

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/13	30/09/12	30/09/13	30/09/12
	RM'000	RM'000	RM'000	RM'000
Revenue	351,181	312,934	1,023,480	996,981
Operating expenses	(338,095)	(302,090)	(988,632)	(966,581)
Other expenses	-	-	(88)	-
Other income	2,163	569	2,492	2,808
Interest income	25	24	85	87
Finance cost	(4,998)	(3,876)	(12,397)	(11,703)
Share of results of associated company	1	(9)	(30)	(38)
Profit before tax	10,277	7,552	24,910	21,554
Taxation	(566)	(512)	(1,522)	(404)
Profit for the period	9,711	7,040	23,388	21,150
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,711	7,040	23,388	21,150
Profit and Total Comprehensive Income attributable to:				
Equity holders of the Company	9,711	7,040	23,388	21,150
Profit for the period	9,711	7,040	23,388	21,150
Earnings per share (sen)				
- Basic	4.46	3.34	10.75	10.04
- Diluted	3.96	2.84	9.54	8.53

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 SEPTEMBER 2013

	30/09/13 RM'000	31/12/12 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	487,467	460,117
Investment in Associate company	8,777	8,008
	<u>496,244</u>	<u>468,125</u>
<u>Current Assets</u>		
Stocks	212,444	181,058
Debtors	242,857	222,203
Taxation recoverables	3,381	3,844
Short term deposit	11,100	25,100
Cash & bank balances	27,257	29,575
	<u>497,039</u>	<u>461,780</u>
TOTAL ASSETS	<u><u>993,283</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	365,821	343,520
Total Equity	<u>548,066</u>	<u>525,875</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	28,736	35,448
	<u>28,736</u>	<u>35,448</u>
<u>Current Liabilities</u>		
Creditors	161,096	120,303
Short term borrowings	255,385	248,279
	<u>416,481</u>	<u>368,582</u>
Total liabilities	<u>445,217</u>	<u>404,030</u>
TOTAL EQUITY AND LIABILITIES	<u><u>993,283</u></u>	<u><u>929,905</u></u>
Net Assets per share (RM)	2.52	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 SEPTEMBER 2013**

	Current year 01/01/13 to 30/09/13 RM'000	Preceding Year 01/01/12 to 30/09/12 RM'000
Profit before tax	24,910	21,554
Adjustment for:		
Depreciation of property, plant and equipment	15,755	16,663
Interest expense	12,172	11,410
Gain on disposal of property, plant and equipment	(18)	(116)
Others	(22)	(3,623)
Operating profit before changes in working capital	52,797	45,888
Changes in working capital		
Net change in inventories	(31,386)	(14,731)
Net change in receivables	(20,601)	(23,727)
Net change in payables	40,794	7,146
Cash generated from operations	41,604	14,576
Interest paid	(11,840)	(10,958)
Income tax paid	(1,059)	(1,516)
Net cash inflow in operating activities	28,705	2,102
Investing activities		
Purchase of property, plant and equipment	(43,106)	(4,721)
Investment in Associate	(800)	-
Others	18	142
Net cash outflow in investing activities	(43,888)	(4,579)
Financing activities		
Bank borrowings	7,092	(7,313)
Dividend paid	(1,088)	(2,106)
Shares subscribed by warrant holder	2	-
Share buyback	(111)	(94)
Finance lease interest paid	(332)	(452)
Net cash inflow/(outflow) from financing activities	5,563	(9,965)
Net decrease in cash and cash equivalents	(9,620)	(12,442)
Cash and cash equivalents at beginning of the year	47,977	31,566
Cash and cash equivalents at end of the financial period	1 38,357	19,124
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	11,100	3,900
Cash and bank balances	27,257	21,617
Bank overdraft	-	(6,393)
	38,357	19,124

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 SEPTEMBER 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	
9 months ended 30th September 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	-	-	-	-	23,388	-	23,388
Treasury shares	-	-	-	-	-	(111)	(111)
At 30th September 2013	<u>108,990</u>	<u>33,650</u>	<u>40,043</u>	<u>-</u>	<u>365,821</u>	<u>(438)</u>	<u>548,066</u>
9 months ended 30th September 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	-	-	-	-	21,150	(94)	21,056
At 30th September 2012	<u>105,393</u>	<u>31,198</u>	<u>40,044</u>	<u>-</u>	<u>342,501</u>	<u>(327)</u>	<u>518,809</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 SEPTEMBER 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.

As at 30th September 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

The Company paid a final single tier dividend of 0.5 sen per share amounted to RM1,087,709 on 26th July 2013 in respect of the financial year ended 31st December 2012.

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	336,012	930,087
- Outside Malaysia	15,169	93,393
	<u>351,181</u>	<u>1,023,480</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

	30/09/13 RM'000
Property, plant and equipment	
- Approved and contracted for	20,963
- Approved but not contracted for	65,528
	<u>86,491</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 RM10.28 million on the revenue of RM351.18 million for the current quarter compared to a profit before tax of RM7.55 million on the revenue of RM312.93 million for the previous year corresponding quarter. The increase in revenue in the current quarter is mainly attributed to higher demand. The Company recorded a higher profit mainly due to lower cost of production from improved plant utilisation in the current quarter.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded an increase of RM8.92 million to RM342.26 million in the current quarter due to higher sales volume. The Group recorded a marginal decrease in profit before tax of RM10.28 million as compared to RM10.86 million in the immediate preceding quarter mainly due to slightly higher production cost in the current quarter.

B3. Prospects

The recently tabled 2014 Budget is expected to bolster Masteel's growth in the various sectors which uses high quantities of the Company's steel products underscored by the following factors:

- 1) The local construction sector is expected to expand by 9.6% in 2014.

Masteel is poised to benefit from the growing demand from the construction activities.

- 2) The RM46.5 billion allocation for nationwide development expenditure will also augur well for the demand of company steel products.

A total of 223,000 units affordable houses to be built by Government and private sector in 2014. RM5.7 billion allocated for the development and upgrading of the rural infrastructure, RM1.6 billion is allocated for development in the five regional corridors, RM831 million for the building of 33 new schools and upgrading existing schools and etc.

- 3) The demand for steel bar is also well supported in light of the rapid progress of Mass Rapid Transit (MRT) Lines 1, 2 and 3.

The three lines are estimated to cost RM80 billion once completed.

In addition, the Government has announced its target to invest additional RM160 billion on rail-related projects, including High Speed Rail (HSR) to Singapore and Light Rail Transit (LRT) within Klang Valley.

- 4) Masteel is strategically located in Klang Valley and its close proximity to the major construction projects in the Greater Klang Valley Region.

With the recent successful bidding on 8th November 2013 of approximately RM20 million worth of supply of steel bars in which the delivery will be completed within 20 days by MRT Corporation, such major steel bars supply contract will help maintain the Company's pre-eminence position as a leading Malaysian steel producer.

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	(666)	(1,458)
Realised foreign exchange gain	(1,457)	(829)
Reversal of doubtful debts	(1)	(52)
Depreciation of property, plant and equipment	5,376	15,755
Interest expense	4,826	12,172
Interest income	25	85

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	566	1,522

ii) Reconciliation of income tax expenses

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit before taxation	10,277	24,910
Taxation at tax rate of 25%	2,569	6,227
Income not subject to tax	(502)	(410)
Utilization of unutilized reinvestment allowance	(1,501)	(4,267)
Over provision in prior years	-	(32)
Others	-	4
	566	1,522

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.

We are still in the process of coordinating with Ministry of Transport (“MOT”) and financial institutions on our project.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	30/09/13
	RM'000
<u>Secured:</u>	
Short term borrowings	255,385
Long term borrowings	<u>28,736</u>
Total borrowings	<u><u>284,121</u></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

On 30th August 2013, 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 is paid on 11th October 2013. The entitlement date is on 18th September 2013.

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>9,711</u>	<u>23,388</u>
Weighted average number of ordinary shares in issue ('000)	<u>217,542</u>	<u>217,542</u>
Basic Earnings Per Share (sen)	<u>4.46</u>	<u>10.75</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>9,711</u>	<u>23,388</u>
Weighted average number of ordinary shares in issue ('000)	217,542	217,542
Effects of dilution ('000)	27,647	27,647
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>245,189</u>	<u>245,189</u>
Diluted Earnings Per Share (sen)	<u>3.96</u>	<u>9.54</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 30/09/13 RM'000	As at 31/12/12 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	333,743	311,749
- Unrealised	32,488	32,151
	<u>366,231</u>	<u>343,900</u>
Total share of accumulated losses from Associate :		
- Realised	(410)	(380)
Total Group retained profits as per consolidated accounts	<u><u>365,821</u></u>	<u><u>343,520</u></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.