

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2010**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/10	31/12/09	31/12/10	31/12/09
	RM'000	RM'000	RM'000	RM'000
Revenue	291,977	191,686	1,004,785	687,263
Operating expenses	(273,613)	(177,497)	(946,207)	(681,836)
Other expenses	(4,342)	(169)	(14,185)	(855)
Other income	578	-	1,780	689
Interest income	33	15	124	96
Finance cost	(4,946)	(3,427)	(16,215)	(13,899)
Share of results of associated company	(1)	-	(2)	-
Profit/(Loss) before tax	9,686	10,608	30,080	(8,542)
Taxation	(696)	(22)	(1,904)	450
Profit/(Loss) for the period	8,990	10,586	28,176	(8,092)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	8,990	10,586	28,176	(8,092)
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	8,990	10,586	28,176	(8,092)
Profit/(Loss) for the period	8,990	10,586	28,176	(8,092)
Earnings/(Loss) per share (sen)				
- Basic	4.35	5.44	13.62	(4.35)
- Diluted	2.88	N/A	9.02	N/A

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2009 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2010**

	31/12/10	31/12/09
	RM'000	Restated RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	436,195	422,866
Investment in Associate company	8,067	-
Other investment	4,000	9,000
	<u>448,262</u>	<u>431,866</u>
<u>Current Assets</u>		
Stocks	147,837	158,526
Debtors	179,797	113,658
Taxation recoverables	2,192	1,864
Short term deposit	4,243	12,073
Cash & bank balances	44,165	31,628
	<u>378,234</u>	<u>317,749</u>
TOTAL ASSETS	<u><u>826,496</u></u>	<u><u>749,615</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	105,393	97,333
Share premium	31,199	22,977
Revaluation reserves	31,030	31,030
Treasury shares	(30)	(30)
Warrants reserves	18,968	-
Retained profits	292,078	266,009
Total Equity	<u>478,638</u>	<u>417,319</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	86,326	67,410
	<u>86,326</u>	<u>67,410</u>
<u>Current Liabilities</u>		
Creditors	89,282	67,454
Taxation liabilities	575	-
Short term borrowings	171,675	197,432
	<u>261,532</u>	<u>264,886</u>
Total liabilities	<u>347,858</u>	<u>332,296</u>
TOTAL EQUITY AND LIABILITIES	<u><u>826,496</u></u>	<u><u>749,615</u></u>
Net Assets per share (RM)	2.27	2.14

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2009 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2010**

	Current year 01/01/10 to 31/12/10 RM'000	Preceding Year 01/01/09 to 31/12/09 RM'000
Profit/(Loss) before tax	30,080	(8,542)
Adjustment for:		
Depreciation of property, plant and equipment	17,806	16,200
Others	25,010	14,019
Operating profit before changes in working capital	72,896	21,677
Changes in working capital		
Net change in current assets	(55,451)	26,012
Net change in current liabilities	21,828	17,159
Cash generated from operations	39,273	64,848
Interest paid	(14,615)	(13,630)
Income tax paid	(1,656)	(3,702)
Net cash inflow in operating activities	23,002	47,516
Investing activities		
Purchase of property, plant and equipment	(31,136)	(39,869)
Others	(13,114)	82
Net cash outflow in investing activities	(44,250)	(39,787)
Financing activities		
Bank borrowings	(19,465)	12,624
Dividend paid	(2,108)	(4,867)
Issue of new shares (net of listing expenses)	16,282	-
Issue of new warrants	18,968	-
Share buyback	-	(30)
Others	(347)	(269)
Net cash inflow from financing activities	13,330	7,458
Net (decrease)/increase in cash and cash equivalents	(7,918)	15,187
Cash and cash equivalents at beginning of the year	43,701	28,514
Cash and cash equivalents at end of the financial period	1	1
	35,783	43,701
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	4,243	12,073
Cash and bank balances	44,165	31,628
Bank overdraft	(12,625)	-
	35,783	43,701

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2009 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2010**

	Attributable to equity holders of the Company						Total RM'000
	Non-distributable				Distributable		
	Share Capital RM'000	Share Premium RM'000	Warrant Reserves RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<i>12 months ended 31st December 2009</i>							
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)
Total comprehensive loss	-	-	-	-	(8,092)	-	(8,092)
Treasury shares	-	-	-	-	-	(30)	(30)
At 31st December 2009	<u>97,333</u>	<u>22,977</u>	<u>-</u>	<u>31,030</u>	<u>266,009</u>	<u>(30)</u>	<u>417,319</u>
<i>12 months ended 31st December 2010</i>							
At 1st January 2010	97,333	22,977	-	31,030	266,009	(30)	417,319
Issue of shares (net of listing expenses)	8,060	8,222	-	-	-	-	16,282
Issue of warrants	-	-	18,968	-	-	-	18,968
Dividend declared in respect of financial year ended 31st December 2009	-	-	-	-	(2,107)	-	(2,107)
Total comprehensive income	-	-	-	-	28,176	-	28,176
At 31st December 2010	<u>105,393</u>	<u>31,199</u>	<u>18,968</u>	<u>31,030</u>	<u>292,078</u>	<u>(30)</u>	<u>478,638</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 2009 and accompanying explanatory notes attached to the interim financial statements.

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

SELECTED EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 31ST DECEMBER 2010

A1. Basis of Preparation

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31st December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31st December 2009.

A2. Accounting Policies and Methods of Computation

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 2009, except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretation which are applicable to its financial statements with effect from 1st January 2010:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments (effective from 1 st July 2009)
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 117	Leases
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRSs	Improvements to FRSs (2009)

Other than as explained below, the application of the above FRSs, IC Interpretations and Amendments did not have significant impact on the financial statements of the Group.

(a) FRS 8: Operating segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes that are regularly reviewed by the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the segments. The Group’s reportable segment is primarily based on long steel products, which nature of business, financial effects and economic environments in which it operates are similar. As such the segmental information on revenue, results and assets are disclosed in the condensed consolidated statements of comprehensive income.

(b) FRS 101: Presentation of Financial Statements (revised)

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement cash flows and notes to the financial statements.

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

(c) Amendment to FRS 117: Lease

This amendment removes the classification of leases of land and of buildings, and instead, requires assessment of classification based on the risks and rewards of the lease itself. The reassessment of land elements of unexpired leases shall be made retrospectively in accordance with FRS 108. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land from prepaid lease payments for land to property, plant and equipment.

The reclassification has been made retrospectively and the comparative figures have been restated as follows:-

	As reported previously RM'000	Effect of adopting Amendment to FRS 117 RM'000	As restated RM'000
Property, plant and equipment	352,264	70,602	422,866
Prepaid lease payments for land	70,602	(70,602)	-

The adoption of Amendment to FRS 117 does not have any impact to the financial results of the Group for the current financial year to date and corresponding period last year.

(d) FRS 139: Financial Instruments: Recognition and Measurement

This Standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted.

All financial instruments are recognised initially at fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instruments. Subsequent to the initial recognition, the financial instruments are measured in accordance with the designation of the financial instruments.

In accordance with the transitional provisions of FRS 139, the impact of applying FRS 139 upon first adoption is applied prospectively with adjustments to be made to the opening balances in the statement of financial position. Comparative figures need not be adjusted.

A3. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2009 was not qualified.

A4. Seasonal or Cyclical factors

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

A5. Extraordinary items

There are no extraordinary items for the financial period under review.

A6. Changes in Estimates

There have been no changes in the estimates of amount for the period under review.

A7. Debts and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current quarter under review, save as disclosed below.

On 2nd November 2010, the Company has completed the renounceable rights issued of 105,378,333 five (5) year new warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.50 each in Masteel (“Shares” or “Masteel Shares”) held at an issue price of RM0.18 per warrant.

As at 31st December 2010, a total of 30,000 shares were held as treasury shares out of its total issued share capital of 210,786,666 shares at an average price of RM0.99 per share. The share buyback transactions were financed by internal generated funds.

A8. Dividend

There was no dividend paid by the company during the quarter under review.

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 2009.

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 under review and financial year-to-date.

A10. Material subsequent events

There are no material subsequent events between the end of the current quarter under review and the date of this report.

A11. Changes in the composition of the Group

Save for the below, there was no change in the composition of the Group during the current quarter under review.

Disposal of shareholding in Bio Molecular Industries Sdn Bhd

On 2nd June 2010, the Board announced that the Company had on 2nd June 2010 entered into a Subscription and Share Sale Agreement with IBA Pharma SA, a wholly-owned subsidiary of Ion Beam Application S.A. and Bio Molecular Industries Sdn Bhd (“BioM”), a wholly-owned subsidiary of Masteel for the subscription of 5,000,000 ordinary shares of RM1.00 each in BioM and disposal of 5,112,000 ordinary shares of RM1.00 each for a cash consideration of RM1,000. On 6th August 2010, the Board announced that the Proposed Partnership has been completed and Masteel shareholding in BioM has been reduced to 45.34%.

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 had 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 had 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 had filed its application for taxation of costs in the Court of Appeal. The hearing for the taxation of costs in the Court of Appeal fixed on 19th June 2009 had been further adjourned to 4th September 2009 and on this date this matter had been further adjourned to 20th November 2009 for hearing. On 20th November 2009, the Court of Appeal taxed down the Supplier’s claim for costs of RM400,036.44 to RM37,222.10 as the overall costs to the Supplier. The Company application for leave to appeal to Federal Court has been dismissed with costs of RM30,000 awarded to the supplier. On 25th August 2010, the High Court taxed down the Supplier’s claim for costs of above RM500,000 to RM109,253.80 as the overall costs to the Supplier.
- (ii) Arbitration for letter of demand against the Company for RM2.44 million had commenced and the parties have filed their respective claims and counterclaims. The Company had 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 had further filed an application in court for security for cost and was 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 had also stayed the arbitration proceedings pending the outcome of that application for security for cost.

The supplier had 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. The Supplier had served their Record of Appeal and the Company have filed and served our Record of Appeal on 6th July 2009. Both the appeals were dismissed on 19th October 2010.

- (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 had filed their Statement of Claim to which the Company had filed a Statement of Defence and Counterclaim. The supplier had 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 had been further adjourned to 23rd September 2008 for hearing. This matter was fixed for mention before the Deputy Registrar on 21st January 2009 and on this date this matter had been further adjourned to 22nd April 2009 for hearing. On 22nd April 2009, the court had 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 had dismissed Plaintiff's Summary Judgment application with costs. This matter was proceeded with Trial on 20th and 21st October 2010. On 26th November 2010, the High Court gave judgment in favour of the Plaintiff for the amount of RM4,341,746.71 and on 18th February 2010, the Company filed and served the Record of Appeal at the Court of Appeal. The Company is still awaiting a hearing date to be fixed by the Court of Appeal for the said appeal. The solicitors of the Company are of the opinion that the Company has fair chance of success on the appeal. This amount of RM4,341,746.71 has been accrued in the accounts for the current period.

A13. Related Party Transactions

Significant transactions with the related party are as follows:

Purchase of goods from:	12 months ended 31/12/10 RM'000
Soon Seng Co (Penang) Enterprise in which substantial interest is owned by a substantial shareholder of the Company.	94

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

B1. Review of performance

The Group reported a profit before tax of RM9.69 million on the revenue of RM291.98 million for the current quarter compared to a profit before tax of RM10.61 million on the revenue of RM191.69 million for the previous year corresponding quarter. The increase in revenue is mainly attributed to higher volume and prices. The Company recorded a marginal decrease in profit mainly due to the one off provision for a legal suit of RM4.34 million.

The Company financial performance for the year ended 31 December 2010 achieved a record revenue in excess of the RM1.00 billion mark of RM1.01 billion and a profit before tax of RM30.08 million as compared to a loss before tax of RM8.54 million in the previous year mainly due to higher volume and margins.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a marginal increase of RM6.95 million to RM291.98 million in the current quarter due to increase in sales volume. The Group recorded a higher profit before tax of RM9.69 million, as compared to RM5.43 million recorded in the immediate preceding quarter mainly due to higher volume and lower exceptional expenses.

B3. Prospects

The broad global recovery is expected to positively support the growth of the demand of steel bars and billets, inflationary impact on the prices of the Company's raw material is expected to be manageable as the primary feed stock used is scrap. Barring any unforeseen circumstances, the Board envisage the earnings of the Company to be enhanced for the financial year 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	<u>696</u>	<u>1,904</u>

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	9,686	30,080
Taxation at tax rate of 25%	2,421	7,520
(Income)/expenses not subject to tax	280	1,625
Utilization of unutilized reinvestment allowance	(2,005)	(6,931)
Over provision in prior years	-	(328)
Others	-	18
	696	1,904

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 28 January 2010, OSK Investment Bank Berhad (“OSK”) had on behalf of the Company announced that the Company proposes to implement a private placement of up to 19.47 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 (“Private Placement”). The application was approved by Bursa Securities and the Ministry of International Trade and Industry on 3 February 2010 and 11 February 2010 respectively. The Company has completed the placement of 16,120,000 Masteel shares representing 82.81% of the total number of shares available under the Private Placement and that the Company has no further intention of completing the placement of the remaining 3,346,666 shares. Accordingly, the Private Placement is deemed completed on 31 July 2010.

ii) Subscription and Share Sale Agreement (“Proposed Partnership”)

On 2 June 2010, the Company announced that the Company has entered into a Subscription and Share Sale Agreement (“Agreement”) with IBA Pharma SA, a wholly-owned subsidiary of Ion Beam Application S.A. (“IBA”) and Bio Molecular Industries Sdn Bhd, a wholly-owned subsidiary of Masteel (“BioM”) wherein the Company will reduce its shareholding in BioM to 45.34% and IBA shall hold 54.66% of the issued and paid-up share capital of BioM. The Proposed Partnership has been completed on 6 August 2010.

iii) Warrants Issue

On 28 January 2010, MIMB Investment Bank Berhad (“MIMB”) had on behalf of the Company announced that the Company proposes to undertake a renounceable rights issue of up to 107,066,666 five (5) year warrants (“Warrants”) on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.50 each in Masteel (“Shares” or “Masteel Shares”) held. The application was approved by Bursa Securities, Bank Negara Malaysia and the Ministry of International Trade and Industry on 31 May 2010, 29 June 2010 and 19 July 2010 respectively. The Warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 2 November 2010, marking the completion of the Warrants Issue.

(b) Status of utilization of proceed raised

i) Private Placement

The total proceed raised by the Company from the Private Placement have been utilised in the following manner.

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000
Working capital	16,353	16,353	-
Listing expenses	90	90	-
	<u>16,443</u>	<u>16,443</u>	<u>-</u>

ii) Warrants Issue

The total proceed raised by the Company from the Warrants Issue have been utilised in the following manner.

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000
Working capital	18,268	16,615	1,653
Listing expenses	700	282	418
	<u>18,968</u>	<u>16,897</u>	<u>2,071</u>

B9. Borrowings

	31/12/10 RM'000
<u>Secured:-</u>	
Short term borrowings	171,675
Long term borrowings	86,326
	<u> </u>
Total borrowings	<u>258,001</u>

The above borrowings are denominated in the following currencies:

	'000	RM'000
Ringgit Malaysia	-	250,506
US Dollar	2,400	7,495
		258,001
		258,001

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 had 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 had 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 had filed its application for taxation of costs in the Court of Appeal. The hearing for the taxation of costs in the Court of Appeal was fixed on 19th June 2009 had been further adjourned to 4th September 2009 and on this date this matter had been further adjourned to 20th November 2009 for hearing. On 20th November 2009, the Court of Appeal taxed down the Supplier's claim for costs of RM400,036.44 to RM37,222.10 as the overall costs to the Supplier. The Company application for leave to appeal to Federal Court has been dismissed with costs of RM30,000 awarded to the supplier. On 25th August 2010, the High Court taxed down the Supplier's claim for costs of above RM500,000 to RM109,253.80 as the overall costs to the Supplier.

- (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 had 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 had further filed an application in court for security for cost and was fixed for hearing on 14th June 2007. The Arbitrator had 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 had also stayed the arbitration proceedings pending the outcome of that application for security for cost.

The supplier had 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. The Supplier had served their Record of Appeal and the Company have filed and served our Record of Appeal on 6th July 2009. Both the appeals were dismissed on 19th October 2010.

- (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 had filed their Statement of Claim to which the Company had filed a Statement of Defence and Counterclaim. The supplier had 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 had been further adjourned to 23rd September 2008 for hearing. This matter was fixed for mention before the Deputy Registrar on 21st January 2009 and on this date this matter had been further adjourned to 22nd April 2009 for hearing. On 22nd April 2009, the court had 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 had dismissed Plaintiff's Summary Judgment application with costs. This matter was proceeded with Trial on 20th and 21st October 2010. On 26th November 2010, the High Court gave judgment in favour of the Plaintiff for the amount of RM4,341,746.71 and on 18th February 2010, the Company filed and served the Record of Appeal at the Court of Appeal. The Company is still awaiting a hearing date to be fixed by the Court of Appeal for the said appeal. The solicitors of the Company are of the opinion that the Company has fair chance of success on the appeal.

B12. Dividend

A first and final single tier dividend of 1.0 sen per share had been proposed in respect of the financial year ended 31st December 2009 and was approved by the shareholders at the 38th Annual General Meeting of the Company held on 24th June 2010. The entitlement date for the said dividend was on 9th July 2010 and paid on 23rd July 2010.

For the previous corresponding period in respect of the financial year ended 31st December 2008, a first and final single tier dividend of 2.5 sen per share was paid to shareholders on 31st July 2009.

The Board of Directors has yet to decide on the quantum of dividend to be proposed or declared by the Company for the current quarter under review.

Once a decision has been made, an immediate announcement will be made at a later date.

B13. Earnings per share (“EPS”)

(a) *Basic earnings per share*

The basic earnings per share of the Company is calculated by dividing the profit 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
Profit attributable to ordinary shareholders (RM'000)	<u>8,990</u>	<u>28,176</u>
Weighted average number of ordinary shares in issue ('000)	<u>206,869</u>	<u>206,869</u>
Basic Earnings Per Share (sen)	<u>4.35</u>	<u>13.62</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings per share, the weighted average number of shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the period as set out below:-

	Current Quarter Ended	Current Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>8,990</u>	<u>28,176</u>
Weighted average number of ordinary shares in issue ('000)	206,869	206,869
Effects of dilution ('000)	105,378	105,378
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>312,247</u>	<u>312,247</u>
Diluted Earnings Per Share (sen)	<u>2.88</u>	<u>9.02</u>

B14. Realised and unrealised profits/losses disclosure

On 25th March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows :-

	As at Current Quarter Ended RM'000	As at Preceding Quarter Ended RM'000
Total retained profits of the Group :		
- Realised	290,191	281,727
- Unrealised	1,887	1,362
Total Group retained profits as per consolidated accounts	292,078	283,089

By order of the Board