

SUMMARY OF KEY FINANCIAL INFORMATION
31/12/2007

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	
	31/12/07 RM'000	31/12/06 RM'000	31/12/07 RM'000	31/12/06 RM'000	
1	Revenue	137,431	97,337	547,972	362,228
2	Profit before tax	12,636	8,702	45,682	30,009
3	Profit for the period	12,636	8,702	45,682	30,009
4	Profit attributable to ordinary equity holders of the parent	12,636	8,702	45,682	30,009
5	Basic earnings per share (sen)	8.71	6.54	31.50	22.56
6	Proposed/Declared dividend per share (sen)	-	-	2.10	1.50
			As at end of current quarter 31/12/07	Financial year end 31/12/06	
7	Net assets per share (RM)		2.44	2.27	

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FORTH QUARTER ENDED 31ST DECEMBER 2007

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	31/12/07	31/12/06	31/12/07	31/12/06
	RM'000	RM'000	RM'000	RM'000
Revenue	137,431	97,337	547,972	362,228
Operating expenses	(120,556)	(83,278)	(485,611)	(317,817)
Other income	1	-	55	-
Interest income	15	4	152	119
Finance cost	(4,255)	(5,361)	(16,886)	(14,521)
Profit before tax	<u>12,636</u>	<u>8,702</u>	<u>45,682</u>	<u>30,009</u>
Taxation	-	-	-	-
Profit for the period	<u><u>12,636</u></u>	<u><u>8,702</u></u>	<u><u>45,682</u></u>	<u><u>30,009</u></u>
Attributable to:				
Equity holders of the Company	<u><u>12,636</u></u>	<u><u>8,702</u></u>	<u><u>45,682</u></u>	<u><u>30,009</u></u>
EPS - Basic (sen)	8.71	6.54	31.50	22.56
- 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 DECEMBER 2007

	31/12/07	31/12/06
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	315,067	299,084
Prepaid lease payment	62,119	62,288
Other investment	9,000	5,000
	<u>386,186</u>	<u>366,372</u>
<u>Current Assets</u>		
Stocks	114,972	78,926
Debtors	110,704	84,565
Short term deposit	-	8,202
Cash & bank balances	34,497	29,803
	<u>260,173</u>	<u>201,496</u>
TOTAL ASSETS	<u><u>646,359</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	205,395	161,951
	<u>356,735</u>	<u>301,268</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	118,804	53,776
	<u>118,804</u>	<u>53,776</u>
<u>Current Liabilities</u>		
Creditors	60,029	45,103
Short term borrowings	110,791	167,721
	<u>170,820</u>	<u>212,824</u>
Total liabilities	289,624	266,600
TOTAL EQUITY AND LIABILITIES	<u><u>646,359</u></u>	<u><u>567,868</u></u>
Net Assets per share (RM)	2.44	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 YEAR ENDED 31ST DECEMBER 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>12 months ended 31st December, 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>
Dividend paid in respect of financial year ended 31st December 2005	-	-	-	(1,436)	(1,436)
Net profit for the financial period	-	-	-	30,009	30,009
At 31st December 2006	<u><u>66,500</u></u>	<u><u>41,787</u></u>	<u><u>31,030</u></u>	<u><u>161,951</u></u>	<u><u>301,268</u></u>
<i>12 months ended 31st December, 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)
Dividend paid in respect of financial year ended 31st December 2006	-	-	-	(2,238)	(2,238)
Net profit for the financial period	-	-	-	45,682	45,682
At 31st December 2007	<u><u>73,000</u></u>	<u><u>47,310</u></u>	<u><u>31,030</u></u>	<u><u>205,395</u></u>	<u><u>356,735</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 YEAR ENDED 31ST DECEMBER 2007

	Current year 01/01/07 to 31/12/07 RM'000	Preceding Year 01/01/06 to 31/12/06 RM'000
Profit before tax	45,682	30,009
Adjustment for:		
Depreciation of property, plant and equipment	13,297	12,278
Others	16,645	13,399
Operating profit before changes in working capital	<u>75,624</u>	<u>55,686</u>
Changes in working capital		
Net change in current assets	(61,258)	(50,346)
Net change in current liabilities	14,926	7,377
Cash generated from operations	<u>29,292</u>	<u>12,717</u>
Interest paid	(16,131)	(13,337)
Income tax paid	(927)	(1)
Net cash inflow / (outflow) from operating activities	<u>12,234</u>	<u>(621)</u>
Investing activities		
Purchase of property, plant and equipment	(29,241)	(52,454)
Others	(3,924)	119
Net cash outflow in investing activities	<u>(33,165)</u>	<u>(52,335)</u>
Financing activities		
Bank borrowings	17,475	56,225
Issue of new shares	12,350	-
Listing expenses	(327)	-
Dividend paid	(2,238)	(1,436)
Others	(460)	(181)
Net cash inflow from financing activities	<u>26,800</u>	<u>54,608</u>
Net increase in cash and cash equivalents	5,869	1,652
Cash and cash equivalents at beginning of the year	28,628	26,976
Cash and cash equivalents at end of the period	<u><u>34,497</u></u>	<u><u>28,628</u></u>

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

Short term deposit	-	8,202
Cash and bank balances	34,497	29,803
Bank overdraft	-	(9,377)
	<u>34,497</u>	<u>28,628</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 DECEMBER 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

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 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 31st 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 18th September 2007.

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 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 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 14th June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. On the 14th June 2007, the hearing proceeded and the decision was delivered on 21st 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 12th December 2007. This matter has been fixed for another hearing on 12th March 2008.

A13. Related Party Transactions

Significant transaction with the related party is as follows:

Purchase of goods from:	12 months ended 31/12/07 RM'000
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 Group reported a profit before tax of RM12.6 million on the revenue of RM137.4 million for the current quarter as compared to RM8.7 million on the revenue of RM97.3 million for the previous year corresponding quarter. The increase in revenue is mainly attributable to higher sales volume and selling price. The profit before tax also recorded an increase of RM3.9 million to RM12.6 million due to higher revenue and lower finance cost.

Based on the Company's financial performance for the year ended 31 December 2007, the Company achieved its internal targets as recorded by the press as below:

- (a) Revenue to touch RM500.0 million;
The actual revenue recorded is RM548.0 million, exceeded by 9.6%; and
- (b) Earnings expected to grow by 10% to 15% by the end of the financial year 2007;

The earnings achieved for the financial year ended 31 December 2007 is RM45.7 million, increased by 52.2% mainly due to higher margin.

B2. Comparisons with immediate preceding quarter's results

The Group revenue for the current quarter recorded a decrease of RM16.7 million to RM137.4 million, as compared to RM154.1 million in the immediate preceding quarter due to lower sales volume being characterized by the festive period. The Company recorded a higher profit before tax of RM12.6 million as compared to RM11.4 million in the immediate preceding quarter mainly due to lower operating expenses.

B3. Prospects

In view of the possible decoupling of the Asian economies from the US economy, this could soften the impact of any slowdown in the Asean region that may be caused by the onset of a US recession.

The pace of rolling out of the 9MP projects have accelerated since the end of 2007 and the momentum of public expenditure is expected to be maintained for most part of 2008. Global and domestic price of steel bars and billets is expected to remain at attractive levels.

Barring any unforeseen circumstances, the Board is cautiously optimistic at the earnings prospect for 2008.

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

On 18 February 2008, OSK Investment Bank Berhad (“OSK”) had on behalf of the Company announced that the Company proposes to implement a private placement of up to 14.6 million new ordinary shares of RM0.50 each, representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to investors to be identified (“Proposed Private Placement”). The application to the relevant authorities on the Proposed Private Placement is expected to be made within a period of one (1) month from the date of the announcement.

(b) Status of utilization of proceed raised

Not applicable

B9. Borrowings

	31/12/07
	RM'000
<u>Unsecured:-</u>	
Long term borrowings	90,000
<u>Secured:-</u>	
Short term borrowings	110,791
Long term borrowings	28,804
	<hr/>
Total borrowings	229,595
	<hr/>

The above borrowings are denominated in the following currencies:

	'000	RM,000
Ringgit Malaysia	-	213,025
US Dollar	4,800	16,570
		<hr/>
		229,595
		<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 31st December 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 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 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 14th June 2007. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. On the 14th June 2007, the hearing proceeded and the decision was delivered on 21st 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 12th December 2007. This matter has been fixed for another hearing on 12th March 2008.
- (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 10th February 2004. The Insurance Company has entered appearance through their solicitors and filed a statement of defence on 5th April 2004. The matter is now fixed for case management on 19th June 2007. On 19th June 2007, the court has fixed this matter for further case management on 10th September 2007 pending the preparation of their expert's reply to our expert's report. The Defendant served their report on 1st February 2008. This matter was fixed for case management on 25th February 2008 but is now re-schedule for mention on 24th April 2008. 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.

	Current Year Quarter Ended	Current Year To-date Ended
Net profit attributable to ordinary shareholders (RM'000)	<u>12,636</u>	<u>45,682</u>
Weighted average number of ordinary shares in issue ('000)	<u>145,003</u>	<u>145,003</u>
Basic Earnings Per Share (sen)	<u>8.71</u>	<u>31.50</u>

(b) Diluted earnings per share

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

By order of the Board