

**ASTEEL GROUP BERHAD**

Registration No. 1977 0100 1682 (032939-U)

**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-****1 Basis of Preparation**

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Malaysian Financial Reporting Standard (MFRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should read in conjunction with the audited financial statements as at and for the year ended 31 December 2023 which were prepared in compliance with MFRS. These explanatory notes attached to the interim financial statement explain 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 December 2023.

**1.1 Adoption of Standards, Amendments and IC interpretations**

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2023 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2024:

<i>Description</i>	<i>Effective for Periods beginning on or after</i>
Amendment to MFRS 16, <i>Leases – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendment to MFRS 101, <i>Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 107, <i>Statement of Cash Flows</i> and MFRS 7, <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i>	1 January 2024

The adoption of the above standards does not have a significant impact to the current financial period.

**2 Auditors' Report on Preceding Annual Financial Statements**

The audited financial statements of the Group for the year ended 31 December 2023 were reported without any qualification.

**3 Seasonality or Cyclicity of interim operations**

The Group's operations are not subject to seasonal or cyclical factors.

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**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-****4** *Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence*

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence during the quarter under review.

**5** *Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period*

There were no changes in estimates that have had a material effect on the current quarter's results.

**6** *Issuances, cancellations, repurchases, resale and repayments of debt and equity securities*

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

**7** *Dividends*

There were no dividends paid during the financial quarter.

**8** *Segmental reporting*

Segmental information for the Group's business segments is as follows:

Continuing operation	East Malaysia RM'000	West Malaysia RM'000	Inter- segment RM'000	Total RM'000
<b><u>2<sup>nd</sup> Quarter 2024</u></b>				
Revenue from external customers	40,127	13,832	-	53,959
Inter-segment	1,265	165	(1,430)	-
	<u>41,392</u>	<u>13,997</u>	<u>(1,430)</u>	<u>53,959</u>

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**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-**

	East Malaysia RM'000	West Malaysia RM'000	Inter- Segment RM'000	Total RM'000
<b><u>2<sup>nd</sup> Quarter 2023</u></b>				
Revenue from external customers	38,034	15,308	-	53,342
Inter-segment	923	598	(1,520)	-
	<u>38,957</u>	<u>15,906</u>	<u>(1,520)</u>	<u>53,342</u>

East Malaysia: Manufacture and sale of Pre-painted, Galvanised Iron, Roll-formed products and trading in hardware and building materials in East Malaysia.

West Malaysia: Manufacture and sale of roll-formed products, trading of coated and non-coated coils, hardware and building materials.

For decision making and resources allocation, the Executive Deputy Chairman together with the Group Managing Director review the statements of financial position of the respective subsidiaries.

**9 *Valuation of property, plant and equipment***

The valuation of land and building was brought forward without amendment from the revaluation made in the previous quarter period.

**10 *Material events subsequent to the end of the financial period***

There were no material events subsequent to the end of the financial period.

**11 *Changes in the composition of the Group***

During the quarter under review, the Group through its subsidiary ASTEEL Resources Sdn Bhd divested 50% of its equity interest in ASTEEL Top-Mech Sdn Bhd to Top Mech Provincial Sdn Bhd to form a joint-venture vehicle.

There were no other changes in the composition of the Group during the quarter under review.

**12 *Changes in contingent liabilities or contingent assets***

There are no contingent liabilities or assets for the current financial period.

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**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-****13 Review of performance*****Financial review for the current quarter and financial year to date***

Continuing operations	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	30 Jun	30 Jun			30 Jun	30 Jun		
	2024	2023			2024	2023		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	53,959	53,342	617	1.2%	114,881	118,613	(3,732)	-3%
Operating profit	1,993	3,396	(1,404)	-41%	5,529	12,446	(6,917)	-56%
(Loss)/Profit Before Interest and Tax	(417)	941	(1,359)	-144%	698	2,911	(2,213)	-76%
Loss Before Tax	(2,120)	(869)	(1,250)	144%	(2,960)	(393)	(2,567)	-653%
Loss After Tax	(1,761)	(618)	(1,142)	185%	(2,738)	(327)	(2,411)	-737%
Loss Attributable to Ordinary owner of the Company	(1,633)	(732)	(902)	123%	(2,557)	(570)	(1,987)	-348%

The Group's total revenue for the current quarter increased slightly by RM0.6 million or 1.2% to RM54 million as compared to RM53.3 million in the corresponding quarter last year ("2Q23"). The better sales revenue was due to higher sales quantity of the Group's products and higher revenue from projects.

The Group reported loss before tax of RM2.12 million compared to loss before tax of RM0.87 million in 2Q23, a decline of 144%. The losses in 2Q24 was due to lower gross profit margin as a result of higher input cost and weaker Ringgit.

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**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-****14 Variation of results against preceding quarter****Financial review for the current quarter compared with the immediately preceding quarter**

Continuing operations	Current Quarter	Immediate Preceding Quarter	Changes	
	30 June 2024	31 March 2024	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	53,959	60,922	(6,963)	-11.4%
Operating profit	1,993	3,526	(1,533)	-43%
(Loss)/Profit Before Interest and Tax	(417)	1,116	(1,533)	137%
Loss Before Tax	(2,120)	(840)	(1,280)	-152%
Loss After Tax	(1,761)	(977)	(784)	-80%
Loss Attributable to Ordinary Owner of the Company	(1,633)	(924)	(709)	-77%

For the quarter under review, the Group's revenue decreased by 11.4% or RM7.0 million as compared to RM60.9 million recorded in the previous quarter. The lower sales revenue was mainly due to reduced revenue from coated materials and projects. In addition to the lower revenue, gross profit margin also dropped, resulted in a reduction in operating profit and higher loss before tax. Loss before tax for the current quarter and the preceding quarter were RM2.12 million and RM0.84 million respectively.

**15 Prospects**

Malaysia achieved total approved investment of RM329.5 billion in 2023. The amount in the first quarter of 2024 was RM83.7 billion with the manufacturing sector taking a significant stake of RM43 billion. The expansion in manufacturing facilities with more factory construction would generate higher demand for roofing products & building materials.

In addition, the building material supply forecast for 3<sup>rd</sup> quarter 2024 in Malaysia indicates a robust demand, particularly driven by government infrastructure projects and the rising need for specialised construction practices. Furthermore, the significant increase in the demand for high-tech industrial buildings and specialized roofing materials places our Group, which has proven project experience in this area, in a competitive position.

The investment in sustainable energy and oil and gas related projects particularly in Sarawak is expected to open up more opportunities for the Group.

Overall, we remain cautiously optimistic about our prospects and are committed to leveraging on these opportunities to drive growth and enhance our market share.

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**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-****16 Statement of the Board of Directors' opinion on the achievement of forecast**

The Group did not make any announcement or disclosure in any public document on any revenue or financial estimate, forecast, projection or profit guarantee as at the date of this announcement.

**17 Profit forecast**

No profit forecast was published.

**18 Income tax expense**

The income tax expense derived as below:

	Current Quarter RM'000	Year-To-Date RM'000
Current tax expense		
- Current year	3	140
Deferred tax expense		
- Current year	(362)	(362)
Total	(359)	222

The effective tax rate for the current quarter was lower than the statutory tax rate due to non-tax-deductible expenses and non-recognition of deferred tax assets by certain loss-making subsidiaries.

**19 Results for the period**

	Current quarter ended 30 June		The cumulative period ended 30 June	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
<b>Results for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	2,421	2,443	4,831	4,898
Impairment on trade receivables	84	-	84	-
Impairment on inventories	-	-	-	-
Property, plant & equipment Written off	-	-	-	-
Net foreign exchange (gain)/loss				
- Realised	-	(108)	5	(108)
- Unrealised	-	-	-	-

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	Current quarter ended 30 June		The cumulative period ended 30 June	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<b>And after crediting:</b>				
Gain on disposal of property, plant and equipment	49	113	55	113
Finance income	236	81	272	156
Reversal of impairment on trade receivables	-	154	-	154

**20 Status of the corporate proposal announced**

There was no corporate proposal announced and pending completion during the quarter under review.

**21 Borrowing and debt securities**

The Group's borrowings from lending institutions as at 31 March 2024, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 30 June 2024		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	19,375	93,700	113,075
Unsecured	-	6,700	6,700
Total	19,375	100,400	119,775

Based on the above, the Group's bank-gearing ratio is around 1.54 times.

**22 Financial derivative instruments**

Forward foreign exchange contracts are used to hedge foreign exchange risks associated with certain purchase transactions.

As at the end of the current quarter under review, there was no outstanding forward foreign currency exchange contracts.

**23 Changes in material litigation**

There was no material litigation during the quarter under review.

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**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2024****NOTES TO THE FINANCIAL STATEMENTS:-****24 Proposed dividend**

The Board of Directors has not recommended any interim dividend for the financial quarter ended 30 June 2024.

**25 Earnings per share**

	Quarter ended 30 June		Period ended 30 June	
	2024	2023	2024	2023
	('000)	('000)	('000)	('000)
<b>Basic loss per ordinary share</b>				
Loss attributable to owners of the Company (RM'000)	(1,633)	(731)	(2,557)	(570)
Number of ordinary shares in issue at the beginning period	484,869.5	484,869.5	484,869.5	484,869.5
Effect of shares issued during the quarter	-	-	-	-
Weighted average number of ordinary shares issued as at end of period	484,869.5	484,869.5	484,869.5	484,869.5
Basic loss per ordinary share (sen)	(0.34)	(0.15)	(0.53)	(0.12)

The exercise price of the outstanding ESOS is higher than the average market price of the ordinary shares of the Company for the period under review. As the ESOS are anti-dilutive in nature, they have been ignored for the purpose of the computation of the diluted earnings per share.