

SUMMARY OF KEY FINANCIAL INFORMATION
31/12/2008

Note: These figures have not been audited.

| | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|--|--|---|--|--|
| | CURRENT YEAR QUARTER 31/12/08 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/12/07 RM'000 | CURRENT YEAR TO DATE 31/12/08 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/12/07 RM'000 |
| 1 Revenue | 161,666 | 137,431 | 881,223 | 548,029 |
| 2 Profit before tax | 5,843 | 12,636 | 85,717 | 46,179 |
| 3 Profit for the period | 5,466 | 12,636 | 79,288 | 44,334 |
| 4 Profit attributable to ordinary equity holders of the parent | 5,466 | 12,636 | 79,288 | 44,334 |
| 5 Basic earnings per share (sen) | 3.32 | 8.71 | 48.17 | 30.57 |
| 6 Proposed/Declared dividend per share (sen) | - | - | 3.00 | 2.10 |
| | | | As at end of current quarter 31/12/08 | Financial year end 31/12/07 |
| 7 Net assets per share (RM) | | | 2.21 | 2.43 |

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2008

| | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|----------------------------------|---------------------|----------------------|----------------------|----------------------|
| | CURRENT | PRECEDING | CURRENT | PRECEDING |
| | YEAR | YEAR | YEAR | YEAR |
| | QUARTER | CORRESPONDING | TO DATE | CORRESPONDING |
| | 31/12/08 | 31/12/07 | 31/12/08 | 31/12/07 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 161,666 | 137,431 | 881,223 | 548,029 |
| Operating expenses | (152,248) | (120,556) | (781,077) | (486,935) |
| Other income / (expenses) | (100) | 1 | (651) | 784 |
| Interest income | 24 | 15 | 260 | 152 |
| Finance cost | (3,499) | (4,255) | (14,038) | (15,851) |
| Profit before tax | <u>5,843</u> | <u>12,636</u> | <u>85,717</u> | <u>46,179</u> |
| Taxation | (377) | - | (6,429) | (1,845) |
| Profit for the period | <u><u>5,466</u></u> | <u><u>12,636</u></u> | <u><u>79,288</u></u> | <u><u>44,334</u></u> |
| Attributable to: | | | | |
| Equity holders of the Company | <u><u>5,466</u></u> | <u><u>12,636</u></u> | <u><u>79,288</u></u> | <u><u>44,334</u></u> |
| EPS - Basic (sen) | 3.32 | 8.71 | 48.17 | 30.57 |
| - 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 DECEMBER 2008

| | 31/12/08 | 31/12/07 |
|--|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| ASSETS | | |
| <u>Non-Current Assets</u> | | |
| Property, Plant & Equipment | 337,460 | 315,030 |
| Prepaid lease payment | 61,950 | 62,119 |
| Other investment | 9,000 | 9,000 |
| | <u>408,410</u> | <u>386,149</u> |
| <u>Current Assets</u> | | |
| Stocks | 163,662 | 114,996 |
| Debtors | 133,930 | 110,637 |
| Short term deposit | 4,500 | - |
| Cash & bank balances | 23,977 | 34,496 |
| | <u>326,069</u> | <u>260,129</u> |
| TOTAL ASSETS | <u><u>734,479</u></u> | <u><u>646,278</u></u> |
| EQUITY AND LIABILITIES | | |
| <u>Equity attributable to equity holders</u> | | |
| Share capital | 97,333 | 73,000 |
| Share premium | 22,977 | 47,310 |
| Revaluation reserves | 31,030 | 31,030 |
| Retained profit | 278,955 | 204,047 |
| | <u>430,295</u> | <u>355,387</u> |
| <u>Non-Current Liabilities</u> | | |
| Long term borrowings | 113,024 | 108,222 |
| | <u>113,024</u> | <u>108,222</u> |
| <u>Current Liabilities</u> | | |
| Creditors | 50,266 | 60,065 |
| Taxation | 2,288 | 1,745 |
| Short term borrowings | 138,606 | 120,859 |
| | <u>191,160</u> | <u>182,669</u> |
| Total liabilities | 304,184 | 290,891 |
| TOTAL EQUITY AND LIABILITIES | <u><u>734,479</u></u> | <u><u>646,278</u></u> |
| Net Assets per share (RM) | 2.21 | 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 31ST DECEMBER 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 |
| <i>12 months ended 31st December, 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) |
| Dividend paid in respect of financial year ended 31st December 2006 | - | - | - | (2,238) | (2,238) |
| Net profit for the financial year | - | - | - | 44,334 | 44,334 |
| At 31st December 2007 | <u>73,000</u> | <u>47,310</u> | <u>31,030</u> | <u>204,047</u> | <u>355,387</u> |
| <i>12 months ended 31st December, 2008</i> | | | | | |
| 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) |
| Issue of shares (Bonus issue) | 24,333 | (24,333) | - | - | - |
| Net profit for the financial year | - | - | - | 79,288 | 79,288 |
| At 31st December 2008 | <u>97,333</u> | <u>22,977</u> | <u>31,030</u> | <u>278,955</u> | <u>430,295</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 31ST DECEMBER 2008

| | Current year 01/01/08 to 31/12/08 RM'000 | Preceding Year 01/01/07 to 31/12/07 RM'000 |
|---|---|---|
| Profit before tax | 85,717 | 46,179 |
| Adjustment for: | | |
| Depreciation of property, plant and equipment | 15,106 | 13,337 |
| Others | 13,715 | 15,067 |
| Operating profit before changes in working capital | <u>114,538</u> | <u>74,583</u> |
| Changes in working capital | | |
| Net change in current assets | (73,346) | (61,114) |
| Net change in current liabilities | (9,799) | 14,962 |
| Cash generated from operations | <u>31,393</u> | <u>28,431</u> |
| Interest paid | (13,355) | (15,391) |
| Income tax paid | (4,500) | (927) |
| Net cash inflow from operating activities | <u>13,538</u> | <u>12,113</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (37,366) | (28,881) |
| Others | - | (3,924) |
| Net cash outflow in investing activities | <u>(37,366)</u> | <u>(32,805)</u> |
| Financing activities | | |
| Bank borrowings | 22,549 | 17,235 |
| Issue of new shares | - | 12,350 |
| Listing expenses | - | (327) |
| Dividend paid | (4,380) | (2,238) |
| Others | (360) | (460) |
| Net cash inflow from financing activities | <u>17,809</u> | <u>26,560</u> |
| Net increase / (decrease) in cash and cash equivalents | (6,019) | 5,868 |
| Cash and cash equivalents at beginning of the year | 34,496 | 28,628 |
| Cash and cash equivalents at end of the year | <u><u>28,477</u></u> | <u><u>34,496</u></u> |
| 1 | | |
| Cash and cash equivalents at end of the year comprise : | | |
| Short term deposit | 4,500 | - |
| Cash and bank balances | 23,977 | 34,496 |
| Bank overdraft | - | - |
| | <u><u>28,477</u></u> | <u><u>34,496</u></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 31ST DECEMBER 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 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 statements 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 Group’s 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 Group

There was no change in the composition of the Group 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 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 was fixed for mention on 26th August 2008 and on this date this matter has been further adjourned to 23rd September 2008 for hearing. This matter is now fixed for mention before the Deputy Registrar on 21st January 2009 and on this date this matter has been further adjourned to 22nd April 2009 for hearing.

A13. Related Party Transactions

Significant transactions with the related party are as follows:

| Purchase of goods from: | 12 months ended 31/12/08 RM'000 |
|--|--|
| Soon Seng Co (Selangor) Enterprise in which substantial interest is owned by a substantial shareholder of the Company. | 51 |

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

B1. Review of performance

The Group reported a profit before tax of RM5.8 million on the revenue of RM161.7 million for the current quarter compared to RM12.6 million on the revenue of RM137.4 million for the previous year corresponding quarter. The increase in revenue is mainly attributed to higher selling prices. However, the profit before tax decreased by RM6.8 million to RM5.8 million due to higher production and operating costs.

Overall for the whole year, the Group achieved the best performance in history of the Group whereby the profit before tax and revenue recorded a substantial increase of RM40.0 million to RM85.7 million and RM333.2 million to RM881.2 million respectively as compared to the previous year due to higher sales volume and margins.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a substantial decrease of RM102.6 million to RM161.7 million, as compared to RM264.3 million in the immediate preceding quarter due to lower sales volume and selling prices. The Group recorded a lower profit before tax of RM5.8 million as compared to RM18.2 million in the immediate preceding quarter mainly due to lower margins.

B3. Prospects

With the implementation of the USD586 billion Stimulus plan by the Government of China, prices of steel have begun to firm. The anticipated Second Stimulus plan by the Malaysia Government will also help boost domestic demand for steel bars and billets. The price and margin of steel products will be largely determined by the rate of the implementation of the various stimulus plans, lending activities of the local financial institutions and consumer confidence.

Earnings is expected to decline substantially during the first half of year 2009 and expected to improve during the second half of year 2009 due to improvement of demand spur on by various impending Government expenditure in infrastructure projects.

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>377</u> | <u>6,429</u> |

ii) Reconciliation of income tax expenses

| | Current Year Quarter Ended RM'000 | Current Year To-date Ended RM'000 |
|--|--|--|
| Profit before taxation | 5,843 | 85,717 |
| Taxation at tax rate of 26% | 1,519 | 22,286 |
| Income/expenses not subject to tax | (47) | 21 |
| Utilization of reinvestment allowance brought forward from previous years | (865) | (14,843) |
| Others | (230) | (1,035) |
| | 377 | 6,429 |

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 received approval from SC on 4 September 2008 to extend the implementation of the Private Placement for an additional six (6) months, from 6 September 2008 to 6 March 2009 and to increase the terms of the Placement exercise to 19,466,666 new ordinary shares of RM0.50 each from 14.6 million new ordinary shares of RM0.50 each.

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

| | 31/12/08 |
|-----------------------|-----------------|
| | RM'000 |
| <u>Secured:-</u> | |
| Short term borrowings | 138,606 |
| Long term borrowings | 113,024 |
| | <hr/> |
| Total borrowings | 251,630 |
| | <hr/> |

The above borrowings are denominated in the following currencies:

| | '000 | RM,000 |
|------------------|-------------|---------------|
| Ringgit Malaysia | - | 237,598 |
| US Dollar | 4,000 | 14,032 |
| | | <hr/> |
| | | 251,630 |
| | | <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 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 was fixed for mention on 26th August 2008 and on this date this matter has been further adjourned to 23rd September 2008 for hearing. This matter is now fixed for mention before the Deputy Registrar on 21st January 2009 and on this date this matter has been further adjourned to 22nd April 2009 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. On 3rd November 2008 the court has fixed the matter for further mention on 5th March 2009. 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.

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

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>5,466</u> | <u>79,288</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>164,616</u> | <u>164,616</u> |
| Basic Earnings Per Share (sen) | <u>3.32</u> | <u>48.17</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