

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2023**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/23	31/03/22	31/03/23	31/03/22
	RM'000	RM'000	RM'000	RM'000
Revenue	470,032	457,356	470,032	457,356
Cost of sales	(449,531)	(421,126)	(449,531)	(421,126)
Gross Profit	20,501	36,230	20,501	36,230
Operating expenses	(6,437)	(15,523)	(6,437)	(15,523)
Other expenses	(5,335)	-	(5,335)	-
Other income	-	1,602	-	1,602
Interest income	114	93	114	93
Finance cost	(8,281)	(5,127)	(8,281)	(5,127)
Share of profit in associated company	327	103	327	103
Profit before tax	889	17,378	889	17,378
Tax expenses	(238)	(4,169)	(238)	(4,169)
Profit for the period	651	13,209	651	13,209
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit	651	13,209	651	13,209
Profit and Total Comprehensive Loss attributable to:				
Equity holders of the Company	651	13,209	651	13,209
Profit for the period	651	13,209	651	13,209
Earnings per share (sen)				
- Basic	0.10	1.95	0.10	1.95
- Diluted	0.08	1.59	0.08	1.59

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2022 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2023

	31/03/23	31/12/22
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	817,433	825,278
Investment in Associate company	7,695	7,368
	<u>825,128</u>	<u>832,646</u>
<u>Current Assets</u>		
Inventories	698,960	714,429
Trade and other receivables	222,963	193,098
Taxation recoverables	486	445
Short term deposit	38,246	24,830
Cash and bank balances	31,409	38,008
	<u>992,064</u>	<u>970,810</u>
TOTAL ASSETS	<u><u>1,817,192</u></u>	<u><u>1,803,456</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	329,648	329,648
Revaluation reserves	76,649	76,649
Treasury shares	(587)	(587)
Warrants reserves	32,824	32,824
Retained profits	425,072	424,421
Total Equity	<u>863,606</u>	<u>862,955</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	2,492	3,337
Long term borrowings	85,323	87,142
Deferred tax liabilities	4,074	3,936
	<u>91,889</u>	<u>94,415</u>
<u>Current Liabilities</u>		
Trade and other payables	444,576	458,247
Tax Payable	45	17
Lease Liabilities	3,535	3,522
Short term borrowings	413,541	384,300
	<u>861,697</u>	<u>846,086</u>
Total liabilities	<u>953,586</u>	<u>940,501</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,817,192</u></u>	<u><u>1,803,456</u></u>
Net Assets per share (RM)	1.27	1.27

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2022 and accompanying explanatory notes attached to the interim financial statements.

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2023

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Revaluation Reserves RM'000	Warrants Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
3 months ended 31st March 2023						
At 1st January 2023	329,648	76,649	32,824	424,421	(587)	862,955
Total comprehensive income	-	-	-	651	-	651
At 31st March 2023	<u>329,648</u>	<u>76,649</u>	<u>32,824</u>	<u>425,072</u>	<u>(587)</u>	<u>863,606</u>
3 months ended 31st March 2022						
At 1st January 2022	329,648	76,649	32,824	405,350	(99)	844,372
Share buy back	-	-	-	-	(201)	(201)
Total comprehensive income	-	-	-	13,209	-	13,209
At 31st March 2022	<u>329,648</u>	<u>76,649</u>	<u>32,824</u>	<u>418,559</u>	<u>(300)</u>	<u>857,380</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 2022 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2023**

	Current year 01/01/23 to 31/03/23 RM'000	Preceding Year 01/01/22 to 31/03/22 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	889	17,378
Adjustment for:		
Depreciation of property, plant and equipment	8,682	7,809
Interest expenses	8,840	5,127
Reversal for impairment of inventories	(2,576)	(358)
Share of gain of associate	(327)	(103)
Others	5,221	(1,694)
Operating profit before changes in working capital	20,729	28,160
Changes in working capital		
Net change in inventories	18,045	(31,594)
Net change in receivables	(29,865)	43,297
Net change in payables	(19,006)	(60,581)
Cash used in operations	(10,097)	(20,718)
Interest paid	(8,725)	(4,963)
Income tax paid	(113)	(103)
Net cash used in operating activities	(18,935)	(25,784)
Investing activities		
Purchase of property, plant and equipment	(837)	(16,702)
Interest received	114	93
Net cash used in investing activities	(723)	(16,609)
Financing activities		
Bank borrowings	26,590	35,581
Share buy-back	-	(201)
Finance lease interest paid	(115)	(164)
Net cash generated from financing activities	26,475	35,216
Net increase/(decrease) in cash and cash equivalents	6,817	(7,178)
Cash and cash equivalents at beginning of the year	62,838	56,954
Cash and cash equivalents at end of the financial period	69,655	49,776
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	38,246	22,295
Cash and bank balances	31,409	27,481
	69,655	49,776

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2022 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 2023

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 2021, 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 2022.

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 2022, except for the following:

MFRS 17 Insurance Contracts (“MFRS 17”) and Amendments to MFRS 17

- 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

Standards and Amendments to MFRSs issued but not yet effective

Effective for financial periods beginning on or after 1 January 2024

- Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback

- Amendments to MFRS 101 Presentation of Financial Statements- Non-current Liabilities with Covenants.

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 2022 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.

As at 31st March 2023, a total of 1,840,000 shares were held as treasury shares out of its total issued share capital of 679,109,746 shares at an average price of RM0.319 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	404,644	404,644
- Outside Malaysia	65,388	65,388
	470,032	470,032

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:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
i) Transportation charged by a subsidiary	1,241	1,241

A14. Capital commitments

	31/03/23 RM'000
Property, plant and equipment	
- Contracted but not provided for	2,396
	<hr style="border-top: 1px solid black;"/>
	2,396 <hr style="border-top: 3px double black;"/>

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		
	31/03/2023	31/03/2022	Changes %	31/03/2023	31/03/2022	Changes %
RM'000	RM'000	RM'000		RM'000		
Revenue	470,032	457,356	2.77	470,032	457,356	2.77
Profit before interest and tax	9,170	22,505	(59.25)	9,170	22,505	(59.25)
Profit before tax	889	17,378	(94.88)	889	17,378	(94.88)

The Group reported a profit before tax of RM0.89 million on the revenue of RM470.03 million for the current quarter compared to a profit before tax of RM17.38 million on the revenue of RM457.36 million for the previous year corresponding quarter. The increase in revenue in current quarter was mainly attributed to higher export quantity of the steel products. The current quarter recorded a lower profit before tax mainly due to low margin resulted from increase in utilities cost, finance cost and higher unrealised foreign exchange losses (against an unrealised foreign exchange gain in the previous year period).

B2. Variation of results against preceding quarter's

	3 months ended		
	31/03/2023	31/12/2022	Changes %
	RM'000	RM'000	
Revenue	470,032	446,568	5.25
Profit before tax	889	1,374	(35.27)

The Group's revenue increased by RM23.46 million to RM470.03 million mainly due to higher selling price as compared with the last quarter.

The Group recorded a lower profit before tax of RM0.89 million as compared to profit before tax of RM1.37 million achieved in the immediate preceding quarter resulted from the higher unrealised foreign exchange loss, utilities cost and finance cost in the current quarter.

B3. Prospects

The weaker than anticipated demand for steel in China in early April has caused the general decline of steel prices regionally, including Malaysia.

The many seasonal public holidays such as Hari Raya Aidilfitri (April 2023), Labour and Wesak day (May 2023) have resulted in many long weekends causing sluggish demand for steel bars.

Fortunately, the Company's recent 5-year technological upgrade programme has been timely and has resulted in a substantial reduction on the steel making consumables consumption and Green House Gases (GHG) emissions plus other production costs savings.

This has enabled the Company to remain resilient despite having to operate under an environment that is experiencing vast fluctuation in prices of finished steel products and raw materials costs.

The Company expects these oscillations of prices and costs to moderate in the 2nd half of 2023.

The rollout pace of new construction projects in Malaysia is expected to pick up towards the later part of this year and extend well into 2024.

The Company is continuing to invest in costs saving upgrades that are anticipated to further lower the costs of conversion and GHG emissions in its steel manufacturing process and improve the competitiveness of the Company vis a vis other steel producers in the region.

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 loss	5,335	5,335
Realised foreign exchange gain	(6,136)	(6,136)
Depreciation of property, plant and Equipment	8,682	8,682
Reversal for impairment of inventories	(2,576)	(2,576)
Share of profit in associate	(327)	(327)
Interest expense	8,281	8,281
Interest income	(114)	(114)
Impairment of assets	-	-
(Gain)/loss on disposal of quoted or unquoted investment or property, plant and equipment	-	-
Other income including investment income	-	-
Provision for and write off of receivables	-	-
(Gain)/loss on derivatives	-	-

B6. Tax expenses

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	100	100
-Under/(Over) provision in prior years	-	-
Deferred taxation:		
-Current year	138	138
-Under/(Over) provision in prior years	-	-
	238	238

The effective tax rate of the Group for the current quarter ended 31st March 2023 was lower than the statutory tax rate mainly due to utilization of capital allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Not applicable

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/03/23 RM'000
<u>Secured:</u>	
Short term borrowings	413,541
Long term borrowings	85,323
Total borrowings	498,864

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

The Company was served with a Writ of Summons dated 17th July 2019 and Statement of Claim dated 12th June 2019 ('Suit') by Safety Capital Sdn Bhd ('Safety Capital'). Safety Capital is seeking for, inter alia, the payment of RM10.681 million ('Sum') from the Company, together with interest and costs, which is in relation to advances made by Safety Capital to the Company between the year 2002 to 2004. As the relief is non-trading in nature, the Management is of the view that the Suit will not have any material financial and operational impact on the Group.

On 10th December 2021, the Shah Alam High Court dismissed the Suit and ordered costs of RM80,000.00 to be paid by Safety Capital to the Company ('Judgment'). Safety Capital has filed a Notice of Appeal ('Appeal') to the Court of Appeal against the Judgment. However, the Board of Directors is of the view that there is no financial and operational impact arising from the Appeal.

The Appeal is scheduled for hearing on 7th November 2023 and the Court has given directions for the filing of written submissions by the parties. The next case management is fixed on 23rd October 2023.

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>651</u>	<u>651</u>
Weighted average number of ordinary shares in issue ('000)	<u>677,269</u>	<u>677,269</u>
Basic Earnings Per Share (sen)	<u>0.10</u>	<u>0.10</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings per share, the weighted average numbers of shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the period as set out below:

	Current Quarter Ended	Current Year To-date Ended
Earnings attributable to ordinary shareholders (RM'000)	<u>651</u>	<u>651</u>
Weighted average number of ordinary shares in issue ('000)	677,269	677,269
Effects of dilution ('000)	124,394	124,394
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>801,663</u>	<u>801,663</u>
Diluted Earnings Per Share (sen)	<u>0.08</u>	<u>0.08</u>

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.