

SUMMARY OF KEY FINANCIAL INFORMATION
30/6/2008

Note: These figures have not been audited.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING QUARTER	TO DATE	CORRESPONDING PERIOD
	30/6/08 RM'000	30/6/07 RM'000	30/6/08 RM'000	30/6/07 RM'000
1 Revenue	280,889	148,365	455,275	256,429
2 Profit before tax	40,963	14,945	61,714	21,658
3 Profit for the period	37,947	14,945	57,092	21,658
4 Profit attributable to ordinary equity holders of the parent	37,947	14,945	57,092	21,658
5 Basic earnings per share (sen)	25.99	10.79	39.10	15.64
6 Proposed/Declared dividend per share (sen)	-	-	3.00	2.10
			As at end of current quarter 30/6/08	Financial year end 31/12/07
7 Net assets per share (RM)			2.80	2.43

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2008

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/6/08 RM'000	30/6/07 RM'000	30/6/08 RM'000	30/6/07 RM'000
Revenue	280,889	148,365	455,275	256,429
Operating expenses	(235,979)	(129,679)	(386,961)	(226,808)
Other (expenses) / income	(308)	40	416	34
Interest income	36	37	179	118
Finance cost	(3,675)	(3,818)	(7,195)	(8,115)
Profit before tax	40,963	14,945	61,714	21,658
Taxation	(3,016)	-	(4,622)	-
Profit for the period	<u>37,947</u>	<u>14,945</u>	<u>57,092</u>	<u>21,658</u>
Attributable to: Equity holders of the Company	<u>37,947</u>	<u>14,945</u>	<u>57,092</u>	<u>21,658</u>
EPS - Basic (sen)	25.99	10.79	39.10	15.64
- Diluted (Sen)	N/A	N/A	N/A	N/A

The Unaudited Condensed Income Statement should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2007 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2008

	30/6/08	31/12/07
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	322,091	315,030
Prepaid lease payment	62,034	62,119
Other investment	9,000	9,000
	<u>393,125</u>	<u>386,149</u>
<u>Current Assets</u>		
Stocks	171,327	114,996
Debtors	104,038	110,637
Short term deposit	12,002	-
Cash & bank balances	29,596	34,496
	<u>316,963</u>	<u>260,129</u>
TOTAL ASSETS	<u><u>710,088</u></u>	<u><u>646,278</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	73,000	73,000
Share premium	47,310	47,310
Revaluation reserves	31,030	31,030
Retained profit	256,759	204,047
	<u>408,099</u>	<u>355,387</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	115,820	108,222
	<u>115,820</u>	<u>108,222</u>
<u>Current Liabilities</u>		
Creditors	87,713	60,065
Taxation	4,981	1,745
Short term borrowings	93,475	120,859
	<u>186,169</u>	<u>182,669</u>
Total liabilities	301,989	290,891
TOTAL EQUITY AND LIABILITIES	<u><u>710,088</u></u>	<u><u>646,278</u></u>
Net Assets per share (RM)	2.80	2.43

The Unaudited Condensed Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2007 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2008

	← Attributable to equity holders of the Company →				
	← Non-distributable →			← Distributable →	
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Retained Profit RM'000	Total RM'000
6 months ended 30th June, 2007					
At 1st January 2007	66,500	41,787	31,030	161,951	301,268
Issue of shares	6,500	5,850	-	-	12,350
Listing expenses	-	(327)	-	-	(327)
Net profit for the financial period	-	-	-	21,658	21,658
At 30th June 2007	<u>73,000</u>	<u>47,310</u>	<u>31,030</u>	<u>183,609</u>	<u>334,949</u>
6 months ended 30th June, 2008					
At 1st January 2008	73,000	47,310	31,030	204,047	355,387
Dividend paid in respect of financial year ended 31st December 2007	-	-	-	(4,380)	(4,380)
Net profit for the financial period	-	-	-	57,092	57,092
At 30th June 2008	<u>73,000</u>	<u>47,310</u>	<u>31,030</u>	<u>256,759</u>	<u>408,099</u>

The Unaudited Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2007 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2008

	Current Year 01/01/08 to 30/6/08 RM'000	Preceding Year 01/01/07 to 30/6/07 RM'000
Profit before tax	61,714	21,658
Adjustment for:		
Depreciation of property, plant and equipment	7,429	6,348
Others	7,103	8,077
Operating profit before changes in working capital	<u>76,246</u>	<u>36,083</u>
Changes in working capital		
Net change in current assets	(51,119)	(28,824)
Net change in current liabilities	<u>27,648</u>	<u>(5,603)</u>
Cash (used in) / generated from operations	52,775	1,656
Interest paid	<u>(6,912)</u>	<u>(7,834)</u>
Net cash (outflow) / inflow from operating activities	45,863	(6,178)
Investing activities		
Purchase of property, plant and equipment	(14,404)	(23,354)
Others	<u>-</u>	<u>(3,960)</u>
Net cash outflow in investing activities	<u>(14,404)</u>	<u>(27,314)</u>
Financing activities		
Bank borrowings	(19,786)	23,087
Issue of new shares	-	12,350
Listing expenses	-	(327)
Dividend paid	(4,380)	
Others	<u>(191)</u>	<u>(243)</u>
Net cash inflow / (outflow) from financing activities	<u>(24,357)</u>	<u>34,867</u>
Net increase / (decrease) in cash and cash equivalents	7,102	1,375
Cash and cash equivalents at beginning of the period	34,496	28,628
Cash and cash equivalents at end of the period	<u>1</u> <u>41,598</u>	<u>30,003</u>

1 Cash and cash equivalents at end of the year comprise :

Short term deposit	12,002	-
Cash and bank balances	29,596	51,266
Bank overdraft	<u>-</u>	<u>(21,263)</u>
	<u>41,598</u>	<u>30,003</u>

The Unaudited Condensed Cashflow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2007 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

SELECTED EXPLANATORY NOTES PURSUANT TO PARA 16, FRS 134
INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 30TH JUNE
2008

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with the requirement of Financial Reporting Standard (FRS) 134: Interim Financial Reporting (formerly known as MASB 26) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the audited financial statement for the year ended 31st December 2007.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the audited financial statements for the year ended 31st December 2007 except that for the adoption of the following revised Financial Reporting Standards (“FRS”) that are effective for the financial period beginning 1st January 2008.

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The Group has not adopted the FRS 139 Financial Instruments as its effective date has been deferred.

The adoption of the above FRS does not have any significant impact on the financial statements.

A2. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2007 was not qualified.

A3. Seasonal or Cyclical factors

The operations of the Company are not subject to any material seasonal fluctuation for the period under review.

A4. Extraordinary items

There are no extraordinary items for the financial period under review.

A5. Changes in Estimates

There have been no changes in the estimates of amount for the period under review.

A6. Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current quarter under review.

A7. Dividend

The Company paid a first and final single tier dividend of 3.0 sen per share totaling RM4,380,000 on 10th July 2008 in respect of the financial year ended 31st December 2007.

A8. Primary report format – Business segment

The Company is primarily organized in one business segment which is the manufacturing of steel bars and steel billets. As such, the segment revenue and results are disclosed in the condensed income statement.

A9. Valuation

The valuations of the freehold and leasehold land have been brought forward, without amendment, from the previous audited financial statements for the year ended 31st December 2007.

The property, plant and equipment are stated at cost except for the freehold and leasehold land which are stated at valuation, less accumulated depreciation. There was no valuation of property, plant and equipment for the current quarter and financial year-to-date.

A10. Material subsequent events

There are no material subsequent events since the date of this announcement.

A11. Changes in the composition of the Company

There was no change in the composition of the Company during the current quarter.

A12. Changes in contingent liabilities

The following are pending litigation in respect of claims instituted against the Company:-

- (i) **Claim of RM1.23 million for the balance of the purchase price for goods sold. The Company has filed a defense and counter claim for damages of RM3.73 million. The case was heard on 2nd May 2006 and on 19th September 2006 judgment was delivered. The claim of RM1.23 million was dismissed with cost and the court then gave judgment in favour of the Company on its counter claim for RM3.73 million together with cost and interest of 8% per annum from January 1999 until full payment. The total compensation sum up to December 2006, would be approximately RM6.0 million. The supplier has filed its notice of appeal in the Court of Appeal on the above judgment. On 15th May 2008, the Court of Appeal was handed down wherein the supplier's appeal was allowed and the High Court Judgment was set aside. The Company filed a Notice of Motion on 12th June 2008 to apply for leave to appeal and waiting for the date hearing at the Federal Court.**
- (ii) **Arbitration for letter of demand against the Company for RM2.44 million has commenced and the parties have filed their respective claims and counterclaims. The Company has a counterclaim in excess of the claim. The solicitors of the Company are of the opinion that the Company chances of success in the claim proper are good. The Company has further filed an application in court for security for cost and is fixed for hearing on 14th June 2007. On the 14th June 2007, the hearing proceeded and the decision was delivered on 21st June 2007. The Learned Judge allowed the application for security for costs of RM75,000. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost.**

The supplier has filed an appeal to the Court of Appeal against this order for security for cost. Both parties had filed leave applications to the Court of Appeal on 22nd April 2008 and leave was granted for both parties to file the Appeal within 14 days. On 30th April 2008 the Company had filed their Notice of Appeal and now pending the filing of the Record of Appeal by both parties.

- (iii) **Claims of RM7.56 million for goods sold and delivered together with interest. The solicitors of the Company are of the opinion that such a claim would fail in court since there appears to be no agreements whatsoever, nor any prior demand or claim made by supplier regarding the interests and that so long as the supplier has accepted periodical payments by the Company unequivocally, they cannot now insist that interest are due to them. The supplier has filed their Statement of Claim to which the Company has filed a Statement of Defence and Counterclaim. The supplier has filed their Defence to the Counterclaim on 1st September 2006 and their Summary Judgment Application on 19th June 2007. The said application is now fixed for mention on 26th**

August 2008 and on this date this matter has been further adjourned to 23rd September 2008 for hearing.

A13. Related Party Transactions

Significant transaction with the related party is as follows:

Purchase of goods from:	6 months ended 30/6/08 RM'000
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Soon Seng Co Enterprise in which (Selangor) Sdn Bhd substantial interest is owned by a substantial shareholder of the Company.	51
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PART B:- ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group reported a profit before tax of RM40.9 million on the revenue of RM280.9 million for the current quarter as compared to RM14.9 million on the revenue of RM148.4 million for the previous year corresponding quarter. The increase in revenue is mainly attributable to higher sales volume and selling price. The profit before tax increased by RM26.0 million to RM40.9 million is mainly due to higher margin.

B2. Comparisons with immediate preceding quarter's results

The Group revenue for the current quarter recorded an increase of RM106.5 million to RM280.9 million, as compared to RM174.4 million in the immediate preceding quarter due to higher sales volume and selling price. The Company recorded a higher profit before tax of RM40.9 million as compared to RM20.8 million in the immediate preceding quarter mainly due to higher margin.

B3. Prospects

The global demand for steel products have slowed and prices have started to correct after a prolong run up since February this year.

Demands have tapered off mainly due to the summer destocking activities of major steel millers and buyers from the Northern hemisphere. In Asia, the restriction of building activities in China for the Olympics games have resulted in Chinese mills slashing prices and exporting their products abroad, the seasonal monsoon in Southern China and major parts of the Asean region have also dampen demand for steel products.

However, prices are expected to rebound during the later part of the year as expensive iron ore and cooking coal prices will ensure prices of finish steel products remain near historical highs well into the middle of next year.

In view of the above, the Board expects the profitability of the group to remain intact for the rest of the year.

B4. Profit forecast

The disclosure requirements for explanatory notes are not applicable as no profit forecast was published.

B5. Taxation**i) Taxation comprises:**

	Current Year Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current year's provision	<u>3,016</u>	<u>4,622</u>

ii) Reconciliation of income tax expenses

	Current Year Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	<u>40,963</u>	<u>61,714</u>
Taxation at tax rate of 26%	10,650	16,046
Income not subject to tax	33	(156)
Utilization of unutilized reinvestment allowance	(7,015)	(10,677)
Others	(652)	(591)
	<u>3,016</u>	<u>4,622</u>

B6. Sale of unquoted investments and/or properties

There was no sale of any unquoted investments and/or properties during the current period under review.

B7. Purchase or disposal of quoted securities

There was no purchase or disposal of any quoted securities during the current period under review.

B8. (a) Status of corporate proposals***i) Private Placement***

On 18 February 2008, OSK Investment Bank Berhad (“OSK”) had on behalf of the Company announced that the Company proposes to implement a private placement of up to 14.6 million new ordinary shares of RM0.50 each, representing not more than ten percent (10%) of

the issued and paid-up share capital of the Company, to investors to be identified (“Proposed Private Placement”). The application was approved by Securities Commission (‘SC’), SC on behalf of the Foreign Investment Committee, Bursa Securities and the Ministry of International Trade and Industry on 6 March 2008, 14 March 2008 and 5 March 2008 respectively.

The Company has up to six (6) months to complete the Private Placement from the date of the SC approval on 6 March 2008.

ii) Bonus Issue

On 30 April 2008, OSK has on behalf of the Company announced that the Company proposed bonus issue of up to 53,533,333 new MASTEEL Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every three (3) existing MASTEEL Shares held on an entitlement date to be determined later (“Entitlement Date”) (“Proposed Bonus Issue”). This was approved by the shareholders at the Extraordinary General Meeting held on 19 June 2008 and completed on 14 August 2008 being the Entitlement Date.

(b) Status of utilization of proceed raised

Not applicable

B9. Borrowings

	30/6/08
	RM'000
<u>Secured:-</u>	
Short term borrowings	93,475
Long term borrowings	115,820
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Total borrowings	209,295
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The above borrowings are denominated in the following currencies:

	RM'000	RM,000
Ringgit Malaysia	-	194,938
US Dollar	4,400	14,357
		<hr/>
		209,295
		<hr/>

B10. Off balance sheet financial statement

The Company does not have any off balance sheet financial instruments as at the date of this quarterly report.

B11. Material litigations

The material litigations pending during the current period under review are as per disclosed in the followings:-

- (i) Claim of RM1.23 million for the balance of the purchase price for goods sold. The Company has filed a defence and counter claim for damages for RM3.73 million. The case was heard on 2nd May 2006 and on 19th September 2006 judgment was delivered. The claim of RM1.23 million was dismissed with cost and the court then gave judgement in favour of the Company on its counter claim for RM3.73 million together with cost and interest of 8% per annum from January 1999 until full payment. The total compensation sum up to December 2006, would be approximately RM6.0 million. The supplier has filed its notice of appeal in the Court of Appeal on the above judgment. On 15th May 2008, the Court of Appeal was handed down wherein the supplier's appeal was allowed and the High Court Judgment was set aside. The Company filed a Notice of Motion on 12th June 2008 to apply for leave to appeal and waiting for the date hearing at the Federal Court.**

- (ii) Arbitration for letter of demand against the Company for RM2.44 million is now commenced and the parties have filed their respective claims and counterclaims. The Company has a counterclaim in excess of the claim. The solicitors of the Company are of the opinion that the Company chances of success in the claim proper are good. The Company has further filed an application in court for security for cost and is fixed for hearing on 14th June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. On the 14th June 2007, the hearing proceeded and the decision was delivered on 21st June 2007. The Learned Judge allowed the application for security for costs of RM75,000. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost.**

The supplier has filed an appeal to the Court of Appeal against this order for security for cost. Both parties had filed leave applications to the Court of Appeal on 22nd April 2008 and leave was granted for both parties to file the Appeal within 14 days. On 30th April 2008 the Company had filed their Notice of Appeal and now pending the filing of the Record of Appeal by both parties.

- (iii) Claims of RM7.56 million for goods sold and delivered together with interest. The solicitors of the Company are of the opinion that such a claim would fail in court since there appears to be no agreements whatsoever, nor any prior demand or claim made by supplier regarding the interests and that so long as the supplier has accepted periodical payments by the Company unequivocally, they cannot**

now insist that interest are due to them. The supplier has filed their Statement of Claim to which the Company has filed a Statement of Defence and Counterclaim. The supplier has filed their Defence to the Counterclaim on 1st September 2006 and their Summary Judgment Application on 19th June 2007. The said application is now fixed for mention on 26th August 2008 and on this date this matter has been further adjourned to 23rd September 2008 for hearing.

- (iv) Claim made against the Insurance Company for damages for the amount of approximately RM2.0 million to RM4.0 million and unliquidated damages caused to a transformer at the Company's Bukit Raja plant as a result of a fire. Writ of Summons was filed on 10th February 2004. The Insurance Company has entered appearance through their solicitors and filed a statement of defence on 5th April 2004. The matter is now fixed for further mention on 19th September 2008. The solicitors of the Company, are of the opinion that chances of succeeding in this case are good.

B12. Dividend

A first and final single tier dividend of 3.0 sen per share had been proposed in respect of the financial year ended 31st December 2007 and approved by the shareholders at the Annual General Meeting of the Company held on 19th June 2008.

B13. Earnings per share

(a) Basic earnings per share

The basic earnings per share of the Company is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	Current Year Quarter Ended	Current Year To-date Ended
Net profit attributable to ordinary shareholders (RM'000)	<u>37,947</u>	<u>57,092</u>
Weighted average number of ordinary shares in issue ('000)	<u>146,000</u>	<u>146,000</u>
Basic Earnings Per Share (sen)	<u>25.99</u>	<u>39.10</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.

By order of the Board