

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

| | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|---|----------------------|--------------------------------------|----------------------|---|
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD TO DATE |
| | 31/12/22 | 31/12/21 | 31/12/22 | 31/12/21 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 446,568 | 463,869 | 1,778,289 | 1,579,691 |
| Cost of sales | (424,454) | (426,195) | (1,662,667) | (1,460,530) |
| Gross Profit | 22,114 | 37,674 | 115,622 | 119,161 |
| Operating expenses | (21,177) | (24,805) | (74,833) | (57,482) |
| Other expenses | - | (2,493) | (2,886) | (7,223) |
| Other income | 5,336 | - | 7,281 | 1,360 |
| Interest income | 116 | 221 | 384 | 383 |
| Finance cost | (5,009) | (3,832) | (20,624) | (17,964) |
| Share of (loss)/ profit in associated company | (6) | 211 | 929 | 153 |
| Profit before tax | 1,374 | 6,976 | 25,873 | 38,388 |
| Tax credit/ (expenses) | 258 | 5,061 | (6,850) | (5,885) |
| Profit for the period/year | 1,632 | 12,037 | 19,023 | 32,503 |
| Other Comprehensive Income -Revaluation of land | - | - | - | - |
| Total Comprehensive Profit | 1,632 | 12,037 | 19,023 | 32,503 |
| Profit and Total Comprehensive Loss attributable to: Equity holders of the Company | 1,632 | 12,037 | 19,023 | 32,503 |
| Profit for the period | 1,632 | 12,037 | 19,023 | 32,503 |
| Earnings per share (sen) | | | | |
| - Basic | 0.24 | 1.77 | 2.81 | 4.79 |
| - Diluted | 0.20 | 1.43 | 2.38 | 3.87 |

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2021 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | 31/12/22 RM'000 | 31/12/21 RM'000 |
|--|--------------------|--------------------|
| ASSETS | | |
| <u>Non-Current Assets</u> | | |
| Property, Plant & Equipment | 825,250 | 781,220 |
| Investment in Associate company | 7,368 | 6,439 |
| Deferred tax assets | - | 2,693 |
| | 832,618 | 790,352 |
| <u>Current Assets</u> | | |
| Inventories | 714,429 | 652,559 |
| Trade and other receivables | 186,180 | 222,523 |
| Taxation recoverables | 445 | 278 |
| Short term deposit | 24,830 | 52,713 |
| Cash and bank balances | 38,008 | 4,305 |
| | 963,892 | 932,378 |
| TOTAL ASSETS | 1,796,510 | 1,722,730 |
| 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) | (99) |
| Warrants reserves | 32,824 | 32,824 |
| Retained profits | 424,373 | 405,350 |
| Total Equity | 862,907 | 844,372 |
| <u>Non-Current Liabilities</u> | | |
| Lease Liabilities | 3,379 | 5,498 |
| Long term borrowings | 92,000 | 67,000 |
| Deferred tax liabilities | 3,936 | 121 |
| | 99,315 | 72,619 |
| <u>Current Liabilities</u> | | |
| Trade and other payables | 451,221 | 445,695 |
| Trade deposits | - | 42,497 |
| Tax Payable | 16 | 16 |
| Lease Liabilities | 3,608 | 3,649 |
| Short term borrowings | 379,443 | 313,882 |
| | 834,288 | 805,739 |
| Total liabilities | 933,603 | 878,358 |
| TOTAL EQUITY AND LIABILITIES | 1,796,510 | 1,722,730 |
| Net Assets per share (RM) | 1.27 | 1.24 |

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2021 and accompanying explanatory notes attached to the interim financial statements.

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

| | 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 | Warrants Reserves RM'000 | Retained Profits RM'000 | Treasury Shares RM'000 | |
| <i>12 months ended 31st December 2022</i> | | | | | | | |
| At 1st January 2022 | 329,648 | - | 76,649 | 32,824 | 405,350 | (99) | 844,372 |
| Share buy back | - | - | - | - | - | (488) | (488) |
| Total comprehensive income | - | - | - | - | 19,023 | - | 19,023 |
| At 31st December 2022 | <u>329,648</u> | <u>-</u> | <u>76,649</u> | <u>32,824</u> | <u>424,373</u> | <u>(587)</u> | <u>862,907</u> |
| <i>12 months ended 31st December 2021</i> | | | | | | | |
| At 1st January 2021 | 239,942 | - | 76,649 | - | 405,671 | (1,490) | 720,772 |
| New shares issued | 89,416 | - | - | - | - | - | 89,416 |
| Warrants | - | - | - | 32,824 | (32,824) | - | - |
| Share resale | 290 | - | - | - | - | 1,490 | 1,780 |
| Share buy back | - | - | - | - | - | (99) | (99) |
| Total comprehensive income | - | - | - | - | 32,503 | - | 32,503 |
| At 31st December 2021 | <u>329,648</u> | <u>-</u> | <u>76,649</u> | <u>32,824</u> | <u>405,350</u> | <u>(99)</u> | <u>844,372</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 2021 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

| | Current year 01/01/22 to 31/12/22 RM'000 | Preceding Year 01/01/21 to 31/12/21 RM'000 |
|---|---|---|
| Cash Flow From Operating Activities:- | | |
| Profit before tax | 25,873 | 38,388 |
| Adjustment for: | | |
| Depreciation of property, plant and equipment | 32,436 | 32,060 |
| Interest expenses | 20,624 | 17,964 |
| Impairment of inventories | 1,599 | 1,427 |
| Gain on disposal of property, plant and equipment | (253) | (173) |
| Share of gain in associate | (929) | (153) |
| Others | (4,780) | 5,699 |
| Operating profit before changes in working capital | 74,570 | 95,212 |
| Changes in working capital | | |
| Net change in inventories | (63,469) | (86,298) |
| Net change in receivables | 36,342 | (10,726) |
| Net change in payables | (32,576) | 22,569 |
| Cash generated from operations | 14,867 | 20,757 |
| Interest paid | (20,054) | (17,157) |
| Income tax paid | (509) | (685) |
| Net cash (used in)/generated from operating activities | (5,696) | 2,915 |
| Investing activities | | |
| Purchase of property, plant and equipment | (75,694) | (38,337) |
| Interest received | 384 | 385 |
| Proceed from disposal | - | 173 |
| Net cash outflow used in investing activities | (75,310) | (37,779) |
| Financing activities | | |
| Bank borrowings | 87,948 | (36,615) |
| Share (buy-back)/ resales | (488) | 1,681 |
| Right issue shares | - | 89,416 |
| Finance lease interest paid | (570) | (807) |
| Net cash generated from financing activities | 86,890 | 53,675 |
| Net increase in cash and cash equivalents | 5,884 | 18,811 |
| Cash and cash equivalents at beginning of the year | 56,954 | 38,143 |
| Cash and cash equivalents at end of the financial year | 62,838 | 56,954 |
| 1 Cash and cash equivalents at end of the financial year comprise : | | |
| Short term deposit | 24,830 | 52,713 |
| Cash and bank balances | 38,008 | 4,241 |
| | 62,838 | 56,954 |

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2021 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 DECEMBER 2022

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 2021.

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 2021, except for the following:

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions beyond 30 June 2021
- 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 Provisions, 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 Malaysian Financial Reporting Standards
 - Amendment to MFRS 9 Financial instruments
 - Amendment to MFRS 141 Agriculture

Standards and Amendments to MFRSs issued but not yet effective

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 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 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 – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies.

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 2021 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 14th November 2022, 15th November 2022 and 30th December 2022, the Company had bought back a total of 190,000, 190,000 and 500,000 shares in treasury shares at an average price of RM0.260, RM0.260 and RM0.378 per share respectively.

As at 31st December 2022, 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 | 404,354 | 1,706,459 |
| - Outside Malaysia | 42,214 | 71,830 |
| | 446,568 | 1,778,289 |
| | 446,568 | 1,778,289 |

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 | 1,298 | 4,765 |

A14. Capital commitments

| | |
|--------------------------------------|----------------------------|
| Property, plant and equipment | 31/12/22 RM'000 |
| - Contracted but not provided for | 2,396 |
| | 2,396 |
| | 2,396 |

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

B1. Review of performance

| | Individual Period | | | Cumulative Period | | |
|-----------------------------------|-------------------|------------|--------------|-------------------|------------|--------------|
| | 3 months | | Changes % | 12 months | | Changes % |
| | 31/12/2022 | 31/12/2021 | | 31/12/2022 | 31/12/2021 | |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Revenue | 446,568 | 463,869 | (3.73) | 1,778,289 | 1,579,691 | 12.57 |
| Profit before interest and tax | 6,383 | 10,808 | (40.95) | 46,497 | 56,352 | (17.49) |
| Profit before tax | 1,374 | 6,976 | (80.31) | 25,873 | 38,388 | (32.60) |

The Group reported a profit before tax of RM1.37 million on the revenue of RM446.57 million for the current quarter compared to a profit before tax of RM6.98 million on the revenue of RM463.87 million for the previous year corresponding quarter. The decrease in revenue in current quarter was mainly attributed to lower selling price of steel products due to softening of the domestic steel prices. The current quarter recorded a lower profit before tax mainly due to lower margin on the sales of steel products.

For the year under review, the Company's revenue increased by 12.57% to RM1.78 billion as compared to RM1.58 billion for the previous financial year. The increase was mainly due to higher sales volume recorded arising from the recovery of steel demand in the construction sector. The profit before tax decreased from RM38.39 million in the previous year to RM25.87 million in FYE 2022 due to lower margin, higher operating expenses and higher finance cost.

B2. Variation of results against preceding quarter's

| | 3 months ended | | Changes % |
|-------------------|----------------|------------|--------------|
| | 31.12.2022 | 30.09.2022 | |
| | RM'000 | RM'000 | |
| Revenue | 446,568 | 437,221 | 2.14 |
| Profit before tax | 1,374 | 3,502 | (60.78) |

The Group's revenue increased by RM9.3 million to RM446.57 million mainly due to higher selling price and sales volume as compared with the last quarter.

The Group recorded a lower profit before tax of RM1.37 million as compared to profit before tax of RM3.50 million achieved in the immediate preceding quarter resulted from lower margin and higher operating expenses in the current quarter.

B3. Prospects

Local steel prices are mostly driven by prices of steel products in China. In December 2022, China regulators announced a 250 billion yuan of expanded bond financing for housing developers. In addition, the Chinese Government rolled out a 100-billion-yuan loan support plan to boost rental housing supply in Chinese cities.

The above financing initiatives have resulted in local steel bars prices staging a strong rebound from its lows in the 4th quarter of 2022 to the 1st quarter of 2023 by approximately 10%. Going forward, the Company expects local steel prices to continue to trend upwards for the rest of 2023 intersperse by some fluctuations due to the usual seasonality.

The Company will continue to strengthen its ESG practises in the ensuing quarters by further internalising the integrated sustainable practices in recognition of its maiden corporate "Green award" and to participate in the Star Media Group's ESG Positive Impact Award. The pursuit of reducing green house gases will be further enhanced by the introduction of a new technology package at its Petaling Jaya steel plant in 2023.

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 | (5,336) | (4,395) |
| Realised foreign exchange loss | 3,591 | 10,833 |
| Depreciation of property, plant and equipment | 8,525 | 32,436 |
| Impairment for inventories | (653) | 1,599 |
| Share of loss/(profit) in associate | 6 | (929) |
| Interest expense | 5,009 | 20,624 |
| Interest income | (116) | (384) |
| Impairment of assets | - | - |
| Gain on disposal of quoted or unquoted investment or property, plant and equipment | (190) | (253) |
| 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 | 80 | 341 |
| -Under/ (Over) provision in prior years | - | - |
| Deferred taxation: | | |
| -Current year | (338) | 6,980 |
| -Under/ (Over) provision in prior years | - | (471) |
| | <u>(258)</u> | <u>6,850</u> |

The effective tax rate of the Group for the current quarter ended 31st December 2022 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

| | 31/12/22 RM'000 |
|-----------------------|----------------------------------|
| <u>Secured:</u> | |
| Short term borrowings | 397,443 |
| Long term borrowings | 92,000 |
| Total borrowings | 489,443 |

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 31st March 2023. By way of its solicitors' letter dated 18th October 2022, Safety Capital requested an adjournment of hearing on 31st March 2023. On 20th February 2023, the Court of Appeal granted the request for adjournment. The Appeal is now scheduled for case management before the Deputy Registrar on 16th March 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>1,632</u> | <u>19,023</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>677,269</u> | <u>677,269</u> |
| Basic Earnings Per Share (sen) | <u>0.24</u> | <u>2.81</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 |
|--|--------------------------------------|---|
| Earning attributable to ordinary shareholders (RM'000) | <u>1,632</u> | <u>19,023</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>677,269</u> | <u>677,269</u> |
| Effects of dilution ('000) | <u>121,822</u> | <u>121,822</u> |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | <u>799,091</u> | <u>799,091</u> |
| Diluted Earnings Per Share (sen) | <u>0.20</u> | <u>2.38</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.