

**SUMMARY OF KEY FINANCIAL INFORMATION**  
31/3/2008

*Note: These figures have not been audited.*

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD	
	31/3/08 RM'000	31/3/07 RM'000	31/3/08 RM'000	31/3/07 RM'000	
1	Revenue	174,386	108,064	174,386	108,064
2	Profit before tax	20,751	6,713	20,751	6,713
3	Profit for the period	19,144	6,713	19,144	6,713
4	Profit attributable to ordinary equity holders of the parent	19,144	6,713	19,144	6,713
5	Basic earnings per share (sen)	13.11	4.97	13.11	4.97
6	Proposed/Declared dividend per share (sen)	-	-	-	-
			<b>As at end of current quarter 31/3/08</b>	<b>Financial year end 31/12/07</b>	
7	Net assets per share (RM)		2.57	2.43	

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FIRST QUARTER ENDED 31ST MARCH 2008**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/3/08 RM'000	31/3/07 RM'000	31/3/08 RM'000	31/3/07 RM'000
Revenue	174,386	108,064	174,386	108,064
Operating expenses	(150,943)	(97,129)	(150,943)	(97,129)
Other expenses	(38)	-	(38)	-
Other income	724	(6)	724	(6)
Interest income	142	81	142	81
Finance cost	(3,520)	(4,297)	(3,520)	(4,297)
Profit before tax	<u>20,751</u>	<u>6,713</u>	<u>20,751</u>	<u>6,713</u>
Taxation	(1,607)	-	(1,607)	-
Profit for the period	<u><u>19,144</u></u>	<u><u>6,713</u></u>	<u><u>19,144</u></u>	<u><u>6,713</u></u>
Attributable to:				
Equity holders of the Company	<u><u>19,144</u></u>	<u><u>6,713</u></u>	<u><u>19,144</u></u>	<u><u>6,713</u></u>
EPS - Basic (sen)	13.11	4.97	13.11	4.97
-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 31ST MARCH 2008**

	31/3/08 RM'000	31/12/07 RM'000
<b>ASSETS</b>		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	318,255	315,030
Prepaid lease payment	62,077	62,119
Other investment	9,000	9,000
	389,332	386,149
<u>Current Assets</u>		
Stocks	152,408	114,996
Debtors	92,598	110,637
Short term deposit	3,300	-
Cash & bank balances	34,415	34,496
	282,721	260,129
<b>TOTAL ASSETS</b>	<b>672,053</b>	<b>646,278</b>
<b>EQUITY AND LIABILITIES</b>		
<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	223,191	204,047
	374,531	355,387
<u>Non-Current Liabilities</u>		
Long term borrowings	116,863	108,222
	116,863	108,222
<u>Current Liabilities</u>		
Creditors	66,923	60,065
Taxation	1,963	1,745
Short term borrowings	111,773	120,859
	180,659	182,669
Total liabilities	297,522	290,891
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>672,053</b>	<b>646,278</b>
Net Assets per share (RM)	2.57	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 FIRST QUARTER ENDED 31ST MARCH 2008

	← Attributable to equity holders of the Company →				→
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Retained Profit RM'000	
<i>3 months ended 31st March, 2007</i>					
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	-	-	-	6,713	6,713
At 31st March 2007	<u>73,000</u>	<u>47,310</u>	<u>31,030</u>	<u>168,664</u>	<u>320,004</u>
<i>3 months ended 31st March, 2008</i>					
At 1st January 2008	73,000	47,310	31,030	204,047	355,387
Net profit for the financial period	-	-	-	19,144	19,144
At 31st March 2008	<u>73,000</u>	<u>47,310</u>	<u>31,030</u>	<u>223,191</u>	<u>374,531</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 FIRST QUARTER ENDED 31ST MARCH 2008**

	<b>Current year</b> <b>01/01/08</b> <b>to 31/3/08</b> <b>RM'000</b>	<b>Preceding Year</b> <b>01/01/07</b> <b>to 31/3/07</b> <b>RM'000</b>
Profit before tax	20,751	6,713
Adjustment for:		
Depreciation of property, plant and equipment	3,753	3,122
Others	3,488	4,259
Operating profit before changes in working capital	<u>27,992</u>	<u>14,094</u>
Changes in working capital		
Net change in current assets	(20,760)	(24,617)
Net change in current liabilities	6,856	(23,921)
Cash generated from / (used in) operations	<u>14,088</u>	<u>(34,444)</u>
Interest paid	(3,389)	(4,135)
Net cash inflow / (outflow) from operating activities	<u>10,699</u>	<u>(38,579)</u>
Investing activities		
Purchase of property, plant and equipment	(6,936)	(3,781)
Others	-	(4,000)
Net cash outflow in investing activities	<u>(6,936)</u>	<u>(7,781)</u>
Financing activities		
Bank borrowings	(445)	39,844
Issue of new shares	-	12,350
Listing expenses	-	(327)
Others	(99)	(124)
Net cash inflow / (outflow) from financing activities	<u>(544)</u>	<u>51,743</u>
Net increase in cash and cash equivalents	3,219	5,383
Cash and cash equivalents at beginning of the year	34,496	28,628
Cash and cash equivalents at end of the period	<u>1</u> <u>37,715</u>	<u>34,011</u>

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

Short term deposit	3,300	350
Cash and bank balances	<u>34,415</u>	<u>33,661</u>
	<u>37,715</u>	<u>34,011</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 31<sup>ST</sup> MARCH 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 31<sup>st</sup> 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 31<sup>st</sup> December 2007 except that for the adoption of the following revised Financial Reporting Standards (“FRS”) that are effective for the financial period beginning 1<sup>st</sup> 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 31<sup>st</sup> December 2007 was not qualified.

**A3. Seasonal or Cyclical factors**

The operations of the Company are subject to 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. Dividends**

There was no dividend paid by the company during the quarter under review.

**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 31<sup>st</sup> 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 defence and counter claim for damages of RM3.73 million. The case was heard on 2<sup>nd</sup> May 2006 and on 19<sup>th</sup> 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. The appeal came up for hearing on 2<sup>nd</sup> April 2008 and was partly heard. The said appeal is fixed for continuing hearing on 15<sup>th</sup> May 2008. On 15<sup>th</sup> May 2008 the supplier's appeal was heard by the Court of Appeal, and subsequently a judgment of USD206,639.95 and interest at 8% per annum from 10<sup>th</sup> May 2008 was awarded with cost to the supplier. However the Company is in the process of submitting its appeal to the Federal Court within the allowable time.



- (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 14<sup>th</sup> June 2007. On the 14<sup>th</sup> June 2007, the hearing proceeded and the decision was delivered on 21<sup>st</sup> 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 22<sup>nd</sup> April 2008 and leave was granted for both parties to file the Appeal within 14 days. On 30<sup>th</sup> April 2008 the Company had filed their Notice of Appeal.

- (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 1<sup>st</sup> September 2006 and their Summary Judgment Application on 19<sup>th</sup> June 2007. The said application is now fixed for mention on 6<sup>th</sup> May 2008. On 6<sup>th</sup> May 2008 the Senior Assistant Registrar allowed the supplier's application with costs borne by the Defendant and instructed to file further affidavit within 14 days. The supplier has filed and served their supplementary Affidavit in Reply on 15<sup>th</sup> May 2008 and the matter is now fixed for mention on 24<sup>th</sup> June 2008.

### A13. Related Party Transactions

Significant transaction with the related party is as follows:

<b>Purchase of goods from:</b>	<b>3 months ended 31/3/08 RM'000</b>
Soon Seng Co (Selangor) Enterprise in which substantial Sdn Bhd interest is owned by a substantial shareholder of the Company.	<u>51</u>

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

**B1. Review of performance**

The Group reported a profit before tax of RM20.8 million on the revenue of RM174.4 million for the current quarter as compared to RM6.7 million on the revenue of RM108.1 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 RM14.1 million to RM20.8 million is mainly due to higher margin and lower finance cost.

**B2. Comparisons with immediate preceding quarter's results**

The Group revenue for the current quarter recorded an increase of RM37.0 million to RM174.4 million, as compared to RM137.4 million in the immediate preceding quarter due to higher sales volume. The Company recorded a higher profit before tax of RM20.8 million as compared to RM12.6 million in the immediate preceding quarter mainly due to higher margin and lower operating expenses.

**B3. Prospects**

Steel prices are expected to remain firm in the ensuing quarters as iron ore and coking coal prices have risen to historical highs.

Supply of steel bars and billets are expected to remain tight, these are being driven by lack of finish steel products in the international market caused by supply interruption. Higher prices due to the imposition of export duties between 5% to 25% from China and India have also contributed to the high prices for steel bars and billets both domestically and internationally.

Barring any unforeseen circumstances, the Board is optimistic that the earnings prospect for 2008 will be further enhanced.

**B4. Profit forecast**

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

**B5. Taxation**

i) Taxation comprises:

	<b>Current Year Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
<u>Malaysian income tax</u>		
Current quarter's provision	<u>1,607</u>	<u>1,607</u>

ii) Reconciliation of income tax expenses

	<b>Current Year Quarter Ended RM'000</b>	<b>Current Year To-date Ended RM'000</b>
Profit before taxation	20,751	20,751
Taxation at tax rate of 26%	5,395	5,395
Income not subject to tax	(188)	(188)
Utilization of unutilized reinvestment allowance	(3,662)	(3,662)
Others	62	62
	1,607	1,607

**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 proposal**

*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<sup>th</sup> April 2008, OSK had on behalf of the Company announced that the Company proposed the following:-

- 1) the 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”) and
- 2) the proposed increase in the authorized share capital of MASTEEL from RM100,000,000 comprising 200,000,000 MASTEEL shares to RM500,000,000 comprising 1,000,000,000 MASTEEL shares (“Proposed IASC”)

(collectively to be referred to as the “Proposals”)

The Proposals will be subjected to the approval of the shareholders at the forthcoming Extraordinary General Meeting of the Company.

**(b) Status of utilization of proceed raised**

Not applicable

**B9. Borrowings**

	<b>31/3/08</b>
	<b>RM'000</b>
<u>Secured:-</u>	
Short term borrowings	111,773
Long term borrowings	116,863
	<hr/>
Total borrowings	228,636
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**The above borrowings are denominated in the following currencies:**

	<b>'000</b>	<b>RM,000</b>
Ringgit Malaysia	-	213,939
US Dollar	4,600	14,697
		<hr/>
		228,636
		<hr/>

**B10. Off balance sheet financial instruments**

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

## **B11. Material litigation**

The material litigations pending during the first quarter of 31<sup>st</sup> March 2008 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 2<sup>nd</sup> May 2006 and on 19<sup>th</sup> 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. The appeal came up for hearing on 2<sup>nd</sup> April 2008 and was partly heard. The said appeal is fixed for continuing hearing on 15<sup>th</sup> May 2008. On 15<sup>th</sup> May 2008 the supplier's appeal was heard by the Court of Appeal, and subsequently a judgment of USD206,639.95 and interest at 8% per annum from 10<sup>th</sup> May 2008 was awarded with cost to the supplier. However the Company is in the process of submitting its appeal to the Federal Court within the allowable time.
- (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 14<sup>th</sup> June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. On the 14<sup>th</sup> June 2007, the hearing proceeded and the decision was delivered on 21<sup>st</sup> 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 22<sup>nd</sup> April 2008 and leave was granted for both parties to file the Appeal within 14 days. On 30<sup>th</sup> April 2008 the Company had filed their Notice of Appeal.

- (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 1<sup>st</sup> September 2006 and their Summary Judgment Application on 19<sup>th</sup> June 2007. The said application is now fixed for mention on 6<sup>th</sup> May 2008. On 6<sup>th</sup> May 2008 the Senior Assistant Registrar allowed the supplier's application with costs borne by the Defendant and instructed to file further affidavit within 14 days. The supplier has filed and served their supplementary Affidavit in Reply on 15<sup>th</sup> May 2008 and the matter is now fixed for mention on 24<sup>th</sup> June 2008.

- (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 10<sup>th</sup> February 2004. The Insurance Company has entered appearance through their solicitors and filed a statement of defence on 5<sup>th</sup> April 2004. The matter is now fixed for further mention on 22<sup>nd</sup> July 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 31<sup>st</sup> December 2007 for the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

## **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.

	<b>Current Year Quarter Ended</b>	<b>Current Year To-date Ended</b>
Net profit attributable to ordinary shareholders (RM'000)	<u>19,144</u>	<u>19,144</u>
Weighted average number of ordinary shares in issue ('000)	<u>146,000</u>	<u>146,000</u>
Basic Earnings Per Share (sen)	<u>13.11</u>	<u>13.11</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