

Notes on the Quarterly Report – Nine Months Ended 30 September 2012

PART A: EXPLANATORY NOTES AS PER MFRS 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").

Commencing January 1, 2012 the Group has adopted Malaysia Accounting Standard Board approved accounting framework and applied MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (MFRS 1). The adoption of the MFRS 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.

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 was 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.

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A7. Dividend Paid

During the quarter under review 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 were paid on 11th July 2012 to the Company's shareholders whose names appeared on the Register of Members at the close of business on 29th June 2012.

A8. Segment information

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

	<u>Steel coils*</u>	<u>Others</u>	<u>Consolidation</u>	<u>Current</u>
	RM'000	RM'000	<u>adjustment</u>	<u>year</u>
			RM'000	<u>to date</u>
				RM'000
Revenue from external customers	857,419	-	-	857,419
Inter-segment revenue	-	3,689	(3,689)	-
Total revenue	<u>857,419</u>	<u>3,689</u>	<u>(3,689)</u>	<u>857,419</u>
Segment result	<u>24,028</u>	<u>575</u>	<u>(188)</u>	<u>24,415</u>

*Steel coils – cold rolled, galvanised & 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.

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

There was no material event subsequent to the end of the current quarter under review

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

CSC Steel Sdn Bhd, a wholly owned subsidiary company of the Group, had in the second quarter of 2012 submitted an Appeal to the Ministry of Finance under Section 14A of the Customs Act 1967 ('the Act') for full remission of customs duty of RM8,258,789.69 imposed by Customs Malacca for alleged contravention of the conditions of duty exemption approval for CSC Steel Sdn Bhd's importation of raw material from November 2009 to March 2010. The Appeal is still pending.

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A13. Capital commitments

	RM'000
Approved and contracted for	3,787
Approved but not contracted for	19,001
	<u>22,788</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 RM306.6 million and RM8.0 million respectively. This represents a decrease of RM14.0 million or 4.4% lower in revenue than that of its corresponding quarter. Despite the lower revenue, profit before tax increased five folds from a loss of RM2.0 million in the corresponding quarter.

The decrease in revenue is primarily due to lower sales volume of our steel products as well as marginally lower selling prices and the improved profit before tax is due to lower raw materials cost.

B2. Variation of results against preceding quarter

The Group's revenue has decreased marginally by 0.6%, from RM308.6 million in the preceding quarter to RM306.6 million this quarter. The decrease in revenue is primarily due to marginally lower selling prices of our steel products. However, profit before tax reduced significantly by 44.5% or RM6.4 million to RM8.0 million this quarter. The lower profit before tax is due to higher raw materials cost incurred during the quarter under review.

B3. Current year prospects

The Group's sales in third quarter was identical to second quarter as both domestic and international steel market sentiments were about the same. The profit margin of the Group was eroded due to higher raw material costs compared to the second quarter. As for export market, the Group also experienced a decline in sales due to stiff competition from China, Korea, Japan, etc.

The prospect in the fourth quarter remains unpredictable as there is no sign of turnaround in the world steel market at this point in time. Malaysian Government has taken several initiatives to protect the local steel industry such as trade remedies. The Group would take necessary steps to minimize any impact on the Group whilst also seizing opportunities that derived from the trade remedies. Besides, we foresee that domestic steel market sentiment would still be in the driving seat as the domestic demand is expected to continue growing at a moderate pace, largely driven by both the expenditure of government and private.

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Barring any unforeseen circumstances, the Group is cautiously optimistic for achieving a positive result 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	4,812	9,594
- Deferred tax	(2,926)	(2,181)
	1,886	7,413
Prior year:		
- Income tax	(26)	596
- Deferred tax	(28)	(274)
	(54)	322
Total	<u>1,832</u>	<u>7,735</u>

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.

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B7. Details of treasury shares

The Company has begun buying back its own shares following the mandate obtained in the last AGM. 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:	168,400	6,968,400
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	168,400	6,968,400
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>1,025</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 A12, 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.

B10. Dividend recommended by Directors

There was no dividend recommended by the directors during the quarter under review.

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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>6,152</u>	<u>22,385</u>
Weighted average number of shares in issue ('000)	<u>373,171</u>	<u>373,190</u>
Basic earnings/(loss) per share (sen)	<u>1.65</u>	<u>6.00</u>
Diluted earnings/(loss) per share (sen)	<u>1.65</u>	<u>6.00</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended 30-Sep-12 RM'000	Financial Year To Date 30-Sep-12 RM'000
a) Other income	283	831
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)	2,811	5,346
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	428,671	434,994
- Unrealised	<u>(39,636)</u>	<u>(42,220)</u>
	389,035	392,774
Less: Consolidation adjustment	<u>(26,032)</u>	<u>(26,032)</u>
As per consolidated account	<u><u>363,003</u></u>	<u><u>366,742</u></u>

By order of the Board
Mr. Chen, High-Pinn
Group Managing Director
9th November 2012