

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/13	31/12/12	31/12/13	31/12/12
	RM'000	RM'000	RM'000	RM'000
Revenue	351,960	315,209	1,375,440	1,312,189
Operating expenses	(341,137)	(309,476)	(1,329,769)	(1,275,932)
Other expenses	(304)	-	(392)	-
Other income	-	1,019	2,492	3,828
Interest income	87	41	172	128
Finance cost	(4,758)	(3,899)	(17,155)	(15,261)
Share of results of associated company	(26)	(12)	(56)	(50)
Profit before tax	5,822	2,882	30,732	24,902
Taxation	(421)	(152)	(1,943)	(556)
Profit for the period	5,401	2,730	28,789	24,346
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,401	2,730	28,789	24,346
Profit and Total Comprehensive Income attributable to:				
Equity holders of the Company	5,401	2,730	28,789	24,346
Profit for the period	5,401	2,730	28,789	24,346
Earnings per share (sen)				
- Basic	2.48	1.29	13.20	11.51
- Diluted	2.20	1.12	11.73	9.95

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 DECEMBER 2013

	31/12/13 RM'000	31/12/12 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	482,307	460,117
Investment in Associate company	8,751	8,008
	<u>491,058</u>	<u>468,125</u>
<u>Current Assets</u>		
Stocks	220,618	181,058
Debtors	240,248	222,203
Taxation recoverables	2,540	3,844
Short term deposit	14,418	25,100
Cash & bank balances	45,978	29,575
	<u>523,802</u>	<u>461,780</u>
TOTAL ASSETS	<u><u>1,014,860</u></u>	<u><u>929,905</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	110,990	108,988
Share premium	34,330	33,650
Treasury shares	(438)	(327)
Warrants reserves	38,523	40,044
Retained profits	371,654	343,520
Total Equity	<u>555,059</u>	<u>525,875</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	25,206	35,448
	<u>25,206</u>	<u>35,448</u>
<u>Current Liabilities</u>		
Creditors	170,592	120,303
Short term borrowings	264,003	248,279
	<u>434,595</u>	<u>368,582</u>
Total liabilities	<u>459,801</u>	<u>404,030</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,014,860</u></u>	<u><u>929,905</u></u>
Net Assets per share (RM)	2.51	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 DECEMBER 2013**

	Current year 01/01/13 to 31/12/13 RM'000	Preceding Year 01/01/12 to 31/12/12 RM'000
Profit before tax	30,732	24,902
Adjustment for:		
Depreciation of property, plant and equipment	21,638	21,833
Interest expense	16,868	15,261
Gain on disposal of property, plant and equipment	(18)	(116)
Share of loss of associate	56	50
Others	(52)	(1,589)
Operating profit before changes in working capital	69,224	60,341
Changes in working capital		
Net change in inventories	(39,559)	(20,289)
Net change in receivables	(17,992)	(17,715)
Net change in payables	50,289	22,216
Cash generated from operations	61,962	44,553
Interest paid	(16,444)	(14,678)
Income tax paid	(639)	(1,516)
Net cash inflow in operating activities	44,879	28,359
Investing activities		
Purchase of property, plant and equipment	(43,829)	(11,333)
Investment in Associate	(800)	-
Others	18	270
Net cash outflow in investing activities	(44,611)	(11,063)
Financing activities		
Bank borrowings	10,180	(1,972)
Dividend paid	(2,176)	(4,283)
Issue of new shares (net of listing expenses)	-	6,047
Shares subscribed by warrant holder	2,682	-
Share buyback	(111)	(94)
Finance lease interest paid	(424)	(583)
Net cash inflow/(outflow) from financing activities	10,151	(885)
Net increase in cash and cash equivalents	10,419	16,411
Cash and cash equivalents at beginning of the year	47,977	31,566
Cash and cash equivalents at end of the financial period	1	1
	58,396	47,977
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	14,418	25,100
Cash and bank balances	45,978	29,575
Bank overdraft	(2,000)	(6,698)
	58,396	47,977

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 DECEMBER 2013**

	Attributable to equity holders of the Company				Distributable		Total RM'000
	Non-distributable				Retained Profits RM'000	Treasury Shares RM'000	
	Share Capital RM'000	Share Premium RM'000	Warrant Reserves RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
<i>12 months ended 31st December 2013</i>							
At 1st January 2013	108,988	33,650	40,044	-	343,520	(327)	525,875
Shares subscribed by warrant holder	2,002	680	(1,521)	-	1,521	-	2,682
Dividend declared in respect of financial year ended 31st December 2012	-	-	-	-	(1,088)	-	(1,088)
Dividend declared in respect of financial year ended 31st December 2013	-	-	-	-	(1,088)	-	(1,088)
Total comprehensive income	-	-	-	-	28,789	-	28,789
Treasury shares	-	-	-	-	-	(111)	(111)
At 31st December 2013	110,990	34,330	38,523	-	371,654	(438)	555,059
<i>12 months ended 31st December 2012</i>							
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
Dividend declared in respect of financial year ended 31st December 2011	-	-	-	-	(2,106)	-	(2,106)
Issue of shares (net of listing expenses)	3,595	2,452	-	-	-	-	6,047
Dividend declared in respect of financial year ended 31st December 2012	-	-	-	-	(2,177)	-	(2,177)
Total comprehensive income	-	-	-	-	24,346	-	24,346
Treasury shares	-	-	-	-	-	(94)	(94)
At 31st December 2012	108,988	33,650	40,044	-	343,520	(327)	525,875

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 DECEMBER 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.

A total of 4,000,000 ordinary shares were subscribed by a warrant holder based on his entitlement at the exercise price of RM0.67 per share on 8th October and 10th December 2013 respectively.

As at 31st December 2013, a total of 436,600 shares were held as treasury shares out of its total issued share capital of 221,979,233 shares at an average price of RM1.004 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

The Company paid an interim single tier dividend of 0.5 sen per share amounted to RM1,087,709 on 11th October 2013 in respect of the financial year ended 31st December 2013.

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 ended RM'000	Current Year to-date ended RM'000
Revenue		
- Malaysia	341,503	1,271,590
- Outside Malaysia	10,457	103,850
	<u>351,960</u>	<u>1,375,440</u>

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

	31/12/13 RM'000
Property, plant and equipment	
- Approved and contracted for	20,872
- Approved but not contracted for	65,520
	<u>86,392</u>

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 RM5.82 million on the revenue of RM351.96 million for the current quarter compared to a profit before tax of RM2.88 million on the revenue of RM315.21 million for the previous year corresponding quarter. The increase in revenue in the current quarter is mainly attributed to higher sales volume. The Company recorded a higher profit mainly due to higher sales volume and higher margin in the current quarter.

For the year under review, the Company's revenue increased by 4.8% to RM1.38 billion as compared to RM1.31 billion for the previous financial year. This is mainly due to the higher sales volume recorded. The profit for the year increased from RM24.4 million in the previous year to RM28.8 million due to higher margin achieved.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM0.78 million to RM351.96 million due to higher selling price. The Group recorded a decrease in profit before tax of RM5.82 million as compared to RM10.28 million in the immediate preceding quarter mainly due to higher production cost in the current quarter.

B3. Prospects

The demand for the company's steel products for the construction sector is expected to be stable throughout this year. The robust construction works from the strong properties sales in 2012 and 2013 is expected to ensure a continuous flow of orders for steel bars to the company for the next few quarters.

The effects of the recent electricity and other costs increase is expected to have an effect on the margins of the company's products. The company is persistently striving to pass through these costs to the market.

Meanwhile, the company has initiated further cost reductions programs that are to be realised during the later part of the year which is expected to improve the company's operating margins.

B4. Profit forecast

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

B5. Profit before taxation

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange gain	(551)	(2,009)
Realised foreign exchange (gain)/loss	715	(114)
Provision/(Reversal) of doubtful debts	20	(32)
Depreciation of property, plant and equipment	5,883	21,638
Interest expense	4,696	16,868
Interest income	87	172

B6. Taxation

i) Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current year's provision	421	1,943

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	5,822	30,732
Taxation at tax rate of 25%	1,456	7,683
Income not subject to tax	64	(346)
Utilization of unutilized reinvestment allowance	(1,106)	(5,373)
Over provision in prior years	-	(32)
Others	7	11
	421	1,943

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.

The management has had dialogues with the Ministry of Transport (MOT) and has been directed to have further discussion with Unit Kerjasama Awam Swasta (UKAS). We are working expeditiously to complete the project within the shortest period.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/12/13
	RM'000
<u>Secured:</u>	
Short term borrowings	264,003
Long term borrowings	25,206
Total borrowings	<u>289,209</u>

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

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

B10. Dividend

The Board has not determined the final dividend in respect of the financial year ended 31st December 2013.

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 Ended	Current Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>5,401</u>	<u>28,789</u>
Weighted average number of ordinary shares in issue ('000)	<u>218,128</u>	<u>218,128</u>
Basic Earnings Per Share (sen)	<u>2.48</u>	<u>13.20</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 Ended	Current Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>5,401</u>	<u>28,789</u>
Weighted average number of ordinary shares in issue ('000)	218,128	218,128
Effects of dilution ('000)	27,316	27,316
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>245,444</u>	<u>245,444</u>
Diluted Earnings Per Share (sen)	<u>2.20</u>	<u>11.73</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 31/12/13 RM'000	As at 31/12/12 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	339,051	311,749
- Unrealised	33,039	32,151
	<u>372,090</u>	<u>343,900</u>
Total share of accumulated losses from Associate :		
- Realised	(436)	(380)
Total Group retained profits as per consolidated accounts	<u><u>371,654</u></u>	<u><u>343,520</u></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.