

(Company No : 210470-M)

KINSTEEL BHD.

(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 30 September 2011.

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2011**

| | 2011 Current Quarter 30.09.2011 RM'000 | 2010 Comparative Quarter 30.09.2010 RM'000 | 2011 9 months Cumulative 30.09.2011 RM'000 | 2010 9 months Cumulative 30.09.2010 RM'000 |
|---|---|---|---|---|
| Revenue | 403,765 | 360,072 | 1,444,826 | 1,275,164 |
| Operating expenses | (402,738) | (381,929) | (1,454,466) | (1,199,158) |
| Other operating income | 5,635 | 5,712 | 39,869 | 16,505 |
| Finance costs | (32,422) | (33,148) | (97,477) | (92,204) |
| (Loss)/profit before taxation | <u>(25,760)</u> | <u>(49,293)</u> | <u>(67,248)</u> | <u>307</u> |
| Taxation | (13) | (125) | (2,296) | (335) |
| Loss for the period | <u>(25,773)</u> | <u>(49,418)</u> | <u>(69,544)</u> | <u>(28)</u> |
| Other comprehensive income, net of tax Available-for-sale (AFS) investment's fair value movements | <u>66</u> | <u>62</u> | <u>198</u> | <u>186</u> |
| Total comprehensive (loss)/income | <u><u>(25,707)</u></u> | <u><u>(49,356)</u></u> | <u><u>(69,346)</u></u> | <u><u>158</u></u> |
| (Loss)/profit attributable to: | | | | |
| Equity holders of the parent | (8,802) | (19,357) | (18,847) | 11,372 |
| Minority Interests | <u>(16,971)</u> | <u>(30,061)</u> | <u>(50,697)</u> | <u>(11,400)</u> |
| | <u><u>(25,773)</u></u> | <u><u>(49,418)</u></u> | <u><u>(69,544)</u></u> | <u><u>(28)</u></u> |
| Total comprehensive (loss)/income attributable to: | | | | |
| Equity holders of the parent | (8,777) | (19,334) | (18,773) | 11,441 |
| Minority Interests | <u>(16,930)</u> | <u>(30,022)</u> | <u>(50,573)</u> | <u>(11,283)</u> |
| | <u><u>(25,707)</u></u> | <u><u>(49,356)</u></u> | <u><u>(69,346)</u></u> | <u><u>158</u></u> |
| (Loss)/earnings per share attributable to equity holders of the parent: | | | | |
| - Basic (sen) | (0.92) | (2.05) | (1.96) | 1.21 |
| - Diluted (sen) | N.A. | N.A. | N.A. | 1.11 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

(Company No : 210470-M)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

| | As at 30.09.2011 RM'000 | As at 31.12.2010 RM'000 |
|--|-------------------------------|-------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 2,262,706 | 2,293,267 |
| Intangible assets | 1,293 | 1,293 |
| Other investment | 3,932 | 3,733 |
| Deferred tax assets | 182,383 | 181,922 |
| | <u>2,450,314</u> | <u>2,480,215</u> |
| Current assets | | |
| Inventories | 1,215,248 | 1,302,946 |
| Receivables | 364,955 | 320,493 |
| Tax recoverable | 1,051 | 775 |
| Deposits with licensed banks | 32,760 | 48,300 |
| Cash and bank balances | 2,170 | 15,885 |
| | <u>1,616,184</u> | <u>1,688,399</u> |
| TOTAL ASSETS | <u>4,066,498</u> | <u>4,168,614</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 193,660 | 191,257 |
| Treasury shares | (4,153) | (4,153) |
| Reserves | 553,845 | 582,221 |
| Equity attributable to equity holders of the parent | 743,352 | 769,325 |
| Minority interest | 821,446 | 872,019 |
| Total equity | <u>1,564,798</u> | <u>1,641,344</u> |
| Non-current liabilities | | |
| Borrowings | 326,252 | 368,154 |
| Deferred taxation | 4,747 | 2,506 |
| | <u>330,999</u> | <u>370,660</u> |
| Current liabilities | | |
| Trade and other payables | 735,678 | 690,975 |
| Overdrafts and short term borrowings | 1,434,561 | 1,465,388 |
| Provision for taxation | 462 | 247 |
| | <u>2,170,701</u> | <u>2,156,610</u> |
| Total liabilities | <u>2,501,700</u> | <u>2,527,270</u> |
| TOTAL EQUITY AND LIABILITIES | <u>4,066,498</u> | <u>4,168,614</u> |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | 0.77 | 0.80 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

Note: *The comparative figures are extracted from the audited financial statements for the year ended 31 December 2010.*

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2011**

| | ← Attributable to Equity Holders of the Company → | | | | | Total RM'000 | Minority Interests RM'000 | Total Equity RM'000 |
|---|---|------------------------------|----------------------------|---------------------------------|---|-----------------|---------------------------------|---------------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Fair Value Reserve RM'000 | Distributable Retained Earnings RM'000 | | | |
| Balance at 01.01.2011 | 191,257 | (4,153) | 30,493 | (99) | 551,827 | 769,325 | 872,019 | 1,641,344 |
| Exercise of warrant | 2,403 | - | - | - | - | 2,403 | - | 2,403 |
| Comprehensive loss for the period | - | - | - | - | (18,847) | (18,847) | (50,697) | (69,544) |
| Other comprehensive income for the period | - | - | - | 74 | - | 74 | 124 | 198 |
| Dividends paid | - | - | - | - | (9,603) | (9,603) | - | (9,603) |
| Balance at 30.09.2011 | 193,660 | (4,153) | 30,493 | (25) | 523,377 | 743,352 | 821,446 | 1,564,798 |
| Balance at 01.01.2010 | 188,293 | (4,153) | 30,493 | - | 587,826 | 802,459 | 922,036 | 1,724,495 |
| Effect arising from adoption of FRS 139 | - | - | - | (192) | 8,834 | 8,642 | 14,501 | 23,143 |
| Balance at 1.1.2010, as restated | 188,293 | (4,153) | 30,493 | (192) | 596,660 | 811,101 | 936,537 | 1,747,638 |
| Exercise of warrant | 1,831 | - | - | - | - | 1,831 | - | 1,831 |
| Comprehensive income/(loss) for the period | - | - | - | - | 11,372 | 11,372 | (11,400) | (28) |
| Other comprehensive income for the period | - | - | - | 69 | - | 69 | 117 | 186 |
| Dividends paid | - | - | - | - | (9,428) | (9,428) | - | (9,428) |
| Balance at 30.09.2010 | 190,124 | (4,153) | 30,493 | (123) | 598,604 | 814,945 | 925,254 | 1,740,199 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2011**

| | Current period ended 30.09.2011 RM'000 | Preceding year corresponding period ended 30.09.2010 RM'000 |
|---|---|---|
| (Loss)/profit before tax | (67,248) | 307 |
| Adjustments for non-cash flow : | | |
| Depreciation | 88,512 | 84,866 |
| Non-cash items | 62,100 | 78,060 |
| Operating profit before working capital changes | 83,364 | 163,233 |
| Changes in working capital | 106,102 | (188,425) |
| | 189,466 | (25,192) |
| Interest paid | (82,847) | (84,601) |
| Interest received | 1,166 | 1,364 |
| Tax refund | - | 27 |
| Tax paid | (588) | (227) |
| Net cash flows from/(for) operating activities | 107,197 | (108,629) |
| Investing activities | | |
| Purchase of property, plant and equipment | (63,824) | (20,726) |
| Proceeds from disposal of property, plant and equipment | 109 | 119 |
| Net cash flows for investing activities | (63,715) | (20,607) |
| Financing activities | | |
| Proceeds from exercise of warrants | 2,403 | 1,831 |
| Short term borrowings | 3,413 | 237,542 |
| Receipts of Murabahah Commercial Papers/ Medium Terms Notes | - | 25,000 |
| Repayment of Murabahah Medium Term Notes | (60,000) | (60,000) |
| Loan repayments | - | (53,872) |
| Repayment of government loan | (800) | (900) |
| Hire purchase/lease liabilities repayment | (3,520) | (4,283) |
| Dividends paid | (9,603) | (9,428) |
| Net cash flows (for)/from financing activities | (68,107) | 135,890 |
| Net change in cash and cash equivalents | (24,625) | 6,654 |
| Cash and cash equivalents at beginning of period | 39,025 | 8,102 |
| Cash and cash equivalents at end of period | 14,400 | 14,756 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.