

Notes on the Quarterly Report – Twelve Months Ended 31 December 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 Steel 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.

Notes on the Quarterly Report – Twelve Months Ended 31 December 2008

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 following:

- Write-downs of inventory to net realisable value amounted to RM58.3 million accounted for during the quarter under review as a result of drop in selling prices of our steel products;
- Impairment loss on plant and machinery of RM7.6 million;
- Allowance for doubtful debts of RM7.3 million; and
- Provision for onerous contract of RM6.8 million.

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>CRC</u>	<u>GI & PPGI</u>	<u>Others</u>	<u>Consolidation adjustment</u>	<u>Current Year To Date 31/12/2008</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	718,113	654,737		-	1,372,850
Inter-segment revenue	398,814		5,400	(404,214)	-
Total revenue	<u>1,116,927</u>	<u>654,737</u>	<u>5,400</u>	<u>(404,214)</u>	<u>1,372,850</u>
Segment result	<u>22,455</u>	<u>22,682</u>	<u>1,682</u>	<u>3,891</u>	<u>50,710</u>

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

Notes on the Quarterly Report – Twelve Months Ended 31 December 2008

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. Freehold land is stated at cost less impairment losses. 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 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

	RM'000
Approved and contracted for	927
Approved but not contracted for	10,644
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	11,571
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Notes on the Quarterly Report – Twelve Months Ended 31 December 2008

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

B1. Review of performance

The Group achieved revenue and loss before tax for the current quarter of RM205.1 million and RM58.5 million respectively. This represents a reduction of RM94.0 million or 31.4% lower in revenue than that of its corresponding quarter. As a result of the revenue contraction, profit before tax of RM16.3 million in the corresponding quarter was reduced by RM74.9 million or 458.3% lower to a loss before tax of RM58.5 million.

Despite the drastic drop in demand and selling prices of our steel products as a result of the global financial crisis and the inventory write-downs of RM58.3 million, the Group still achieved profit before tax of RM52.0 million for the whole year.

B2. Variation of results against preceding quarter

The Group's revenue has decreased drastically by 47.3%, from RM389.2 million in the preceding quarter to RM205.1 million in this quarter. The decrease in revenue is due to sales volume contraction and lower selling prices of our steel products.

The decrease in revenue together with inventories write-down have resulted Group's profit before tax to reduce by 305.5% from RM28.5 million in the preceding quarter to a loss of RM58.5 million this quarter.

B3. Current year prospects

The credit crisis triggered in the United States since September 2008 has badly hit the confidence of consumers and world economy, which has resulted in steel prices in the fourth quarter 2008 dropping drastically after it reached historical high in third quarter 2008. As the demand for steel products was also shrinking significantly, most of the steel manufacturers worldwide have suffered substantial losses.

However, we foresee that the steel prices and demand may improve in view of the decrease in oil and raw material prices, the bailout plans for restructuring the financial market and economic stimulus packages instituted. The steel market in China has already shown signs of improvement lately. Demand for steel in China has increased and this has brought about increases in steel prices. If the supply of steel could be controlled to match demand, the global steel market may stage a rebound in the near future. Based on the Group's performance since early 2009, the Group is optimistic of achieving profitability for first quarter 2009, barring unforeseen circumstances. The rest of the year remains unpredictable.

Notes on the Quarterly Report – Twelve Months Ended 31 December 2008

B4. Variance of actual and forecast profit

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

B5. Tax expense

	Current quarter ended 31 Dec 2008 RM'000	Current year-to-date 31 Dec 2008 RM' 000
Current year:		
- Income tax	1,270	21,442
- Deferred Tax	<u>(17,705)</u>	<u>(28,236)</u>
Total	<u><u>(16,435)</u></u>	<u><u>(6,794)</u></u>

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;
- recognition of inventory write-down as deferred tax asset;
- 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 31/12/08</u>	<u>Current Year-to-date ended 31/12/08</u>
Purchase of securities	(RM)	19.3 million	29.3 million
Sale of securities	(RM)	19.5 million	29.5 million
Profit/(loss)	(RM'000)	(89)	1,253

Notes on the Quarterly Report – Twelve Months Ended 31 December 2008

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

- at cost: RM46.12 million;
- at carrying value: RM47.57 million; and
- at market value: RM47.57 million.

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 Year-to-Date -----	Accumulated Total -----
Description of shares purchased:	Ordinary share of RM1.00 each:	
Number of shares purchased:	3,213,000	6,780,500
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	3,213,000	6,780,500
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	9	-
RM denominated borrowings (Unsecured)		
Long term loan	18,000	19,666
Total borrowings	18,009	19,666

Notes on the Quarterly Report – Twelve Months Ended 31 December 2008

B11. Off balance sheet financial instrument

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

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

No dividend was recommended by the Board of Directors during the quarter under review.

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 Quarter Ended 31/12/2008	Current Year To-date Ended 31/12/2008
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>(42,086)</u>	<u>58,768</u>
Weighted average number of shares in issue ('000)	<u>373,317</u>	<u>375,283</u>
Basic earnings/(loss) per share (sen)	<u>(11.27)</u>	<u>15.66</u>
Diluted earnings/(loss) per share (sen)	<u>(11.27)</u>	<u>15.66</u>

By order of the Board
Mr. Su, Wei-Jin
Group Managing Director
13th February 2009