

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2013**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/06/13	30/06/12	30/06/13	30/06/12
	RM'000	RM'000	RM'000	RM'000
Revenue	342,259	344,127	672,299	684,047
Operating expenses	(327,737)	(321,926)	(650,537)	(664,491)
Other expenses	(88)	-	(88)	-
Other income	48	944	329	2,239
Interest income	27	31	60	63
Finance cost	(3,627)	(4,275)	(7,399)	(7,827)
Share of results of associated company	(25)	(18)	(31)	(29)
Profit/(Loss) before tax	10,857	18,883	14,633	14,002
Taxation	(730)	108	(956)	108
Profit/(Loss) for the period	10,127	18,991	13,677	14,110
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss)	10,127	18,991	13,677	14,110
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to:				
Equity holders of the Company	10,127	18,991	13,677	14,110
Profit/(Loss) for the period	10,127	18,991	13,677	14,110
Earnings/(Loss) per share (sen)				
- Basic	4.66	9.02	6.29	6.70
- Diluted	4.16	7.58	5.63	5.63

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2012 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013

	30/06/13	31/12/12
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	486,565	460,117
Investment in Associate company	8,777	8,008
	<u>495,342</u>	<u>468,125</u>
<u>Current Assets</u>		
Stocks	216,514	181,058
Debtors	207,977	222,203
Taxation recoverables	3,473	3,844
Short term deposit	7,042	25,100
Cash & bank balances	41,604	29,575
	<u>476,610</u>	<u>461,780</u>
TOTAL ASSETS	<u><u>971,952</u></u>	<u><u>929,905</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	108,990	108,988
Share premium	33,650	33,650
Treasury shares	(438)	(327)
Warrants reserves	40,043	40,044
Retained profits	356,110	343,520
Total Equity	<u>538,355</u>	<u>525,875</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	29,733	35,448
	<u>29,733</u>	<u>35,448</u>
<u>Current Liabilities</u>		
Creditors	143,705	120,303
Dividend payable	1,088	-
Short term borrowings	259,071	248,279
	<u>403,864</u>	<u>368,582</u>
Total liabilities	<u>433,597</u>	<u>404,030</u>
TOTAL EQUITY AND LIABILITIES	<u><u>971,952</u></u>	<u><u>929,905</u></u>
Net Assets per share (RM)	2.47	2.42

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2012 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2013**

	Current year 01/01/13 to 30/06/13 RM'000	Preceding Year 01/01/12 to 30/06/12 RM'000
Profit before tax	14,632	14,002
Adjustment for:		
Depreciation of property, plant and equipment	10,379	11,388
Interest expense	7,346	7,661
Gain on disposal of property, plant and equipment	(18)	(109)
Others	(20)	(2,754)
Operating profit before changes in working capital	32,319	30,188
Changes in working capital		
Net change in inventories	(35,456)	(7,668)
Net change in receivables	14,278	(17,616)
Net change in payables	23,402	12,307
Cash generated from operations	34,543	17,211
Interest paid	(7,115)	(7,351)
Income tax paid	(585)	(1,330)
Net cash inflow in operating activities	26,843	8,530
Investing activities		
Purchase of property, plant and equipment	(36,827)	(686)
Investment in Associate	(782)	135
Net cash outflow in investing activities	(37,609)	(551)
Financing activities		
Bank borrowings	8,726	(10,928)
Shares subscribed by warrant holder	2	-
Share buyback	(111)	-
Finance lease interest paid	(231)	(310)
Net cash inflow/(outflow) from financing activities	8,386	(11,238)
Net decrease in cash and cash equivalents	(2,380)	(3,259)
Cash and cash equivalents at beginning of the year	47,977	31,566
Cash and cash equivalents at end of the financial period	1 45,597	28,307
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	7,042	13,500
Cash and bank balances	41,604	26,207
Bank overdraft	(3,049)	(11,400)
	45,597	28,307

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2012 and accompanying explanatory notes attached to the interim financial statements.

**THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2013**

	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	
6 months ended 30th June 2013							
At 1st January 2013	108,988	33,650	40,044	-	343,520	(327)	525,875
Shares subscribed by warrant holder	2	-	(1)	-	1	-	2
Dividend declared in respect of financial year ended 31st December 2012	-	-	-	-	(1,088)	-	(1,088)
Total comprehensive income	-	-	-	-	13,677	-	13,677
Treasury shares	-	-	-	-	-	(111)	(111)
At 30th June 2013	<u>108,990</u>	<u>33,650</u>	<u>40,043</u>	<u>-</u>	<u>356,110</u>	<u>(438)</u>	<u>538,355</u>
6 months ended 30th June 2012							
At 1st January 2012, as previously stated	105,393	31,198	40,044	31,030	292,427	(233)	499,859
Effect of transition to MFRS	-	-	-	(31,030)	31,030	-	-
At 1st January 2012, restate	105,393	31,198	40,044	-	323,457	(233)	499,859
Dividend declared in respect of financial year ended 31st December 2011	-	-	-	-	(2,106)	-	(2,106)
Total comprehensive income	-	-	-	-	14,110	-	14,110
At 30th June 2012	<u>105,393</u>	<u>31,198</u>	<u>40,044</u>	<u>-</u>	<u>335,461</u>	<u>(233)</u>	<u>511,863</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 2012 and accompanying explanatory notes attached to the interim financial statements.

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

EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 30TH JUNE 2013

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 134: Interim Financial Reporting issued by International Accounting Standard Board (“IASB”) 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 2012, which were prepared under Malaysian Financial Reporting Standards (“MFRSs”). 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 2012.

A2. Accounting Policies and Methods of Computation

Adoption of Standards, Amendments and IC Interpretations

The Group has adopted the following Standards, Amendments and IC Interpretations:-

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	First Time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Instruments: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to IC Interpretations and MFRSs 2009 – 2011 Cycle	

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

Amendments to MFRSs issued but not yet effective

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group:

Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

A3. Qualification of Financial Statements

The financial statements for the financial year ended 31st December 2012 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 29th April, 7th May, 8th May and 10th May 2013, the Company had further purchased 37,600 , 33,700 , 39,100 and 24,200 shares as treasury shares at an average price of RM0.79, RM0.829, RM0.819 and RM0.95 per share respectively.

As at 30th June 2013, a total of 436,600 shares were held as treasury shares out of its total issued share capital of 217,979,233 shares at an average price of RM1.004 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

No dividend was paid by the Company in the current quarter under review and financial year to date.

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:

	Current Quarter ended RM'000	Current Year to-date ended RM'000
Revenue		
- Malaysia	321,761	594,075
- Outside Malaysia	20,498	78,224
	<u>342,259</u>	<u>672,299</u>

A10. Valuation

The valuations of the property, plant and equipment has been brought forward and was regarded as deemed cost at the date of transition to MFRS. The relevant revaluation surplus was recognized to the retained earnings.

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. Capital commitments

	30/06/13 RM'000
Property, plant and equipment	
- Approved and contracted for	20,278
- Approved but not contracted for	68,408
	<u>88,686</u>

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 RM10.86 million on the revenue of RM342.26 million for the current quarter compared to a profit before tax of RM18.88 million on the revenue of RM344.13 million for the previous year corresponding quarter. The decrease in revenue in the current quarter is mainly attributed to lower selling price. The Company recorded a lower profit mainly due to lower margin cause by higher cost of materials in the current quarter.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM12.22 million to RM342.26 million in the current quarter due to higher demand. The Group recorded a profit before tax of RM10.86 million as compared to RM3.78 million in the immediate preceding quarter mainly due to higher margin in the current quarter.

B3. Prospects

Global steel prices have experienced a general recovery of prices underscored by improved demand from China, USA and Europe. Domestically with the continuing roll out of the various ETP (Economic Transformation Programme) projects for highway, utilities, railways, oil & gas and commercial developments, the demand for Masteel's steel products remains strong and well supported.

The coming Malaysia Government budget in October could provide more impetus to the commencement of new construction and infrastructure projects.

With the recent imposition of AP (Approval Permit) by the Ministry of International Trade and Industry, MITI on certain types of long steel imports, this would help support the general price recovery of domestic steel prices.

Barring any out of the ordinary volatility of the underlying business environment, the company is expected to perform satisfactorily for the ensuing months.

B4. Profit forecast

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

B5. Profit before taxation

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange gain	(357)	(792)
Reversal of doubtful debts	121	(51)
Depreciation of property, plant and equipment	5,216	10,379
Interest expense	3,574	7,346
Realised foreign exchange loss	444	628
Interest income	27	60

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	730	956

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	10,857	14,633
Taxation at tax rate of 25%	2,714	3,658
Expenses not subject to tax	50	92
Utilization of unutilized reinvestment allowance	(2,004)	(2,766)
Over provision in prior years	(32)	(32)
Others	2	4
	730	956

B7. (a) Status of corporate proposals

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

On 19th 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 (“MCN”) to pursue the rail transit network project in the Iskandar Malaysia.

MCN has been in primary discussions with both local and foreign banks on the funding arrangement.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

30/06/13
RM'000

Secured:

Short term borrowings	259,071
Long term borrowings	29,733
Total borrowings	<u>288,804</u>

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

There are no material litigations during the current period under review.

B10. Dividend

The Board of Directors has declared a first interim single tier dividend of 0.50 sen per share in respect of the financial year ending 31st December 2013, which will be paid on 11th October 2013. The entitlement date is on 18th September 2013.

A final single tier dividend of 0.50 sen per share has been declared in respect of the financial year ended 31st December 2012 and approved by the shareholders at the 41th Annual General Meeting of the Company held on 27th June 2013.

On 12th October 2012, an interim single tier dividend of 1.00 sen per share has been declared in respect of the financial year ended 31st December 2012 which was paid on 10th December 2012.

B11. 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>10,127</u>	<u>13,677</u>
Weighted average number of ordinary shares in issue ('000)	<u>217,541</u>	<u>217,541</u>
Basic Earnings Per Share (sen)	<u>4.66</u>	<u>6.29</u>

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings 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 attributable to ordinary shareholders (RM'000)	<u>10,127</u>	<u>13,677</u>
Weighted average number of ordinary shares in issue ('000)	217,541	217,541
Effects of dilution ('000)	25,598	25,598
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>243,139</u>	<u>243,139</u>
Diluted Earnings Per Share (sen)	<u>4.16</u>	<u>5.63</u>

B12. Realised and unrealised profits 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 30/06/13 RM'000	As at 31/12/12 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	324,699	311,749
- Unrealised	31,822	32,151
	<u>356,521</u>	<u>343,900</u>
Total share of accumulated losses from Associate :		
- Realised	(411)	(380)
Total Group retained profits as per consolidated accounts	<u>356,110</u>	<u>343,520</u>

B13. Authorisation for issue

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