

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/20	31/03/19	31/03/20	31/03/19
	RM'000	RM'000	RM'000	RM'000
Revenue	397,640	280,222	397,640	280,222
Cost of sales	(376,758)	(276,375)	(376,758)	(276,375)
Gross Profit	20,882	3,847	20,882	3,847
Operating expenses	(6,914)	(13,137)	(6,914)	(13,137)
Other expenses	(10,055)	-	(10,055)	-
Other income	-	3,554	-	3,554
Interest income	17	66	17	66
Finance cost	(8,796)	(5,736)	(8,796)	(5,736)
Share of profit/ (loss) in associated company	29	(38)	29	(38)
Loss before tax	(4,837)	(11,444)	(4,837)	(11,444)
Tax credit	665	2,766	665	2,766
Loss for the period	(4,172)	(8,678)	(4,172)	(8,678)
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Loss	(4,172)	(8,678)	(4,172)	(8,678)
Loss and Total Comprehensive Loss attributable to: Equity holders of the Company	(4,172)	(8,678)	(4,172)	(8,678)
Loss for the period	(4,172)	(8,678)	(4,172)	(8,678)
Loss per share (sen)				
- Basic	(0.95)	(2.04)	(0.95)	(2.04)
- Diluted	N/A	N/A	N/A	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 2019 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	31/03/20	31/12/19
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	732,530	740,462
Investment in Associate company	6,557	6,528
Deferred tax assets	4,538	3,793
	<u>743,625</u>	<u>750,783</u>
<u>Current Assets</u>		
Inventories	497,020	533,379
Trade and other receivables	241,828	168,600
Taxation recoverables	3,367	5,225
Short term deposit	35,638	24,902
Cash and bank balances	14,436	35,403
	<u>792,289</u>	<u>767,509</u>
TOTAL ASSETS	<u><u>1,535,914</u></u>	<u><u>1,518,292</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	239,943	233,310
Subscription money received	-	950
Revaluation reserves	76,649	76,649
Treasury shares	(1,490)	(1,324)
Retained profits	416,225	420,397
Total Equity	<u>731,327</u>	<u>729,982</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	11,547	11,857
Long term borrowings	136,142	131,712
Deferred tax liabilities	52	47
	<u>147,741</u>	<u>143,616</u>
<u>Current Liabilities</u>		
Trade and other payables	261,675	229,419
Trade deposits	83,450	80,250
Lease Liabilities	3,184	3,272
Short term borrowings	308,537	331,753
	<u>656,846</u>	<u>644,694</u>
Total liabilities	<u>804,587</u>	<u>788,310</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,535,914</u></u>	<u><u>1,518,292</u></u>
Net Assets per share (RM)	1.66	1.71

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2019 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 2020

	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	Retained Profits RM'000	Treasury Shares RM'000	
<i>3 months ended 31st March 2020</i>						
At 1st January 2020	233,310	950	76,649	420,397	(1,324)	729,982
New shares issued	6,633	(950)	-	-	-	5,683
Share buy back	-	-	-	-	(166)	(166)
Total comprehensive loss	-	-	-	(4,172)	-	(4,172)
At 31st March 2020	<u>239,943</u>	<u>(0.00)</u>	<u>76,649</u>	<u>416,225</u>	<u>(1,490)</u>	<u>731,327</u>
<i>3 months ended 31st March 2019</i>						
At 1st January 2019	230,094	-	-	428,723	(1,199)	657,618
Share buy back	-	-	-	-	(125)	(125)
Total comprehensive loss	-	-	-	(8,678)	-	(8,678)
At 31st March 2019	<u>230,094</u>	<u>-</u>	<u>-</u>	<u>420,045</u>	<u>(1,324)</u>	<u>648,815</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 2019 and the accompanying explanatory noted attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	Current year 01/01/20 to 31/03/20 RM'000	Preceding Year 01/01/19 to 31/03/19 RM'000
Cash Flow From Operating Activities:-		
Loss before tax	(4,837)	(11,444)
Adjustment for:		
Depreciation of property, plant and equipment	8,180	7,444
Interest expenses	8,796	5,736
Impairment of inventories	4,823	656
Share of (gain)/ loss of associate	(29)	38
Others	10,039	(3,619)
Operating profit/(loss) before changes in working capital	26,972	(1,189)
Changes in working capital		
Net change in inventories	31,536	(6,169)
Net change in receivables	(73,228)	14,392
Net change in payables	25,401	(67,712)
Cash generated from/(used in) operations	10,681	(60,678)
Interest paid	(8,503)	(5,686)
Income tax paid	(155)	(591)
Income tax refund	1,939	-
Net cash inflow/(outflow) from operating activities	3,962	(66,955)
Investing activities		
Purchase of property, plant and equipment	(248)	(20,895)
Interest received	17	66
Net cash outflow from investing activities	(231)	(20,829)
Financing activities		
Bank borrowings	(17,185)	53,501
Issue of shares via private placement	5,683	-
Share resales/ (buy-back)	(166)	(125)
Finance lease interest paid	(294)	(50)
Net cash inflow/(outflow) from financing activities	(11,962)	53,326
Net decrease in cash and cash equivalents	(8,231)	(34,458)
Cash and cash equivalents at beginning of the year	58,305	70,155
Cash and cash equivalents at end of the financial period	50,074	35,697
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	35,638	16,400
Cash and bank balances	14,436	19,297
	50,074	35,697

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2019 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 2020

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 2019, 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 2019.

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 2019, except for the following:

Effective for financial periods beginning on or after 1st January 2020

- Amendments to MFRS 3 Business Combinations - Definition of a Business
- Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: recognition and measurement - Interest Rate Benchmark Reform
- Amendment to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting policies, changes in accounting estimates and errors - Definition of Material

Standards and Amendments to MFRSs issued but not yet effective

Effective for financial periods beginning on or after 1st January 2021

- MFRS 17 Insurance Contracts

Effective for financial periods beginning on or after 1st January 2022

- Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current

Effective date of these Standard have been deferred, and yet to be announced

- Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investments in Associates and Joint Ventures - Sales 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 2019 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 13th March 2020, 16th March 2020, 17th March 2020, 23rd March 2020 and 25th March 2020, the Company had buy back a total of 121,500, 183,000, 160,000, 41,100 and 180,000 share in treasury shares at an average price of RM0.272, RM0.275, RM0.218, RM0.210 and RM0.224 per share respectively.

A total of 16,700,000 ordinary shares were subscribed by a private placement on his entitlement at the exercise price of average price of RM0.397 per share.

As at 31st March 2020, a total of 2,360,600 shares were held as treasury shares out of its total issued share capital of 452,739,831 shares at an average price of RM0.63 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	336,607	336,607
- Outside Malaysia	61,033	61,033
	397,640	397,640
	397,640	397,640

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.

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		
	31/03/2020	31/03/2019	Changes	31/03/2020	31/03/2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	397,640	280,222	41.90	397,640	280,222	41.90
Profit/(Loss) before interest and tax	3,959	(5,708)	169.36	3,959	(5,708)	169.36
Loss before tax	(4,837)	(11,444)	57.73	(4,837)	(11,444)	57.73

The Group reported a loss before tax of RM4.84 million on the revenue of RM397.64 million for the current quarter compared to a loss before tax of RM11.44 million on the revenue of RM280.22 million for the previous year corresponding quarter. The increase in revenue in the current quarter were mainly attributed to higher sales volume on a higher domestic market demand in Klang valley. The current quarter recorded a higher profit before interest and tax mainly due high margin from higher plant efficiency and lower administrative expenses.

B2. Variation of results against preceding quarter's

	3 months ended		
	31.03.2020	31.12.2019	Changes
	RM'000	RM'000	%
Revenue	397,640	349,855	13.66
Core profit	5,189	707	633.95
(Loss)/Profit before tax	(4,837)	2,255	(314.54)

The Group's revenue for the current quarter recorded an increase of RM47.79 million to RM397.64 million mainly due to higher selling price and sales volume as compared with last quarter. The Group recorded an improvement in the core profit of RM5.19 million as compared to RM0.71 million achieved in the immediate preceding quarter mainly from lower operating expenses.

B3. Prospects

The Group's satisfactory performance in core profit in the 1st Quarter of 2020 is expected to resume after the 3rd Quarter of 2020. In the near term, the impact of the Covid-19 pandemic and the ensuing Movement Control Order (MCO) from middle of March is expected to have an unavoidable and significant impact on the bottom line of the Group.

However, due to the improving external demand from China for the Company's product which are reflected in the surge of 23% for iron ore prices from the lows of USD 81 per mt in early April to over USD 100 per mt in June underscores the strength of the demand for steel from China. As construction sites progressively obtain their workers' health approval to commence work, the demand for the Group's products are expected to improve in the later part of the year and extending to the 1st Quarter of 2021.

The Group will continue to harness its technological prowess to deliver better performance during these exacting periods.

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
Loss before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)/ loss	10,055	10,055
Realised foreign exchange (gain)/ loss	(3,954)	(3,954)
Depreciation of property, plant and Equipment	8,180	8,180
Impairment on inventories (gain)/ loss	(4,823)	(4,823)
(Gain)/ loss in associate company	(29)	(29)
Interest expense	8,796	8,796
Interest income	(17)	(17)
Impairment of assets	-	-
(Gain)/loss on disposal of quoted or unquoted investments or properties	-	-
Other income including investment income	-	-
Provision for and write off of receivables	-	-
(Gain)/loss on derivatives	-	-

B6. Tax (credit)/ expenses.

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	75	75
-Over provision in prior years	-	-
Deferred taxation:		
-Current year	(740)	(740)
-Over provision in prior years	-	-
	<u>(665)</u>	<u>(665)</u>

The effective tax rate of the Group for the current quarter ended 31st March 2020 was lower than the statutory tax rate mainly due utilization of allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Refer to the announcements dated 13th September 2019 and 17th September 2019, the Company propose to undertake the following private placement pursuant to Section 75 and 76 of the Companies Act 2016 ('Proposed Private Placement'):-

- i) Up to 42,500,000 new Masteel shares, representing up to approximately 10% of the Company's total number of issued shares.

Bursa Securities had, vide its letter dated 19th September 2019, approved the listing and quotation of the Proposed Private Placement.

The above corporate proposals was approved by the shareholders at the Annual General Meeting dated on 20th June 2019.

A total of 16,700,000 new Masteel Shares was issued from 1st January 2020 to 12 February 2020 at an average price of RM0.397 per share.

On 5th March 2020, Bursa Securities has granted the Company an extension of time until 18th September 2020 to complete the implementation of the Proposed Private Placement.

(b) Status of utilization of proceed raised

- i) Private placement

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

	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation	Explanation
	RM'000	RM'000		RM'000	%
Repayment of bank borrowings	9,752	9,752	Immediate	-	-
Estimated expenses	96	96		-	-
Total	9,848	9,848		-	-

B8. Borrowings

	31/03/20
	RM'000
<u>Secured:</u>	
Short term borrowings	308,537
Long term borrowings	136,142
Total borrowings	444,679

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

The Company has been served with a Writ of Summons dated 17th July 2019 and Statement of Claim dated 12th June 2019 by Safety Capital Sdn Bhd ('safety Capital'). Safety Capital is seeking for, inter alia, the payment of RM10.681 million ('Sum') by the Company, together with Interest and costs ('Claim'), which is in relation to advances made by Safety Capital to the Company between the year 2002 to 2004. The Board of Directors has been advised by its solicitors that the Company has a strong case to dismiss the Claim. As the claimed is non-trading in nature, the Management is of the view that the Writ of Summons will not have any material financial and operational impact on the Group.

The Company had filed the Discovery Application and the hearing has been rescheduled to 23rd June 2020 before the Registrar at the Shah Alam High Court.

B10. Dividend

No dividend has been proposed or declared by the Company during the current quarter under review.

B11. Loss per share ("LPS")

(a) *Basic Loss per share*

The loss per share of the Company is calculated by dividing the loss 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
Loss attributable to ordinary shareholders (RM'000)	<u>(4,172)</u>	<u>(4,172)</u>
Weighted average number of ordinary shares in issue ('000)	<u>437,114</u>	<u>437,114</u>
Basic Loss Per Share (sen)	<u>(0.95)</u>	<u>(0.95)</u>

(b) *Diluted loss per share*

There is no dilution of any shares during the period. Accordingly, the diluted loss per share calculation is the same as that of Basic Loss per share.

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.