

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/23	30/09/22	30/09/23	30/09/22
	RM'000	RM'000	RM'000	RM'000
Revenue	552,593	437,221	1,486,923	1,331,721
Cost of sales	(528,664)	(409,723)	(1,418,823)	(1,238,213)
Gross Profit	23,929	27,498	68,100	93,508
Operating expenses	(17,467)	(19,314)	(39,309)	(53,656)
Other expenses	-	-	(5,887)	(2,886)
Other income	1,477	343	1,477	1,945
Interest income	205	73	466	268
Finance cost	(7,163)	(5,594)	(22,404)	(15,615)
Share of profit in associated company	1,312	496	2,279	935
Profit before tax	2,293	3,502	4,722	24,499
Tax expenses	(449)	(523)	(1,071)	(7,108)
Profit for the period	1,844	2,979	3,651	17,391
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive Profit	1,844	2,979	3,651	17,391
Profit and Total Comprehensive Loss attributable to: Equity holders of the Company	1,844	2,979	3,651	17,391
Profit for the period	1,844	2,979	3,651	17,391
Earnings per share (sen)				
- Basic	0.27	0.44	0.54	2.56
- Diluted	0.23	0.37	0.45	2.16

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 30 SEPTEMBER 2023

	30/09/23 RM'000	31/12/22 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	817,257	825,278
Investment in Associate company	9,647	7,368
	<u>826,904</u>	<u>832,646</u>
<u>Current Assets</u>		
Inventories	715,530	714,429
Trade and other receivables	249,360	193,098
Taxation recoverables	562	445
Short term deposit	48,359	24,830
Cash and bank balances	13,419	38,008
	<u>1,027,230</u>	<u>970,810</u>
TOTAL ASSETS	<u><u>1,854,134</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	428,072	424,421
Total Equity	<u>866,606</u>	<u>862,955</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	748	3,337
Long term borrowings	81,681	87,142
Deferred tax liabilities	4,767	3,936
	<u>87,196</u>	<u>94,415</u>
<u>Current Liabilities</u>		
Trade and other payables	477,959	458,247
Tax Payable	27	17
Lease Liabilities	3,491	3,522
Short term borrowings	418,855	384,300
	<u>900,332</u>	<u>846,086</u>
Total liabilities	<u>987,528</u>	<u>940,501</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,854,134</u></u>	<u><u>1,803,456</u></u>
Net Assets per share (RM)	1.28	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 30 SEPTEMBER 2023**

	Attributable to equity holders of the Company					
	Non-distributable			Distributable		
	Share Capital RM'000	Revaluation Reserves RM'000	Warrants Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
9 months ended 30th September 2023						
At 1st January 2023	329,648	76,649	32,824	424,421	(587)	862,955
Total comprehensive income	-	-	-	3,651	-	3,651
At 30th September 2023	329,648	76,649	32,824	428,072	(587)	866,606
9 months ended 30th September 2022						
At 1st January 2022	329,648	76,649	32,824	405,350	(99)	844,372
Share buy back	-	-	-	-	(201)	(201)
Total comprehensive income	-	-	-	17,391	-	17,391
At 30th September 2022	329,648	76,649	32,824	422,741	(300)	861,562

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 30 SEPTEMBER 2023

	Current year 01/01/23 to 30/09/23 RM'000	Preceding Year 01/01/22 to 30/09/22 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	4,722	24,499
Adjustment for:		
Depreciation of property, plant and equipment	25,743	23,911
Interest expenses	22,404	15,615
(Reversal)/ impairment of inventories	(2,896)	2,252
Gain on disposal of property, plant and equipment	-	(63)
Share of gain of associate	(2,279)	(935)
Others	3,945	673
Operating profit before changes in working capital	51,639	65,952
Changes in working capital		
Net change in inventories	1,796	(54,397)
Net change in receivables	(56,262)	30,408
Net change in payables	15,301	(29,066)
Cash generated in operations	12,474	12,897
Interest paid	(22,111)	(15,166)
Income tax paid	(347)	(389)
Net cash used in operating activities	(9,984)	(2,658)
Investing activities		
Purchase of property, plant and equipment	(17,722)	(45,781)
Interest received	466	268
Net cash used in investing activities	(17,256)	(45,513)
Financing activities		
Bank borrowings	26,474	56,612
Share buy-back	-	(201)
Finance lease interest paid	(294)	(449)
Net cash generated from financing activities	26,180	55,962
Net (decrease)/ increase in cash and cash equivalents	(1,060)	7,791
Cash and cash equivalents at beginning of the year	62,838	56,954
Cash and cash equivalents at end of the financial period	61,778	64,745
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	48,359	21,403
Cash and bank balances	13,419	43,342
	61,778	64,745

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 30TH SEPTEMBER 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 2022, 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-Initial Application of MFRS 17 and MFRS 9- Comparative Information.
- 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 and International Tax Reform– Pillar Two Model Rules.

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.
- Amendments to MFRS 107 Statement of cash flows and MFRS 7 Financial Instruments Disclosure
- Supplier Financial Arrangements.

Effective for financial periods beginning on or after 1 January 2025

- Amendments to MFRS 121 The Effects of changes in Foreign Exchange Rates- Lack of Exchangeability

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.

As at 30th September 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	464,347	1,287,945
- Outside Malaysia	88,246	198,978
	<u>552,593</u>	<u>1,486,923</u>

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	1,077	3,260

A14. Capital commitments

	30/09/23 RM'000
Property, plant and equipment	
- Contracted but not provided for	2,396
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	2,396
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PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

	Individual Period			Cumulative Period		
	3 months			9 months		
	30/09/2023	30/09/2022	Changes	30/09/2023	30/09/2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	552,593	437,221	26.39	1,486,923	1,331,721	11.65
Profit before interest and tax	9,456	9,096	3.96	27,126	40,114	(32.38)
Profit before tax	2,293	3,502	(34.52)	4,722	24,499	(80.73)

The Group reported a profit before tax of RM2.29 million on the revenue of RM552.59 million for the current quarter compared to a profit before tax of RM3.50 million on the revenue of RM437.22 million for the previous year corresponding quarter. The increase in revenue in current quarter was mainly attributed to higher export volume of steel products. However, the current quarter recorded a lower profit before tax mainly due to low margin resulted from the increase in utilities costs and higher finance cost.

B2. Variation of results against preceding quarter's

	3 months ended		Changes
	30/09/2023	30/06/2023	
	RM'000	RM'000	%
Revenue	552,593	464,298	19.02
Profit before tax	2,293	1,540	48.90

The Group's revenue increased by RM88.30 million to RM552.59 million mainly due to higher export volume as compared with the last quarter.

The Group recorded a higher profit before tax of RM2.29 million as compared to profit before tax of RM1.54 million achieved in the immediate preceding quarter resulted from better performance from the Associate Company in the current quarter.

B3. Prospects

Prices for iron ore cargoes with a 63.5% iron ore content for delivery in Tianjin advance to \$133 per tonne (as per 20th November 2023) (<https://tradingeconomics.com/commodity/iron-ore>), the highest in over seven months, amid expectations of robust demand and risks to supply. Beijing stated it would accelerate the issuance of bonds after accommodating for an additional CNY 1 trillion (\$140 billion) in debt to target steel-heavy infrastructure and manufacturing projects. The developments magnify previous signals from lenders, miners, and metallurgists that robust demand of steel products due to the increasing infrastructure projects in China is expected to offset the lower demand of steel products in the debt laden residential construction sector, maintaining active purchasing activity for iron ore inputs.

The improvement of steel market in China will augur well with the recovery of steel prices in Malaysia. The 2024 Budget that was unveiled by the government in October 2023 has allocated nearly RM44 billion for key infrastructure projects that will help support the normalisation of the demand for steel bars in the quarters ahead. Coupled with stable monetary policy by Bank Negara Malaysia (BNM), the Company expects its earnings prospects to be strengthen next year.

The new upgrading works for its steel making and steel bar facilities are ongoing and are expected to be completed by the middle of 2024. The Company expects to maintain its stewardship in industry's technological advantage, GHG emission and cost of production upon the completion of these major engineering works.

On 6th November 2023, the Company received the Edge Malaysia ESG Gold Winner Award for the Most Improved Performance Over 3 Years (below RM300 million Market Capitalisation). The Company also expects to achieve a better rating in its 2023 FTSE Russell ESG review.

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	(1,477)	4,410
Realised foreign exchange loss/(gain)	1,359	(2,656)
Depreciation of property, plant and Equipment	8,495	25,743
Reversal for impairment of inventories	(56)	(2,896)
Share of profit in associate	(1,312)	(2,279)
Interest expense	7,163	22,404
Interest income	(205)	(466)
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	80	229
-Under/(Over) provision in prior years	10	10
Deferred taxation:		
-Current year	527	1,000
-Under/(Over) provision in prior years	(168)	(168)
	<u>449</u>	<u>1,071</u>

The effective tax rate of the Group for the current quarter ended 30th September 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

	30/09/23
	RM'000
<u>Secured:</u>	
Short term borrowings	418,855
Long term borrowings	<u>81,681</u>
Total borrowings	<u><u>500,536</u></u>

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 case management is fixed on 30th November 2023. The anticipated hearing date will be fixed during the next case management.

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)	1,844	3,651
Weighted average number of ordinary shares in issue ('000)	677,269	677,269
Basic Earnings Per Share (sen)	0.27	0.54

(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)	1,844	3,651
Weighted average number of ordinary shares in issue ('000)	677,269	677,269
Effects of dilution ('000)	126,081	126,081
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	803,350	803,350
Diluted Earnings Per Share (sen)	0.23	0.45

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.