

Notes on the Quarterly Report – Three Months Ended 31 March 2009

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 2008. 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"), (formerly known as Ornasteel Holdings Berhad) and its subsidiary companies ("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 2008.

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 during the quarter under review except for the following:

- Recovery of doubtful debts of RM4.9 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.

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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</u>	<u>Current</u>
	RM'000	RM'000	RM'000	<u>adjustment</u>	<u>Year</u>
				RM'000	<u>To Date</u>
					<u>31/03/2009</u>
					RM'000
Revenue from external customers	92,702	80,457	-	-	173,159
Inter-segment revenue	-	-	1,200	(1,200)	-
Total revenue	<u>92,702</u>	<u>80,457</u>	<u>1,200</u>	<u>(1,200)</u>	<u>173,159</u>
Segment result	<u>3,383</u>	<u>2,682</u>	<u>514</u>	<u>-</u>	<u>6,579</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.

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.

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A13. Capital commitments

	RM'000
Approved and contracted for	43
Approved but not contracted for	6,998
	<hr/> <hr/> 7,041

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 RM173.2 million and RM7.5 million respectively. This represents a reduction of RM169.8 million or 49.5% lower in revenue than that of its corresponding quarter. As a result of the revenue contraction, profit before tax of RM27.1 million in the corresponding quarter was reduced by RM19.6 million or 72.5% to RM7.5 million.

The significant drop in revenue is due to sales volume contraction and lower selling prices of our steel products. The lower profit before tax was mainly due to lower revenue achieved in the current quarter.

B2. Variation of results against preceding quarter

The Group's revenue has decreased by 15.6%, from RM205.1 million in the preceding quarter to RM173.2 million in this quarter. The decrease in revenue is due to significant drop in the selling prices of our steel products.

Despite the decrease in revenue, the Group's profit before tax increased by RM66 million from a loss of RM58.5 million in the preceding quarter to a profit of RM7.5 million this quarter due to the absence of charges made in respect of inventory write-down and impairment loss on plant and equipment totalling RM65.6 million during the previous quarter and the recovery of doubtful debts of RM4.9 million during the quarter.

B3. Current year prospects

The steel market for the year 2009 is expected to be challenging as the business environment remains cautious even though local steel demand is gradually increasing since the beginning of this year. We believe that as long as the prices of imported steel stop dropping, the local market prices may improve accordingly. It is hoped that the market would have bottomed out by mid-2009.

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It is hoped that the stimulus packages introduced by many countries of the world as well as the two stimulus packages announced by the Malaysian Government would stir up the economy resulting in more demand for steel.

Barring any unforeseen circumstances, the Group is cautiously optimistic of the business for the rest of the year.

B4. Variance of actual and forecast profit

Not applicable as the Group does not make any forecast profit for financial year 2009.

B5. Tax expense

	Current quarter ended 31 Mar 2009 RM'000	Current year-to-date 31 Mar 2009 RM' 000
Current:		
- Income tax	149	149
- Deferred Tax	<u>1,592</u>	<u>1,592</u>
Total	<u><u>1,741</u></u>	<u><u>1,741</u></u>

The effective tax rate for the period under review 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.

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 31/3/09</u>	<u>Current Year-to-date ended 31/3/09</u>
Purchase of securities	(RM)	Nil	Nil
Sale of securities	(RM'000)	20	20
Profit/(loss)	(RM'000)	402	402

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

- at cost: RM46.10 million;
- at carrying value: RM47.89 million; and
- at market value: RM47.89 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 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	6,780,500
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	Nil	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	<u>53</u>	<u>-</u>
RM denominated borrowings (Unsecured)		
Long term loan	<u>18,000</u>	<u>15,166</u>
Total borrowings	<u>18,053</u>	<u>15,166</u>

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 the Company 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

The Board of Directors has recommended a final dividend of 2% or 2 sen per share less 25% tax for the financial year ended 2008 which is subject to the approval of the shareholders in the forthcoming annual general meeting on 18 June 2009.

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 31/3/2009	Current Year To-date Ended 31/3/2009
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>5,709</u>	<u>5,709</u>
Weighted average number of shares in issue ('000)	<u>373,220</u>	<u>373,220</u>
Basic earnings/(loss) per share (sen)	<u>1.53</u>	<u>1.53</u>
Diluted earnings/(loss) per share (sen)	<u>1.53</u>	<u>1.53</u>

By order of the Board
Mr. Su, Wei-Jin
Group Managing Director
18th May 2009