CSC STEEL HOLDINGS BERHAD
(Company No. 640357 - X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(In Ringgit Malaysia)

These Audited Financial Statements of the Group and the Company with *Qualified/Unqualified Auditors' Report for the year ended December 31, 2012 were tabled at the Annual General Meeting/Adjourned Annual General Meeting held on ....

Director

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The directors of **CSC STEEL HOLDINGS BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and the Company for the year ended December 31, 2012.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of its subsidiary companies are as disclosed in Note 14 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	37,512,956	1,367,826
Tax expense	(9,505,252)	(404,644)
Profit for the year	28,007,704	963,182

In the opinion of the directors, the results of operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the date of the last report, a final single tier dividend of 5% per share, amounting to RM18,660,000 and a special single tier dividend of 2% per share, amounting to RM7,464,000 in respect of the previous financial year, was declared and paid by the Company during the financial year.

The directors proposed a final single tier dividend of 5% per share and a special single tier dividend of 2% per share, in respect of the current financial year. The proposed dividends, which are subject to approval of the shareholders at the forthcoming Annual General Meeting, have not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and the statements of financial position of the Group and the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts is necessary; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or the setting up of amount of allowance for doubtful debts in the financial statements of the Group and the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Tan Chin Teng
Pang Fee Yoon
Chong Khim Leong @ Chong Kim Leong
Brig. Gen. (B) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud
Nee, Lung-Yuan
Liu, Jih-Gang
Chen, High-Pinn (appointed on November 1, 2012)
Liang, Hsiu-Chang @ Liang Shu Charng (resigned on November 1, 2012)

In accordance with Article 128 of the Company's Articles of Association, Messrs. Tan Chin Teng and Chong Khim Leong @ Chong Kim Leong retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr. Chen, High-Pinn, who was appointed to the Board since the date of the last Annual General Meeting, retires under Article 133 of the Company's Articles of Association and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

The shareholdings in the Company and ultimate holding company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM1 each			
	Balance at 1.1.2012	**Bought**	**Sold**	**Balance at 31.12.2012**
Shares in the Company				
Registered in the name of directors				
Pang Fee Yoon	20,000	-	-	20,000
Chong Khim Leong @ Chong Kim Leong	20,000	-	-	20,000

	No. of ordinary shares of *NTD10 each			
	Balance at 1.1.2012/ Date of appointment	**Bought**	**Sold**	**Balance at 31.12.2012**
Shares in ultimate holding company, China Steel Corporation				
Registered in the name of directors				
Nee, Lung-Yuan	290,256	-	-	290,256
Liu, Jih-Gang	136,508	2,047	-	138,555
Chen, High-Pinn	372,070	25,988	-	398,058
Deemed interest				
Liu, Jih-Gang	952	14	-	966**

* New Taiwan Dollar

** Indirect interest by virtue of shares held by members of the directors' family and by companies in which the directors have interest.

By virtue of their interests in the shares of the ultimate holding company, the above directors are deemed to have an interest in the shares of the Company and of all related companies to the extent of the ultimate holding company's interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANIES

The Company is a subsidiary of China Steel Asia Pacific Holdings Pte. Ltd., a company incorporated in the Republic of Singapore. The directors regard China Steel Corporation, a company incorporated in Taiwan, as the ultimate holding company.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

CHEN, HIGH-PINN

TAN CHIN TENG

Melaka
April 8, 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **CSC STEEL HOLDINGS BERHAD**, which comprise the statements of financial position of the Group and of the Company as of December 31, 2012 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 66.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

(Forward)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

b) we have considered the accounts and auditors' report of the subsidiary of which we have not acted as auditors, as mentioned in Note 14 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations required by us for these purposes;

d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Section 174 (3) of the Act.

(Forward)

Other Reporting Responsibilities

The supplementary information set out in Note 32 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 2 to the Financial Statements, CSC Steel Holdings Berhad adopted Malaysian Financial Reporting Standards on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as of December 31, 2011 and January 1, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended December 31, 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as of January 1, 2012 do not contain misstatements that materially affect the financial position as of December 31, 2012 and their financial performance and cash flows for the year then ended.

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

HIEW KIM TIAM
Partner - 1717/8/13 (J)
Chartered Accountant

April 8, 2013

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

		The Group		The Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	5	1,126,993,592	1,206,148,361	4,852,428	4,905,670
Cost of sales		(1,072,542,990)	(1,150,909,872)	-	-
Gross profit		54,450,602	55,238,489	4,852,428	4,905,670
Investment revenue	7	7,606,864	7,501,243	371,086	599,319
Other income		8,443,382	10,229,122	-	-
Sales and marketing expenses		(20,584,265)	(22,519,485)	-	-
General and administrative expenses		(11,479,062)	(11,103,205)	(3,855,688)	(3,307,007)
Finance costs	8	(144)	(542)	-	-
Other expenses		(924,421)	(782,220)	-	-
Profit before tax	9	37,512,956	38,563,402	1,367,826	2,197,982
Tax expense	10	(9,505,252)	(9,012,621)	(404,644)	(449,809)
Profit for the year		28,007,704	29,550,781	963,182	1,748,173
Other comprehensive income					
Net fair value gain on available-for-sale financial assets		23,666	-	23,666	-
Total comprehensive income for the year		28,031,370	29,550,781	986,848	1,748,173
Basic earnings per ordinary share (sen)	11	7.51	7.92		

The accompanying Notes form an integral part of the Financial Statements.

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

		The Group			The Company		
	Note	**December 31, 2012 RM**	**December 31, 2011 RM**	**January 1, 2011 RM**	**December 31, 2012 RM**	**December 31, 2011 RM**	**January 1, 2011 RM**
ASSETS							
Non-current assets							
Property, plant and equipment	12	264,207,931	263,566,732	284,141,240	944,128	1,026,256	1,075,655
Prepaid lease payments	13	18,740,493	19,016,298	19,253,684	-	-	-
Investment in subsidiary companies	14	-	-	-	387,032,531	387,032,531	386,032,531
Other investments	15	3,207,208	2,311,200	2,311,200	3,207,208	2,311,200	2,311,200
Total non-current assets		286,155,632	284,894,230	305,706,124	391,183,867	390,369,987	389,419,386

(Forward)

	Note	The Group December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM	The Company December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Current assets							
Inventories	16	194,943,434	199,706,255	179,366,530	-	-	-
Trade receivables	17	96,888,807	86,920,362	91,284,627	-	-	-
Other receivables and prepaid expenses	17	9,259,952	31,904,916	11,059,679	979,465	5,000	27,357
Tax recoverable		3,412,287	9,667,696	2,133,179	483,116	331,350	126,559
Amount due from ultimate holding company	18	20,041,177	-	1,828,665	-	-	-
Amount due from subsidiary company	18	-	-	-	-	88,100,000	71,000,000
Amount due from other related company	18	43,886	-	-	-	-	-
Fixed income fund, fixed deposits, short-term placements and cash and bank balances	19	236,832,965	233,190,534	291,069,262	71,819,741	11,350,894	76,466,774
Total current assets		561,422,508	561,389,763	576,741,942	73,282,322	99,787,244	147,620,690
Total Assets		847,578,140	846,283,993	882,448,066	464,466,189	490,157,231	537,040,076

(Forward)

	Note	The Group December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM	The Company December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
EQUITY AND LIABILITIES							
Capital and reserves							
Issued capital	20	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000
Treasury shares	21	(7,992,219)	(7,415,698)	(7,415,698)	(7,992,219)	(7,415,698)	(7,415,698)
Retained earnings	22	368,625,284	366,741,580	385,706,799	59,464,362	84,625,180	131,393,007
Reserves	22	32,464,805	32,441,139	32,441,139	32,464,805	32,441,139	32,441,139
Total equity		773,097,870	771,767,021	790,732,240	463,936,948	489,650,621	536,418,448
Non-current liability							
Deferred tax liabilities	23	33,375,819	36,385,607	40,905,288	-	-	-

(Forward)

	Note	The Group December 31, 2012 RM	The Group December 31, 2011 RM	The Group January 1, 2011 RM	The Company December 31, 2012 RM	The Company December 31, 2011 RM	The Company January 1, 2011 RM
Current liabilities							
Trade payables	24	3,255,769	3,623,695	24,646,483	-	-	-
Other payables and accrued expenses	24	37,060,205	31,609,053	25,715,578	529,241	506,610	621,628
Amount due to ultimate holding company	18	-	269,570	-	-	-	-
Amount due to other related companies	18	788,477	2,628,736	190,007	-	-	-
Short-term borrowing (secured)	25	-	-	258,470	-	-	-
Tax liabilities		-	311	-	-	-	-
Total current liabilities		41,104,451	38,131,365	50,810,538	529,241	506,610	621,628
Total liabilities		74,480,270	74,516,972	91,715,826	529,241	506,610	621,628
Total Equity and Liabilities		847,578,140	846,283,993	882,448,066	464,466,189	490,157,231	537,040,076

The accompanying Notes form an integral part of the Financial Statements.

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

				Non-distributable reserves		Distributable	
The Group	**Note**	**Issued capital RM**	**Treasury shares RM**	**Share premium RM**	**Investment revaluation reserve RM**	**reserve- Retained earnings RM**	**Total RM**
Balance as of January 1, 2011		380,000,000	(7,415,698)	32,441,139	-	385,706,799	790,732,240
Total comprehensive income for the year		-	-	-		29,550,781	29,550,781
Dividends	26	-	-	-	-	(48,516,000)	(48,516,000)
Balance as of December 31, 2011/January 1, 2012		380,000,000	(7,415,698)	32,441,139	-	366,741,580	771,767,021
Profit for the year		-	-	-	-	28,007,704	28,007,704
Other comprehensive income for the year		-	-	-	23,666	-	23,666
Total comprehensive income for the year		-	-	-	23,666	28,007,704	28,031,370
Dividends	26	-	-	-	-	(26,124,000)	(26,124,000)
Shares buy-back	21	-	(576,521)	-	-	-	(576,521)
Balance as of December 31, 2012		380,000,000	(7,992,219)	32,441,139	23,666	368,625,284	773,097,870

(Forward)

The Company	Note	Issued capital RM	Treasury shares RM	Non-distributable reserves Share premium RM	Non-distributable reserves Investment revaluation reserve RM	Distributable reserve- Retained earnings RM	Total RM
Balance as of January 1, 2011		380,000,000	(7,415,698)	32,441,139	-	131,393,007	536,418,448
Total comprehensive income for the year		-	-	-	-	1,748,173	1,748,173
Dividends	26	-	-	-	-	(48,516,000)	(48,516,000)
Balance as of December 31, 2011/January 1, 2012		380,000,000	(7,415,698)	32,441,139	-	84,625,180	489,650,621
Profit for the year		-	-	-	-	963,182	963,182
Other comprehensive income for the year		-	-	-	23,666	-	23,666
Total comprehensive income for the year		-	-	-	23,666	963,182	986,848
Dividends	26	-	-	-	-	(26,124,000)	(26,124,000)
Shares buy-back	21	-	(576,521)	-	-	-	(576,521)
Balance as of December 31, 2012		380,000,000	(7,992,219)	32,441,139	23,666	59,464,362	463,936,948

The accompanying Notes form an integral part of the Financial Statements.

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash flows from operating activities				
Profit for the year	28,007,704	29,550,781	963,182	1,748,173
Adjustments for:				
Income taxes	9,505,252	9,012,621	404,644	449,809
Depreciation of property, plant and equipment	38,454,939	40,124,991	82,128	81,987
Provision for onerous contracts	4,846,952	6,054,583	-	-
Impairment loss on other investments	249,200	-	249,200	-
Amortisation of prepaid lease payments	237,169	237,386	-	-
Property, plant and equipment written off	18,337	51,264	-	-
Finance costs	144	542	-	-
Write-down of inventories	12,662,632	20,982,332	-	-
Interest income	(7,606,864)	(7,501,243)	(371,086)	(599,319)
Gain on disposal of property, plant and equipment	(3,100)	(19,400)	-	-
Dividend income	(588)	(53,830)	(588)	(53,830)
Unrealised gain on foreign exchange	-	(219,879)	-	-
	86,371,777	98,220,148	1,327,480	1,626,820
Movements in working capital:				
Increase in inventories	(7,899,811)	(41,322,057)	-	-
(Increase)/Decrease in trade receivables	(9,968,445)	4,364,265	-	-
Decrease/(Increase) in other receivables and prepaid expenses	22,911,987	(20,872,454)	(893,457)	4,083
(Increase)/Decrease in amount due from ultimate holding company	(20,041,177)	1,828,665	-	-
Decrease in trade payables	(367,926)	(21,033,763)	-	-

(Forward)

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Increase/(Decrease) in other payables and accrued expenses	6,658,783	2,940,389	22,631	(115,018)
(Decrease)/Increase in amount due to ultimate holding company	(269,570)	269,570	-	-
(Decrease)/Increase in amount due to other related companies	(1,840,259)	2,438,729	-	-
Cash from operations	75,555,359	26,833,492	456,654	1,515,885
Income tax paid	(6,259,942)	(21,067,608)	(556,410)	(654,600)
Provision for onerous contracts utilised	(6,054,583)	(3,112,497)	-	-
Interest paid	(144)	(542)	-	-
Net cash generated from/(used in) operating activities	63,240,690	2,652,845	(99,756)	861,285
Cash flows from investing activities				
Purchase of property, plant and equipment	(39,114,475)	(18,851,747)	-	(32,588)
Proceeds from disposal of property, plant and equipment	3,100	19,400	-	-
Proceeds from compulsory land acquisition by government	38,636	-	-	-
Additions to investment in subsidiary company (Note 14)	-	-	-	(1,000,000)
Acquisition of subsidiary company, net of cash and cash equivalents (Note 14)	-	(737,900)	-	-
Additions to other investments (Note 15)	(1,121,542)	-	(1,121,542)	-
Interest received	7,339,841	7,528,460	290,078	617,593
Repayment from/(Advances to) subsidiary company	-	-	88,100,000	(17,100,000)
Increase in amount due from other related company	(43,886)			
Dividend received	588	53,830	588	53,830
Net cash (used in)/from investing activities	(32,897,738)	(11,987,957)	87,269,124	(17,461,165)

(Forward)

	Note	The Group		The Company	
		2012	2011	2012	2011
		RM	RM	RM	RM
Cash flows from financing activities					
Shares buy-back		(576,521)	-	(576,521)	-
Dividends paid		(26,124,000)	(48,516,000)	(26,124,000)	(48,516,000)
Net cash used in financing activities		(26,700,521)	(48,516,000)	(26,700,521)	(48,516,000)
Net increase/(decrease) in cash and cash equivalents		3,642,431	(57,851,112)	60,468,847	(65,115,880)
Cash and cash equivalents at beginning of year		233,190,534	290,810,792	11,350,894	76,466,774
Effect of exchange rate differences		-	230,854	-	-
Cash and cash equivalents at end of year	29	236,832,965	233,190,534	71,819,741	11,350,894

The accompanying Notes form an integral part of the Financial Statements.

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding and provision of management services. The principal activities of its subsidiary companies are as disclosed in Note 14.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka. The principal place of business of the Company is located at 180, Kawasan Perindustrian Ayer Keroh, Ayer Keroh, 75450 Melaka.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on April 8, 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Adoption of Malaysian Financial Reporting Standards

The Group and the Company's financial statements for the financial year ended December 31, 2012 have been prepared in accordance with MFRSs for the first time. In the previous years, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, with January 1, 2011 as the date of transition. The transition to MFRSs does not have any impact on the reported financial position, financial performance and cash flows of the Group and the Company.

Standards in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 7	Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)][1]
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[3]
MFRS 10	Consolidated Financial Statements[2]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[2]
MFRS 13	Fair Value Measurement[2]
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[4]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[5]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle[2]

[1] Effective immediately on issuance date of March 1, 2012
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to “Mandatory Effective Date of MFRS 9 and Transition Disclosures” on March 1, 2012
[4] Effective for annual periods beginning on or after July 1, 2012
[5] Effective for annual periods beginning on or after January 1, 2014

The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Revenue

Revenue from sales of goods is measured at the fair value of the consideration received or receivable and is recognised when goods are delivered and title has passed to the customers. Sales represent amounts receivable for goods sold in the normal course of business, net of returns and trade discounts.

Dividend income represents gross dividend from unquoted investments and is recognised when the shareholder's right to receive payment is established.

Management fee is recognised on time basis, in respect of services rendered and by reference to the agreements entered into.

Foreign currencies

The financial statements of the Group and the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group and the Company operates (its functional currency).

In preparing the financial statements of the Group and the Company, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the date of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Employee benefits

(a) **Short term benefits**

Wages, salaries, paid leave and bonuses are recognised in the year in which the associated services are rendered by employees of the Group and of the Company.

(b) **Defined contribution plan**

The Group and the Company are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' salaries. Once the contributions have been paid, the Group and the Company have no further payment obligations. The Group's and the Company's contribution to EPF are disclosed separately. The employees' contributions to EPF are included in staff costs.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

(c) **Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The subsidiary companies are consolidated using the acquisition method of accounting whereby, on acquisition, the assets acquired and liabilities and contingent liabilities assumed of the subsidiary companies are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for freehold land and plant and machinery under installation which are not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets. The annual depreciation rates are as follows:

Buildings under long leases	2% - 4%
Plant and machinery	5% - 66.67%
Motor vehicles	10% - 20%
Equipment, furniture, fixture and fittings	6.67% - 50%

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the property, plant and equipment.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Prepaid lease payments

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The upfront payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments that are amortised over the lease term on a straight-line basis and charged to the profit or loss for the period.

Investments

Investment in unquoted shares of subsidiary companies and other investments in unquoted shares are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amounts of the investments are assessed and written down immediately to its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of raw materials comprises the original purchase price plus the cost of bringing the inventories to their present location and condition. The costs of work-in-progress and finished goods include the cost of raw materials, direct labour and a proportion of the manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable values, due allowance is made for all obsolete and slow moving inventories.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the avoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Financial instruments

(a) **Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value though profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(b) **Financial instrument categories and subsequent measurement**

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(i) **Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(ii) **Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group and the Company have the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(iii) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(iv) **Available-for-sale financial assets**

Available-for-sale category comprises non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of unquoted equity instruments are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and interest calculated using the effective interest method which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into statement of comprehensive income.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(c) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, and fixed and call deposits) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

For an equity investment classified as available for sale, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount of the assets is reduced by the impairment loss directly except for trade receivables where the carrying amount is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

Impairment losses recognised in other comprehensive income for an investment in an equity instrument is not reversed through profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Group and the Company review the carrying amounts of the non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Treasury shares

Shares bought back held as treasury shares are accounted for on the cost method and presented as a deduction from equity. Should such shares be cancelled, their nominal amounts will be eliminated, and the differences between their cost and nominal amounts will be taken to reserves as appropriate.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Statements of cash flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) **Impairment of non-financial assets**

The Group and the Company assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period, and non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The preparation of estimated future cash flows involves significant judgement and estimations. Based on existing knowledge, the Group and the Company believe that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to changes in impairment charges.

(b) **Useful lives and residual value of property, plant and equipment**

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed at the end of each reporting period and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives and residual values of property, plant and equipment are based on the internal technical evaluation, maintenance programmes and experience with similar assets in the same industry. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of depreciation expense for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual values of the property, plant and equipment would increase the depreciation expense and decrease the carrying amounts of property, plant and equipment.

(c) **Allowance for doubtful debts**

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade receivables and doubtful debts expenses in the reporting period in which such estimate has been changed.

(d) **Inventories**

In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period.

5. REVENUE

	The Group		**The Company**	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Manufacturing and marketing of steel products	1,126,993,004	1,206,094,531	-	-
Dividend income from other investments	588	53,830	588	53,830
Management fee from subsidiary company (Note 18)	-	-	4,800,000	4,800,000
Rental income (Note 18)	-	-	51,840	51,840
	1,126,993,592	1,206,148,361	4,852,428	4,905,670

6. SEGMENT REPORTING

Business segments

For management purposes, the Group is organised into the following operating divisions:

- Cold rolled and coated steel products
- Investment holding
- Others (including direct/indirect subsidiary company which is dormant)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	The Group			
	Segment revenue		**Segment profit**	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Cold rolled and coated steel products	1,126,993,004	1,206,094,531	29,373,531	29,472,364
Investment holding	4,918,428	4,933,170	1,018,770	1,604,199
Others	-	-	(486,065)	(13,862)
	1,131,911,432	1,211,027,701	29,906,236	31,062,701
Less: Eliminations	(4,917,840)	(4,879,340)	-	-
	1,126,993,592	1,206,148,361	29,906,236	31,062,701
Investment revenue			7,606,864	7,501,243
Finance costs			(144)	(542)
Profit before tax			37,512,956	38,563,402
Income taxes			(9,505,252)	(9,012,621)
Profit for the year			28,007,704	29,550,781

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

	Segment assets		Segment liabilities	
	2012	2011	2012	2011
The Group	RM	RM	RM	RM
Cold rolled and coated steel products	623,956,495	820,120,877	39,542,331	37,607,412
Investment holding	207,432,772	15,461,261	535,441	511,699
Others	12,776,586	1,034,159	1,026,679	11,943
	844,165,853	836,616,297	41,104,451	38,131,054
Unallocated	3,412,287	9,667,696	33,375,819	36,385,918
Total	847,578,140	846,283,993	74,480,270	74,516,972

Other segment information

	Capital additions		Depreciation of property, plant and equipment	
	2012	2011	2012	2011
The Group	RM	RM	RM	RM
Cold rolled and coated steel products	28,890,933	18,809,189	38,347,490	40,036,754
Investment holding	3,700	32,588	97,184	88,237
Others	10,219,842	9,970	10,265	-
	39,114,475	18,851,747	38,454,939	40,124,991

Geographical segments

The Group's revenue from external customers by geographical location is detailed below:

The Group	Malaysia RM	Asia Pacific RM	Consolidated RM
Year ended December 31, 2012			
Revenue from external customers by location of customers	1,021,255,131	105,738,461	1,126,993,592
Segment asset by location of assets	847,578,140	-	847,578,140
Capital expenditure by location of assets	39,114,475	-	39,114,475

The Group	**Malaysia RM**	**Asia Pacific RM**	**Consolidated RM**
Year ended December 31, 2011			
Revenue from external customers by location of customers	1,044,534,246	161,614,115	1,206,148,361
Segment asset by location of assets	846,283,993	-	846,283,993
Capital expenditure by location of assets	18,851,747	-	18,851,747

7. INVESTMENT REVENUE

	The Group		**The Company**	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Interest income from fixed income fund, fixed deposits and short-term placements with licensed banks	7,606,864	7,501,243	371,086	599,319

8. FINANCE COSTS

	The Group	
	2012 RM	**2011 RM**
Interest expense on bank overdraft	144	542

9. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging):

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Changes in inventories of finished goods and work-in-progress	5,327,269	14,511,910	-	-
Realised gain on foreign exchange	7,584,089	8,279,429	-	-
Unrealised gain on foreign exchange	-	219,879	-	-
Gain on disposal of property, plant and equipment	3,100	19,400	-	-
Raw materials and consumables used	(969,360,720)	(1,064,475,140)	-	-
Depreciation of property, plant and equipment (Note 12)	(38,454,939)	(40,124,991)	(82,128)	(81,987)
Staff costs	(28,016,404)	(26,844,602)	(2,717,169)	(2,508,897)
Write-down of inventories	(12,662,632)	(20,982,332)	-	-
Provision for onerous contracts	(4,846,952)	(6,054,583)	-	-
Directors' remuneration:				
The directors of the Company	(336,915)	(349,603)	(336,915)	(349,603)
The directors of the subsidiary companies	(399,876)	(427,371)	-	-
Impairment loss on other investments	(249,200)	-	(249,200)	-
Amortisation of prepaid lease payments (Note 13)	(237,169)	(237,386)	-	-
Audit fee:				
Statutory	(112,900)	(77,400)	(24,000)	(18,000)
Others	(3,500)	(18,000)	(3,500)	(3,000)
Property, plant and equipment written off	(18,337)	(51,264)	-	-
Rental of building	(45,520)	(5,500)	-	-

Staff costs include salaries, contributions to EPF, bonuses and all other related expenses. EPF contributions made during the financial year by the Group and the Company amounted to RM2,789,350 (2011: RM2,567,531) and RM298,524 (2011: RM264,240) respectively.

Directors' remuneration consists of:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Executive directors:				
Salaries and other emoluments	587,655	625,782	241,320	253,688
Benefits-in-kind	54,336	56,392	795	1,115
Non-executive directors:				
Fees	94,800	94,800	94,800	94,800
	736,791	776,974	336,915	349,603

10. INCOME TAXES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Estimated tax payable:				
Current year	11,919,135	16,109,505	404,510	509,053
Under/(Over)provision in prior years	595,905	(2,577,203)	134	(59,244)
	12,515,040	13,532,302	404,644	449,809
Deferred tax (Note 23):				
Current year	(2,978,137)	(7,007,623)	-	-
(Over)/Underprovision in prior year	(31,651)	2,487,942	-	-
	(3,009,788)	(4,519,681)	-	-
	9,505,252	9,012,621	404,644	449,809

A numerical reconciliation of income tax expense to profit before tax at the applicable statutory income tax rate to tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Profit before tax	37,512,956	38,563,402	1,367,826	2,197,982
Tax at the statutory income tax rate of 25%	9,378,239	9,640,851	341,957	549,496
Tax effect of expenses not deductible in determining taxable profit	436,382	213,681	135,387	51,333
Utilisation of investment tax allowances previously not recognised	-	(102,436)	-	-
Tax effect of income not taxable in determining taxable profit	(817,513)	(581,196)	(72,834)	(91,776)
Tax effect of double deduction on import insurance	(56,110)	(69,018)	-	-
Under/(Over)provision in prior years:				
Current tax	595,905	(2,577,203)	134	(59,244)
Deferred tax	(31,651)	2,487,942	-	-
Tax expense for the year	9,505,252	9,012,621	404,644	449,809

Tax savings from utilisation of unutilised investment tax allowances of the Group amounted to RM Nil (2011: RM102,436).

As of December 31, 2012, the subsidiary companies have the following tax-exempt income accounts amounting to about:

(a) RM229,455,000 (2011: RM229,455,000) arising from investment tax allowances claimed and utilised under the Promotion of Investment Act, 1986;

(b) RM2,113,900 (2011: RM2,113,900) arising from reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967; and

(c) RM269,000 (2011: RM269,000) arising from chargeable income waived in 1999 in accordance with Section 12 of the Income Tax (Amended) Act, 1999.

The balances in the tax exempt income accounts, which are subject to the agreement with the tax authorities, is available for distribution of tax exempt dividends up to the shareholders of the Company.

11. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the Group's profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2012	**2011**
	RM	**RM**
Profit for the year	28,007,704	29,550,781
Weighted average number of ordinary shares of RM1 in issue	373,122,854	373,200,000
Basic earnings per ordinary share (sen)	7.51	7.92

12. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	**Freehold land RM**	**Buildings under long leases RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Equipment, furniture, fixture and fittings RM**	**Plant and machinery under installation RM**	**Total RM**
Balance at January 1, 2011	4,170,809	76,663,227	468,621,091	4,337,391	22,155,051	3,378,973	579,326,542
Arising from acquisition of subsidiary company (Note 14)	-	750,000	-	-	-	-	750,000
Additions	-	28,898	3,720,235	-	9,150	15,093,464	18,851,747
Disposals/Write-offs	-	-	(1,394,830)	(61,511)	(228,986)	-	(1,685,327)
Reclassification	-	491,895	3,910,063	56,000	1,116,629	(5,574,587)	-
Balance at December 31, 2011/ January 1, 2012	4,170,809	77,934,020	474,856,559	4,331,880	23,051,844	12,897,850	597,242,962
Additions	-	39,290	8,568,026	233,500	2,200,437	28,073,222	39,114,475
Disposals/Write-offs	-	-	(3,284,863)	(59,231)	(71,745)	-	(3,415,839)
Reclassification	-	-	1,142,378	-	717,953	(1,860,331)	-
Balance at December 31, 2012	4,170,809	77,973,310	481,282,100	4,506,149	25,898,489	39,110,741	632,941,598

(Forward)

Accumulated depreciation	**Freehold land RM**	**Buildings under long leases RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Equipment, furniture, fixture and fittings RM**	**Plant and machinery under installation RM**	**Total RM**
Balance at January 1, 2011	-	29,717,820	236,288,254	3,389,422	13,568,330	-	282,963,826
Charge for the year	-	4,002,326	32,661,665	512,249	2,948,751	-	40,124,991
Disposals/Write-offs	-	-	(1,344,672)	(61,511)	(182,958)	-	(1,589,141)
Balance at December 31, 2011/ January 1, 2012	-	33,720,146	267,605,247	3,840,160	16,334,123	-	321,499,676
Charge for the year	-	4,028,112	31,805,751	268,554	2,352,522	-	38,454,939
Disposals/Write-offs	-	-	(3,274,657)	(59,231)	(60,310)	-	(3,394,198)
Balance at December 31, 2012	-	37,748,258	296,136,341	4,049,483	18,626,335	-	356,560,417

(Forward)

Accumulated impairment loss	**Freehold land RM**	**Buildings under long leases RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Equipment, furniture, fixture and fittings RM**	**Plant and machinery under installation RM**	**Total RM**
Balance at January 1, 2011	-	-	11,902,385	-	319,091	-	12,221,476
Write-offs	-	-	(44,922)	-	-	-	(44,922)
Balance at December 31, 2011/ January 1, 2012	-	-	11,857,463	-	319,091	-	12,176,554
Write-offs	-	-	-	-	(3,304)	-	(3,304)
Balance at December 31, 2012	-	-	11,857,463	-	315,787	-	12,173,250
Net book value							
Balance at December 31, 2012	4,170,809	40,225,052	173,288,296	456,666	6,956,367	39,110,741	264,207,931
Balance at December 31, 2011	4,170,809	44,213,874	195,393,849	491,720	6,398,630	12,897,850	263,566,732
Balance at January 1, 2011	4,170,809	46,945,407	220,430,452	947,969	8,267,630	3,378,973	284,141,240

(Forward)

The Company

	Furniture and fittings RM	Buildings RM	Total RM
Cost			
Balance at January 1, 2011	326,493	771,384	1,097,877
Additions	3,690	28,898	32,588
Balance at December 31, 2011/ December 31, 2012	330,183	800,282	1,130,465
Accumulated depreciation			
Balance at January 1, 2011	8,782	13,440	22,222
Charge for the year	65,901	16,086	81,987
Balance at December 31, 2011/ January 1, 2012	74,683	29,526	104,209
Charge for the year	66,043	16,085	82,128
Balance at December 31, 2012	140,726	45,611	186,337
Net book value			
Balance at December 31, 2012	189,457	754,671	944,128
Balance at December 31, 2011	255,500	770,756	1,026,256
Balance at January 1, 2011	317,711	757,944	1,075,655

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use with an aggregate cost of approximately RM91,474,000 (2011: RM63,920,000).

13. PREPAID LEASE PAYMENTS

	Long-term Leasehold Land The Group December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Cost:			
At beginning of year	22,957,863	22,957,863	22,779,880
Additions during the year	-	-	177,983
Compulsory acquisition by the government	(47,662)	-	-
At end of year	22,910,201	22,957,863	22,957,863
Less: Cumulative amortisation			
At beginning of year	(3,941,565)	(3,704,179)	(3,467,792)
Amortisation for the year (Note 9)	(237,169)	(237,386)	(236,387)
Compulsory acquisition by the government	9,026	-	-
At end of year	(4,169,708)	(3,941,565)	(3,704,179)
Net	18,740,493	19,016,298	19,253,684

Prepaid lease payments relate to the lease of land for the Group's factory and office buildings located in Ayer Keroh. The lease will expire in year 2092 and the Group does not have an option to purchase the leased land at the expiry of the lease period.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Unquoted shares - at cost	415,445,306	415,445,306	414,445,306
Less: Accumulated impairment losses			
At beginning of year	(28,412,775)	(28,412,775)	-
Impairment loss recognised in the year	-	-	(28,412,775)
At end of year	(28,412,775)	(28,412,775)	(28,412,775)
Net	387,032,531	387,032,531	386,032,531

In prior year:

(a) CSC Steel Sdn. Bhd. ("CSCS"), a subsidiary company, transferred its entire equity interests in CSC Bio-Coal Sdn. Bhd. (formerly known as Ornaconstruction Corporation Sdn. Bhd.) ("CSCBC") to the Company for a cash consideration of RM100,000; and subsequently, the Company subscribed for an additional 900,000 new ordinary shares of RM1 each in the share capital of CSCBC; and

(b) CSCS acquired Constant Mode Sdn. Bhd. ("CMSB"), a company incorporated in Malaysia from a third party for a total cash consideration of RM750,000.

In 2011, the effect of acquisition of CMSB on the financial position of the Group was as follows:

	Fair value recognised on acquisition 2011 RM	**Acquirees' carrying amount 2011 RM**
Property, plant and equipment	750,000	750,000
Cash on hand	12,100	12,100
Other payables and accrued expenses	(11,000)	(11,000)
Tax liabilities	(1,100)	(1,100)
Fair values of net assets acquired	750,000	750,000
Less: Cash and cash equivalents	(12,100)	
Cash outflow on acquisition, net of cash acquired	737,900	

In 2011, the post acquisition profit of CMSB acquired:

	2011 RM
Revenue	27,500
Other expense	(21,964)
Profit before tax	5,536
Tax expense	(5,211)
Increase in Group profit attributable to shareholders	325

Details of the subsidiary companies, all incorporated in Malaysia, are as follows:

Direct subsidiary company	**Effective percentage ownership** December 31, 2012	December 31, 2011	January 1, 2011	**Principal activity**
CSC Steel Sdn. Bhd.	100%	100%	100%	Manufacturing and marketing of steel products.
Group Steel Corporation (M) Sdn. Bhd.	100%	100%	100%	Ceased operations.
CSC Bio-Coal Sdn. Bhd.	100%	100%	-	Re-commenced its business activity in 2011 in production of bio-coal.
Indirect subsidiary company				
CSC Bio-Coal Sdn. Bhd. (held through CSC Steel Sdn. Bhd.)	-	-	100%	Ceased operations.
Constant Mode Sdn. Bhd. * (held through CSC Steel Sdn. Bhd.)	100%	100%	-	Investment holding in real property.

* The financial statements of this subsidiary company are audited by auditors other than the auditors of the Company.

15. OTHER INVESTMENTS

	The Group and The Company		
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Available-for sale investment carried at fair value			
In Malaysia:			
Quoted shares	1,145,208	-	-
Other investment carried at amortised cost			
Outside Malaysia:			
Unquoted shares	2,311,200	2,311,200	2,311,200
Less: Impairment loss recognised in the year	(249,200)	-	-
Net	2,062,000	2,311,200	2,311,200
	3,207,208	2,311,200	2,311,200
Market value of quoted shares	1,145,208	-	-

16. INVENTORIES

	The Group		
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
At cost:			
Consumables	27,352,341	25,314,388	19,721,245
At net realisable value:			
Raw materials	60,432,125	72,560,168	72,325,496
Work-in-progress	43,182,802	39,807,378	45,563,513
Finished goods	63,976,166	62,024,321	41,756,276
	167,591,093	174,391,867	159,645,285
	194,943,434	199,706,255	179,366,530

The cost of inventories recognised as an expense of the Group includes RM12,662,632 (December 31, 2011: RM20,982,332; January 1, 2011: RM12,783,465) in respect of write-downs of inventories to net realisable value.

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for the sales of goods. The credit period granted on sales of goods ranges from cash terms to 60 days (December 31, 2011: cash terms to 60 days; January 1, 2011: cash terms to 60 days).

The currency exposure profile of trade receivables of the Group is as follows:

	The Group		
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Ringgit Malaysia	91,682,418	82,270,653	81,418,722
United States Dollar	5,206,389	4,649,709	9,865,905
	96,888,807	86,920,362	91,284,627

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

To reduce potential losses related to settlement risk, the Group requires certain customers that do not meet its credit standards to post collateral in order to ensure their performance of settlement obligations arising from sales. The Group holds collateral in the form of various guarantees and letter of credit. Guarantees and letter of credit are excluded from the statements of financial position. The Group maintained collateral as follows:

	The Group		
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Personal guarantee	35,994,081	32,796,851	38,882,934
Corporate guarantee	33,242,086	29,941,335	21,798,804
Bank guarantee	2,863,072	4,405,622	5,335,379
Letter of credit	5,206,389	4,649,709	7,190,776
Total	77,305,628	71,793,517	73,207,893

Ageing of past due but not impaired:

	The Group		
	December 31, 2012 RM	**December 31, 2011 RM**	**January 1, 2011 RM**
Overdue 1 - 60 days	23,938,357	26,368,168	23,090,713
Average age (days)	30	30	30

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Other receivables and prepaid expenses consist of:

The Group	**December 31, 2012 RM**	**December 31, 2011 RM**	**January 1, 2011 RM**
Deposit paid for acquisition of other investment	817,680	-	-
Refundable deposits	5,247,550	5,205,180	5,199,280
Other receivables	1,009,829	1,741,066	1,643,931
Advance payments to suppliers	1,563,352	24,415,655	3,595,170
Prepaid expenses	339,688	528,185	579,251
Interest receivable	281,853	14,830	42,047
	9,259,952	31,904,916	11,059,679
The Company			
Deposit paid for acquisition of other investment	817,680	-	-
Refundable deposits	5,000	5,000	5,000
Other receivables	74,577	-	4,083
Prepaid expenses	1,200	-	-
Interest receivable	81,008	-	18,274
	979,465	5,000	27,357

Included in refundable deposits of the Group is a security deposit in respect of purchase of raw materials amounting to RM5,000,000 (December 31, 2011: RM5,000,000; January 1, 2011: RM5,000,000) paid to a supplier.

Advance payments to suppliers represents trade term required for purchase of raw materials by the suppliers under normal course of business of a subsidiary company.

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of China Steel Asia Pacific Holdings Pte. Ltd., a company incorporated in the Republic of Singapore. The directors regard China Steel Corporation, a company incorporated in Taiwan, as the ultimate holding company.

Amount due from/(to) ultimate holding company, which is denominated in United States Dollar, arose mainly from trade transactions and payments on behalf, is unsecured, interest-free and repayable on demand. Included in amount due from ultimate holding company is a security deposit in respect of purchase of raw materials amounting to RM16,995,000 (December 31, 2011 and January 1, 2011: RM Nil).

Amount due from subsidiary company in 2011, eliminated on consolidation, which is denominated in Ringgit Malaysia, arose mainly from unsecured advances, was interest-free and repayable on demand.

Amount due from other related company, which is denominated in United States Dollar, arose mainly from payments on behalf, is interest-free and repayable on demand.

Amount due to other related companies, which is denominated in United States Dollar, arose mainly from purchases of raw materials, purchase of property, plant and equipment, and advances, is unsecured, interest-free and repayable on demand except for liabilities arising from purchases of raw materials which are payable within the normal trade terms of 14 days (December 31, 2011: 14 days; January 1, 2011: 14 days).

Related party refer to a consultancy firm in which Mr. Chong Khim Leong @ Chong Kim Leong, a director of the Company, is also a member.

During the financial year, significant transactions undertaken on basis agreed with related companies are as follows:

The Group	**December 31, 2012 RM**	**December 31, 2011 RM**	**January 1, 2011 RM**
Ultimate holding company			
Purchases of raw materials	432,499,521	459,173,651	557,737,867
Other related companies			
Sales of goods	-	415,154	-
Purchases of raw materials	24,560,170	77,918,112	63,655,993
Purchases of spare parts and consumables	1,794,835	2,031,880	902,958
Purchase of property, plant and equipment	8,778,454	1,084,666	688,837
Sales commission paid and payable	58,489	86,906	-
Technical fees paid and payable	109,067	89,702	24,966
Related party			
Consultancy fee paid	1,000	7,825	-
The Company			
Subsidiary companies			
Advances to	9,550,000	-	-
Management fee receivable (Note 5)	4,800,000	4,800,000	4,800,000
Rental received (Note 5)	51,840	51,840	17,680

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Group and of the Company.

The remuneration of key management personnel during the year are as follows:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Short-term benefits	1,063,292	1,037,423	1,186,454
Post-employment benefits	149,229	146,185	183,633
The Company			
Short-term benefits	304,227	315,195	286,143
Post-employment benefits	32,688	34,408	31,441

19. FIXED INCOME FUND, FIXED DEPOSITS, SHORT-TERM PLACEMENTS AND CASH AND BANK BALANCES

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Fixed deposits and short- term placements with licensed banks	150,920,767	144,347,011	208,505,340
Fixed income fund with licensed financial institutions	79,344,739	75,540,608	77,635,002
Cash and bank balances	6,567,459	13,302,915	4,928,920
	236,832,965	233,190,534	291,069,262
The Company			
Fixed deposits and short- term placements with licensed banks	52,400,000	-	65,500,000
Fixed income fund with licensed financial institutions	19,116,577	10,863,259	10,549,986
Cash and bank balances	303,164	487,635	416,788
	71,819,741	11,350,894	76,466,774

Fixed income fund of the Group is denominated in Ringgit Malaysia. The currency exposure profile of fixed deposits and short-term placements, cash and bank balances of the Group is as follows:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Fixed deposits and short-term placements			
Ringgit Malaysia	150,920,767	144,347,011	202,500,000
United States Dollar	-	-	6,005,340
	150,920,767	144,347,011	208,505,340
Cash and bank balances			
Ringgit Malaysia	6,033,813	9,012,925	4,885,856
United States Dollar	533,646	4,289,990	43,064
	6,567,459	13,302,915	4,928,920

Fixed income fund has no maturity period and a notice of 1 to 30 days is required for withdrawals. The maturity period for fixed deposits and short-term placements of the Group ranges from overnight to 1 year (December 31, 2011: overnight to 1 year; January 1, 2011: overnight to 1 year).

The interest rates are as follows:

The Group and The Company	December 31, 2012 %	December 31, 2011 %	January 1, 2011 %
Fixed deposits and short-term placements with licensed banks	2.88 - 3.72	2.70 - 3.88	1.80 - 3.50
Fixed income fund with licensed financial institutions	2.75 - 3.17	2.59 - 3.84	2.25 - 3.68

20. SHARE CAPITAL

The Group and The Company	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Authorised:			
1,000,000,000 ordinary shares of RM1 each	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:			
380,000,000 ordinary shares of RM1 each	380,000,000	380,000,000	380,000,000

21. TREASURY SHARES

The Group and The Company	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
At cost:			
At beginning of year	(7,415,698)	(7,415,698)	(7,415,698)
Repurchased during the year	(576,521)	-	-
At end of year	(7,992,219)	(7,415,698)	(7,415,698)
Number of treasury shares	7,284,100	6,800,000	6,800,000
Total number of outstanding shares in issue after set off (excluding treasury shares held)	372,715,900	373,200,000	373,200,000
Total number of issued and fully paid ordinary shares	380,000,000	380,000,000	380,000,000

22. RESERVES

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Distributable reserve:			
Retained earnings	368,625,284	366,741,580	385,706,799
Non-distributable reserve:			
Share premium	32,441,139	32,441,139	32,441,139
Investment revaluation	23,666	-	-
	401,090,089	399,182,719	418,147,938

The Company	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Distributable reserve:			
Retained earnings	59,464,362	84,625,180	131,393,007
Non-distributable reserve:			
Share premium	32,441,139	32,441,139	32,441,139
Investment revaluation	23,666	-	-
	91,929,167	117,066,319	163,834,146

Retained earnings

Distributable reserves are those available for distribution as dividends.

In accordance with the Finance Act 2007, the single tier tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

As of December 31, 2012, the Company is under the single tier tax system.

Share premium

Share premium arose from the issuance of 379,999,998 ordinary shares of RM1 each for the acquisitions of CSC Steel Sdn. Bhd. and Group Steel Corporation (M) Sdn. Bhd. at an issue price of approximately RM1.09 per ordinary share in prior years.

23. DEFERRED TAX LIABILITIES

The Group	At beginning of year RM	Recognised in profit or loss (Note 10) RM	At end of year RM
As of December 31, 2012			
Deferred tax liability:			
Temporary differences in respect of:			
Property, plant and equipment	(44,365,850)	4,911,111	(39,454,739)
Deferred tax assets:			
Temporary differences in respect of:			
Inventories	5,245,583	(868,187)	4,377,396
Other payables and accrued expenses	2,734,660	(1,033,136)	1,701,524
	7,980,243	(1,901,323)	6,078,920
	(36,385,607)	3,009,788	(33,375,819)
As of December 31, 2011			
Deferred tax liability:			
Temporary differences in respect of:			
Property, plant and equipment	(46,204,231)	1,838,381	(44,365,850)
Deferred tax assets:			
Temporary differences in respect of:			
Inventories	3,195,866	2,049,717	5,245,583
Other payables and accrued expenses	2,103,077	631,583	2,734,660
	5,298,943	2,681,300	7,980,243
	(40,905,288)	4,519,681	(36,385,607)

The Group	At beginning of year RM	Recognised in profit or loss RM	At end of year RM
As of January 1, 2011			
Deferred tax liability:			
Temporary differences in respect of:			
Property, plant and equipment	(46,843,928)	639,697	(46,204,231)
Deferred tax assets:			
Temporary differences in respect of:			
Inventories	589,623	2,606,243	3,195,866
Other payables and accrued expenses	2,075,877	27,200	2,103,077
	2,665,500	2,633,443	5,298,943
	(44,178,428)	3,273,140	(40,905,288)

As mentioned in Note 3, deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2012, the estimated amount of unused tax losses and unabsorbed capital allowances pertaining to a subsidiary company, for which deferred tax assets have not been recognised in the financial statements due to uncertainty of their realisation, are as follows:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Unused tax losses	1,958,000	1,958,000	1,958,000
Unabsorbed capital allowances	6,000	6,000	6,000
	1,964,000	1,964,000	1,964,000

The unused tax losses and unabsorbed capital allowances of the subsidiary company are subject to the agreement by the tax authorities.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchases is 60 days (December 31, 2011: 60 days; January 1, 2011: 60 days).

The currency exposure profile of trade payables of the Group is as follows:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Ringgit Malaysia	3,255,769	3,623,695	23,109,876
United States Dollar	-	-	1,536,607
	3,255,769	3,623,695	24,646,483

Other payables and accrued expenses consist of:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Other payables	10,244,189	8,670,355	8,449,063
Advances received from customers	12,337,053	6,572,282	4,641,104
Retention sum payable to contractors for installation of plant and machinery	1,317,521	736,227	978,061
Accrued expenses	8,314,490	9,575,606	8,534,853
Provision for onerous contracts	4,846,952	6,054,583	3,112,497
	37,060,205	31,609,053	25,715,578
The Company			
Other payables	237,031	221,397	157,200
Accrued expenses	292,210	285,213	464,428
	529,241	506,610	621,628

The provision for onerous contracts represents purchase commitments for raw materials that the Group is presently obligated to make under non-cancellable onerous contracts, less revenue expected to be earned.

25. SHORT-TERM BORROWING (SECURED)

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Bank overdraft (Note 29)	-	-	258,470

The Group has bank overdrafts and other credit facilities amounting to RM154,500,000 (December 31, 2011: RM200,500,000; January 1, 2011: RM207,500,000) obtained from certain local licensed banks. These credit facilities bear interest at rates ranging from 3.68% to 7.35% (December 31, 2011: 4.04% to 7.35%; January 1, 2011: 3.87% to 7.05%) per annum and are secured by a debenture covering floating charges over all present and future assets of the subsidiary company and a corporate guarantee from the Company. As of December 31, 2012, the said facilities remained unutilised.

26. DIVIDENDS

The Group and The Company	December 31, 2012 RM	December 31, 2011 RM
In respect of financial year ended December 31, 2011:		
Final single tier dividend - 5% per share	18,660,000	-
Special single tier dividend - 2% per share	7,464,000	-
In respect of financial year ended December 31, 2010:		
Final single tier dividend - 10% per share	-	37,320,000
Special single tier dividend - 3% per share	-	11,196,000
	26,124,000	48,516,000

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(i) Categories of Financial Instruments

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Financial Assets:			
Other investment	2,062,000	2,311,200	2,311,200
Trade receivables	96,888,807	86,920,362	91,284,627
Amount due from ultimate holding company	3,046,177	-	1,828,665
Amount due from other related company	43,886	-	-
Other receivables	1,291,682	1,755,896	1,685,978
Refundable deposits	22,242,550	5,205,180	5,199,280
Fixed deposits and short-term placements, fixed income fund, cash and bank balances	236,832,965	233,190,534	291,069,262
Total loans and receivables, at amortised cost	362,408,067	329,383,172	393,379,012
Available-for sale investment carried at fair value	1,145,208	-	-

(Forward)

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Financial Liabilities:			
Trade payables	3,255,769	3,623,695	24,646,483
Amount due to ultimate holding company	-	269,570	-
Amount due to other related companies	788,477	2,628,736	190,007
Other payables	10,244,189	8,670,355	8,449,063
Short-term borrowing (secured)	-	-	258,470
Accrued expenses	8,314,490	9,575,606	8,534,853
Total financial liabilities, at amortised cost	22,602,925	24,767,962	42,078,876
The Company			
Financial Assets:			
Other investment	2,062,000	2,311,200	2,311,200
Amount due from subsidiary company	-	88,100,000	71,000,000
Other receivables	155,585	-	22,357
Refundable deposits	5,000	5,000	5,000
Fixed deposits and short-term placements, fixed income fund, cash and bank balances	71,819,741	11,350,894	76,466,774
Total loans and receivables, at amortised cost	74,042,326	101,767,094	149,805,331
Available-for sale investment carried at fair value	1,145,208	-	-

(Forward)

The Company	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Financial Liabilities:			
Other payables	237,031	221,397	157,200
Accrued expenses	292,210	285,213	464,428
Total financial liabilities, at amortised cost	529,241	506,610	621,628

(ii) The operations of the Group are subject to a variety of financial risks, such as market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

(a) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The key features of the Group's market risk management practices and policies is a group-wide market risk policy setting out the evaluation and determination of what constitutes market risk for the Group.

(b) **Foreign currency risk**

The Group undertakes certain transactions in foreign currencies where the amounts outstanding are exposed to foreign currency risk. The Group monitors its foreign exchange exposure closely.

The Group did not engage in any transactions involving financial derivatives instruments during the financial year.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Assets			
United States Dollar (Notes 17, 18 and 19)	8,830,098	8,939,699	17,742,974
Liabilities			
United States Dollar (Notes 18 and 24)	893,127	2,898,306	1,726,614

Foreign currency sensitivity

The Group is mainly exposed to the currency of United States of America (USD).

The following table details the Group's sensitivity to a 10% increase and decrease in the RM against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit and other equity where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be positive.

		Impact of USD	
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Profit or loss	793,697	604,139	1,601,636

This is mainly attributable to the exposure outstanding on USD receivables and payables of the Group at the end of the reporting period.

(c) **Interest rate risk**

The interest rate profile of the Group's and the Company's significant interest-earning financial asset, based on carrying amounts as at the end of the reporting period are as follows:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Fixed rate instruments			
Financial assets	230,265,506	219,887,619	286,140,342
The Company			
Fixed rate instruments			
Financial assets	71,516,577	10,863,259	76,049,986

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. A change in interest rates at the end of the reporting period will not have a significant effect on profit or loss.

(d) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of customers.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, saved and except for a refundable deposit of RM5,000,000 placed with a supplier of raw materials which company's working capital ratio for the year ended June 30, 2012 was 0.28 (June 30, 2011: 0.31) and with a negative shareholders' fund. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to few major customers did not exceed 10% of gross monetary assets at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

(e) **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(f) **Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair values

	The Group and The Company					
	December 31, 2012		**December 31, 2011**		**January 1, 2011**	
	Carrying Amount RM	**Fair Value RM**	**Carrying Amount RM**	**Fair Value RM**	**Carrying Amount RM**	**Fair Value RM**
Financial Assets:						
Other investments (Note 15):						
Quoted shares	1,145,208	1,145,208	-	-	-	-
Unquoted shares	2,062,000	*	2,311,200	*	2,311,200	*

* It is not practical to estimate the fair value of the unquoted shares of the Group and of the Company as there is a lack of quoted market prices and related information.

Cash and cash equivalents, short-term borrowing, inter-company indebtedness, receivables and payables

The carrying amounts approximate their fair values because of the short-term maturity of these instruments.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of equity of the Company (comprising issued capital and retained earnings as disclosed in Notes 20 and 22).

29. CASH AND CASH EQUIVALENTS

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Fixed deposits and short-term placements with licensed banks	150,920,767	144,347,011	208,505,340
Fixed income fund with licensed financial institutions	79,344,739	75,540,608	77,635,002
Cash and bank balances	6,567,459	13,302,915	4,928,920
	236,832,965	233,190,534	291,069,262

The Company	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Fixed deposits and short-term placements with licensed banks	52,400,000	-	65,500,000
Fixed income fund with licensed financial institutions	19,116,577	10,863,259	10,549,986
Cash and bank balances	303,164	487,635	416,788
	71,819,741	11,350,894	76,466,774

30. CAPITAL COMMITMENTS

As of December 31, 2012, the Group has the following capital commitments in respect of purchase of property, plant and equipment:

The Group	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Approved and contracted for	4,240,962	19,528,631	5,073,000
Approved but not contracted for	16,829,405	9,119,975	22,586,000
	21,070,367	28,648,606	27,659,000

31. CONTINGENT LIABILITIES - UNSECURED

As of December 31, 2012, the Company has issued corporate guarantees totalling RM154,500,000 (December 31, 2011: RM200,500,000; January 1, 2011: RM207,500,000) in respect of credit facilities granted by certain local licensed banks to its subsidiary company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company as of December 31, 2012. As of December 31, 2012, the credit facilities were unutilised.

32. SUPPLEMENTARY INFORMATION – DISCLOSURE ON REALISED AND UNREALISED PROFITS/LOSSES

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

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

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2012 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries				
Realised	432,880,586	434,994,422	59,464,362	84,625,180
Unrealised	(38,222,771)	(42,220,311)	-	-
	394,657,815	392,774,111	59,464,362	84,625,180
Less: Consolidation adjustments	(26,032,531)	(26,032,531)	-	-
Total retained earnings as per statements financial position	368,625,284	366,741,580	59,464,362	84,625,180

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **CSC STEEL HOLDINGS BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2012 and of their financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 32 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

CHEN, HIGH-PINN

TAN CHIN TENG

Melaka
April 8, 2013

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **TAN CHIN TENG**, the director primarily responsible for the financial management of **CSC STEEL HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN CHIN TENG

Subscribed and solemnly declared by the abovenamed **TAN CHIN TENG** at **Melaka** this 8th day of April, 2013.

Before me,

COMMISSIONER FOR OATHS