

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/21	31/03/20	31/03/21	31/03/20
	RM'000	RM'000	RM'000	RM'000
Revenue	439,737	397,640	439,737	397,640
Cost of sales	(406,390)	(376,758)	(406,390)	(376,758)
Gross Profit	33,347	20,882	33,347	20,882
Operating expenses	(10,072)	(6,914)	(10,072)	(6,914)
Other expenses	(4,730)	(10,055)	(4,730)	(10,055)
Interest income	22	17	22	17
Finance cost	(5,709)	(8,796)	(5,709)	(8,796)
Share of profit in associated company	112	29	112	29
Profit/(Loss) before tax	12,970	(4,837)	12,970	(4,837)
Tax (expenses)/credit	(4,580)	665	(4,580)	665
Profit/(Loss) for the period	8,390	(4,172)	8,390	(4,172)
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit/(Loss)	8,390	(4,172)	8,390	(4,172)
Profit/(Loss) and Total Comprehensive Loss attributable to: Equity holders of the Company	8,390	(4,172)	8,390	(4,172)
Profit/(Loss) for the period	8,390	(4,172)	8,390	(4,172)
Earnings/(Loss) per share (sen)				
- Basic	1.87	(0.95)	1.87	(0.95)
- 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 2020 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**

	<b>31/03/21</b>	<b>31/12/20</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	776,571	774,436
Investment in Associate company	6,398	6,286
Deferred tax assets	2,116	5,452
	<u>785,085</u>	<u>786,174</u>
<u>Current Assets</u>		
Inventories	591,116	567,688
Trade and other receivables	229,348	211,797
Taxation recoverables	1,772	2,816
Short term deposit	17,684	23,800
Cash and bank balances	20,651	14,343
	<u>860,571</u>	<u>820,444</u>
<b>TOTAL ASSETS</b>	<u><u>1,645,656</u></u>	<u><u>1,606,618</u></u>
<b>EQUITY AND LIABILITIES</b>		
<u>Equity attributable to equity holders</u>		
Share capital	239,942	239,942
Revaluation reserves	76,649	76,649
Treasury shares	(1,490)	(1,490)
Retained profits	414,061	405,671
Total Equity	<u>729,162</u>	<u>720,772</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	7,907	8,659
Long term borrowings	90,000	90,000
Deferred tax liabilities	94	87
	<u>98,001</u>	<u>98,746</u>
<u>Current Liabilities</u>		
Trade and other payables	434,260	399,614
Trade deposits	57,203	59,925
Tax Payable	199	147
Lease Liabilities	3,464	3,427
Short term borrowings	323,367	323,987
	<u>818,493</u>	<u>787,100</u>
Total liabilities	<u>916,494</u>	<u>885,846</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,645,656</u></u>	<u><u>1,606,618</u></u>
Net Assets per share (RM)	1.61	1.59

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2020 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 2021**

	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	
<b>3 months ended 31st March 2021</b>						
At 1st January 2021	239,942	-	76,649	405,671	(1,490)	720,772
Total comprehensive income	-	-	-	8,390	-	8,390
At 31st March 2021	<u>239,942</u>	<u>(0)</u>	<u>76,649</u>	<u>414,061</u>	<u>(1,490)</u>	<u>729,162</u>
<b>3 months ended 31st March 2020</b>						
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>-</u>	<u>76,649</u>	<u>416,225</u>	<u>(1,490)</u>	<u>731,327</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 2020 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

	<b>Current year 01/01/21 to 31/03/21 RM'000</b>	<b>Preceding Year 01/01/20 to 31/03/20 RM'000</b>
<b>Cash Flow From Operating Activities:-</b>		
Profit/(Loss) before tax	12,970	(4,837)
Adjustment for:		
Depreciation of property, plant and equipment	7,956	8,180
Interest expenses	5,709	8,796
Impairment/(reversal) of inventories	73	4,823
Share of (gain)/loss of associate	(112)	(29)
Others	4,707	10,039
Operating profit before changes in working capital	31,303	26,972
Changes in working capital		
Net change in inventories	(23,501)	31,536
Net change in receivables	(17,551)	(73,228)
Net change in payables	27,194	25,401
Cash generated from operations	17,445	10,681
Interest paid	(5,483)	(8,503)
Income tax paid	(141)	(155)
Income tax refund	-	1,939
Net cash inflow from operating activities	11,821	3,962
Investing activities		
Purchase of property, plant and equipment	(10,091)	(248)
Interest received	22	17
Net cash outflow from investing activities	(10,069)	(231)
Financing activities		
Bank borrowings	(2,781)	(17,185)
Issue of private placement	-	5,683
Share resales/(buy-back)	-	(166)
Finance lease interest paid	(225)	(294)
Net cash outflow from financing activities	(3,006)	(11,962)
Net decrease in cash and cash equivalents	(1,254)	(8,231)
Cash and cash equivalents at beginning of the year	38,143	58,305
Cash and cash equivalents at end of the financial period	36,889	50,074
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	17,684	35,638
Cash and bank balances	20,651	14,436
Bank overdraft	(1,446)	-
	36,889	50,074

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2020 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 31<sup>ST</sup> MARCH 2021**

**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 31<sup>st</sup> December 2020, 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 31<sup>st</sup> December 2020.

**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 31<sup>st</sup> December 2020, except for the following:

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions
- Amendments to MFRS 9 Financial instruments
- Amendments to MFRS 139 Financial Instruments: Recognition and measurement
- Amendments to MFRS 7 Financial Instruments: Disclosures
- Amendments to MFRS 4 Insurance Contracts
- Amendments to MFRS 16 Leases - Interest Rate Benchmark Reform – Phase 2

***Standards and Amendments to MFRSs issued but not yet effective***

**Effective for financial periods beginning on or after 1<sup>st</sup> April 2021**

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions beyond 30 June 2021

**Effective for financial periods beginning on or after 1<sup>st</sup> January 2022**

- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets
  - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020 :
  - Amendment to MFRS 1 First-time Adoption of Malaysia Financial Reporting Standards
  - Amendment to MFRS 9 Financial Instruments
  - Amendment to MFRS 141 Agriculture

**Effective for financial periods beginning on or after 1 January 2023**

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors  
Definition of Accounting Estimates

**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 - 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 31<sup>st</sup> December 2020 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 31<sup>th</sup> March 2021, 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:

	<b>Current Quarter ended RM'000</b>	<b>Current Year to-date ended RM'000</b>
<b>Revenue</b>		
- Malaysia	421,822	421,822
- Outside Malaysia	17,915	17,915
	439,737	439,737

**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:

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
i) Transportation charged by a subsidiary	1,290	1,290
ii) Fabrication service charged by a subsidiary	30	30

**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		
	31/03/2021	31/03/2020	Changes	31/03/2021	31/03/2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	439,737	397,640	10.59	439,737	397,640	10.59
Profit before interest and tax	18,679	3,959	371.81	18,679	3,959	371.81
Profit/(loss) before tax	12,970	(4,837)	368.14	12,970	(4,837)	368.14

The Group reported a profit before tax of RM12.97 million on the revenue of RM439.74 million for the current quarter compared to a loss before tax of RM4.84 million on the revenue of RM397.64 million for the previous year corresponding quarter. The increase in revenue in current quarter were mainly attributed to higher selling price in line with the increase of global steel prices. The current quarter recorded a higher profit before tax mainly due to recovery of the selling prices, improved plant efficiency and cost savings measures undertaken in the plants.

**B2. Variation of results against preceding quarter's**

	3 months ended		Changes
	31/03/2021	31/12/2020	
	RM'000	RM'000	%
Revenue	439,737	372,754	17.97
Profit before tax	12,970	12,073	7.43

The Group's revenue for the current quarter recorded an increase of RM66.98 million to RM439.74 million mainly due to improved sales volume and higher selling price compared with last quarter as a result of an improved demand of steel billets. The Group recorded a profit before tax of RM12.97 million as compared to profit before tax of RM12.07 million achieved in the immediate preceding quarter mainly due to higher selling price and better margin from cost savings measures undertaken in the current quarter.

**B3. Prospects**

With the rapid increase of steel prices internationally underpinned by the hike of raw materials costs due the scarcity of supply and elevated freight costs, the Company's business prospects for the rest of the year based on the prevailing condition is expected to be encouraging.

China had achieved a remarkable 1st Quarter GDP of 18.3%. Oxford Economics had forecasted China's full year GDP (2021) to be 8.9%. This expansive increase of its economy to USD 16.64 trillion will continue to drive the demand for Masteel's steel products for the export markets for the rest of the year.

The Company is striving to optimize its newly acquired capital assets to ensure a rewarding outcome for all its stakeholders, in particular the Company's shareholders.



**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**

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
Profit before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange loss	4,730	4,730
Realised foreign exchange gain	(3,773)	(3,773)
Depreciation of property, plant and Equipment	7,956	7,956
Impairment for inventories	73	73
Share of profit in associate	(112)	(112)
Interest expense	5,709	5,709
Interest income	(22)	(22)
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/ (credit).**

Taxation comprises:

	<b>Current Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	120	120
-Under provision in prior years	1,117	1,117
Deferred taxation:		
-Current year	4,527	4,527
-Over provision in prior years	(1,184)	(1,184)
	<u>4,580</u>	<u>4,580</u>

The effective tax rate of the Group for the current quarter ended 31<sup>st</sup> March 2021 was lower than the statutory tax rate mainly due to utilization of capital allowance and reinvestment allowance.

**B7. (a) Status of corporate proposals**

i) Renounceable Right Issue with Warrants

On 7<sup>th</sup> December 2020, the Company announced that it is proposing to undertake the Propose Right issue with Warrants (“Proposed Right Issue”). The Proposed Right Issue is set out as follows:

Issuance of up to 226,369,915 Right Shares together with up to 226,369,915 Warrants on the basis of 1 Right Share for every 2 existing Masteel Shares together with 1 Warrant for every 1 Right Share subscribed.

Bursa Securities had, vide its letter dated 15<sup>th</sup> January 2021, approved the listing and quotation of the Proposed Right Issue subjected to approval by shareholders at Extraordinary General Meeting (“EGM”) and full compliance of all the requirements as provided under Main LR.

On 8<sup>th</sup> February 2021, the Circular to Shareholders in relation to the Proposed Right Issue was issued and announced.

On 23<sup>rd</sup> March 2021, the Company Proposed Right Issue was approved by the shareholders via the fully virtual EGM.

On 6<sup>th</sup> May 2021, the Company announced that the Board has resolved to fix the issue price for the Rights Shares at RM0.586 per share and the exercise price of the Warrants at RM0.586 per share.

**(b) Status of utilization of proceed raised**

i) Renounceable Right Issue with Warrants

Not applicable

**B8. Borrowings**

	<b>31/03/21</b>
	<b>RM'000</b>
<u>Secured:</u>	
Short term borrowings	323,367
Long term borrowings	90,000
Total borrowings	<u>413,367</u>

The above borrowings are all denominated in Ringgit Malaysia.

**B9. Material litigations**

The Company has been served with a Writ of Summons dated 17<sup>th</sup> July 2019 and Statement of Claim dated 12<sup>th</sup> 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.

On 8th January 2021, the Company's application to strike out Safety Capital's claim was dismissed with costs of RM3,500.00 and no appeal has been lodged against this decision. The matter is now scheduled for trial on 16th August 2021 to 18th August 2021 before the Judge 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 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.

	<b>Current Quarter Ended</b>	<b>Current Year To-date Ended</b>
Earnings attributable to ordinary shareholders (RM'000)	<u>8,390</u>	<u>8,390</u>
Weighted average number of ordinary shares in issue ('000)	<u>449,696</u>	<u>449,696</u>
Basic Earnings Per Share (sen)	<u>1.87</u>	<u>1.87</u>

(b) *Diluted earnings/ (loss) per share*

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