

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2009

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/6/09 RM'000	30/6/08 RM'000	30/6/09 RM'000	30/6/08 RM'000
Revenue	169,785	280,889	299,872	455,275
Operating expenses	(168,636)	(235,948)	(324,870)	(386,892)
Other expenses	-	(339)	(687)	(377)
Other income	544	-	559	724
Interest income	22	36	26	179
Finance cost	(3,673)	(3,675)	(7,304)	(7,195)
(Loss)/Profit before tax	(1,958)	40,963	(32,404)	61,714
Taxation	-	(3,016)	-	(4,622)
(Loss)/Profit for the period	(1,958)	37,947	(32,404)	57,092
Attributable to: Equity holders of the Company	(1,958)	37,947	(32,404)	57,092
(LPS)/EPS				
- Basic (sen)	(1.01)	25.99	(16.65)	39.10
- 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 2008 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 JUNE 2009

	30/6/09	31/12/08
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	336,044	336,913
Prepaid lease payment	61,865	61,950
Other investment	9,000	9,000
	<u>406,909</u>	<u>407,863</u>
<u>Current Assets</u>		
Stocks	138,833	163,662
Debtors	134,843	134,482
Taxation	1,337	-
Short term deposit	24,261	4,521
Cash & bank balances	21,596	23,993
	<u>320,870</u>	<u>326,658</u>
TOTAL ASSETS	<u><u>727,779</u></u>	<u><u>734,521</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	97,333	97,333
Share premium	22,977	22,977
Revaluation reserves	31,030	31,030
Retained profit	241,697	278,968
	<u>393,037</u>	<u>430,308</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	122,652	124,053
	<u>122,652</u>	<u>124,053</u>
<u>Current Liabilities</u>		
Creditors	66,498	50,295
Dividend payable	4,867	-
Taxation	-	2,288
Short term borrowings	140,725	127,577
	<u>212,090</u>	<u>180,160</u>
Total liabilities	334,742	304,213
TOTAL EQUITY AND LIABILITIES	<u><u>727,779</u></u>	<u><u>734,521</u></u>
Net Assets per share (RM)	2.02	2.21

The Unaudited Condensed Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2008 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 JUNE 2009

	← 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
6 months ended 30th June, 2008					
At 1st January 2008	73,000	47,310	31,030	204,047	355,387
Dividend declared in respect of financial year ended 31st December 2007	-	-	-	(4,380)	(4,380)
Net profit for the financial period	-	-	-	57,092	57,092
At 30th June 2008	<u>73,000</u>	<u>47,310</u>	<u>31,030</u>	<u>256,759</u>	<u>408,099</u>
6 months ended 30th June, 2009					
At 1st January 2009	97,333	22,977	31,030	278,968	430,308
Dividend declared in respect of financial year ended 31st December 2008	-	-	-	(4,867)	(4,867)
Net loss for the financial period	-	-	-	(32,404)	(32,404)
At 30th June 2009	<u>97,333</u>	<u>22,977</u>	<u>31,030</u>	<u>241,697</u>	<u>393,037</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 2008 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 JUNE 2009

	Current year 01/01/09 to 30/6/09 RM'000	Preceding Year 01/01/08 to 30/6/08 RM'000
(Loss)/Profit before tax	(32,404)	61,714
Adjustment for:		
Depreciation of property, plant and equipment	7,965	7,429
Others	6,765	7,103
Operating (loss)/profit before changes in working capital	<u>(17,674)</u>	<u>76,246</u>
Changes in working capital		
Net change in current assets	24,468	(51,119)
Net change in current liabilities	16,203	23,268
Cash generated from operations	<u>22,997</u>	<u>48,395</u>
Interest paid	(6,619)	(6,912)
Income tax paid	<u>(3,625)</u>	<u>-</u>
Net cash inflow from operating activities	<u>12,753</u>	<u>41,483</u>
Investing activities		
Purchase of property, plant and equipment	(7,093)	(14,404)
Others	82	-
Net cash outflow in investing activities	<u>(7,011)</u>	<u>(14,404)</u>
Financing activities		
Bank borrowings	11,747	(19,786)
Others	(146)	(191)
Net cash inflow/(outflow) from financing activities	<u>11,601</u>	<u>(19,977)</u>
Net increase in cash and cash equivalents	17,343	7,102
Cash and cash equivalents at beginning of the year	28,514	34,496
Cash and cash equivalents at end of the period	<u>1</u> <u>45,857</u>	<u>41,598</u>

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

Short term deposit	24,261	12,002
Cash and bank balances	21,596	29,596
	<u>45,857</u>	<u>41,598</u>

The Unaudited Condensed Cashflow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2008 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 2009**

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 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 statements for the year ended 31st December 2008.

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 2008. As at 31st March 2009, the following FRS and Issue Committee (“IC”) Interpretations were in issue but not yet effective and have not been applied by the Group.

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Therefore, the Group have not disclosed the possible impact to the financial statement.

A2. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2008 was not qualified.

A3. Seasonal or Cyclical factors

The operations of the Company are subject to both cyclical factors in the construction industry as well as festive seasons.

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. Dividend

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 land and prepaid lease payment have been brought forward, without amendment, from the previous audited financial statements for the year ended 31st December 2008.

The property, plant and equipment are stated at cost except for the freehold land and prepaid lease payment 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 Group

There was no change in the composition of the Group 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 judgment 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 on the above judgment. On 15th May 2008, the Court of Appeal was handed down wherein the supplier's appeal was allowed and the High Court Judgment was set aside. The Company filed a Notice of Motion on 12th June 2008 to apply for leave to appeal and waiting for the date hearing at the Federal Court. In respect of the cost of the Court of Appeal and High Court proceedings, the supplier has filed its application for taxation of costs in the Court of Appeal and High Court respectively. The hearing for the taxation of costs in the Court of Appeal fixed on 19th June 2009 has been further adjourned to 4th September 2009 for hearing whilst the hearing in the High Court has yet to be fixed. The Company will be disputing the costs claimed in both of the taxation hearings.

- (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. 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. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost.

The supplier has filed an appeal to the Court of Appeal against this order for security for cost. Both parties had filed leave applications to the Court of Appeal on 22nd April 2008 and leave was granted for both parties to file the Appeal within 14 days. On 30th April 2008 the Company had filed their Notice of Appeal and now pending the filing of the Record of Appeal by both parties.

- (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 1st September 2006 and their Summary Judgment Application on 19th June 2007. The said application was fixed for mention on 26th August 2008 and on this date this matter has been further adjourned to 23rd September 2008 for hearing. This matter is now fixed for mention before the Deputy Registrar on 21st January 2009 and on this date this matter has been further adjourned to 22nd April 2009 for hearing. On 22nd April 2009, the court has directed the parties file their respective submissions in court and fixed this matter for Decision on 13th August 2009. On 13th August 2009, the High Court has dismissed Plaintiff's Summary Judgment application with costs.

A13. Related Party Transactions

Significant transactions with the related party are as follows:

Purchase of goods from:	6 months ended 30/06/09 RM'000
Soon Seng Co (Penang) Enterprise in which substantial interest is owned by a substantial shareholder of the Company.	<u>8</u>

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

B1. Review of performance

The Group reported a loss before tax of RM1.96 million on the revenue of RM169.79 million for the current quarter compared to a profit before tax of RM40.96 million on the revenue of RM280.89 million for the previous year corresponding quarter. The decrease in revenue is mainly attributed to a decline in demand and lower selling prices. These factors have contributed to the decrease in margins and resulted in a loss for the current quarter.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a substantial increase of RM39.7 million to RM169.79 million in the current quarter due to higher sales. The Group recorded a marginal loss before tax of RM1.96 million, as compared to a loss of RM30.45 million recorded in the immediate preceding quarter, mainly due to improved margins.

B3. Prospects

As the global economic crisis continues to abate, underpinned by the implementation of various stimulus packages and other fiscal policies, steel prices are expected to continue recover, however any gains may be off-set by the escalating cost of raw materials. However, the Group is looking forward to better earnings in the months ahead.

B4. Profit forecast

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

B5. Taxation

i) Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current year's provision	-	-

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Loss before taxation	(1,958)	(32,404)
Taxation at tax rate of 25%	490	8,101
Income/expenses not subject to tax	(56)	(109)
Utilization of reinvestment allowance brought forward from previous years	-	-
Current year tax losses not recognised	590	(5,982)
Others	(1,024)	(2,010)
	-	-

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 proposals

i) Private Placement

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 was approved by Securities Commission (‘SC’), SC on behalf of the Foreign Investment Committee, Bursa Securities and the Ministry of International Trade and Industry on 6 March 2008, 14 March 2008 and 5 March 2008 respectively.

The Company has received approval from SC on 4 September 2008 to extend the implementation of the Private Placement for an additional six (6) months, from 6 September 2008 to 6 March 2009 and to increase the terms of the Placement exercise to 19,466,666 new ordinary shares of RM0.50 each from 14.6 million new ordinary shares of RM0.50 each. The implementation of the Private Placement has been further extended for an additional six (6) months to 6 September 2009.

(b) Status of utilization of proceed raised

Not applicable

B9. Borrowings

	30/6/09
	RM'000
<u>Secured:-</u>	
Short term borrowings	140,725
Long term borrowings	122,652
	<hr/>
Total borrowings	263,377
	<hr/> <hr/>

The above borrowings are denominated in the following currencies:

	'000	RM,000
Ringgit Malaysia	-	250,547
US Dollar	3,600	12,830
		<hr/>
		263,377
		<hr/> <hr/>

B10. Off balance sheet financial instruments

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

B11. Material litigations

The material litigations pending during the current period under review 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 on the above judgment. On 15th May 2008, the Court of Appeal was handed down wherein the supplier's appeal was allowed and the High Court Judgment was set aside. The Company filed a Notice of Motion on 12th June 2008 to apply for leave to appeal and waiting for the date hearing at the Federal Court. In respect of the cost of the Court of Appeal and High Court proceedings, the supplier has filed its application for taxation of costs in the Court of Appeal and High Court respectively. The hearing for the taxation of costs in the Court of Appeal is fixed on 19th June 2009 has been further adjourned to 4th September 2009 for hearing whilst the hearing in the High Court has yet to be fixed. The Company will be disputing the costs claimed in both of the taxation hearings.

- (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. The Arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost.

The supplier has filed an appeal to the Court of Appeal against this order for security for cost. Both parties had filed leave applications to the Court of Appeal on 22nd April 2008 and leave was granted for both parties to file the Appeal within 14 days. On 30th April 2008 the Company had filed their Notice of Appeal and now pending the filing of the Record of Appeal by both parties.

- (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 1st September 2006 and their Summary Judgment Application on 19th June 2007. The said application was fixed for mention on 26th August 2008 and on this date this matter has been further adjourned to 23rd September 2008 for hearing. This matter is now fixed for mention before the Deputy Registrar on 21st January 2009 and on this date this matter has been further adjourned to 22nd April 2009 for hearing. On 22nd April 2009, the court has directed the parties file their respective submissions in court and fixed this matter for Decision on 13th August 2009. On 13th August 2009, the High Court has dismissed Plaintiff's Summary Judgment application with costs.
- (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. Thereafter, this matter came up for few mention dates for the parties to finalise the Common Bundle of Documents. This matter is now fixed for case management on 24th April 2009 to enable parties to file in the list of witnesses and this date the court has fixed the matter for final case management on 7th September 2009. The court has also fixed the matter for trial on 28th September 2009. The solicitors of the Company are of the opinion that chances of succeeding in this case are good.

B12. Dividend

A first and final single tier dividend of 2.5 sen per share, amounting to RM4,866,661 had been proposed in respect of the financial year ended 31st December 2008 and was approved by the shareholders at the 37th Annual General Meeting of the Company held on 18th June 2009. The entitlement date for the said dividend was on 17th July 2009 and paid on 31st July 2009.

For the previous corresponding period in respect of the financial year ended 31st December 2007, a first and final single tier dividend of 3.0 sen per share, amounting to RM4,380,000 was paid to shareholders on 10th July 2008.

B13. Loss per share (“LPS”)(a) *Basic loss per share*

The basic loss per share of the Company is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	Current Quarter Ended	Current Year To-date Ended
Net loss attributable to ordinary shareholders (RM'000)	<u>(1,958)</u>	<u>(32,404)</u>
Weighted average number of ordinary shares in issue ('000)	<u>194,666</u>	<u>194,666</u>
Basic Loss Per Share (sen)	<u>(1.01)</u>	<u>(16.65)</u>

(b) *Diluted loss per share*

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

By order of the Board