

SUMMARY OF KEY FINANCIAL INFORMATION
30/6/2006

Note: These figures have not been audited.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD	
	30/6/06 RM'000	30/6/05 RM'000	30/6/06 RM'000	30/6/05 RM'000	
1	Revenue	85,928	72,089	158,067	141,808
2	Profit before tax	6,463	5,472	9,953	10,149
3	Profit for the period	6,463	5,472	9,953	10,149
4	Profit attributable to ordinary equity holders of the parent	6,463	5,472	9,953	10,149
5	Basic earnings per share (sen)	4.86	4.58	7.48	8.50
6	Proposed/Declared dividend per share (sen)	-	-	1.50	-
			As at end of current quarter 30/6/06	Financial year end 31/12/05	
7	Net assets per share (RM)		2.13	2.05	

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

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	30/6/06	30/6/05	30/6/06	30/6/05
	RM'000	RM'000	RM'000	RM'000
Revenue	85,928	72,089	158,067	141,808
Operating expenses	(76,506)	(64,758)	(142,479)	(127,118)
Other income	-	74	-	74
Interest income	39	13	68	53
Finance cost	(2,998)	(1,946)	(5,703)	(4,668)
Profit before tax	<u>6,463</u>	<u>5,472</u>	<u>9,953</u>	<u>10,149</u>
Taxation	-	-	-	-
Profit for the period	<u><u>6,463</u></u>	<u><u>5,472</u></u>	<u><u>9,953</u></u>	<u><u>10,149</u></u>
Attributable to:				
Equity holders of the Company	<u><u>6,463</u></u>	<u><u>5,472</u></u>	<u><u>9,953</u></u>	<u><u>10,149</u></u>
EPS - Basic (sen)	4.86	4.58	7.48	8.50
- 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 2005 and accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED BALANCE SHEET
AS AT 30TH JUNE 2006

	30/6/06	31/12/05
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	340,976	316,998
Computer software	14	13
Interest in subsidiary companies	115	56
Other investment	5,000	5,000
	<u>346,105</u>	<u>322,067</u>
<u>Current Assets</u>		
Stocks	57,853	55,048
Debtors	62,724	58,098
Short term deposit	-	11,771
Cash & bank balances	17,252	15,196
	<u>137,829</u>	<u>140,113</u>
TOTAL ASSETS	<u><u>483,934</u></u>	<u><u>462,180</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	66,500	66,500
Share premium	41,787	41,787
Revaluation reserves	31,030	31,030
Retained profits	143,380	133,427
	<u>282,697</u>	<u>272,744</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	70,518	72,802
	<u>70,518</u>	<u>72,802</u>
<u>Current Liabilities</u>		
Creditors	43,785	37,725
Short term borrowings	86,934	78,909
	<u>130,719</u>	<u>116,634</u>
Total liabilities	201,237	189,436
TOTAL EQUITY AND LIABILITIES	<u><u>483,934</u></u>	<u><u>462,180</u></u>
Net Assets per share (RM)	2.13	2.05

The Unaudited Condensed Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2005 and accompanying explanatory notes attached to the interim financial statements.

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

THE UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2006

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Total RM'000
<i>6 months ended 30th June, 2005</i>					
At 1st January 2005	54,852	25,148	-	110,123	190,123
Issue of shares	11,648	18,638	-	-	30,286
IPO expenses	-	(1,999)	-	-	(1,999)
Net profit for the financial period	-	-	-	10,149	10,149
At 30th June 2005	<u>66,500</u>	<u>41,787</u>	<u>-</u>	<u>120,272</u>	<u>228,559</u>
<i>6 months ended 30th June, 2006</i>					
At 1st January 2006	66,500	41,787	31,030	133,427	272,744
Net profit for the financial period	-	-	-	9,953	9,953
At 30th June 2006	<u>66,500</u>	<u>41,787</u>	<u>31,030</u>	<u>143,380</u>	<u>282,697</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 2005 and accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED CASHFLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2006

	Current year 01/01/06 to 30/6/06 RM'000	Preceding Year 01/01/05 to 30/6/05 RM'000
Profit before tax	9,953	10,149
Adjustments for:		
Depreciation of property, plant and equipment	5,918	5,541
Others	5,654	4,614
Operating profit before changes in working capital	21,525	20,304
Changes in working capital		
Net change in current assets	(7,490)	(9,029)
Net change in current liabilities	12,759	(19,161)
Cash generated from / (used in) operations	26,794	(7,886)
Interest paid	(5,623)	(4,601)
Net cash flows from / (used in) operating activities	21,171	(12,487)
Investing activities		
Purchase of property, plant and equipment	(29,895)	(3,083)
Others	(2)	-
Net cash used in investing activities	(29,897)	(3,083)
Financing activities		
Bank borrowings	(2,745)	(11,399)
Issue of new shares	-	30,286
IPO expenses	-	(1,999)
Others	(31)	(13)
Net cash (used in) / generated from financing activities	(2,776)	16,875
Net (decrease) / increase in cash and cash equivalents	(11,502)	1,305
Cash and cash equivalents at beginning of the year	26,967	6,321
Cash and cash equivalents at end of the period	15,465	7,626

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

Short term deposit	-	6,513
Cash and bank balances	17,252	3,750
Bank overdraft	(1,787)	(2,637)
	<u>15,465</u>	<u>7,626</u>

The Unaudited Condensed Cashflow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2005 and accompanying explanatory notes attached to the interim financial statements.

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

**SELECTED EXPLANATORY NOTES PURSUANT TO PARA 16, FRS 134 INTERIM
FINANCIAL REPORTING FOR THE QUARTER ENDED 30TH JUNE 2006**

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 (formerly known as MASB 26) 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 statement for the year ended 31st December 2005.

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 2005 except that for the adoption of the 18 new and amended Financial Reporting Standards (“FRS”) and other Interpretations (herein thereafter referred as FRSs) issued by Malaysian Accounting Standards Board that are effective for the financial period beginning 1st January 2006.

The Company has not adopted the FRS 117 and 124 as this 2 FRSs are effective for financial statements commencing 1st October 2006. A summary of the principal effects of the changes in accounting policies resulting from the adoption of the new FRSs are as follows:

(a) FRS 138 Intangible Assets

Under the new FRS 138, computer software is an intangible asset unless the software costs are integral to other fixed assets. Software costs previously included under property, plant and equipment are now classified as part of intangible assets and amortised over their useful lives.

In addition, the new FRS 138 requires the useful lives of other intangible assets other than goodwill be assessed at the individual level as having either a finite or infinite life. Some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. Intangible assets with indefinite useful lives are not amortised but instead, are tested for impairment annually.

As a result of the adoption of FRS 138, comparative amount as at 31st December 2005 has been reclassified as follows

	As previously stated RM'000	Effect of reclassification RM'000	As restated RM'000
Property, Plant and Equipment	317,011	(13)	316,998
Computer software	-	13	13

A2. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2005 was not qualified.

A3. Seasonal or Cyclical factors

The operation of the Company was not affected by any seasonal or cyclical factors during the period under review.

A4. Extraordinary items

There are no extraordinary items during 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. Dividends

In respect of the financial year ended 31st December 2005, the Company declared a first and final dividend of 1.5 sen per share, less tax of 28%, amounting to RM1,436,400 at the 34th Annual General Meeting of the Company held on 30th May 2006 and to be paid on 28th August 2006.

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 2005.

The property, plant and equipment are stated at cost 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 company

There was no change in the composition of the company 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 RM1.31 million. The case was heard on 2 May 2006 and now waiting for court judgments. The solicitors of the company are of the opinion that the Company has a fair chance to succeed in the counter claim.
- (ii) Arbitration for letter of demand against the company for RM2.44 million is now pending instructions from the arbitrator on the filings of claims and counter claims. To-date, the claims and counter claims has been filed. The solicitors are of the opinion that the chances of succeeding in the claim proper are good. The Company has further filed an application in court for security for cost and is fixed for 1 August 2006 and also requested that the arbitrator stay the arbitration proceedings pending the outcome of that application for security for cost. The court has subsequently adjourned this matter for hearing on 13 November 2006.
- (iii) Claims of RM7.56 million for goods sold and delivered. The solicitors of the company are of the opinion that the claim made against the company would not have a fair chance to succeed in court as there were no agreements whatsoever nor even any prior demand or claim made against the Company previously. On 18 July 2006, the company was served with a writ of summons and notice of demand and the company has filed and served its defence and counterclaim on 8 August 2006.

A13. Related Party Transactions

Significant transaction with the related party is as follows:

Purchase of goods from:	6 months ended 30/6/06 RM'000
Soon Seng Co (Selangor) Enterprise in which substantial interest is owned by a substantial shareholder of the Company.	3,294

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

B1. Review of performance

The Company reported a profit before tax of RM6.5 million on a turnover of RM85.9 million for the current quarter as compared to RM5.5 million on a turnover of RM72.1 million for the previous year corresponding quarter. The increase in turnover and profit before tax is mainly attributable to higher sales volume.

B2. Comparisons with immediate preceding quarter's results

The Company revenue for the current quarter increased by RM13.8 million to RM85.9 million, as compared to RM72.1 million in the immediate preceding quarter. The Company recorded a higher profit before tax of RM6.5 million as compared to RM3.5 million in the immediate preceding quarter mainly due to higher sales volume and selling prices.

B3. Prospects

The Board anticipates a positive outlook for the remaining quarters, with the Government recently announced the immediate implementation of the projects under the 9th Malaysia Plan and strengthening of the global steel prices.

B4. Profit forecast

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

B5. Taxation

There is no tax expense during the current quarter as the Company has sufficient reinvestment allowances and unabsorbed capital allowances available to be utilised to offset against future profits.

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. Borrowings

	30/06/06
	RM'000
<u>Unsecured:-</u>	
Short term borrowings	6,000
Long term borrowings	50,000
<u>Secured:-</u>	
Short term borrowings	80,934
Long term borrowings	20,518
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Total borrowings	157,452
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The above borrowings are denominated in Ringgit Malaysia

B9. Off balance sheet financial statement

The company does not have any off balance sheet financial instruments as at the date of this quarterly report.

B10. Material litigation

The material litigation pending during the second quarter of 30th June 2006 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 RM1.31 million. The case was heard on 2nd May 2006 and now waiting for court judgments. The solicitors of the company are of the opinion that the Company has a fair chance to succeed in the counter claim.
- (ii) Arbitration for letter of demand against the company for RM2.44 million is now pending instructions from the arbitrator on the filings of claims and counter claims. To-date, the claims and counter claims has been filed. The solicitors are of the opinion that the chances of succeeding in the claim proper are good. The Company has further filed an application in court for security for cost and is fixed for 1st August 2006 and also requested that the arbitrator stay the arbitration proceedings pending the outcome of that application for security for cost. The court has subsequently adjourned this matter for hearing on 13th November 2006.
- (iii) Claims of RM7.56 million for goods sold and delivered. The solicitors of the company are of the opinion that the claim made against the company would not have a fair chance to succeed in court as there were no agreements whatsoever nor even any prior demand or claim made against the Company previously. On 18th July 2006, the company was served with a writ of summons and notice of demand and the company has filed and served its defence and counterclaim on 8th August 2006.

(iv) Claim made against an insurance company for damages for the amount of RM2.0 million to RM4.0 million and unliquidated damages caused to a transformer utilized at the Bukit Raja Plant as a result of a fire. The court has fixed for the next case management hearing on 21st June 2005. On 21st June 2005, the court fixed the next case management on 14th November 2005 on which date the mention date was subsequently fixed for hearing on 13th March 2006. The court has now fixed for the next case management hearing on 4th July 2006 and subsequently fixed the next mention date on 1st December 2006. The solicitors are of the opinion that the Company chances of succeeding in this case are good.

B11. Dividend

In respect of the financial year ended 31st December 2005, the Board of Directors propose a first and final dividend of 1.5 sen per share, less tax of 28%, amounting to RM1,436,400 and was approved by the shareholders at the 34th Annual General Meeting of the Company held on 30th May 2006.

B12. Earnings per share

(a) *Basic earnings per share*

The basic earnings per share of the company is calculated by dividing the net profit 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 profit attributable to ordinary shareholders (RM'000)	<u>6,463</u>	<u>9,953</u>
Weighted average number of ordinary shares in issue ('000)	<u>133,000</u>	<u>133,000</u>
Basic Earnings Per Share (sen)	<u>4.86</u>	<u>7.48</u>

(b) *Diluted earnings per share*

There is no dilution of any shares during the period. Accordingly, the earnings per share calculation are the same as that of Basic Earnings per Share.

By order of the Board