

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2013**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/13	31/03/12	31/03/13	31/03/12
	RM'000	RM'000	RM'000	RM'000
Revenue	330,040	339,920	330,040	339,920
Operating expenses	(322,800)	(342,565)	(322,800)	(342,565)
Other income	281	1,295	281	1,295
Interest income	33	32	33	32
Finance cost	(3,772)	(3,552)	(3,772)	(3,552)
Share of results of associated company	(6)	(11)	(6)	(11)
Profit/(Loss) before tax	3,776	(4,881)	3,776	(4,881)
Taxation	(226)	-	(226)	-
Profit/(Loss) for the period	3,550	(4,881)	3,550	(4,881)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	3,550	(4,881)	3,550	(4,881)
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	3,550	(4,881)	3,550	(4,881)
Profit/(Loss) for the period	3,550	(4,881)	3,550	(4,881)
Earnings/(Loss) per share (sen)				
- Basic	1.63	(2.32)	1.63	(2.32)
- Diluted	1.45	(1.91)	1.45	(1.91)

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2012 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2013

	31/03/13 RM'000	31/12/12 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	456,204	460,117
Investment in Associate company	8,802	8,008
	<u>465,006</u>	<u>468,125</u>
<u>Current Assets</u>		
Stocks	165,492	181,058
Debtors	219,445	222,203
Taxation recoverables	3,776	3,844
Short term deposit	6,100	25,100
Cash & bank balances	30,828	29,575
	<u>425,641</u>	<u>461,780</u>
TOTAL ASSETS	<u><u>890,647</u></u>	<u><u>929,905</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	108,990	108,988
Share premium	33,650	33,650
Treasury shares	(327)	(327)
Warrants reserves	40,043	40,044
Retained profits	347,071	343,520
Total Equity	<u>529,427</u>	<u>525,875</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	32,609	35,448
	<u>32,609</u>	<u>35,448</u>
<u>Current Liabilities</u>		
Creditors	76,907	120,303
Short term borrowings	251,704	248,279
	<u>328,611</u>	<u>368,582</u>
Total liabilities	<u>361,220</u>	<u>404,030</u>
TOTAL EQUITY AND LIABILITIES	<u><u>890,647</u></u>	<u><u>929,905</u></u>
Net Assets per share (RM)	2.43	2.42

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2012 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2013**

	Current year 01/01/13 to 31/03/13 RM'000	Preceding Year 01/01/12 to 31/03/12 RM'000
(Loss)/Profit before tax	3,776	(4,881)
Adjustment for:		
Depreciation of property, plant and equipment	5,163	5,703
Interest expense	3,772	3,457
Others	(166)	(2,115)
Operating profit before changes in working capital	12,545	2,164
Changes in working capital		
Net change in inventories	15,566	(12,771)
Net change in receivables	2,930	(12,332)
Net change in payables	(43,396)	24,243
Cash (used)/generated from operations	(12,355)	1,304
Interest paid	(3,652)	(3,297)
Income tax paid	(158)	(772)
Net cash outflow in operating activities	(16,165)	(2,765)
Investing activities		
Purchase of property, plant and equipment	(1,250)	(405)
Investment in Associate	(800)	-
Net cash outflow in investing activities	(2,050)	(405)
Financing activities		
Bank borrowings	4,532	7,038
Shares subscribed by warrant holder	2	-
Finance lease interest paid	(120)	(160)
Net cash inflow from financing activities	4,414	6,878
Net (decrease)/increase in cash and cash equivalents	(13,801)	3,708
Cash and cash equivalents at beginning of the year	47,977	31,566
Cash and cash equivalents at end of the financial period	1 34,176	35,274
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	6,100	17,000
Cash and bank balances	30,828	26,993
Bank overdraft	(2,752)	(8,719)
	34,176	35,274

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2012 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2013**

	Attributable to equity holders of the Company						Total RM'000
	Non-distributable				Distributable		
	Share Capital RM'000	Share Premium RM'000	Warrant Reserves RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
3 months ended 31st March 2013							
At 1st January 2013	108,988	33,650	40,044	-	343,520	(327)	525,875
Shares subscribed by warrant holder	2	-	(1)	-	1	-	2
Total comprehensive income	-	-	-	-	3,550	-	3,550
At 31st March 2013	<u>108,990</u>	<u>33,650</u>	<u>40,043</u>	<u>-</u>	<u>347,071</u>	<u>(327)</u>	<u>529,427</u>
3 months ended 31st March 2012							
At 1st January 2012, as previously stated	105,393	31,198	40,044	31,030	292,427	(233)	499,859
Effect of transition to MFRS	-	-	-	(31,030)	31,030	-	-
At 1st January 2012, restate	105,393	31,198	40,044	-	323,457	(233)	499,859
Total comprehensive income	-	-	-	-	(4,881)	-	(4,881)
At 31st March 2012	<u>105,393</u>	<u>31,198</u>	<u>40,044</u>	<u>-</u>	<u>318,576</u>	<u>(233)</u>	<u>494,978</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 2012 and accompanying explanatory notes attached to the interim financial statements.

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

EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 31ST MARCH 2013

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 134: Interim Financial Reporting issued by International Accounting Standard Board (“IASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31st December 2012, which were prepared under Malaysian Financial Reporting Standards (“MFRSs”). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31st December 2012.

A2. Accounting Policies and Methods of Computation

Adoption of Standards, Amendments and IC Interpretations

The Group has adopted the following Standards, Amendments and IC Interpretations:-

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	First Time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Instruments: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to IC Interpretations and MFRSs 2009 – 2011 Cycle	

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

Amendments to MFRSs issued but not yet effective

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group:

Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

A3. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2012 was not qualified.

A4. Seasonal or Cyclical factors

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

A5. Extraordinary items

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

A6. Changes in Estimates

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

A7. Debts and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current quarter under review, save as disclosed below.

On 6th March 2013, a total of 2,567 ordinary shares were subscribed by a warrant holder based on his entitlement at the exercise price of RM0.67 per share.

A8. Dividend

No dividend was paid by the Company in the current quarter under review and financial year to date.

A9. Segmental reporting

The Group is primarily organised in one business segment namely manufacturing of steel bars and billets. The business segment analysed by geographical location of customers are as follows:

	Current Quarter/Year to-date ended RM'000
Revenue	
- Malaysia	272,314
- Outside Malaysia	57,726
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	330,040
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A10. Valuation

The valuations of the property, plant and equipment has been brought forward and was regarded as deemed cost at the date of transition to MFRS. The relevant revaluation surplus was recognized to the retained earnings.

A11. Material subsequent events

There are no material subsequent events between the end of the current quarter under review and the date of this report.

A12. Changes in the composition of the Group

There was no change in the composition of the Group during the current quarter under review.

A13. Capital commitments

	31/03/13 RM'000
Property, plant and equipment	
- Approved and contracted for	20,118
- Approved but not contracted for	68,408
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	88,526
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PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group reported a profit before tax of RM3.78 million on the revenue of RM330.04 million for the current quarter compared to a loss before tax of RM4.88 million on the revenue of RM339.92 million for the previous year corresponding quarter. The decrease in revenue in the first quarter is mainly attributed to lower selling price. The Company recorded a profit mainly due to lower production cost in the current quarter.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM14.83 million to RM330.04 million in the current quarter due to higher demand. The Group recorded a profit before tax of RM3.78 million as compared to RM2.88 million in the immediate preceding quarter mainly due to higher margin in the current quarter.

B3. Prospects

The uncertainties that were posed by the 13th General Election have since abated and Bank Negara's decision to maintain the overnight policy rate (OPR) at 3% together with the strong domestic consumption and low unemployment rate, will underscore the strong domestic demand for steel bars in the ensuing months.

The extensive implementation of many Economic Transformation Programs (ETP) by the Government will have positive impact on the demand and prices of steel.

Pricing for steel products and its raw material could continue to experience some degree of volatility in the near term as regions such as China and Europe make structural adjustments to its over capacities. With the anticipated higher cost structure of foreign steel manufacturers, the threat of cheaper import is not expected to have any major impact on the Company.

The Company is expected to perform satisfactorily in the months ahead.

B4. Profit forecast

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

B5. Profit before taxation

	Current Quarter/Year To-date Ended RM'000
Profit before taxation is arrived at after charging/(crediting):	
Unrealised foreign exchange gain	(435)
Reversal of doubtful debts	(172)
Depreciation of property, plant and equipment	5,163
Interest expense	3,772
Realised foreign exchange loss	184
Interest income	33

B6. Taxation

i) Taxation comprises:

	Current Quarter/Year To-date Ended RM'000
<u>Malaysian income tax</u>	
Current year's provision	<u>226</u>

ii) Reconciliation of income tax expenses

	Current Quarter/Year To-date Ended RM'000
Profit before taxation	<u>3,776</u>
Taxation at tax rate of 25%	944
Expenses not subject to tax	42
Utilization of unutilized reinvestment allowance	(762)
Others	2
	<u>226</u>

B7. (a) Status of corporate proposals

i) *Head of Joint venture Agreement (“Proposed Joint-Venture”)*

On 19th January 2011, the Board announced that the Company has entered into Head of Joint Venture Agreement with KUB Malaysia Berhad (“KUB”), a company listed on the Main Market of Bursa Malaysia Securities Berhad wherein the Company and KUB have agreed to combine their capabilities and resources related to the objective stated herein and are desirous to co-operate and collaborate with each other in the joint-venture company, Metropolitan Commuter Network Sdn Bhd (“MCN”) to pursue the rail transit network project in the Iskandar Malaysia.

MCN has a meeting with Jawatankuasa Kerjasama Awam Swasta (JKAS), a unit of Unit Kerjasama Awam dan Swasta (UKAS) chaired by Yang Berbahagia Dato’ Ahmad Husni bin Hussain, Director-General and Yang Berbahagia Dato’ Zohari Hj Akob, Deputy Director-General of the UKAS under the purview of the Prime Minister’s Department on 28th March 2013.

The outcome of the meeting was encouraging and UKAS directed MCN to finalize on the type of funding structure for the RM700+ million Government Soft Loan for the proposed rail transit network project in the Iskandar Malaysia.

ii) *Private Placement*

On 27th August 2012, ECM Libra Investment Bank Berhad (“ECM”) had on behalf of the Company announced that the Company proposes to implement a private placement of up to 31.59 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 (“Private Placement”). The application was approved by Bursa Securities and the Ministry of International Trade and Industry on 6th September 2012 and 7th September 2012 respectively.

The Company has completed the first tranche placement of 7.19 million new Masteel shares under the Private Placement and the new Masteel shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 12th November 2012. The approval has lapsed on 5th March 2013 and no subsequent shares were issued/placed out.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/03/13
	RM'000
<u>Secured:</u>	
Short term borrowings	251,704
Long term borrowings	32,609
Total borrowings	<u>284,313</u>

The above borrowings are denominated in the following currencies:

	USD'000	RM'000
Ringgit Malaysia	-	283,532
US Dollar	250	781
		<u>284,313</u>

B9. Material litigations

There are no material litigations during the current period under review.

B10. Dividend

A final single tier dividend of 0.5 sen per share had been proposed in respect of the financial year ended 31st December 2012 and subject to approval by the shareholders at the forthcoming 41th Annual General Meeting of the Company to be held on 27th June 2013.

On 12th October 2012, an interim single tier dividend of 1.00 sen per share has been declared in respect of the financial year ended 31st December 2012 which was paid on 10th December 2012.

For the previous corresponding period in respect of the financial year ended 31st December 2011, a first and final single tier dividend of 1.00 sen per share was paid to shareholders on 26th July 2012.

B11. Earnings per share (“EPS”)

(a) *Basic earnings per share*

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

	Current Quarter/ Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>3,550</u>
Weighted average number of ordinary shares in issue ('000)	<u>217,675</u>
Basic Earnings Per Share (sen)	<u>1.63</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings per share, the weighted average numbers of shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the period as set out below:

	Current Quarter/ Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>3,550</u>
Weighted average number of ordinary shares in issue ('000)	217,675
Effects of dilution ('000)	27,435
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>245,110</u>
Diluted Earnings Per Share (sen)	<u>1.45</u>

B12. Realised and unrealised profits disclosure

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 31/03/13 RM'000	As at 31/12/12 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	315,992	311,749
- Unrealised	31,465	32,151
	<u>347,457</u>	<u>343,900</u>
Total share of accumulated losses from Associate :		
- Realised	(386)	(380)
Total Group retained profits as per consolidated accounts	<u>347,071</u>	<u>343,520</u>

B13. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.