

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/19	31/12/18	31/12/19	31/12/18
	RM'000	RM'000	RM'000	RM'000
Revenue	349,855	348,925	1,195,306	1,496,853
Cost of sales	(326,498)	(345,369)	(1,140,424)	(1,409,186)
Gross Profit	23,357	3,556	54,882	87,667
Operating expenses	(17,445)	(26,000)	(56,712)	(61,354)
Other expenses	-	-	(2,055)	(8,785)
Other income	1,294	656	5,023	2,616
Interest income	214	224	446	602
Finance cost	(5,419)	(2,589)	(22,658)	(15,747)
Share of profit/ (loss) in associated company	254	6	386	(161)
Profit/(Loss) before tax	2,255	(24,147)	(20,688)	4,838
Tax (expense)/ credit	(1,567)	(721)	12,384	1,867
Profit/(Loss) for the period	688	(24,868)	(8,304)	6,705
Other Comprehensive Income -Revaluation of land	-	-	76,649	-
Total Comprehensive Income/ (Loss)	688	(24,868)	68,345	6,705
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	688	(24,868)	68,345	6,705
Profit/(Loss) for the period	688	(24,868)	(8,304)	6,705
Earnings/(Loss) per share (sen)				
- Basic	0.16	(5.84)	(1.95)	1.58
- 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 2018 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	31/12/19	31/12/18
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	740,462	630,463
Investment in Associate company	6,527	6,141
Deferred tax assets	3,793	-
	<u>750,782</u>	<u>636,604</u>
<u>Current Assets</u>		
Inventories	533,379	499,479
Trade and other receivables	167,511	162,154
Taxation recoverables	5,218	5,445
Other investment	-	3,000
Short term deposit	24,902	48,108
Cash and bank balances	35,403	22,047
	<u>766,413</u>	<u>740,233</u>
TOTAL ASSETS	<u><u>1,517,195</u></u>	<u><u>1,376,837</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	233,310	230,094
Subscription money received	950	-
Revaluation reserves	76,649	-
Treasury shares	(1,324)	(1,199)
Retained profits	420,419	428,723
Total Equity	<u>730,004</u>	<u>657,618</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	153,698	146,809
Deferred tax liabilities	47	9,603
	<u>153,745</u>	<u>156,412</u>
<u>Current Liabilities</u>		
Trade and other payables	228,174.60	202,764
Trade deposits	80,250	116,843
Short term borrowings	325,021	243,200
	<u>633,446</u>	<u>562,807</u>
Total liabilities	<u>787,191</u>	<u>719,219</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,517,195</u></u>	<u><u>1,376,837</u></u>
Net Assets per share (RM)	1.71	1.54

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2018 and accompanying explanatory notes attached to the interim financial statements.

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	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>12 months ended 31st December 2019</i>						
At 1st January 2019	230,094	-	-	428,723	(1,199)	657,618
New shares issued	3,216	-	-	-	-	3,216
Subscription money received	-	950	-	-	-	950
Share buy back	-	-	-	-	(125)	(125)
Total comprehensive income	-	-	76,649	(8,304)	-	68,345
At 31st December 2019	<u>233,310</u>	<u>950</u>	<u>76,649</u>	<u>420,419</u>	<u>(1,324)</u>	<u>730,004</u>
<i>12 months ended 31st December 2018</i>						
At 1st January 2018	221,472	-	-	426,864	(313)	648,023
New shares issued	7,610	-	-	-	-	7,610
Share resale	-	-	-	-	313	313
Share buy back	-	-	-	-	(1,199)	(1,199)
Bonus issue	1,012	-	-	(1,012)	-	-
Dividend declared in respect of financial year ended 31st December 2017	-	-	-	(3,834)	-	(3,834)
Total comprehensive income	-	-	-	6,705	-	6,705
At 31st December 2018	<u>230,094</u>	<u>-</u>	<u>-</u>	<u>428,723</u>	<u>(1,199)</u>	<u>657,618</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 2018 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Current year 01/01/19 to 31/12/19 RM'000	Preceding Year 01/01/18 to 31/12/18 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	(20,688)	4,838
Adjustment for:		
Depreciation of property, plant and equipment	29,872	28,641
Interest expenses	22,658	15,747
Impairment of inventories	1,306	4,593
Loss/ (Gain) on disposal of property, plant and equipment	9	(4)
Share of loss of associate	(386)	161
Others	(3,414)	5,567
Operating profit before changes in working capital	29,357	59,543
Changes in working capital		
Net change in inventories	(35,206)	(73,856)
Net change in receivables	(5,357)	64,046
Net change in payables	(8,214)	11,263
Cash (used in)/generated from operations	(19,420)	60,996
Interest paid	(21,951)	(15,597)
Income tax paid	(738)	(824)
Net cash (outflow)/inflow from operating activities	(42,109)	44,575
Investing activities		
Purchase of property, plant and equipment	(63,233)	(59,133)
Decrease/ (Increase) in other investment	3,000	(3,000)
Interest received	446	602
Proceed from disposal	2	11
Net cash outflow from investing activities	(59,785)	(61,520)
Financing activities		
Bank borrowings	86,710	33,784
Dividend paid	-	(3,834)
Issue of new shares	3,216	7,610
Subscription money received	950	-
Share resales/ (buy-back)	(125)	(886)
Finance lease interest paid	(707)	(150)
Net cash inflow from financing activities	90,044	36,524
Net (decrease)/increase in cash and cash equivalents	(11,850)	19,579
Cash and cash equivalents at beginning of the year	70,155	50,576
Cash and cash equivalents at end of the financial period	58,305	70,155
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	24,902	48,108
Cash and bank balances	35,403	22,047
Bank overdraft	(2,000)	-
	58,305	70,155

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2018 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 31st DECEMBER 2019

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 2018, 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 2018.

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 2018, except for the following:

Standards and Amendments to MFRSs issued but not yet effective

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

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

- MFRS 17 Insurance Contracts

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 – 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 2018 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 8,800,000 new Masteel shares was subscribed through the private placement at the average exercise price of RM0.365 per share.

As at 31st December 2019, a total of 1,675,000 shares were held as treasury shares out of its total issued share capital of 436,039,831 shares at an average price of RM0.79 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	315,876	1,160,160
- Outside Malaysia	33,979	35,146
	349,855	1,195,306

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. On 30th September 2019, the Company had a revaluation of land and the revaluation surplus of RM76.65 million was recognized in the other comprehensive income and to the equity.

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. Capital commitments

	31/12/19 RM'000
Property, plant and equipment	
- Approved and contracted for	Nil
	<hr/>
	Nil
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PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

	Individual Period 3 months			Cumulative Period 12 months		
	31/12/2019 RM'000	31/12/2018 RM'000	Changes %	31/12/2019 RM'000	31/12/2018 RM'000	Changes %
Revenue	349,855	348,925	0.27	1,195,306	1,496,853	(20.15)
Profit/(loss) before interest and tax	7,673	(21,558)	(135.59)	1,970	20,585	(90.43)
Profit/(Loss) before tax	2,255	(24,147)	(109.34)	(20,688)	4,838	(527.61)

The Group reported a profit before tax of RM2.25 million on the revenue of RM349.85 million for the current quarter compared to a loss before tax of RM24.15 million on the revenue of RM348.92 million for the previous year corresponding quarter. The increase in revenue in current quarter were mainly attributed to higher sales volume. The current quarter recorded a better margin as a result of the Company's technology driven cost cutting measures.

For the year under review, the Company's revenue decreased by 20.15% to RM1.19 billion as compared to RM1.49 billion for the previous financial year. This is due to lower sales volume and lower selling price recorded. The profit before tax decreased from RM4.83 million in the previous year to loss before tax of RM20.69 million due to lower margin resulted from the lower selling price and higher finance charges from the increased borrowings during the year.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	31.12.2019 RM'000	30.09.2019 RM'000	
Revenue	349,855	270,554	29.31
Profit/ (Loss) before tax	2,255	2,098	7.48

The Group's revenue for the current quarter recorded an increase of RM79.30 million to RM349.85 million mainly due to higher sales volume as compared with last quarter. The Group recorded an improved profit before tax of RM2.25 million as compared to profit before tax of RM2.10 million achieved in the immediate preceding quarter due to higher sales volume and higher unrealized foreign exchange gain in the current quarter.

B3. Prospects

The general domestic market continues to be well supplied with steel bars. In the Klang Valley, the demand has been adequate to enable the Company's plants to operate at a high utilisation rate.

The present market situation that have been retarded by the recent major North Asia health crisis is not expected to have a lasting effect on the demand for the Company's steel products. Recent rebounding of iron ore prices towards US\$90 per mt have caused the prices of steel bar in the region as well as in Malaysia to be well supported.

The Company is confident that in the quarters ahead, it will continue to experience steady demand for its steel products and the corresponding improvements in the margins.

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 before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange (gain)/loss	(1,294)	(2,968)
Realised foreign exchange (gain)/loss	615	56
Depreciation of property, plant and Equipment	7,525	29,872
Impairment for inventories	69	1,306
Share of profit in associate	(254)	(386)
Interest expense	5,419	22,658
Interest income	(214)	(446)
Revaluation of land	-	76,649
(Gain)/loss on disposal of quoted or unquoted investments or properties	9	9
Other income including investment income	-	-
Provision for and write off of receivables	-	-
(Gain)/loss on derivatives	-	-

B6. Tax (credit)/ expense.

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	47	547
-Over provision in prior years	-	419
Deferred taxation:		
-Current year	1,520	(9,774)
-Over provision in prior years	-	(3,576)
	<u>1,567</u>	<u>(12,384)</u>

The effective tax rate of the Group for the current quarter ended 31st December 2019 was lower than the statutory tax rate mainly due to utilization of unabsorbed losses and capital 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 25,500,000 new Masteel Shares was issued from 1st October 2019 to 12th February 2020 at an average price of RM0.35 per share.

(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	8,983	8,983	Immediate	-	-
Total	8,983	8,983		-	-

B8. Borrowings

	31/12/19
	RM’000
<u>Secured:</u>	
Short term borrowings	325,021
Long term borrowings	153,698
Total borrowings	478,719

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 years 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 is scheduled for hearing on 24th February 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. Earnings/ (Loss) per share (“EPS”)

(a) *Basic Earnings per share*

The basic earnings/ (Loss) per share of the Company is calculated by dividing the profit/ (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
Profit/ (Loss) attributable to ordinary shareholders (RM'000)	<u>688</u>	<u>(8,304)</u>
Weighted average number of ordinary shares in issue ('000)	<u>426,373</u>	<u>426,373</u>
Basic Earning/ (Loss) Per Share (sen)	<u>0.16</u>	<u>(1.95)</u>

(b) *Diluted earnings per share*

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