

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2014**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	31/03/14	31/03/13	31/03/14	31/03/13
	RM'000	RM'000	RM'000	RM'000
Revenue	337,678	330,040	337,678	330,040
Operating expenses	(327,686)	(322,800)	(327,686)	(322,800)
Other income	1,684	281	1,684	281
Interest income	34	33	34	33
Finance cost	(4,029)	(3,772)	(4,029)	(3,772)
Share of results of associated company	(15)	(6)	(15)	(6)
Profit before tax	7,666	3,776	7,666	3,776
Taxation	(386)	(226)	(386)	(226)
Profit for the period	7,280	3,550	7,280	3,550
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,280	3,550	7,280	3,550
Profit and Total Comprehensive Income attributable to:				
Equity holders of the Company	7,280	3,550	7,280	3,550
Profit for the period	7,280	3,550	7,280	3,550
Earnings per share (sen)				
- Basic	3.29	1.63	3.29	1.63
- Diluted	2.85	1.45	2.85	1.45

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2014

	31/03/14 RM'000	31/12/13 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	478,100	482,307
Investment in Associate company	8,717	8,732
	<u>486,817</u>	<u>491,039</u>
<u>Current Assets</u>		
Stocks	247,060	220,618
Debtors	216,515	239,446
Taxation recoverables	2,581	2,540
Short term deposit	7,329	14,418
Cash & bank balances	46,429	45,978
	<u>519,914</u>	<u>523,000</u>
TOTAL ASSETS	<u><u>1,006,731</u></u>	<u><u>1,014,039</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	110,989	110,989
Share premium	35,851	35,851
Treasury shares	(460)	(438)
Warrants reserves	38,523	38,523
Retained profits	375,636	368,358
Total Equity	<u>560,539</u>	<u>553,283</u>
<u>Non-Current Liabilities</u>		
Long term borrowings	22,739	25,205
	<u>22,739</u>	<u>25,205</u>
<u>Current Liabilities</u>		
Creditors	151,712	171,549
Short term borrowings	271,741	264,002
	<u>423,453</u>	<u>435,551</u>
Total liabilities	<u>446,192</u>	<u>460,756</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,006,731</u></u>	<u><u>1,014,039</u></u>
Net Assets per share (RM)	2.53	2.50

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 and accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2014**

	Current year 01/01/14 to 31/03/14 RM'000	Preceding Year 01/01/13 to 31/03/13 RM'000
Profit before tax	7,666	3,776
Adjustment for:		
Depreciation of property, plant and equipment	5,630	5,163
Interest expense	3,981	3,772
Others	(145)	(166)
Operating profit before changes in working capital	17,132	12,545
Changes in working capital		
Net change in inventories	(26,443)	15,566
Net change in receivables	22,931	2,930
Net change in payables	(19,838)	(43,396)
Cash used from operations	(6,218)	(12,355)
Interest paid	(3,897)	(3,652)
Income tax paid	(427)	(158)
Net cash outflow in operating activities	(10,542)	(16,165)
Investing activities		
Purchase of property, plant and equipment	(1,424)	(1,250)
Interest received	34	-
Investment in Associate	126	(800)
Net cash outflow in investing activities	(1,264)	(2,050)
Financing activities		
Bank borrowings	2,967	4,532
Share buy back	(22)	-
Shares subscribed by warrant holder	-	2
Finance lease interest paid	(83)	(120)
Net cash inflow from financing activities	2,862	4,414
Net decrease in cash and cash equivalents	(8,944)	(13,801)
Cash and cash equivalents at beginning of the year	58,396	47,977
Cash and cash equivalents at end of the financial period	1 49,452	34,176
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	7,329	14,418
Cash and bank balances	46,429	45,978
Bank overdraft	(4,306)	(2,752)
	49,452	57,644

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2013 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 MARCH 2014**

	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	Retained Profits RM'000	Treasury Shares RM'000	
3 months ended 31st March 2014						
At 1st January 2014	110,989	35,851	38,523	368,356	(438)	553,281
Treasury shares	-	-	-	-	(22)	(22)
Total comprehensive income	-	-	-	7,280	-	7,280
At 31st March 2014	<u>110,989</u>	<u>35,851</u>	<u>38,523</u>	<u>375,636</u>	<u>(460)</u>	<u>560,539</u>
3 months ended 31st March 2013						
At 1st January 2013, as previously stated	108,988	33,650	40,044	343,520	(327)	525,875
Shares subscribed by warrant holder	2	-	(1)	1	-	2
Total comprehensive income	-	-	-	3,550	-	3,550
At 31st March 2013	<u>108,990</u>	<u>33,650</u>	<u>40,043</u>	<u>347,071</u>	<u>(327)</u>	<u>529,427</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 2013 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 31ST MARCH 2014

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 statement for the year ended 31st December 2013, 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 2013.

A2. Accounting Policies and Methods of Computation

Adoption of Standards, Amendments and IC Interpretations

The Group has adopted the following Amendments to Standards, with a date of initial application of 1st January 2014:-

Amendments to MFRS 10 Consolidated Financial Statements
Amendments to MFRS 12 Disclosure of Interest in Other Entities
Amendments to MFRS 127 Separate Financial Statements
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

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 new MFRS and Amendment has been issued by the MASB but are not yet effective, and have yet to be adopted by the Group:

MFRS 9 Financial Instruments
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The Group will adopt the above pronouncement 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 2013 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 5th March 2014, the Company repurchased its shares totaling 20,000 ordinary shares of RM0.50 at an average price of RM1.07 per ordinary shares. The repurchase transaction was financed by internally generated funds.

As at 31st December 2013, a total of 456,600 shares were held as treasury shares out of its total issued share capital of 221,979,233 shares at an average price of RM1.008 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/Year to-date ended RM'000
Revenue	
- Malaysia	309,302
- Outside Malaysia	28,376
	<hr/> 337,678 <hr/>

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

	31/3/14 RM'000
Property, plant and equipment	
- Approved and contracted for	19,261
- Approved but not contracted for	65,430
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	84,691
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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 RM7.67 million on the revenue of RM337.68 million for the current quarter compared to a profit before tax of RM3.78 million on the revenue of RM330.04 million for the previous year corresponding quarter. The increase in revenue in the current quarter is mainly attributed to higher sales volume. The Company recorded a higher profit mainly due to higher sales volume and higher margin in the current quarter.

B2. Comparisons with immediate preceding quarter's results

The Group's revenue for the current quarter recorded a decrease of RM14.28 million to RM337.68 million mainly due to lower selling price. The Group recorded an increase in profit before tax of RM7.67 million as compared to RM5.82 million achieved in the immediate preceding quarter mainly due to higher margin from higher sales volume in the current quarter.

B3. Prospects

The demand for the Company's steel products remains robust, this is well supported by over RM120 billions worth of construction and infrastructure works being rolled out by the public and private sectors.

The principle modus operandi of the Company's management is reflected in the management's motto, "The relentless pursuit of operational excellence". This is evidenced by the Company's successes in mitigating many challenges that has affected the steel industry.

With the fast tracking of the construction of the Company's new 200,000MT p.a. rolling mill to produce premium deform bars, together with the series of technical improvement being implemented at its present steel making plant in Bukit Rajah, Klang, the Company is expected to gradually improve its earnings in the quarters ahead and is expected to maintain its multiple dividend payouts annually subjected to all business conditions remaining conducive.

B4. Profit forecast

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

B5. Profit before taxation

	Current Quarter/Year To- date Ended RM'000
Profit before taxation is arrived at after charging/(crediting):	
Unrealised foreign exchange gain	(1,551)
Realised foreign exchange gain	(7)
Reversal of doubtful debts	(119)
Depreciation of property, plant and equipment	5,630
Interest expense	3,981
Interest income	(34)

B6. Taxation

i) Taxation comprises:

	Current Quarter/Year To-date Ended RM'000
<u>Malaysian income tax</u>	
Current year's provision	<u>386</u>

ii) Reconciliation of income tax expenses

	Current Quarter/Year To-date Ended RM'000
Profit before taxation	<u>7,666</u>
Taxation at tax rate of 25%	1,917
Income not subject to tax	(342)
Utilization of unutilized reinvestment allowance	(1.161)
Others	(28)
	<u>386</u>

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.

The Company is reviewing and updating all relevant project parameters with the input from its advisors. Meanwhile, the Company is coordinating with the relevant stakeholders and Government agencies for the necessary approvals.

(b) Status of utilization of proceed raised

Not applicable

B8. Borrowings

	31/3/14
	RM'000
<u>Secured:</u>	
Short term borrowings	271,741
Long term borrowings	22,739
Total borrowings	<u>294,480</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

A final single tier dividend of 0.5 sen per share had been proposed in respect of the financial year ended 31st December 2013 and subject to approval by the shareholders at the forthcoming 42nd Annual General Meeting of the Company to be held on 26th June 2014.

On 8th April 2014, the Company declared a second single tier interim dividend of 0.5 sen per share in respect of the financial year ended 31st December 2013 which was paid on 12th May 2014.

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/ Year To-date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>7,280</u>
Weighted average number of ordinary shares in issue ('000)	<u>221,523</u>
Basic Earnings Per Share (sen)	<u><u>3.29</u></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/ Year To date Ended
Profit attributable to ordinary shareholders (RM'000)	<u>7,280</u>
Weighted average number of ordinary shares in issue ('000)	221,523
Effects of dilution ('000)	33,820
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>255,343</u>
Diluted Earnings Per Share (sen)	<u><u>2.85</u></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 31/3/14 RM'000	As at 31/12/13 RM'000
Total retained profits of the Company and its subsidiary :		
- Realised	343,526	341,665
- Unrealised	32,581	27,149
	<u>376,107</u>	<u>368,814</u>
Total share of accumulated losses from Associate :		
- Realised	(471)	(456)
Total Group retained profits as per consolidated accounts	<u><u>375,636</u></u>	<u><u>368,358</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.