

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/21	30/06/20	30/06/21	30/06/20
	RM'000	RM'000	RM'000	RM'000
Revenue	353,135	195,626	792,872	593,266
Cost of sales	(324,088)	(214,366)	(730,478)	(591,124)
Gross Profit	29,047	(18,740)	62,394	2,142
Operating expenses	(10,444)	(13,910)	(20,516)	(20,824)
Other expenses	-	-	(4,730)	(10,055)
Other income	943	9,015	943	9,015
Interest income	83	37	105	54
Finance cost	(4,649)	(5,527)	(10,358)	(14,323)
Share of profit in associated company	31	(129)	143	(100)
Profit/(Loss) before tax	15,011	(29,254)	27,981	(34,091)
Tax (expenses)/credit	(5,620)	6,723	(10,200)	7,388
Profit/(Loss) for the period	9,391	(22,531)	17,781	(26,703)
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit/(Loss)	9,391	(22,531)	17,781	(26,703)
Profit/(Loss) and Total Comprehensive Loss attributable to:				
Equity holders of the Company	9,391	(22,531)	17,781	(26,703)
Profit/(Loss) for the period	9,391	(22,531)	17,781	(26,703)
Earnings/(Loss) per share (sen)				
- Basic	2.07	(5.11)	3.93	(6.05)
- 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 30 JUNE 2021

	30/06/21	31/12/20
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	768,745	774,436
Investment in Associate company	6,429	6,286
Deferred tax assets	-	5,452
	<u>775,174</u>	<u>786,174</u>
<u>Current Assets</u>		
Inventories	585,116	567,688
Trade and other receivables	209,589	211,797
Taxation recoverables	-	2,816
Short term deposit	16,828	23,800
Cash and bank balances	32,418	14,343
	<u>843,951</u>	<u>820,444</u>
TOTAL ASSETS	<u><u>1,619,125</u></u>	<u><u>1,606,618</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	240,232	239,942
Revaluation reserves	76,649	76,649
Treasury shares	-	(1,490)
Retained profits	423,452	405,671
Total Equity	<u>740,333</u>	<u>720,772</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	7,250	8,659
Long term borrowings	90,000	90,000
Deferred tax liabilities	1,942	87
	<u>99,192</u>	<u>98,746</u>
<u>Current Liabilities</u>		
Trade and other payables	378,730	399,614
Trade deposits	52,413	59,925
Tax Payable	(108)	147
Lease Liabilities	3,494	3,427
Short term borrowings	345,071	323,987
	<u>779,600</u>	<u>787,100</u>
Total liabilities	<u>878,792</u>	<u>885,846</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,619,125</u></u>	<u><u>1,606,618</u></u>
Net Assets per share (RM)	1.64	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 30 JUNE 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	
6 months ended 30th June 2021						
At 1st January 2021	239,942	-	76,649	405,671	(1,490)	720,772
New shares issued	-	-	-	-	-	-
Revaluation of land	-	-	-	-	-	-
Share resale	290	-	-	-	1,490	1,780
Total comprehensive income	-	-	-	17,781	-	17,781
At 30th June 2021	<u>240,232</u>	<u>-</u>	<u>76,649</u>	<u>423,452</u>	<u>-</u>	<u>740,333</u>
6 months ended 30th June 2020						
At 1st January 2020	233,310	950	76,649	420,397	(1,324)	729,982
New shares issued	6,633	(950)	-	-	-	5,683
Subscription money received	-	-	-	-	-	-
Share buy back	-	-	-	-	(166)	(166)
Total comprehensive loss	-	-	-	(26,703)	-	(26,703)
Other comprehensive income	-	-	-	-	-	-
At 30th June 2020	<u>239,943</u>	<u>-</u>	<u>76,649</u>	<u>393,694</u>	<u>(1,490)</u>	<u>708,796</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 2020 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Current year 01/01/21 to 30/06/21 RM'000	Preceding Year 01/01/20 to 30/06/20 RM'000
Cash Flow From Operating Activities:-		
Profit/(Loss) before tax	27,981	(34,091)
Adjustment for:		
Depreciation of property, plant and equipment	16,252	16,411
Interest expenses	10,358	14,323
Impairment/(reversal) of inventories	388	5,776
Gain on disposal of property, plant and equipment	(115)	-
Share of (gain)/loss of associate	(143)	100
Others	3,682	986
Operating profit before changes in working capital	58,403	3,505
Changes in working capital		
Net change in inventories	(17,816)	(12,249)
Net change in receivables	2,208	(32,432)
Net change in payables	(32,183)	54,576
Cash generated from operations	10,612	13,400
Interest paid	(9,924)	(13,755)
Income tax paid	(332)	(225)
Income tax refund	-	1,939
Net cash inflow from operating activities	356	1,359
Investing activities		
Purchase of property, plant and equipment	(10,446)	(17,872)
Interest received	105	54
Net cash outflow from investing activities	(10,341)	(17,818)
Financing activities		
Bank borrowings	19,742	(13,437)
Issue of private placement	-	5,683
Share resales/(buy-back)	1,780	(166)
Finance lease interest paid	(434)	(568)
Net cash inflow/(outflow) from financing activities	21,088	(8,488)
Net decrease in cash and cash equivalents	11,103	(24,947)
Cash and cash equivalents at beginning of the year	38,143	58,306
Cash and cash equivalents at end of the financial period	49,246	33,359
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	16,828	24,417
Cash and bank balances	32,418	10,558
Bank overdraft	-	(1,616)
	49,246	33,359

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 30TH JUNE 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 31st 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 31st 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 31st 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 1st April 2021

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

Effective for financial periods beginning on or after 1st 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 (MFRS 17) and Amendments to MFRS 17

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

Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 - 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 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 and the Full Movement Control Order (FMCO) imposed by the Government.

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 9th April 2021, 12th April 2021, 23rd April 2021, 26th April 2021, 27th April 2021, 4th May 2021 and 5th May 2021, the Company had disposed off a total of 200,000 share, 150,000 share, 100,000 share, 382,000 share, 306,000 share, 312,600 share and 910,000 share in treasury share at an average price RM0.636, RM0.650, RM0.635, RM0.670, RM0.665, RM0.840 and RM0.895 per share respectively.

As at 30th June 2021, the Company did not hold any treasury shares.

A8. Dividend

No dividend was paid by the Company in the current quarter under review and financial period 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	296,809	718,631
- Outside Malaysia	56,326	74,241
	353,135	792,872

A10. Valuation

The valuation 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	695	1,985
ii) Fabrication service charged by a subsidiary	21	51

PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

	Individual Period			Cumulative Period		
	3 months			6 months		
	30/06/2021	30/06/2020	Changes	30/06/2021	30/06/2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	353,135	195,626	80.52	792,872	593,266	33.65
Profit before interest and tax	19,660	(23,727)	182.86	38,338	(19,768)	293.94
Profit/(loss) before tax	15,011	(29,254)	151.31	27,981	(34,091)	182.08

The Group reported a profit before tax of RM15.01 million on the revenue of RM353.13 million for the current quarter compared to a loss before tax of RM29.25 million on the revenue of RM195.63 million for the previous year corresponding quarter. The increase in revenue in current quarter were mainly attributed to higher selling prices and sales volume resulted from improved demand from the construction industry couple with improved condition of steel sector prior to the FMCO period. The current quarter recorded a higher profit before tax mainly due to increase in steel prices, higher volume and improved margin in the current quarter.

B2. Variation of results against preceding quarter's

	3 months ended		
	30.06.2021	31.03.2021	Changes
	RM'000	RM'000	%
Revenue	353,135	439,737	(19.69)
Profit before tax	15,011	12,970	15.73

The Group's revenue for the current quarter recorded a decrease of RM86.60 million to RM353.13 million mainly due to lower sales volume compared with last quarter as a consequence of the negative impact of economic disruption resulting from the FMCO. The Group recorded a profit before tax of RM15.01 million as compared to profit before tax of RM12.97 million achieved in the immediate preceding quarter mainly due to higher selling price and better margin in the current quarter.

B3. Prospects

Following a rise in COVID-19 cases due to the highly infectious Delta coronavirus variant, Full Movement Control Order (FMCO) was imposed on the Company by the Government under phase 1 of the National Recovery Plan (NRP) for a period of 11 weeks from 1st of June 2021 to 20th of August 2021. Throughout this duration, the Company was permitted by the Government to undertake only "warm idling" activities which placed its plant and machinery in continuous maintenance mode.

The COVID-19 pandemic and the nationwide lockdown during this period had severely affected the operations and output of the Company. Meanwhile the demand for steel from the construction sector which was subjected to similar guidelines were restricted and subdued.

The Company expects the demand for steel bars to gradually revert to pre-FMCO levels from September 2021 onwards subject to no new deterioration of the COVID-19 pandemic in the country particularly for the state of Selangor where the Company operates all its steel mills.

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	(943)	3,787
Realised foreign exchange loss/(gain)	58	(3,715)
Depreciation of property, plant and Equipment	8,296	16,252
Impairment for inventories	315	388
Share of profit in associate	(31)	(143)
Interest expense	4,650	10,358
Interest income	(83)	(105)
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:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	2	122
-Under provision in prior years	1,655	2,772
Deferred taxation:		
-Current year	3,963	8,490
-Over provision in prior years	-	(1,184)
	<u>5,620</u>	<u>10,200</u>

The effective tax rate of the Group for the current quarter ended 30th June 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 Rights Issue with Warrants

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

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

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

On 8th February 2021, the Circular to Shareholders in relation to the Proposed Rights Issue was issued and announced.

On 23rd March 2021, the Company Proposed Rights Issue was approved by the shareholders via the fully virtual EGM.

On 6th 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 warrant.

On 6th July 2021, Bursa Securities had vide its letter dated 6th July 2021, grant the Company an extension of time until 14th January 2022 to complete the Proposed Rights Issue.

On 19th August 2021, the Company announced that the Board has resolved to revise the issue price for the Rights Shares from RM0.586 to RM0.395 per share and the exercise price of the Warrants at RM0.586 to RM0.395 per warrant.

On 2nd September 2021, the Company announced that it has signed an Underwriting Agreement for the Proposed Rights Issue with the Underwriters.

(b) Status of utilization of proceed raised

i) Renounceable Rights Issue with Warrants

Not applicable

B8. Borrowings

	30/06/21
	RM'000
<u>Secured:</u>	
Short term borrowings	345,071
Long term borrowings	90,000
Total borrowings	<u>435,071</u>

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.

On 8th January 2021, the Company's application to strike out Safety Capital's claim was dismissed with costs of RM3,500 and no appeal has been lodged against this decision. The trial was held from 16th August 2021 to 18th August 2021 via remote technology before the Judge at the Shah Alam High Court. At the end of the trial, the learned Judge directed the parties to present Written Submission by 10th September 2021 and scheduled oral submissions by both counsel on 17th September 2021.

On 16th September 2021, the counsel for the Plaintiff, had applied to Court for an adjournment of the oral submissions/clarification and the Court has rescheduled the oral submissions/clarification to 14th October 2021.

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>9,391</u>	<u>17,781</u>
Weighted average number of ordinary shares in issue ('000)	<u>452,739</u>	<u>452,739</u>
Basic Earnings Per Share (sen)	<u>2.07</u>	<u>3.93</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.