

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2014**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/14	30/06/13	30/06/14	30/06/13
	RM'000	RM'000	RM'000	RM'000
Revenue	359,987	342,259	697,666	672,299
Operating expenses	(346,372)	(327,737)	(674,058)	(650,537)
Other expenses	-	(88)	-	(88)
Other income	739	48	2,423	329
Interest income	31	27	65	60
Finance cost	(3,583)	(3,627)	(7,612)	(7,399)
Share of results of associated company	(13)	(25)	(28)	(31)
Profit before tax	10,789	10,857	18,456	14,633
Taxation	(689)	(730)	(1,075)	(956)
Profit for the period	10,100	10,127	17,381	13,677
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,100	10,127	17,381	13,677
Profit and Total Comprehensive Income attributable to: Equity holders of the Company	10,100	10,127	17,381	13,677
Profit for the period	10,100	10,127	17,381	13,677
Earnings per share (sen)				
- Basic	4.56	4.66	7.85	6.29
- Diluted	3.93	4.16	6.77	5.63

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

	30/06/14 RM'000	31/12/13 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	505,922	482,307
Investment in Associate company	8,702	8,732
	<u>514,624</u>	<u>491,039</u>
<u>Current Assets</u>		
Stocks	232,243	220,618
Debtors	202,765	239,446
Taxation recoverables	2,295	2,540
Short term deposit	3,074	14,418
Cash & bank balances	49,404	45,978
	<u>489,781</u>	<u>523,000</u>
TOTAL ASSETS	<u><u>1,004,405</u></u>	<u><u>1,014,039</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	111,092	110,989
Share premium	35,886	35,851
Treasury shares	(460)	(438)
Warrants reserves	38,445	38,523
Retained profits	384,707	368,358
Total Equity	<u>569,670</u>	<u>553,283</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	19,584	25,205
	<u>19,584</u>	<u>25,205</u>
<u>Current Liabilities</u>		
Creditors	162,812	171,549
Short term borrowings	252,339	264,002
	<u>415,151</u>	<u>435,551</u>
Total liabilities	<u>434,735</u>	<u>460,756</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,004,405</u></u>	<u><u>1,014,039</u></u>
Net Assets per share (RM)	2.57	2.50

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2014**

	Current year 01/01/14 to 30/06/14 RM'000	Preceding Year 01/01/13 to 30/06/13 RM'000
Profit before tax	18,456	14,632
Adjustment for:		
Depreciation of property, plant and equipment	11,136	10,379
Interest expense	7,522	7,346
Gain on disposal of property, plant and equipment	(38)	(18)
Others	(257)	(80)
Operating profit before changes in working capital	36,819	32,259
Changes in working capital		
Net change in inventories	(11,625)	(35,456)
Net change in receivables	36,902	14,278
Net change in payables	(8,737)	23,402
Cash generated from operations	53,359	34,483
Interest paid	(7,365)	(7,115)
Income tax paid	(830)	(585)
Net cash inflow in operating activities	45,164	26,783
Investing activities		
Purchase of property, plant and equipment	(34,752)	(36,827)
Interest received	65	60
Proceed on disposal	38	(782)
Net cash outflow in investing activities	(34,649)	(37,549)
Financing activities		
Bank borrowings	(15,284)	8,726
Dividend paid	(1,108)	-
Share buy back	(22)	(111)
Shares subscribed by warrant holder	138	2
Finance lease interest paid	(157)	(231)
Net cash inflow/(outflow) from financing activities	(16,433)	8,386
Net decrease in cash and cash equivalents	(5,918)	(2,380)
Cash and cash equivalents at beginning of the year	58,396	47,977
Cash and cash equivalents at end of the financial period	52,478	45,597
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	3,074	7,042
Cash and bank balances	49,404	41,604
Bank overdraft	-	(3,049)
	52,478	45,597

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2014**

	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	Retained Profits RM'000	Treasury Shares RM'000	
6 months ended 30th June 2014						
At 1st January 2014	110,989	35,851	38,523	368,356	(438)	553,281
Shares subscribed by warrant holder	103	35	(78)	78	(22)	116
Dividend declared in respect of financial year ended 31st December 2013	-	-	-	(1,108)	-	(1,108)
Total comprehensive income	-	-	-	17,381	-	17,381
At 30th June 2014	<u>111,092</u>	<u>35,886</u>	<u>38,445</u>	<u>384,707</u>	<u>(460)</u>	<u>569,670</u>
6 months ended 30th June 2013						
At 1st January 2013, as previously stated	108,988	33,650	40,044	343,520	(327)	525,875
Shares subscribed by warrant holder	2	-	(1)	1	-	2
Dividend declared in respect of financial year ended 31st December 2012	-	-	-	(1,088)	-	(1,088)
Total comprehensive income	-	-	-	13,677	-	13,677
Treasury shares	-	-	-	-	(111)	(111)
At 30th June 2013	<u>108,990</u>	<u>33,650</u>	<u>40,043</u>	<u>356,110</u>	<u>(438)</u>	<u>538,355</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 2013 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 30th JUNE 2014

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 statement for the year ended 31st December 2013, 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 2013.

A2. Accounting Policies and Methods of Computation

Adoption of Standards, Amendments and IC Interpretations

The Group has adopted the following Amendments to Standards, with a date of initial application of 1st January 2014:-

Amendments to MFRS 10 Consolidated Financial Statements
Amendments to MFRS 12 Disclosure of Interests in Other Entities
Amendments to MFRS 127 Separate Financial Statements
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

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 new MFRS and Amendment has been issued by MASB but are not yet effective, and have yet to be adopted by the Group:

MFRS 9 Financial Instruments
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

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 2013 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.

A total of 205,000 ordinary shares were subscribed by a warrant holder based on his entitlement at the exercise price of RM0.67 per share on 11th April 2014 and 24th June 2014 respectively.

As at 30th June 2014, a total of 456,600 shares were held as treasury shares out of its total issued share capital of 223,184,233 shares at an average price of RM1.008 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

The Company paid the second interim single tier dividend of 0.5sen per share amounted to RM1,107,634.16 on 12th May 2014 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	351,567	660,870
- Outside Malaysia	8,420	36,796
	359,987	697,666
	359,987	697,666

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

	30/06/14 RM'000
Property, plant and equipment	
- Approved and contracted for	50,818
- Approved but not contracted for	32,225
	<hr/>
	83,043
	<hr/> <hr/>

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 RM10.79 million on the revenue of RM359.99 million for the current quarter compared to a profit before tax of RM10.86 million on the revenue of RM342.26 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 marginally lower profit mainly due to a lower margin on a higher sales volume in the current quarter.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM22.31 million to RM359.99 million mainly due to higher selling price and sales volume. The Group recorded an increase in profit before tax of RM10.79 million as compared to RM7.67 million in the immediate preceding quarter mainly due to higher margin from the higher sales volume in the current quarter.

B3. Prospects

The prospect for the strong flow of orders for the Company's products is expected to be favourable for the rest of the year and price volatility for steel bars, billets and scrap is predicted to fluctuate within a narrow band.

The series of technical improvements recently commissioned at the Company's plants are yielding encouraging results that will augur well for the Company's bottom line. The construction of the Company's new 200,000 MT per annum rolling mill is proceeding as planned and is entering the equipment installation phase.

With the long public holidays in July over, the Company is poised to earn steady revenues until the end of the year predicated on no extensive change of underlying business environment.

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	(1,068)	(2,619)
Realised foreign exchange loss	241	233
Reversal of doubtful debts	(101)	(220)
Depreciation of property, plant and equipment	5,507	11,136
Interest expense	3,541	7,522
Interest income	(31)	(65)

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	<u>689</u>	<u>1,075</u>

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	<u>10,789</u>	<u>18,456</u>
Taxation at tax rate of 25%	2,697	4,614
Income not subject to tax	(102)	(444)
Utilization of unutilized reinvestment allowance	(1,932)	(3,093)
Others	26	(2)
	<u>689</u>	<u>1,075</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.

The Company had received the Johor State Government support on our proposal and the Company would proceed with the relevant State and Federal Government agencies for the necessary approvals.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	30/06/14
	RM'000
<u>Secured:</u>	
Short term borrowings	252,339
Long term borrowings	19,584
Total borrowings	<u>271,923</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

A final single tier dividend of 0.5sen per share had been proposed in respect of the financial year ended 31st December 2013 and approved by the shareholders at the 42nd Annual General Meeting of the Company held on 26th June 2014.

On 8th April 2014, the Company declared a second single tier interim dividend of 0.5sen per share in respect of the financial year ended 31st December 2013 which was paid on 12th May 2014.

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>10,100</u>	<u>17,381</u>
Weighted average number of ordinary shares in issue ('000)	<u>221,528</u>	<u>221,528</u>
Basic Earnings Per Share (sen)	<u>4.56</u>	<u>7.85</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>10,100</u>	<u>17,381</u>
Weighted average number of ordinary shares in issue ('000)	221,528	221,528
Effects of dilution ('000)	35,201	35,201
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>256,729</u>	<u>256,729</u>
Diluted Earnings Per Share (sen)	<u>3.93</u>	<u>6.77</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 30/06/14 RM'000	As at 31/12/13 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	351,544	341,665
- Unrealised	33,649	27,149
	<hr/> 385,193	<hr/> 368,814
Total share of accumulated losses from Associate :		
- Realised	(486)	(456)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 384,707	<hr/> <hr/> 368,358

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.