

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2011**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/12/11	31/12/10	31/12/11	31/12/10
	RM'000	RM'000	RM'000	RM'000
Revenue	336,655	291,977	1,253,365	1,004,786
Operating expenses	(347,664)	(273,613)	(1,212,887)	(961,884)
Other expenses	-	(4,342)	(1,071)	-
Other income	1,286	578	2,184	1,940
Interest income	22	33	97	124
Finance cost	(4,835)	(4,946)	(16,597)	(14,966)
Share of results of associated company	(8)	(1)	(8)	(3)
Profit/(Loss) before tax	(14,544)	9,686	25,083	29,997
Taxation	1,214	(696)	(548)	(1,903)
Profit/(Loss) for the period	(13,330)	8,990	24,535	28,094
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Expense)	(13,330)	8,990	24,535	28,094
Profit/(Loss) and Total Comprehensive Income/(Expense) attributable to:				
Equity holders of the Company	(13,330)	8,990	24,535	28,094
Profit/(Loss) for the period	(13,330)	8,990	24,535	28,094
Earnings/(Loss) per share (sen)				
- Basic	(6.33)	4.35	11.65	13.58
- Diluted	(5.18)	2.88	9.54	11.34

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2010 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011**

	31/12/11 RM'000	31/12/10 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	470,414	436,195
Investment in Associate company	8,077	8,066
Other investment	-	4,000
	<u>478,491</u>	<u>448,261</u>
<u>Current Assets</u>		
Stocks	160,765	147,838
Debtors	202,921	179,799
Taxation recoverables	2,884	1,864
Short term deposit	16,000	4,243
Cash & bank balances	27,689	44,166
	<u>410,259</u>	<u>377,910</u>
TOTAL ASSETS	<u><u>888,750</u></u>	<u><u>826,171</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	105,393	105,393
Share premium	31,198	31,198
Revaluation reserves	31,030	31,030
Treasury shares	(233)	(30)
Warrants reserves	40,044	40,044
Retained profits	292,611	270,919
Total Equity	<u>500,043</u>	<u>478,554</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	54,515	86,488
	<u>54,515</u>	<u>86,488</u>
<u>Current Liabilities</u>		
Creditors	97,953	89,360
Taxation liabilities	-	247
Short term borrowings	236,239	171,522
	<u>334,192</u>	<u>261,129</u>
Total liabilities	<u>388,707</u>	<u>347,617</u>
TOTAL EQUITY AND LIABILITIES	<u><u>888,750</u></u>	<u><u>826,171</u></u>
Net Assets per share (RM)	2.37	2.27

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2010 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2011**

	Current year 01/01/11 to 31/12/11 RM'000	Preceding Year 01/01/10 to 31/12/10 RM'000
Profit before tax	25,083	29,997
Adjustment for:		
Depreciation of property, plant and equipment	21,290	17,802
Investment written off	-	5,000
Loss on disposal of investment in subsidiary	-	4,713
Share of loss of associate	8	3
Interest expense	16,597	14,966
Gain on disposal of property, plant and equipment	-	(53)
Unrealised foreign exchange (gain)/loss	(817)	(1,887)
Provision/(reversal) of doubtful debts	(157)	9
Impairment of investment	4,000	-
Interest income	(97)	(124)
Operating profit before changes in working capital	65,907	70,426
Changes in working capital		
Net change in inventories	(12,928)	10,688
Net change in receivables	(22,167)	(65,326)
Net change in payables	8,592	34,064
Cash generated from operations	39,404	49,852
Interest paid	(15,865)	(14,619)
Income tax paid	(1,815)	(1,656)
Net cash inflow in operating activities	21,724	33,577
Investing activities		
Purchase of property, plant and equipment	(55,508)	(47,669)
Net proceeds from disposal of investment in subsidiary	-	(3)
Proceed from disposal of property, plant and equipment	-	84
Interest received	97	124
Net cash outflow in investing activities	(55,411)	(47,464)
Financing activities		
Bank borrowings	33,000	(26,577)
Dividend paid	(2,843)	(2,108)
Issue of new shares (net of listing expenses)	-	16,281
Issue of new warrants	-	18,968
Share buyback	(203)	-
Finance lease interest paid	(732)	(347)
Net cash inflow from financing activities	29,222	6,217
Net decrease in cash and cash equivalents	(4,465)	(7,670)
Cash and cash equivalents at beginning of the year	36,031	43,701
Cash and cash equivalents at end of the financial period	31,566	36,031

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

Short term deposit	16,000	4,243
Cash and bank balances	27,689	44,166
Bank overdraft	(12,123)	(12,378)
	<u>31,566</u>	<u>36,031</u>

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2010 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 2011**

	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 2011</i>							
At 1st January 2011	105,393	31,198	40,044	31,030	270,919	(30)	478,554
Dividend declared in respect of financial year ended 31st December 2010	-	-	-	-	(2,843)	-	(2,843)
Total comprehensive income	-	-	-	-	24,535	-	24,535
Treasury shares	-	-	-	-	-	(203)	(203)
At 31st December 2011	<u>105,393</u>	<u>31,198</u>	<u>40,044</u>	<u>31,030</u>	<u>292,611</u>	<u>(233)</u>	<u>500,043</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	8,221	-	-	-	-	16,281
Issue of warrants	-	-	40,044	-	(21,076)	-	18,968
Dividend declared in respect of financial year ended 31st December 2009	-	-	-	-	(2,108)	-	(2,108)
Total comprehensive income	-	-	-	-	28,094	-	28,094
At 31st December 2010	<u>105,393</u>	<u>31,198</u>	<u>40,044</u>	<u>31,030</u>	<u>270,919</u>	<u>(30)</u>	<u>478,554</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 2010 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 2011

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 2010. 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 2010.

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 2010, 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 2011:

FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendment to FRS 101	Presentation of Financial Statements
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRSs	Improvements to FRSs (2010)

The application of the above FRSs, IC Interpretations and Amendments did not have significant impact on the financial statements of the Group.

Meanwhile, the Group has not applied the following FRS and IC Interpretations that have been issued but not yet effective.

Amendment to FRS 124	Related Party Disclosures
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

A3. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2010 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.

On 31st October 2011, the Company had further purchased 25,000 shares as treasury shares at an average price of RM1.17 per share.

As at 31st December 2011, a total of 202,000 shares were held as treasury shares out of its total issued share capital of 210,786,666 shares at an average price of RM1.16 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

The Company paid a first and final single tier dividend of 1.35 sen per share amounted to RM2,843,224 on 26th July 2011 in respect of the financial year ended 31st December 2010.

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

A9. Segmental reporting

The Group is primarily organised in one business segment namely manufacturing of steel bars and billets. The business segment analysed by geographical location of customers are as follows:

	12 months period ended	
	31/12/11	31/12/10
	RM'000	RM'000
Revenue		
- Malaysia	819,179	783,068
- Outside Malaysia	434,186	221,718
	<u>1,253,365</u>	<u>1,004,786</u>

A10. 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 2010.

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.

A11. Material subsequent events

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

A12. Changes in the composition of the Group

There was no change in the composition of the Group during the current quarter under review.

A13. Changes in contingent liabilities

The following are pending litigation in respect of claims instituted against the Company:-

- (i) 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 to 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 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 financial year ended 31st December 2010. This matter is now fixed for hearing on 28th March 2012.

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

B1. Review of performance

The Group reported a loss before tax of RM14.54 million on the revenue of RM336.66 million for the current quarter compared to a profit before tax of RM9.69 million on the revenue of RM291.98 million for the previous year corresponding quarter. The increase in revenue is mainly attributed to higher sales volume and selling price. The Company recorded a decrease in profit mainly due to higher cost and one-off impairment of investment of RM4 million in the current quarter.

For the whole year under review, the Company revenue increase by 24.7% to RM1.25 billion as compared to RM1.0 billion last financial year. This is mainly due to the higher sales volume and selling price. The profit for the whole year decrease from RM30.0 million in the previous year to RM25.1 million mainly due to higher cost and one-off impairment of investment of RM4 million.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM36.35 million to RM336.66 million in the current quarter due to increase in sales volume. The Group recorded a loss before tax of RM14.54 million, as compared to a profit before tax of RM17.46 million recorded in the immediate preceding quarter mainly due to lower margin and one-off impairment of investment of RM4 million in the current quarter.

B3. Prospects

The liquidity contraction resulting from the on-going financial crisis emanating from abroad has caused leaner inventory levels throughout the whole value chain of the steel industry from raw material to finished goods.

Prices of steel products have declined and the margin of the company's steel products have also been affected. However as inventory levels of major steel mills are expected to be low, the commencement of restocking activities by customers in the months ahead is anticipated to lift steel prices.

The Company is diligently striving to improve its operating margins under the prevailing tough business environment and is well poised to benefit from the recovery of demand in the next few quarters.

B4. Profit forecast

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

B5. Profit/(Loss) before taxation

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange gain	(1,286)	(817)

Interest income	22	97
Depreciation of property, plant and equipment	5,724	21,290
Interest expense	4,835	16,597
Impairment of investment	4,000	4,000
Reversal of doubtful debts	(272)	(157)

B6. 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/(reversal)	<u>(1,214)</u>	<u>548</u>

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit/(Loss) before taxation	<u>(14,544)</u>	<u>25,083</u>
Taxation at tax rate of 25%	(3,636)	6,271
Expenses not subject to tax	(294)	606
Utilization of unutilized reinvestment allowance	2,714	(5,077)
Over provision in prior years	-	(1,255)
Others	2	3
	<u>(1,214)</u>	<u>548</u>

B7. Sale of unquoted investments and/or properties

There was no sale of any unquoted investments and/or properties during the current period under review.

B8. Purchase or disposal of quoted securities

There was no purchase or disposal of any quoted securities during the current period under review.

B9. (a) Status of corporate proposals

i) *Private Placement*

On 18 January 2011, OSK Investment Bank Berhad (“OSK”) had on behalf of the Company announced that the Company proposes to implement a private placement of up to 31.62 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 10 February 2011 and 2 March 2011 respectively. The approval has lapsed on 2nd August 2011 and no shares were issued/placed out.

ii) *Head of Joint venture Agreement (“Proposed Joint-Venture”)*

On 19 January 2011, the Board announced that the Company has entered into Head of Joint Venture Agreement with KUB Malaysia Berhad (“KUB”), a company listed on the Main Market of Bursa Malaysia Securities Berhad wherein the Company and KUB have agreed to combine their capabilities and resources related to the objective stated herein and are desirous to co-operate and collaborate with each other in the joint-venture company, Metropolitan Commuter Network Sdn Bhd to pursue the rail transit network project in the Iskandar Malaysia.

(b) Status of utilization of proceed raised

Not applicable

B10. Borrowings

	31/12/11
	RM'000
<u>Secured:</u>	
Short term borrowings	236,239
Long term borrowings	54,515
Total borrowings	<u>290,754</u>

The above borrowings are denominated in the following currencies:

	USD'000	RM'000
Ringgit Malaysia	-	285,945
US Dollar	1,500	4,809
		<u>290,754</u>

B11. Off balance sheet financial instruments

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

B12. Material litigations

The material litigations pending during the current period under review are as per disclosed in the followings:-

- (i) 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 to 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 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 financial year ended 31st December 2010. This matter is now fixed for hearing on 28th March 2012.

B13. Dividend

A first and final single tier dividend of 1.35 sen per share had been proposed in respect of the financial year ended 31st December 2010 and was approved by the shareholders at the 39th Annual General Meeting of the Company held on 23rd June 2011.

For the previous corresponding period in respect of the financial year ended 31st December 2009, a first and final single tier dividend of 1.00 sen per share was paid to shareholders on 23rd July 2010.

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

B14. Earnings/(Loss) per share ("EPS")

(a) Basic earnings/(loss) per share

The basic earnings/(loss) 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/(Loss) attributable to ordinary shareholders (RM'000)	<u>(13,330)</u>	<u>24,535</u>
Weighted average number of ordinary shares in issue ('000)	<u>210,585</u>	<u>210,585</u>
Basic Earnings/(Loss) Per Share (sen)	<u>(6.33)</u>	<u>11.65</u>

(b) *Diluted earnings/(loss) per share*

For the purpose of calculating diluted earnings/(loss) per share, the weighted average numbers 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/(Loss) attributable to ordinary shareholders (RM'000)	<u>(13,330)</u>	<u>24,535</u>
Weighted average number of ordinary shares in issue ('000)	210,585	210,585
Effects of dilution ('000)	46,664	46,664
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>257,249</u>	<u>257,249</u>
Diluted Earnings/(Loss) Per Share (sen)	<u>(5.18)</u>	<u>9.54</u>

B15. Realised and unrealised profits/(losses) disclosure

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 31 December 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	292,124	269,354
- Unrealised	817	1,887
	<u>292,941</u>	<u>271,241</u>
Total share of accumulated losses from associate :		
- Realised	(330)	(322)
Total Group retained profits as per consolidated accounts	<u>292,611</u>	<u>270,919</u>

B16. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

By order of the Board