,963,333</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	333,927	329,648
Revaluation reserves	73,049	76,649
Treasury shares	(587)	(587)
Warrants reserves	32,824	32,824
Retained profits	450,416	426,825
Total Equity	<u>889,629</u>	<u>865,359</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	2,274	1,646
Long term borrowings	27,958	67,860
Deferred tax liabilities	17,224	8,040
	<u>47,456</u>	<u>77,546</u>
<u>Current Liabilities</u>		
Trade and other payables	623,865	589,183
Tax Payable	6	38
Lease Liabilities	650	2,116
Short term borrowings	528,002	429,091
	<u>1,152,523</u>	<u>1,020,428</u>
Total liabilities	<u>1,199,979</u>	<u>1,097,974</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,089,608</u></u>	<u><u>1,963,333</u></u>
Net Assets per share (RM)	1.31	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 2023 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 2024

	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	
9 months ended 30th September 2024						
At 1st January 2024	329,648	76,649	32,824	426,825	(587)	865,359
New shares issued	4,279	-		-	-	4,279
Deferred tax liabilities on revaluation reserves		(3,600)				(3,600)
Total comprehensive income	-	-	-	23,591	-	23,591
At 30th September 2024	<u>333,927</u>	<u>73,049</u>	<u>32,824</u>	<u>450,416</u>	<u>(587)</u>	<u>889,629</u>
9 months ended 30th September 2023						
At 1st January 2023	329,648	76,649	32,824	424,421	(587)	862,955
Total comprehensive income	-	-	-	3,651	-	3,651
At 30th September 2023	<u>329,648</u>	<u>76,649</u>	<u>32,824</u>	<u>428,072</u>	<u>(587)</u>	<u>866,606</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 2023 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 2024

	Current year 01/01/24 to 30/09/24 RM'000	Preceding Year 01/01/23 to 30/09/23 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	29,331	4,722
Adjustment for:		
Depreciation of property, plant and equipment	26,084	25,743
Interest expenses	24,393	22,404
Impairment/ (reversal) of inventories	1,163	(2,896)
Gain on disposal of property, plant and equipment	(146)	-
Share of gain of associate	(1,596)	(2,279)
Others	(10,664)	3,945
Operating profit before changes in working capital	68,565	51,639
Changes in working capital		
Net change in inventories	(18,510)	1,796
Net change in receivables	(12,222)	(56,262)
Net change in payables	44,246	15,301
Cash generated in operations	82,079	12,474
Interest paid	(24,201)	(22,111)
Income tax paid	(104)	(347)
Net cash generated/ (used) from operating activities	<u>57,774</u>	<u>(9,984)</u>
Investing activities		
Purchase of property, plant and equipment	(96,238)	(17,722)
Interest received	1,100	466
Proceed from disposal	200	-
Net cash used in investing activities	<u>(94,938)</u>	<u>(17,256)</u>
Financing activities		
Bank borrowings	56,001	29,935
Issue of private placement	4,279	-
Finance lease interest paid	(193)	(294)
Net cash generated from financing activities	<u>60,087</u>	<u>29,641</u>
Net increase in cash and cash equivalents	22,923	2,401
Cash and cash equivalents at beginning of the year	50,923	59,377
Cash and cash equivalents at end of the financial period	<u><u>73,846</u></u>	<u><u>61,778</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Pledged fixed deposit	21,745	48,359
Cash and bank balances	56,431	13,419
Bank overdraft	(4,330)	-
	<u><u>73,846</u></u>	<u><u>61,778</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 2023 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 2024

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 2023, 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 2023.

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 2023, except for the following:

- 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 Finance Arrangements

Standards and Amendments to MFRSs issued but not yet effective

Effective for financial periods beginning on or after 1 January 2025

- Amendments to MFRS 121 The Effects of changes in Foreign Exchange Rates- Lack of Exchangeability

Effective for financial periods beginning on or after 1 January 2026

- Amendments to MFRS 9 Financial Instruments and MFTS 7 Financial Instruments: Disclosures- Amendments to the Classification and Measurement of Financial Instruments
- Annual Improvements to MFRS Accounting Standard –Volume 11

Effective for financial periods beginning on or after 1 January 2027

- MFRS 18 Presentation and Disclosure in Financial Statements
- MFRS 19 Subsidiaries without Public Accountability: Disclosures

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 2023 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 13,500,000 ordinary shares were subscribed thru a private placement at an exercise price of RM0.317 per share and listed on 5th September 2024.

As at 30th September 2024, a total of 1,840,000 shares were held as treasury shares out of its total issued share capital of 692,609,746 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	516,573	1,586,492
- Outside Malaysia	89,857	238,935
	606,430	1,825,427

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	1,118	2,743
ii) Interest income from associate	(7)	(21)

A14. Capital commitments

	30/09/24 RM'000
Property, plant and equipment	
- Contracted but not provided for	40,864
	40,864

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 %
	30/09/2024 RM'000	30/09/2023 RM'000		30/09/2024 RM'000	30/09/2023 RM'000	
Revenue	606,430	552,593	9.74	1,825,427	1,486,923	22.77
Profit before interest and tax	24,042	9,456	154.25	53,724	27,126	98.05
Profit before tax	16,802	2,293	632.75	29,331	4,722	521.16

The Group reported a profit before tax of RM16.80 million on the revenue of RM606.43 million for the current quarter compared to a profit before tax of RM2.29 million on the revenue of RM552.59 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. The current quarter recorded a higher profit before tax mainly due to improved cost efficiency, better margin and gain in unrealized foreign exchange.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	30.09.2024 RM'000	30.06.2024 RM'000	
Revenue	606,430	556,491	8.97
Profit before tax	16,802	6,836	145.79

The Group's revenue increased by RM49.94 million to RM606.43 million mainly due to higher sales volume as compared with the last quarter.

The Group recorded a higher profit before tax of RM16.80 million as compared to profit before tax of RM6.84 million achieved in the immediate preceding quarter resulted from higher margin achieved from sales and gain in unrealized foreign exchange.

B3. Prospects

“The Malaysia's economy is set to enter 2025 on a strong footing underpinned by solid gross domestic product (GDP) trend thus far and positive consumption and investment outlook.” (Starbiz, 18th November 2024)

For 2025, Bank Negara Malaysia (BNM) expects a gross domestic product (GDP) growth of 4.8% to 5.3%.

The Company's recent cost competitive upgrades will augur well with the positive economic tailwind for the Malaysian economy.

The effectiveness of its new ultra-low GHG technology has been validated with Masteel being the first Malaysian company to be awarded the highest ESG rating of PLATINUM on 4th November 2024 by Rating Agency Malaysia (RAM) Sustainability.

Recent announcement by the Prime Minister on carbon tax on the iron and steel sector by 2026 in Budget 2025 and the soon to be released study by MITI's Independent Steel Committee (ISC) that has been tasked to address the issue of China and local steel over supply (BERNAMA- 18 November 2024) will further strengthen the Company's business resilience.

The Company expects encouraging earnings in the succeeding quarters.

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	(8,657)	(9,564)
Realised foreign exchange loss/(gain)	(17,159)	(17,919)
Depreciation of property, plant and Equipment	8,679	26,084
Reversal for impairment of inventories	-	-
Share of profit in associate	(636)	(1,596)
Interest expense	7,240	24,393
Interest income	(186)	(1,100)
Impairment of assets	-	-
(Gain)/loss on disposal of quoted or unquoted investment or properties	-	(146)
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	101	152
-Under/(Over) provision in prior years	3	3
Deferred taxation:		
-Current year	553	5,595
-Under/(Over) provision in prior years	(10)	(10)
	647	5,740

The effective tax rate of the Group for the current quarter ended 30th September 2024 was lower than the statutory tax rate mainly due to utilization of capital allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

i) Proposed Private Placement

On 19th July 2024, the Company announced that it is proposing to undertake a Proposed Private Placement of up to 10% of the Company's total number of issued shares, excluding treasury shares.

Bursa Securities had, vide its letter dated 8th August 2024, resolved to approve the listing of and quotation for up to 90,547,966 new ordinary shares in the Company subject to full compliance with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Private Placement.

A total of 13,500,000 new Masteel shares was issued in the current quarter under review at an exercise price of RM0.317 per share.

(b) Status of utilization of proceed raised

i) Proposed Private Placement

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

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Utilisation Timeframe	Deviation RM'000	%	Explanation
Working capital	4,177	4,177	Within 6 months	-	-	
Estimated expenses	102	102	Upon completion	-	-	
Total	4,279	4,279		-	-	

B8. Borrowings

	30/09/24 RM'000
<u>Secured:</u>	
Short term borrowings	528,002
Long term borrowings	27,958
Total borrowings	555,960

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.

On 19th August 2024, the Court of Appeal dismissed Safety Capital's appeal with costs to be paid by Safety Capital to the Company.

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>16,155</u>	<u>23,591</u>
Weighted average number of ordinary shares in issue ('000)	<u>678,231</u>	<u>678,231</u>
Basic Earnings Per Share (sen)	<u>2.38</u>	<u>3.48</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>16,155</u>	<u>23,591</u>
Weighted average number of ordinary shares in issue ('000)	<u>678,231</u>	<u>678,231</u>
Effects of dilution ('000)	<u>-</u>	<u>-</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>678,231</u>	<u>678,231</u>
Diluted Earnings Per Share (sen)	<u>2.38</u>	<u>3.48</u>

The warrants exercisable at end of the 30th September 2024 do not have a dilutive effect to the earnings per ordinary shares as the average market price per ordinary shares for the financial year does not exceed the exercise price of the warrants.

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.