

Notes on the Quarterly Report – Three Months Ended 31 March 2012

PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements have been prepared on the basis of consolidating the results of the subsidiary companies during the three months period under review using the acquisition method of accounting. The interim financial statements are to be read in conjunction with the Company audited annual financial statements for the financial year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

The accounting principles and bases used are consistent with those previously adopted in the preparation of the financial statements of CSC Steel Holdings Berhad ("CHB"), and its subsidiary companies ("Group") until on November 19, 2011, the Malaysia Accounting Standard Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after January 1, 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 *Agriculture* and/or Issues Committee Interpretation 15 *Agreements for the Construction of Real Estate* are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

Accordingly, CHB and its subsidiary companies which are not Transitioning Entities will be required to apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (MFRS 1) effective from 1 January 2012.

The adoption of the MFRSs does not have significant financial impact on the interim financial statements of CHB and the Group.

A2. Qualification of Annual Financial Statements

There has not been any qualification made by the auditors on the annual financial statements of the Group for the financial year ended 31 December 2011.

A3. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

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A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amount affecting assets, liabilities, equity, net income or cash flows.

A5. Material changes in estimates

There were no material changes in estimates of amounts reported in the current quarter under review.

A6. Issuances and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities during the quarter under review.

A7. Dividend Paid

There was no dividend paid during the quarter under review

A8. Segment information

Segmental information in respect of the Group's business segments is as follows:-

	<u>Steel coils*</u> RM'000	<u>Others</u> RM'000	<u>Consolidation adjustment</u> RM'000	<u>Current year to date</u> RM'000
Revenue from external customers	242,193	-	-	242,193
Inter-segment revenue	-	1,230	(1,230)	-
Total revenue	<u>242,193</u>	<u>1,230</u>	<u>(1,230)</u>	<u>242,193</u>
Segment result	<u>5,300</u>	<u>517</u>	<u>(129)</u>	<u>5,688</u>

*Steel coils – cold rolled, galvanized & pre-painted galvanised steel coils

A9. Valuation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for freehold land which is stated at cost. There was no revaluation of property, plant and equipment for the current quarter and financial year to date.

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A10. Material events subsequent to the end of the interim period

CSC Steel Sdn Bhd, a wholly owned subsidiary company of the Group, has been issued with a letter of demand by Jabatan Kastam Diraja Malaysia, Melaka under Section 15(1) Customs Act 1967 (the Act) for payment of customs duty amounting to RM8,258,789.69 for allegedly contravening the conditions of duty exemption approval for the importation of raw material for the period November 2009 to March 2010. The Company is of the view that the claim has no merits since CSC Steel Sdn Bhd has not contravened any conditions of the approval. An appeal has been submitted to the Ministry of Finance under Section 14A of the Act for full remission of the duty demanded.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12. Changes in contingent liabilities

Save as disclosed in A10, as at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A13. Capital commitments

	RM'000
Approved and contracted for	4,934
Approved but not contracted for	21,816
	<u>26,750</u>

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

B1. Review of performance

The Group achieved revenue and profit before tax for the current quarter of RM242.2 million and RM7.8 million respectively. This represents a decrease of RM66.2 million or 21.5% lower in revenue than that of its corresponding quarter. As a result of lower revenue achieved, profit before tax decrease by RM24.1 million or 75.7% from RM31.9 million in the corresponding quarter.

The decrease in revenue and profit before tax is due to the significant decrease in sale volume of all our steel products albeit at marginally higher average selling price.

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B2. Variation of results against preceding quarter

The Group's revenue has decreased by 12.5%, from RM276.9 million in the preceding quarter to RM242.2 million this quarter. The decrease in revenue is primarily due to lower sales volume and selling prices of our steel products.

However the Group's profit before tax increase significantly by 21 folds from RM0.3 million in the preceding quarter to RM7.8 million this quarter mainly due to lower input costs.

B3. Current year prospects

The steel market sentiment for 1st quarter of 2012 was about the same as 4th quarter of last year as the steel demand was still relatively weak. Although steel prices had bottomed out in January but the rising momentum was not strong enough and this had given the Group a tough call to further lift the steel prices.

For the prospect of 2nd quarter, we foresee that the market sentiment to remain weak as the external factors such as the slowdown of China's economic growth and the on-going European debt crisis are likely to adversely affect the buying sentiment globally.

Barring any unforeseen circumstances, the Group is cautiously optimistic on the performance of the Group in 2012.

B4. Variance of actual and forecast profit

Not applicable as the Group does not make any profit forecast for current financial year.

B5. Tax expense/ (income)

	Current quarter RM'000	Current year-to-date RM' 000
Current:		
- Income tax	143	143
- Deferred tax	1,680	1,680
	1,823	1,823
Prior year:		
- Income tax	621	621
- Deferred tax	(246)	(246)
	375	375
Total	<u>2,198</u>	<u>2,198</u>

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The effective tax rate for the period was lower than the statutory income tax rate of 25% due mainly to the following:

- the tax effect of income not taxable in determining taxable profit; and
- the tax effect of double deduction on import insurance.

However, the reduction is partly offset by expenses not deductible for tax purposes.

B6. Status of corporate proposal announced

There is no corporate proposal announced but not completed as at the date of this announcement.

B7. Details of treasury shares

The Company did not buy-back any of its own shares during the quarter under review. As at the end of the reporting quarter, the status of the share buy-back is as follows:-

	Current Year-to-Date -----	Accumulated Total -----
Description of shares purchased:	Ordinary share of RM1.00 each:	
Number of shares purchased:	Nil	6,800,000
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	Nil	6,800,000
Number of treasury shares resold:	Nil	Nil

B8. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings (Secured)		
Bank overdrafts, trust receipts and bankers' acceptances	<u>17</u>	<u>-</u>

B9. Changes in material litigation

Neither CHB nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and save as disclosed in A10, the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

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B10. Dividend recommended by Directors

The Board of Directors has recommended at their last meeting which was announced on 20 February 2012, a final single tier system of dividend of 5% or 5 sen per share and a special single tier system of dividend of 2% or 2 sen per share for the financial year ended 2011 which are subject to the approval of the shareholders in the forthcoming annual general meeting.

This complies with our dividend policy.

B11. Earnings per share

The basic earnings per share and diluted earnings per share for the current quarter and cumulative year to date are computed as follows:-

	Current Quarter	Current Year To-date
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>5,553</u>	<u>5,553</u>
Weighted average number of shares in issue ('000)	<u>373,200</u>	<u>373,200</u>
Basic earnings/(loss) per share (sen)	<u>1.49</u>	<u>1.49</u>
Diluted earnings/(loss) per share (sen)	<u>1.49</u>	<u>1.49</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended 31-Mar-12 RM'000	Financial Year To Date 31-Mar-12 RM'000
a) Other income	315	315
b) Provision for and write off of receivable	-	-
c) Provision for write off of inventories	-	-
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	1,818	1,818
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

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B13. Disclosure of realised and unrealised profits

	Current financial period/financial year (RM'000)	As at end of last financial year (RM'000)
Total retained earnings of the Group		
- Realised	441,508	434,994
- Unrealised	<u>(43,181)</u>	<u>(42,220)</u>
	398,327	392,774
Less: Consolidation adjustment	<u>(26,032)</u>	<u>(26,032)</u>
As per consolidated account	<u><u>372,295</u></u>	<u><u>366,742</u></u>

By order of the Board
Mr. Liang Hsiu-Chang
Group Managing Director
11th May 2012