

Notes on the Quarterly Report – Nine Months Ended 30 September 2008

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 FRS 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 2007. 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 Holdings Berhad ("CSC"), (formerly known as Ornasteel Holdings Berhad) and its subsidiary companies ("Group") except for the adoption of the following applicable revised Financial Reporting Standards ("FRS") effective for financial year beginning 1 January 2008:

FRS 107	: Cash Flow Statements
FRS 112	: Income Taxes
FRS 118	: Revenue
FRS 134	: Interim Financial Reporting
FRS 137	: Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above revised FRSs does not have significant financial impact on the interim financial statements of CSC 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 2007.

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 except for the write-down of inventories to net realisable value amounted to RM30.2

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million accounted for during the quarter under review as a result of lower selling prices of some of our steel products.

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

During the quarter under review, a final dividend of 12% or 12 sen per share less 26% tax in respect of financial year 2007 was paid on 11th July 2008 and an interim dividend of 6.5% or 6.5 sen per share less 26% tax in respect of current financial year 2008 was paid on 10th September 2008 to the shareholders whose names appeared on the Register of Members at the close of business on 30th June 2008 and on 29th August 2008 respectively.

A8. Segment information

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

	<u>CRC</u>	<u>GI & PPGI</u>	<u>Others</u>	<u>Consolidation</u>	<u>Current</u>
	RM'000	RM'000	RM'000	adjustment	Year
				RM'000	To Date
					30/09/2008
					RM'000
Revenue from external customers	633,101	534,667	-	-	1,167,768
Inter-segment revenue	351,313	-	4,050	(355,363)	-
Total revenue	<u>984,414</u>	<u>534,667</u>	<u>4,050</u>	<u>(355,363)</u>	<u>1,167,768</u>
Segment result	<u>75,623</u>	<u>31,764</u>	<u>1,421</u>	<u>536</u>	<u>109,344</u>

CRC – cold rolled steel coils
 GI – galvanised steel coils
 PPGI – pre-painted galvanised steel coils

A9. Valuation of property, plant and equipment

The property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and impairment losses. 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

There were no material events 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

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

	<u>RM'000</u>
Approved and contracted for	5,657
Approved but not contracted for	17,807
	<u>23,464</u>

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**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 third quarter of 2008 of RM389.2 million and RM28.5 million respectively. This represents an increase of RM86.6 million or 28.6% higher in revenue than that of its corresponding quarter. As a result of the revenue growth, profit before tax increased by RM5.1 million or 21.6% from RM23.4 million in the corresponding quarter.

The better performance in revenue is driven by favorable selling prices of our steel products. The improvement in revenue has increased the profit before tax as well.

B2. Variation of results against preceding quarter

The Group's revenue has decreased by 10.7%, from RM435.7 million in the preceding quarter to RM389.2 million in this quarter. The decrease in revenue is due to lower sales volume of our steel products.

The decrease in revenue together with inventories write-down of RM30.2 million have resulted Group's profit before tax to reduce by 48.2% from RM55.0 million in the preceding quarter to RM28.5 million this quarter.

B3. Current year prospects

Steel prices after hitting record high during the early part of the third quarter have begun to soften in the later part of the same quarter. Demand dropped due to high steel prices which caused hesitation among buyers in placing their orders. Most importantly, due to emerging of oversupply problems, China played the key role in triggering the down fall of steel prices and demand shrunk suddenly. Moreover, recent global financial crisis has seriously worsened the international steel market. Although prices have come down sharply and abruptly by about 30% from its peak in August 2008, demand continues to weaken in view of the uncertainty of the world economy.

Fourth quarter 2008 steel business is definitely the toughest and most challenging, partly due to dull demand, and more concern is on the confidence of buyers against the uncertainty of the world economy.

B4. Variance of actual and forecast profit

Not applicable as the Group does not make any forecast profit for financial year 2008.

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B5. Tax expense

	Current year quarter ended 30 Sept 2008 RM'000	Financial year-to-date 30 Sept 2008 RM' 000
Current year:		
- Income tax	7,495	20,171
- Deferred Tax	(6,339)	(10,531)
Total	1,156	9,640

The effective tax rate for the period under review was lower than the statutory income tax rate of 26% due mainly to the following:

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

B6. Unquoted investments and/or properties

The Group did not dispose of any investments in any unquoted investments and/or properties during the financial quarter under review.

B7. Quoted securities

During the quarter under review the Group's investment in marketable securities are as follows:-

	<u>Current Quarter ended 30/9/08</u>	<u>Financial Year-to-date ended 30/9/08</u>
Total purchase of securities (RM)	9.9 million	19.9 million
Sale of securities	10.0 million	10.0 million
Profit/(loss) (RM'000)	460	1,253

The status of the Group's investment in marketable securities as at the end of the reporting quarter is as follows:-

- at cost: RM56.166 million;
- at carrying value: RM57.336 million; and
- at market value: RM57.336 million.

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B8. Status of corporate proposal announced

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

B9. Details of treasury shares

The Company continues its share buy-back exercise during the quarter under review. As at the end of the reporting quarter, the status of the share buy-back is as follows:-

	Current Financial- Year-to-Date -----	Accumulated Total -----
Description of shares purchased:	Ordinary share of RM1.00 each:	
Total number of shares purchased:	2,854,100	6,421,600
Total number of shares cancelled:	Nil	Nil
Total number of shares held as treasury shares:	2,854,100	6,421,600
Total number of treasury shares resold:	Nil	Nil

B10. 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	40,087	-
RM denominated borrowings (Unsecured)		
Bank overdrafts, trust receipts and bankers' acceptances	21,000	-
Long term loan	13,500	24,166
	34,500	24,166
Total borrowings	74,587	24,166

B11. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

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B12. Changes in material litigation

Neither CSC 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 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.

B13. Dividend recommended by Directors

During the quarter under review, the Board of Directors declared an interim dividend of 6.5% or 6.5 sen per ordinary share of RM1.00 each less 26% income tax in respect of the financial year ending 31st December 2008 (previous corresponding period: Nil). The dividend was paid on 10th September 2008 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 29th August 2008.

B14. 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 Year Quarter Ended 30 Sept 2008	Current Year To-date Ended 30 Sept 2008
Profit attributable to equity holders of the parent (RM'000)	<u>27,322</u>	<u>100,855</u>
Weighted average number of shares in issue ('000)	<u>374,974</u>	<u>375,943</u>
Basic earnings/(loss) per share (sen)	<u>7.29</u>	<u>26.83</u>
Diluted earnings/(loss) per share (sen)	<u>7.29</u>	<u>26.83</u>

By order of the Board
 Mr. Su, Wei-Jin
 Group Managing Director
 14th November 2008