Notes on the Quarterly Report – Three Months Ended 31 March 2013

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 2012. 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") except during the financial period, the Group has adopted the following applicable new and revised Malaysia Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board that are mandatory for the current financial period:-

- MFRS 101 Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
- 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)]
- MFRS 7 Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)
- MFRS 10 Consolidated Financial Statements
- MFRS 10 Consolidated Financial Statements (Amendments relating to Transition Guidance)
- MFRS 13 Fair Value Measurement
- Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle

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

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

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2010)
- MFRS 132 Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)

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

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 2012.

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 amounts 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.

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:-

	Steel coils*	Others	Consolidation adjustment	Current year to date
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	312,001	41	-	312,042
Inter-segment revenue	-	1,229	(1,229)	-
Total revenue	312,001	1,270	(1,229)	312,042
Segment result	20,897	312	(31)	21,178

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

A9. Valuation of property, plant and equipment

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

There were no contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

However with regards to our appeal to the Ministry of Finance (MOF) for the full remission of the 30% import duty, the MOF had on 29th March 2013 rejected our appeal. This matter is henceforth considered closed.

A13. Capital commitments

	RM'000
Approved and contracted for	5,109
Approved but not contracted for	21,209
	26,318

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 RM312.0 million and RM23.1 million respectively. This represents an increase of RM69.8 million or 28.8% higher in revenue than that of its corresponding quarter. As a result of the higher revenue, profit before tax increased significantly by RM15.3 million from RM7.8 million in the corresponding quarter.

The increase in revenue is primarily due to significant increase in sales volume of all our steel products albeit at lower selling prices. The much improved profit before tax is due to significantly lower raw materials cost and lower unit production cost as a result of greater production volume.

B2. Variation of results against preceding quarter

Group's revenue has increased by 15.8%, from RM269.6 million in the preceding quarter to RM312.0 million this quarter. The increase in revenue is primarily due to significant increase in sales volume of our steel products. Similarly, Group's profit before tax increased significantly by RM15.7 million to register RM23.1 million this quarter. The much improved profit before tax is due to lower unit production cost as a result of higher production volume and significantly lower raw materials cost.

B3. Current year prospects

The Group did well in the first quarter of 2013. Both the sales volume and profit margin improved significantly from the previous quarter. Domestic steel prices registered increases each month during the first quarter due to price increases in the international steel market since the beginning of the year. The recent imposition of anti-dumping duty by Indonesia on cold rolled coils from East Asian steel mills has also boosted our exports to Indonesia as Malaysia is not affected by this Indonesian measure.

International steel market in the second quarter appears softer and demand has slowed down. Buying sentiment in the domestic market is also less strong and orders are possibly sidelined in view of the Malaysian elections to be held during this quarter. Although the second quarter result is expected to be less upbeat compared to the first quarter, the Indonesian anti-dumping duty as well as MITI's new steel policy entitled "The Statement on the Iron & Steel Industry" in early 2013 should bring impetus to the domestic steel market.

Barring sudden downturn in the international steel market, the Group expects to generate healthier returns for the Group in 2013.

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	4,656	4,656
- Deferred tax	-	-
	4,656	4,656
Prior year:		
- Income tax	888	888
- Deferred tax	-	-

	888	888
Total	5,544	5,544

The effective tax rate for the current 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

An announcement was made on 9th November 2012 whereby CHB had signed an agreement with Tatt Giap Group Berhad for the acquisition of a 20% equity stake in Tatt Giap Steel Centre Sdn Bhd (TGSC). This exercise was yet to be completed as at the end of the reporting quarter and had subsequently been completed on 19th April 2013 with the payment of the balance purchase price. Please refer to http://www.bursamalaysia.com/market/listed-companies/company-announcements/1114445 for full details of the announcement.

B7. Details of treasury shares

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:	601,900	7,886,000
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	601,900	7,886,000
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	Payable after 12 months
RM denominated borrowings (Secured)	RM'000	RM'000
Bank overdrafts, trust receipts and bankers' acceptances	-	-

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.

B10. Dividend recommended by Directors

The Board of Directors had recommended at their last meeting which was announced on 5th February 2013 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 2012 which are subject to the approval of the shareholders in the forthcoming annual general meeting.

The recommendation complies with the Company's 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)	17,525	17,525
Weighted average number of shares in issue ('000)	372,323	372,323
Basic earnings/(loss) per share (sen)	4.71	4.71
Diluted earnings/(loss) per share (sen)	4.71	4.71

B12. Notes to the Consolidated Statement of Comprehensive Income

		Current Quarter Ended 31-Mar-13 RM'000	Financial Year To Date 31-Dec-13 RM'000
a)	Other income	184	184
b)	Provision for 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)	1,240	1,240
g)	Gain/(loss) on derivatives	-	-
h)	Exceptional items	-	-

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	450,334	432,879
- Unrealised	(38,152)	(38,223)
	412,182	394,656
Less: Consolidation adjustment	(26,032)	(26,032)
As per consolidated account	386,150	368,624

By order of the Board
Mr. Chen, High-Pinn
Group Managing Director
13th May 2013