

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2009

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/3/09 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/08 RM'000	CURRENT YEAR TO DATE 31/3/09 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/08 RM'000
Revenue	130,087	174,386	130,087	174,386
Operating expenses	(156,235)	(150,943)	(156,235)	(150,943)
Other expenses	(671)	(38)	(671)	(38)
Other income	-	724	-	724
Interest income	4	142	4	142
Finance cost	(3,631)	(3,520)	(3,631)	(3,520)
(Loss)/Profit before tax	(30,446)	20,751	(30,446)	20,751
Taxation	-	(1,607)	-	(1,607)
(Loss)/Profit for the period	(30,446)	19,144	(30,446)	19,144
Attributable to: Equity holders of the Company	(30,446)	19,144	(30,446)	19,144
(LPS)/EPS				
- Basic (sen)	(15.64)	13.11	(15.64)	13.11
- 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 2008 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 2009

	31/3/09 RM'000	31/12/08 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	339,717	336,913
Prepaid lease payment	61,907	61,950
Other investment	9,000	9,000
	<u>410,624</u>	<u>407,863</u>
<u>Current Assets</u>		
Stocks	134,456	163,662
Debtors	134,193	134,482
Taxation	62	-
Short term deposit	2,021	4,521
Cash & bank balances	35,794	23,993
	<u>306,526</u>	<u>326,658</u>
TOTAL ASSETS	<u><u>717,150</u></u>	<u><u>734,521</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	97,333	97,333
Share premium	22,977	22,977
Revaluation reserves	31,030	31,030
Retained profit	248,522	278,968
	<u>399,862</u>	<u>430,308</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	125,601	124,053
	<u>125,601</u>	<u>124,053</u>
<u>Current Liabilities</u>		
Creditors	40,378	50,295
Taxation	-	2,288
Short term borrowings	151,309	127,577
	<u>191,687</u>	<u>180,160</u>
Total liabilities	317,288	304,213
TOTAL EQUITY AND LIABILITIES	<u><u>717,150</u></u>	<u><u>734,521</u></u>
Net Assets per share (RM)	2.05	2.21

The Unaudited Condensed Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2008 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 MARCH 2009

	← 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>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>
<i>3 months ended 31st March, 2009</i>					
At 1st January 2009	97,333	22,977	31,030	278,968	430,308
Net loss for the financial period	-	-	-	(30,446)	(30,446)
At 31st March 2009	<u>97,333</u>	<u>22,977</u>	<u>31,030</u>	<u>248,522</u>	<u>399,862</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 2008 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 MARCH 2009**

	Current year 01/01/09 to 31/3/09 RM'000	Preceding Year 01/01/08 to 31/3/08 RM'000
(Loss)/Profit before tax	(30,446)	20,751
Adjustment for:		
Depreciation of property, plant and equipment	3,912	3,753
Others	3,131	3,488
Operating (loss)/profit before changes in working capital	<u>(23,403)</u>	<u>27,992</u>
Changes in working capital		
Net change in current assets	29,494	(20,760)
Net change in current liabilities	(9,917)	6,856
Cash (used)/generated from operations	<u>(3,826)</u>	<u>14,088</u>
Interest paid	(3,057)	(3,389)
Income tax paid	(2,350)	-
Net cash (outflow)/inflow from operating activities	<u>(9,233)</u>	<u>10,699</u>
Investing activities		
Purchase of property, plant and equipment	(6,673)	(6,936)
Others	-	-
Net cash outflow in investing activities	<u>(6,673)</u>	<u>(6,936)</u>
Financing activities		
Bank borrowings	19,022	(445)
Issue of new shares	-	-
Listing expenses	-	-
Others	(74)	(99)
Net cash inflow/(outflow) from financing activities	<u>18,948</u>	<u>(544)</u>
Net increase in cash and cash equivalents	3,042	3,219
Cash and cash equivalents at beginning of the year	28,514	34,496
Cash and cash equivalents at end of the year	<u>1</u> <u>31,556</u>	<u>37,715</u>

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

Short term deposit	2,021	3,300
Cash and bank balances	35,794	34,415
Bank overdraft	(6,259)	-
	<u>31,556</u>	<u>37,715</u>

The Unaudited Condensed Cashflow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2008 and accompanying explanatory notes attached to the interim financial statements.

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**SELECTED EXPLANATORY NOTES PURSUANT TO PARA 16, FRS 134 INTERIM
FINANCIAL REPORTING FOR THE QUARTER ENDED 31ST MARCH 2009**

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 2008.

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 2008. As at 31st March 2009, the following FRS and Issue Committee (“IC”) Interpretations were in issue but not yet effective and have not been applied by the Group.

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

The Group is exempted from disclosing the possible impact, if any, to the financial statement upon the initial application of the above mentioned FRSs and IC Interpretations.

A2. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2008 was not qualified.

A3. Seasonal or Cyclical factors

The operations of the Company are subject to both cyclical factors in the construction industry as well as festive seasons.

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

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 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. In respect of the cost of the Court of Appeal and High Court proceedings, the supplier has filed its application for taxation of costs in the Court of Appeal and High Court respectively. The hearing for the taxation of costs in the Court of Appeal is fixed on 19th June 2009 whilst the hearing in the High Court has yet to be fixed. The Company will be disputing the costs claimed in both of the taxation hearings.

- (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. On 22nd April 2009, this matter has been further adjourned to 25th June 2009 for hearing.

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

B1. Review of performance

The Group reported a loss before tax of RM30.4 million on the revenue of RM130.1 million for the current quarter compared to a profit before tax of RM20.8 million on the revenue of RM174.4 million for the previous year corresponding quarter. The decrease in revenue is mainly attributed to drop in demand and lower selling prices. These factors have contributed to the decrease in margins and resulted in a loss before tax of RM30.4 million.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a decrease of RM31.6 million to RM130.1 million in the current quarter due to lower selling prices. The Group recorded a loss before tax of RM30.4 million, as compared to a profit of RM5.8 million recorded in the immediate preceding quarter.

B3. Prospects

As the global financial crisis has begun to show sign of bottoming out, Masteel expects prices of steel to remain volatile but range bound the next two quarters. However, a more pronounced price and demand recovery is envisaged towards the year end.

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	-	-

ii) Reconciliation of income tax expenses

	Current Year Quarter Ended RM'000	Current Year To-date Ended RM'000
Loss before taxation	(30,446)	(30,446)
Taxation at tax rate of 25%	7,612	7,612
Income/expenses not subject to tax	(53)	(53)
Utilization of reinvestment allowance brought forward from previous years	-	-
Current year tax losses not recognised	(6,572)	(6,572)
Others	(987)	(987)
	-	-

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. The implementation of the Private Placement has been further extended for an additional six (6) months to 6 September 2009.

(b) Status of utilization of proceed raised

Not applicable

B9. Borrowings

	31/3/09 RM'000
<u>Secured:-</u>	
Short term borrowings	151,309
Long term borrowings	125,601
	<hr/>
Total borrowings	276,910
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The above borrowings are denominated in the following currencies:

	'000	RM,000
Ringgit Malaysia	-	262,881
US Dollar	3,800	14,029
		<hr/>
		276,910
		<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. In respect of the cost of the Court of Appeal and High Court proceedings, the supplier has filed its application for taxation of costs in the Court of Appeal and High Court respectively. The hearing for the taxation of costs in the Court of Appeal is fixed on 19th June 2009 whilst the hearing in the High Court has yet to be fixed. The Company will be disputing the costs claimed in both of the taxation hearings.

- (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. On 22nd April 2009, this matter has been further adjourned to 25th June 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. Thereafter, this matter came up for few mention dates for the parties to finalise the Common Bundle of Documents. This matter is now fixed for case management on 24th April 2009 to enable parties to file in the list of witnesses and this date the court has fixed the matter for final case management on 7th September 2009. The court has also fixed the matter for trial on 28th September 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 2.5 sen per share had been proposed in respect of the financial year ended 31st December 2008 for the approval by the shareholders at the forthcoming Annual General Meeting of the Company to be held on 18th June 2009.

B13. Loss per share (“LPS”) / Earnings per share (“EPS”)**(a) Basic (loss)/earnings per share**

The basic (loss)/earnings per share of the Company is calculated by dividing the net loss 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 loss attributable to ordinary shareholders (RM'000)	<u>(30,446)</u>	<u>(30,446)</u>
Weighted average number of ordinary shares in issue ('000)	<u>194,666</u>	<u>194,666</u>
Basic (Loss)/Earnings Per Share (sen)	<u>(15.64)</u>	<u>(15.64)</u>

(b) Diluted (loss)/earnings per share

There is no dilution of any shares during the period. Accordingly, the diluted (loss)/earnings per share calculation is the same as that of Basic (Loss)/Earnings per Share.

By order of the Board