

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/23	31/12/22	31/12/23	31/12/22
	RM'000	RM'000	RM'000	RM'000
Revenue	525,966	446,568	2,012,889	1,778,289
Cost of sales	(505,097)	(424,361)	(1,923,920)	(1,662,574)
Gross Profit	20,869	22,207	88,969	115,715
Operating expenses	(17,435)	(21,222)	(56,744)	(74,878)
Other expenses	-	-	(5,887)	(2,886)
Other income	2,316	5,336	3,793	7,281
Interest income	213	116	679	384
Finance cost	(5,181)	(5,009)	(27,585)	(20,624)
Share of profit in associated company	1,317	(6)	3,596	929
Profit before tax	2,099	1,421	6,821	25,921
Tax expenses	(3,350)	258	(4,421)	(6,850)
(Loss)/Profit for the year	(1,251)	1,679	2,400	19,071
Other Comprehensive Income -Revaluation of land	-	-	-	-
Total Comprehensive (Loss)/Profit	(1,251)	1,679	2,400	19,071
(Loss)/Profit and Total Comprehensive (Loss)/Profit attributable to:				
Equity holders of the Company	(1,251)	1,679	2,400	19,071
(Loss)/Profit for the year	(1,251)	1,679	2,400	19,071
(Loss)/Earnings per share (sen)				
- Basic	(0.18)	0.25	0.35	2.82
- Diluted	(0.16)	0.21	0.30	2.39

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 31 DECEMBER 2023

	31/12/23	31/12/22
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	818,319	825,278
Investment in Associate company	10,964	7,368
	<u>829,283</u>	<u>832,646</u>
<u>Current Assets</u>		
Inventories	791,066	714,429
Trade and other receivables	284,093	193,098
Taxation recoverables	609	445
Short term deposit	20,569	24,830
Cash and bank balances	33,797	38,008
	<u>1,130,134</u>	<u>970,810</u>
TOTAL ASSETS	<u><u>1,959,417</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	426,821	424,421
Total Equity	<u>865,355</u>	<u>862,955</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	1,695	3,337
Long term borrowings	67,860	87,142
Deferred tax liabilities	8,039	3,936
	<u>77,594</u>	<u>94,415</u>
<u>Current Liabilities</u>		
Trade and other payables	585,210	458,247
Tax Payable	39	17
Lease Liabilities	2,127	3,522
Short term borrowings	429,092	384,300
	<u>1,016,468</u>	<u>846,086</u>
Total liabilities	<u>1,094,062</u>	<u>940,501</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,959,417</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 YEAR ENDED 31 DECEMBER 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	
<i>12 months ended 31st December 2023</i>						
At 1st January 2023	329,648	76,649	32,824	424,421	(587)	862,955
Total comprehensive income	-	-	-	2,400	-	2,400
At 31st December 2023	<u>329,648</u>	<u>76,649</u>	<u>32,824</u>	<u>426,821</u>	<u>(587)</u>	<u>865,355</u>
<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	-	-	-	19,071	-	19,071
At 31st December 2022	<u>329,648</u>	<u>76,649</u>	<u>32,824</u>	<u>424,421</u>	<u>(587)</u>	<u>862,955</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 YEAR ENDED 31 DECEMBER 2023

	Current year 01/01/23 to 31/12/23 RM'000	Preceding Year 01/01/22 to 31/12/22 RM'000
Cash Flow From Operating Activities:-		
Profit before tax	6,821	25,921
Adjustment for:		
Depreciation of property, plant and equipment	34,213	32,442
Interest expenses	27,585	20,624
(Reversal)/ impairment of inventories	(2,996)	1,599
Gain on disposal of property, plant and equipment	-	(307)
Share of gain of associate	(3,596)	(929)
Others	1,415	(4,779)
Operating profit before changes in working capital	63,442	74,571
Changes in working capital		
Net change in inventories	(73,641)	(63,469)
Net change in receivables	(90,995)	29,496
Net change in payables	124,869	(25,550)
Cash generated in operations	23,675	15,048
Interest paid	(27,223)	(20,054)
Income tax paid	(460)	(508)
Net cash used in operating activities	<u>(4,008)</u>	<u>(5,514)</u>
Investing activities		
Purchase of property, plant and equipment	(27,064)	(75,055)
Proceed from disposal of property, plant and equipment	-	283
Interest received	679	384
Net cash used in investing activities	<u>(26,385)</u>	<u>(74,388)</u>
Financing activities		
Bank borrowings	22,283	86,844
Share buy-back	-	(488)
Finance lease interest paid	(362)	(570)
Net cash generated from financing activities	<u>21,921</u>	<u>85,786</u>
Net (decrease)/increase in cash and cash equivalents	(8,472)	5,884
Cash and cash equivalents at beginning of the year	62,838	56,954
Cash and cash equivalents at end of the financial year	<u><u>54,366</u></u>	<u><u>62,838</u></u>
1 Cash and cash equivalents at end of the financial year comprise :		
Short term deposit	20,569	24,830
Cash and bank balances	33,797	38,008
	<u><u>54,366</u></u>	<u><u>62,838</u></u>

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 FINANCIAL YEAR ENDED 31ST DECEMBER 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, save as disclosed below.

As at 31st December 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	481,524	1,769,469
- Outside Malaysia	44,442	243,420
	525,966	2,012,889

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	961	4,221

A14. Capital commitments

	31/12/23 RM'000
Property, plant and equipment	
- Contracted but not provided for	38,880
	<hr style="width: 100%; border: 0.5px solid black;"/>
	38,880 <hr style="width: 100%; border: 0.5px solid 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			12 months		
	31/12/2023	31/12/2022	Changes	31/12/2023	31/12/2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	525,966	446,568	17.78	2,012,889	1,778,289	13.19
Profit before interest and tax	7,280	6,430	13.21	34,406	46,545	(26.08)
Profit before tax	2,099	1,421	47.71	6,821	25,921	(73.69)

The Group reported a profit before tax of RM2.10 million on the revenue of RM525.97 million for the current quarter as compared to a profit before tax of RM1.42 million on the revenue of RM446.57 million for the previous year corresponding quarter. The increase in revenue in current quarter was mainly attributed to higher selling prices and sales volume of steel products from the slight improvement in the domestic steel market. The current quarter also recorded a higher profit before tax mainly due to a lower realized foreign exchange loss and better performance from the Associate Company.

For the year under review, the Company's revenue increased by 13.19% to RM2.01 billion as compared to RM1.78 billion in the previous financial year. This is mainly due to higher sales volume of steel products recorded from the export and domestic markets. However, the profit before tax decreased from RM25.92 million in the previous year to a profit before tax of RM6.82 million due to higher utilities and finance costs.

B2. Variation of results against preceding quarter's

	3 months ended		Changes
	31.12.2023	30.09.2023	
	RM'000	RM'000	%
Revenue	525,966	552,593	(4.82)
Profit before tax	2,099	2,293	(8.46)

The Group's revenue decreased by RM26.63 million to RM525.96 million mainly due to lower selling prices and lower billet export volume as compared with the last quarter.

The Group recorded a marginal lower profit before tax of RM2.09 million as compared to profit before tax of RM2.29 million achieved in the immediate preceding quarter. The decline was due to a the lower margin in the current quarter.

B3. Prospects

The U.S. Federal Reserve is currently expected to cut interest rates by a little more than 1% over the course of its seven remaining scheduled meetings in 2024. This may leave short-term interest rates at approximately 4% by December 2024, based on market forecasts.

With interest rate falling in 2024, it is expected to improve market liquidity and consumers' sentiments for properties, which will drive the demand for the Company's steel bars.

Domestically, the statistics showed that the infrastructure type of projects recorded the largest annual drop in terms of project value, at minus 47% year-on-year (y-o-y) amid the dearth of big scale public jobs in 2023. This is followed by the residential segment at a 37% y-o-y drop but non-residential projects saw a 4% y-o-y rise to RM76.8bil last year, as shown in the Construction Industry Development Board (CIDB) statistics.

Statistics from the CIDB showed the total value of projects awarded to contractors in 2023 fell by 22% y-o-y to RM127.4bil from the previous year in 2022

A turn-around in the construction sector is expected in 2024 as contract rollouts are expected to be backed by the Government's RM90bil Development Expenditure (DE) which has been allocated for 2024, with 21% of the DE focusing on the transport sub sector versus 18% in 2023.

The impending award of the RM 50 billion MRT construction by mid 2024 will augur well for the demand of the Company's steel products.

"The Bursa Malaysia Construction Index is trading at a 13 times price-to-earnings ratio, which is slightly above its ten-year mean of 12.7 times. The index was trading at 15.5 times in mid-2017 during the major construction upcycle," (Source: RHB Research)

The Company's new plant is scheduled to be commissioned in the middle of 2024 and it is expected to improve the margin of its steel products.

For the Company 2023 decarbonization and ESG initiatives, the Company continues to reach new heights by winning the Gold Award by The Edge in November 2023 and was awarded highest award of 4 stars by Bursa Malaysia based on FTSE RUSSEL ESG standards in December 2023.

For 2023, in addition to the added disclosures for scope 3 for its sustainability and TCFD reports, the Company will be publishing its maiden ISSB reports as recommended by the Securities Commission of Malaysia.

The Company has appointed TUV of Germany to conduct 3rd party independent audit of its emissions disclosures.

The Company expects 2024 to be a year for its financial performance to improve further.

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	(2,316)	2,094
Realised foreign exchange loss/(gain)	768	(1,888)
Depreciation of property, plant and equipment	8,470	34,213
Reversal for impairment of inventories	(100)	(2,996)
Share of profit in associate	(1,317)	(3,596)
Interest expense	5,181	27,585
Interest income	(213)	(679)
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	77	306
- Under/(Over) provision in prior years	-	10
Deferred taxation:		
- Current year	3,273	4,273
- Under/(Over) provision in prior years	-	(168)
	<u>3,350</u>	<u>4,421</u>

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

	31/12/23
	RM'000
<u>Secured:</u>	
Short term borrowings	429,092
Long term borrowings	67,860
Total borrowings	<u>496,952</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.

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 has been fixed for hearing on 19th August 2024. The next case management is on 18th March 2024 for Safety Capital to inform the Court of Appeal as to whether it intends to proceed with the Appeal.

B10. Dividend

No dividend has been proposed or declared by the Company during the current quarter under review.

B11. (Loss)/Earnings per share ("EPS")

(a) *Basic (Loss)/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
(Loss)/Earnings attributable to ordinary shareholders (RM'000)	<u>(1,251)</u>	<u>2,400</u>
Weighted average number of ordinary shares in issue ('000)	<u>677,269</u>	<u>677,269</u>
Basic (Loss)/Earnings Per Share (sen)	<u>(0.18)</u>	<u>0.35</u>

(b) *Diluted (Loss)/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
(Loss)/Earnings attributable to ordinary shareholders (RM'000)	<u>(1,251)</u>	<u>2,400</u>
Weighted average number of ordinary shares in issue ('000)	677,269	677,269
Effects of dilution ('000)	127,404	127,404
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>804,673</u>	<u>804,673</u>
Diluted (Loss)/Earnings Per Share (sen)	<u>(0.16)</u>	<u>0.30</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.