

**SUMMARY OF KEY FINANCIAL INFORMATION**  
30/9/2007

*Note: These figures have not been audited.*

	<b>INDIVIDUAL PERIOD</b>		<b>CUMULATIVE PERIOD</b>		
	<b>CURRENT YEAR QUARTER</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER</b>	<b>CURRENT YEAR TO DATE</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD</b>	
	<b>30/9/07 RM'000</b>	<b>30/9/06 RM'000</b>	<b>30/9/07 RM'000</b>	<b>30/9/06 RM'000</b>	
1	Revenue	154,111	106,824	410,541	264,891
2	Profit before tax	11,388	11,354	33,046	21,307
3	Profit for the period	11,388	11,354	33,046	21,307
4	Profit attributable to ordinary equity holders of the parent	11,388	11,354	33,046	21,307
5	Basic earnings per share (sen)	8.04	8.54	23.32	16.02
6	Proposed/Declared dividend per share (sen)	-	-	2.10	1.50
			<b>As at end of current quarter 30/9/07</b>	<b>Financial year end 31/12/06</b>	
7	Net assets per share (RM)		2.36	2.27	

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE THIRD QUARTER ENDED 30TH SEPTEMBER 2007**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/9/07 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/06 RM'000	CURRENT YEAR TO DATE 30/9/07 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/06 RM'000
Revenue	154,111	106,824	410,541	264,891
Operating expenses	(138,246)	(92,059)	(365,055)	(234,539)
Other income	20	-	54	-
Interest income	19	47	137	115
Finance cost	(4,516)	(3,458)	(12,631)	(9,160)
Profit before tax	<u>11,388</u>	<u>11,354</u>	<u>33,046</u>	<u>21,307</u>
Taxation	-	-	-	-
Profit for the period	<u><u>11,388</u></u>	<u><u>11,354</u></u>	<u><u>33,046</u></u>	<u><u>21,307</u></u>
Attributable to:				
Equity holders of the Company	<u><u>11,388</u></u>	<u><u>11,354</u></u>	<u><u>33,046</u></u>	<u><u>21,307</u></u>
EPS - Basic (sen)	8.04	8.54	23.32	16.02
- 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 30TH SEPTEMBER 2007**

	<b>30/9/07</b> <b>RM'000</b>	<b>31/12/06</b> <b>RM'000</b>
<b>ASSETS</b>		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	317,437	299,084
Prepaid lease payment	62,161	62,288
Other investment	9,000	5,000
	<u>388,598</u>	<u>366,372</u>
<u>Current Assets</u>		
Stocks	98,931	78,926
Debtors	93,917	84,565
Short term deposit	10,001	8,202
Cash & bank balances	27,351	29,803
	<u>230,200</u>	<u>201,496</u>
<b>TOTAL ASSETS</b>	<u><u>618,798</u></u>	<u><u>567,868</u></u>
<b>EQUITY AND LIABILITIES</b>		
<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	192,759	161,951
	<u>344,099</u>	<u>301,268</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	120,313	53,776
	<u>120,313</u>	<u>53,776</u>
<u>Current Liabilities</u>		
Creditors	37,636	45,103
Short term borrowings	116,750	167,721
	<u>154,386</u>	<u>212,824</u>
Total liabilities	274,699	266,600
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>618,798</u></u>	<u><u>567,868</u></u>
Net Assets per share (RM)	2.36	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 30TH SEPTEMBER 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
<b><i>9 months ended 30th September June, 2006</i></b>					
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>
Dividend paid in respect of financial year ended 31st December 2005	-	-	-	(1,436)	(1,436)
Net profit for the financial period	-	-	-	21,307	21,307
At 30th September 2006	<u><u>66,500</u></u>	<u><u>41,787</u></u>	<u><u>31,030</u></u>	<u><u>153,249</u></u>	<u><u>292,566</u></u>
<b><i>9 months ended 30th September, 2007</i></b>					
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)
Dividend paid in respect of financial year ended 31st December 2006	-	-	-	(2,238)	(2,238)
Net profit for the financial period	-	-	-	33,046	33,046
At 30th September 2007	<u><u>73,000</u></u>	<u><u>47,310</u></u>	<u><u>31,030</u></u>	<u><u>192,759</u></u>	<u><u>344,099</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 30TH SEPTEMBER 2007**

	<b>Current year</b> <b>01/01/07</b> <b>to 30/9/07</b> <b>RM'000</b>	<b>Preceding Year</b> <b>01/01/06</b> <b>to 30/9/06</b> <b>RM'000</b>
Profit before tax	33,046	21,307
Adjustment for:		
Depreciation of property, plant and equipment	9,566	9,077
Others	12,460	9,026
Operating profit before changes in working capital	<u>55,072</u>	<u>39,410</u>
Changes in working capital		
Net change in current assets	(29,258)	(25,207)
Net change in current liabilities	(7,467)	30,364
Cash generated from operations	<u>18,347</u>	<u>44,567</u>
Interest paid	(12,052)	(8,862)
Income tax paid	(99)	(560)
Net cash inflow from operating activities	<u>6,196</u>	<u>35,145</u>
Investing activities		
Purchase of property, plant and equipment	(27,922)	(30,753)
Others	(3,924)	(15)
Net cash outflow in investing activities	<u>(31,846)</u>	<u>(30,768)</u>
Financing activities		
Bank borrowings	13,753	(6,122)
Issue of new shares	12,350	-
Listing expenses	(327)	-
Dividend paid	(2,238)	(1,436)
Others	(354)	(165)
Net cash inflow / (outflow) from financing activities	<u>23,184</u>	<u>(7,723)</u>
Net decrease in cash and cash equivalents	(2,466)	(3,346)
Cash and cash equivalents at beginning of the year	28,628	26,976
Cash and cash equivalents at end of the period	<u><u>26,162</u></u>	<u><u>23,630</u></u>

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

Short term deposit	10,001	50
Cash and bank balances	27,351	23,580
Bank overdraft	(11,190)	-
	<u>26,162</u>	<u>23,630</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 30<sup>TH</sup> SEPTEMBER 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 31<sup>st</sup> 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 31<sup>st</sup> December 2006 except that for the adoption of the 3 new / revised Financial Reporting Standards (“FRS”) that are effective for the financial period beginning 1<sup>st</sup> January 2007.

FRS 117	Lease
FRS 119 <sub>2004</sub> (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 1<sup>st</sup> 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 31<sup>st</sup> December 2006 has been reclassified as follows

	<b>As previously stated RM'000</b>	<b>Effect of reclassification RM'000</b>	<b>As restated RM'000</b>
Property, Plant and Equipment	361,372	(62,288)	299,084
Prepaid Lease Payment	-	62,288	62,288

**A2. Qualification of Financial Statements**

The financial statements for the financial year ended 31<sup>st</sup> 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**

In respect of the financial year ended 31<sup>st</sup> December 2006, the Company paid a first and final dividend of 2.1 sen per share, less 27% taxation totaling RM2,238,179.48 on 18<sup>th</sup> September 2007.

**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 31<sup>st</sup> 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<sup>nd</sup> May 2006 and on 19<sup>th</sup> 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 date hearing of the appeal.

- (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<sup>th</sup> June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. On the 14<sup>th</sup> June 2007, the hearing proceeded and the decision was delivered on 21<sup>st</sup> June 2007. The Learned Judge allowed the application for security for costs of RM75,000. Both parties have filed their Notice of Motion and the applications are still pending extraction.
- (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. This matter was fixed for hearing on 12<sup>th</sup> December 2007.

## A13. Related Party Transactions

Significant transaction with the related party is as follows:

<b>Purchase of goods from:</b>	<b>9 months ended 30/09/07 RM'000</b>
Soon Seng Co (Selangor) Enterprise in which substantial interest is owned by a substantial shareholder of the Company.	6,763

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

**B1. Review of performance**

The Company reported a profit before tax of RM11.4 million on the revenue of RM154.1 million for the current quarter as compared to RM11.4 million on the revenue of RM106.8 million for the previous year corresponding quarter. The increase in revenue is mainly attributable to higher sales volume and selling price. However, the profit before tax remains constant due to the fluctuation in raw materials cost and other operating expenses.

**B2. Comparisons with immediate preceding quarter's results**

The Company revenue for the current quarter recorded a marginal increase of RM5.7 million to RM154.1 million, as compared to RM148.4 million in the immediate preceding quarter due to higher sales volume. The Company recorded a lower profit before tax of RM11.4 million as compared to RM14.9 million in the immediate preceding quarter mainly due to the fluctuation in raw materials cost.

**B3. Prospects**

The outlook of the last quarter of year 2007 is expected to be stable as positive effects of the rolling out of the 9<sup>th</sup> Malaysia Plan could be negated by the higher imported price of raw materials.

Based on the Company's nine months financial performance as at September 2007 and barring any unforeseen circumstances, the Company is on track to achieve its internal targets as recorded by the press as below:

- (a) Revenue to touch RM500.0 million; and
- (b) Earnings expected to grow by 10% to 15% by the end of the financial year 2007

The prospect of achieving the above revenue and earnings remain positive.

**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**

There was no corporate proposal announced but not completed during the current period under review.

**(b) Status of utilization of proceed raised**

Not applicable

**B9. Borrowings**

	<b>30/09/07</b>
	<b>RM'000</b>
<u>Unsecured:-</u>	
Long term borrowings	90,000
<u>Secured:-</u>	
Short term borrowings	116,750
Long term borrowings	30,313
	<hr/>
Total borrowings	237,063
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The above borrowings are denominated in the following currencies:

	<b>'000</b>	<b>RM,000</b>
Ringgit Malaysia	-	219,823
US Dollar	5,000	17,240
		<hr/>
		237,063
		<hr/>

**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 litigations pending during the third quarter of 30<sup>th</sup> September 2007 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 2<sup>nd</sup> May 2006 and on 19<sup>th</sup> 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 date hearing of the appeal.
- (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<sup>th</sup> June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. On the 14<sup>th</sup> June 2007, the hearing proceeded and the decision was delivered on 21<sup>st</sup> June 2007. The Learned Judge allowed the application for security for costs of RM75,000. Both parties have filed their Notice of Motion and the applications are still pending extraction.
- (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. This matter was fixed for hearing on 12<sup>th</sup> December 2007.
- (iv) Claim made against the 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<sup>th</sup> February 2004. The Insurance Company has entered appearance through their solicitors and filed a statement of defence on 5<sup>th</sup> April 2004. The matter is now fixed for case management on 19<sup>th</sup> June 2007. On 19<sup>th</sup> June 2007, the court has fixed this matter for further case management on 10<sup>th</sup> September 2007 pending the preparation of their expert's reply to our expert's report. On 10<sup>th</sup> September 2007, this matter has been fixed for case management on 21<sup>st</sup> November 2007. The solicitor of the Company, are of the opinion that chances of succeeding in this case are good.

**B12. Dividend**

No dividend has been proposed or declared by the Company during the current quarter under review.

**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.

	<b>Current Year Quarter Ended</b>	<b>Current Year To-date Ended</b>
Net profit attributable to ordinary shareholders (RM'000)	<u>11,388</u>	<u>33,046</u>
Weighted average number of ordinary shares in issue ('000)	<u>141,726</u>	<u>141,726</u>
Basic Earnings Per Share (sen)	<u>8.04</u>	<u>23.32</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