

SUMMARY OF KEY FINANCIAL INFORMATION
31/3/2007

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	
	31/3/07 RM'000	31/3/06 RM'000	31/3/07 RM'000	31/3/06 RM'000	
1	Revenue	108,064	72,139	108,064	72,139
2	Profit before tax	6,713	3,490	6,713	3,490
3	Profit for the period	6,713	3,490	6,713	3,490
4	Profit attributable to ordinary equity holders of the parent	6,713	3,490	6,713	3,490
5	Basic earnings per share (sen)	4.97	2.62	4.97	2.62
6	Proposed/Declared dividend per share (sen)	-	-	-	-
			As at end of current quarter 31/3/07	Financial year end 31/12/06	
7	Net assets per share (RM)		2.19	2.27	

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31ST MARCH 2007

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/3/07 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/06 RM'000	CURRENT YEAR TO DATE 31/3/07 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/06 RM'000
Revenue	108,064	72,139	108,064	72,139
Operating expenses	(97,129)	(65,973)	(97,129)	(65,973)
Other income	(6)	-	(6)	-
Interest income	81	29	81	29
Finance cost	(4,297)	(2,705)	(4,297)	(2,705)
Profit before tax	<u>6,713</u>	<u>3,490</u>	<u>6,713</u>	<u>3,490</u>
Taxation	-	-	-	-
Profit for the period	<u><u>6,713</u></u>	<u><u>3,490</u></u>	<u><u>6,713</u></u>	<u><u>3,490</u></u>
Attributable to:				
Equity holders of the Company	<u><u>6,713</u></u>	<u><u>3,490</u></u>	<u><u>6,713</u></u>	<u><u>3,490</u></u>
EPS - Basic (sen)	4.97	2.62	4.97	2.62
- 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 2006 and accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2007

	31/3/07	31/12/06
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	299,785	299,084
Prepaid lease payment	62,246	62,288
Other investment	9,000	5,000
	<u>371,031</u>	<u>366,372</u>
<u>Current Assets</u>		
Stocks	97,333	78,926
Debtors	90,775	84,565
Short term deposit	350	8,202
Cash & bank balances	33,661	29,803
	<u>222,119</u>	<u>201,496</u>
TOTAL ASSETS	<u><u>593,150</u></u>	<u><u>567,868</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	73,000	66,500
Share premium	47,310	41,787
Revaluation reserves	31,030	31,030
Retained profit	168,664	161,951
	<u>320,004</u>	<u>301,268</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	93,977	53,776
	<u>93,977</u>	<u>53,776</u>
<u>Current Liabilities</u>		
Creditors	35,727	45,103
Short term borrowings	143,442	167,721
	<u>179,169</u>	<u>212,824</u>
Total liabilities	273,146	266,600
TOTAL EQUITY AND LIABILITIES	<u><u>593,150</u></u>	<u><u>567,868</u></u>
Net Assets per share (RM)	2.19	2.27

The Unaudited Condensed Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2006 and accompanying explanatory notes attached to the interim financial statements.

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

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2007

	←————— Attributable to equity holders of the Company —————→				—————→
	←————— Non-distributable —————→		—————→ Distributable		
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Retained Profit RM'000	Total RM'000
<i>3 months ended 31st March, 2006</i>					
At 1st January 2006	66,500	41,787	31,030	133,427	272,744
Upon adoption of FRS 127	-	-	-	(49)	(49)
Restated balance	<u>66,500</u>	<u>41,787</u>	<u>31,030</u>	<u>133,378</u>	<u>272,695</u>
Net profit for the financial period	-	-	-	3,490	3,490
At 31st March 2006	<u><u>66,500</u></u>	<u><u>41,787</u></u>	<u><u>31,030</u></u>	<u><u>136,868</u></u>	<u><u>276,185</u></u>
<i>3 months ended 31st March, 2007</i>					
At 1st January 2007	66,500	41,787	31,030	161,951	301,268
Issue of shares	6,500	5,850	-	-	12,350
Listing expenses	-	(327)	-	-	(327)
Net profit for the financial period	-	-	-	6,713	6,713
At 31st March 2007	<u><u>73,000</u></u>	<u><u>47,310</u></u>	<u><u>31,030</u></u>	<u><u>168,664</u></u>	<u><u>320,004</u></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 2006 and accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2007

	Current year 01/01/07 to 31/3/07 RM'000	Preceding Year 01/01/06 to 31/3/06 RM'000
Profit before tax	6,713	3,490
Adjustment for:		
Depreciation of property, plant and equipment	3,122	2,889
Others	4,259	2,692
Operating profit before changes in working capital	<u>14,094</u>	<u>9,071</u>
Changes in working capital		
Net change in current assets	(24,617)	(8,198)
Net change in current liabilities	<u>(23,921)</u>	<u>7,096</u>
Cash (used in) / generated from operations	(34,444)	7,969
Interest paid	(4,135)	(2,679)
Income tax paid	-	(560)
Net cash (outflow) / inflow from operating activities	<u>(38,579)</u>	<u>5,290</u>
Investing activities		
Purchase of property, plant and equipment	(3,781)	(10,628)
Others	<u>(4,000)</u>	<u>(2)</u>
Net cash outflow from investing activities	<u>(7,781)</u>	<u>(10,630)</u>
Financing activities		
Bank borrowings	39,844	704
Issue of new shares	12,350	-
Listing expenses	(327)	-
Others	<u>(124)</u>	<u>(13)</u>
Net cash inflow from financing activities	<u>51,743</u>	<u>691</u>
Net increase / (decrease) in cash and cash equivalents	5,383	(4,649)
Cash and cash equivalents at beginning of the year	28,628	26,967
Cash and cash equivalents at end of the year	<u><u>34,011</u></u>	<u><u>22,318</u></u>

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

Short term deposit	350	6,000
Cash and bank balances	33,661	16,318
	<u>34,011</u>	<u>22,318</u>

The Unaudited Condensed Cashflow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2006 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 31ST MARCH 2007**

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 2006.

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 2006 except that for the adoption of the 3 new / revised Financial Reporting Standards (“FRS”) that are effective for the financial period beginning 1st January 2007.

FRS 117	Lease
FRS 119 ₂₀₀₄ (Revised)	Employee Benefits
FRS 124	Related Party Disclosures

The Group has not adopted the FRS 139 Financial Instruments as its effective date has been deferred. 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 117 Lease

Prior to 1st January 2007, leasehold land held for own use was classified as property, plant and equipment and were stated at revalued amounts less accumulated depreciation and impairment losses. Surplus arising from revaluation reserve are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property.

Under the new FRS 117, leasehold land held for own use is now classified as operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payment. Such prepaid lease payment are amortised on a straight line basis over the remaining lease term of the land.

As a result of the adoption of FRS 117, comparative amount as at 31st December 2006 has been reclassified as follows

	As previously stated RM'000	Effect of reclassification RM'000	As restated RM'000
Property, Plant and Equipment	361,372	(62,288)	299,084

Prepaid Lease Payment	-	62,288	62,288
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A2. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2006 was not qualified.

A3. Seasonal or Cyclical factors

The operations of the Company are not subject to material seasonal fluctuation for the period under review.

A4. Extraordinary items

There are no extraordinary items for 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

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 2006.

The property, plant and equipment are stated at cost except for the freehold and leasehold land which are stated at valuation, 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 RM3.73 million. The case was heard on 2 May 2006 and on 19 September 2006 judgment was delivered. The claim of RM1.23 million was dismissed with cost and the court then gave judgement in favour of the Company on its counter claim for RM3.73 million together with cost and interest of 8% per annum from January 1999 until full payment. The total compensation sum up to December 2006, would be approximately RM6.0 million.

The supplier has filed its notice of appeal in the Court of Appeal and now waiting for the hearing of the appeal. The solicitors of the Company are in the process towards execution of the judgement in respect of the counterclaim and to demand for payment of the judgement sum.

- (ii) Arbitration for letter of demand against the Company for RM2.44 million has commenced and the parties have filed their respective claims and counterclaims. The Company has a counterclaim in excess of the claim. The solicitors of the Company are of the opinion that the Company chances of success in the claim proper are good. The Company has further filed an application in court for security for cost and is fixed for hearing on 14 June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost.
- (iii) Claims of RM7.56 million for goods sold and delivered together with interest. The solicitors of the Company are of the opinion that such a claim would fail in court since there appears to be no agreements whatsoever, nor any prior demand or claim made by supplier regarding the interests and that so long as the supplier has accepted periodical payments by the Company unequivocally, they cannot now insist that interest are due to them. The supplier has filed their Statement of Claim to which the Company has filed a Statement of Defence and Counterclaim. The supplier has filed their defence to the counterclaim on 1 September 2006 but has not taken any further steps since then.

A13. Related Party Transactions

Significant transaction with the related party is as follows:

Purchase of goods from:	3 months ended 31/03/07 RM'000
Soon Seng Co (Selangor) Enterprise in which substantial interest is owned by a substantial shareholder of the Company.	3,139

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

B1. Review of performance

The Company reported a profit before tax of RM6.7 million on the revenue of RM108.1 million for the current quarter as compared to RM3.5 million on the revenue of RM72.1 million for the previous year corresponding quarter. The increase in revenue and profit before tax is mainly attributable to higher sales volume and lower operations cost.

B2. Comparisons with immediate preceding quarter's results

The Company revenue for the current quarter increased by RM10.8 million to RM108.1 million, as compared to RM97.3 million in the immediate preceding quarter due to higher sales volume. The Company recorded a lower profit before tax of RM6.7 million as compared to RM8.6 million in the immediate preceding quarter mainly due to higher operating expenses.

B3. Prospects

The Company is cautiously optimistic for its financial performance in the coming quarters as the demand for its products is expected to remain strong. The global macroeconomic factors appear to augur well for the increase of usage of steel products.

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. (a) Status of corporate proposal

Private Placement of 13 million new ordinary shares of Malaysia Steel Works (KL) Bhd

The Private Placement was completed on 29 January 2007 with the listing of 13 million Placement Shares issued pursuant to the Private Placement on the Main Board of Bursa Malaysia Securities Berhad from 9.00 a.m., 29 January 2007.

(b) Status of utilization of proceed raised

The proceeds raised by the Company from its Private Placement exercise have been utilised in the following manner during the quarter under review.

	Total Proceeds (RM'000)	Utilised (RM'000)	Unutilised (RM'000)
Payment to trade creditors	7,000	7,000	-
Payment to sundry creditors	5,000	5,000	-
Estimated expenses	350	350	-
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Total	12,350	12,350	-

B9. Borrowings

	31/03/07 RM'000
<u>Unsecured:-</u>	
Short term borrowings	6,000
Long term borrowings	90,000
<u>Secured:-</u>	
Short term borrowings	137,442
Long term borrowings	3,977
	<hr/>
Total borrowings	237,419

The above borrowings are denominated in Ringgit Malaysia

B10. Off balance sheet financial statement

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

B11. Material litigation

The material litigation pending during the fourth quarter of 31st December 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 RM3.73 million. The case was heard on 2nd May 2006 and on 19th September 2006 judgment was delivered. The claim of RM1.23 million was dismissed with cost and the court then gave judgement in favour of the Company on its counter claim for RM3.73 million together with cost and interest of 8% per annum from January 1999 until full payment. The total compensation sum up to December 2006, would be approximately RM6.0 million.

The supplier has filed its notice of appeal in the Court of Appeal and now waiting for the hearing of the appeal. The solicitors of the Company are in the process towards execution of the judgement in respect of the counterclaim and to demand for payment of the judgement sum.

- (ii) Arbitration for letter of demand against the Company for RM2.44 million is now commenced and the parties have filed their respective claims and counterclaims. The Company has a counterclaim in excess of the claim. The solicitors of the Company are of the opinion that the Company chances of success in the claim proper are good. The Company has further filed an application in court for security for cost and is fixed for hearing on 14 June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost.
- (iii) Claims of RM7.56 million for goods sold and delivered together with interest. The solicitors of the Company are of the opinion that such a claim would fail in court since there appears to be no agreements whatsoever, nor any prior demand or claim made by supplier regarding the interests and that so long as the supplier has accepted periodical payments by the Company unequivocally, they cannot now insist that interest are due to them. The supplier has filed their Statement of Claim to which the Company has filed a Statement of Defence and Counterclaim. The supplier has filed their defence to the counterclaim on 1 September 2006 but has not taken any further steps since then.
- (iv) Claim made against an Insurance Company for damages for the amount of approximately RM2.0 million to RM4.0 million and unliquidated damages caused to a transformer at the Company's Bukit Raja plant as a result of a fire. Writ of Summons was filed on 10 February 2004. The Insurance Company has entered appearance through their solicitors and filed a statement of defence on 5 April 2004. The matter is now fixed for case management on 19 June 2007. The solicitors of the Company, are of the opinion that chances of succeeding in this case are good.

B12. Dividend

A first and final dividend of 2.1 sen per share less 27% taxation had been proposed in respect of the financial year ended 31 December 2006 for the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

B13. 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>6,713</u>	<u>6,713</u>
Weighted average number of ordinary shares in issue ('000)	<u>135,208</u>	<u>135,208</u>
Basic Earnings Per Share (sen)	<u>4.97</u>	<u>4.97</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