

**Notes on the Quarterly Report – Six Months Ended 30 June 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"), 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 except for the reversal of allowance for doubtful debts of RM2.4 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.

**Notes on the Quarterly Report – Six Months Ended 30 June 2009**

**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 &amp; 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>30/06/2009</u>
					RM'000
Revenue from external customers	180,352	154,357	-	-	334,709
Inter-segment revenue	-	-	2,400	(2,400)	-
Total revenue	<u>180,352</u>	<u>154,357</u>	<u>2,400</u>	<u>(2,400)</u>	<u>334,709</u>
Segment result	<u>7,926</u>	<u>9,237</u>	<u>998</u>	<u>-</u>	<u>18,161</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.

**Notes on the Quarterly Report – Six Months Ended 30 June 2009**

**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	60
Approved but not contracted for	6,901
	<hr/>
	6,961

**Notes on the Quarterly Report – Six Months Ended 30 June 2009**

**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 RM161.6 million and RM12.5 million respectively. This represents a significant reduction of RM274.1 million or 62.9% lower in revenue than that of its corresponding quarter. As a result of the revenue contraction, profit before tax of RM55.0 million in the corresponding quarter was reduced by RM42.4 million or 77.2% to RM12.5 million.

The significant drop in revenue is due to both sale volume contraction and lower selling prices of our steel products due to the world economic downturn arising from the world financial crisis. As a result the Group registered a significantly lower profit before tax for the quarter under review.

**B2. Variation of results against preceding quarter**

The Group's revenue has decreased by 6.7%, from RM173.2 million in the preceding quarter to RM161.6 million in this quarter. The decrease in revenue is generally due to lower selling prices of our steel products.

Despite the decrease in revenue, Group's profit before tax increase by 68.1% from RM7.5 million in the preceding quarter to RM12.5 million this quarter due to lower raw material cost and recovery of doubtful debts of RM2.4 million.

**B3. Current year prospects**

Steel market sentiment has improved and steel prices have staged an unexpected strong rebound since May 2009. This is largely due to steel mills having reduced their production volume effectively to sustain and increase steel prices. In addition, strong steel demand in China has also helped in stabilizing the global steel market.

The Ministry of International Trade and Industry (MITI) has just issued a new steel policy which aims to enhance the competitiveness of local industry and encourage the manufacture of more competitive products for international market. With improved market sentiment and increasing steel prices, the timing for the implementation of this new policy seems to be going smoothly as there were little opposing voices heard so far. However, industry players need more time to observe and adapt to the new policy.

Barring any unforeseen circumstances, the current steel market is expected to continue its optimistic movement 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.

**Notes on the Quarterly Report – Six Months Ended 30 June 2009**

**B5. Tax expense**

	<b>Current quarter ended 30 Jun 2009 RM'000</b>	<b>Current year-to-date 30 Jun 2009 RM' 000</b>
Current:		
- Income tax	179	328
- Deferred Tax	2,913	4,505
Total	<u>3,092</u>	<u>4,833</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 30/6/09</u>	<u>Current Year-to-date ended 30/6/09</u>
Purchase of securities	(RM)	Nil	Nil
Sale of securities	(RM'000)	Nil	Nil
Profit/(loss)	(RM'000)	318	720

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: RM48.15 million; and
- at market value: RM48.15 million.

**B8. Status of corporate proposal announced**

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

**Notes on the Quarterly Report – Six Months Ended 30 June 2009**

**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:	7,000	6,787,500
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	7,000	6,787,500
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
<b>RM denominated borrowings (Secured)</b>		
Bank overdrafts, trust receipts and bankers' acceptances	58	-
<b>RM denominated borrowings (Unsecured)</b>		
Term loan	18,000	-
Total borrowings	18,058	-

**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 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 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.

**Notes on the Quarterly Report – Six Months Ended 30 June 2009**

**B13. Dividend recommended by Directors**

The final dividend of 2% or 2 sen per share less 25% tax for the financial year ended 2008 as recommended by the Directors has been approved by the shareholders in the fifth annual general meeting of the company held 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 30/6/2009	Current Year To-date Ended 30/6/2009
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>9,434</u>	<u>15,142</u>
Weighted average number of shares in issue ('000)	<u>373,216</u>	<u>373,218</u>
Basic earnings/(loss) per share (sen)	<u>2.53</u>	<u>4.06</u>
Diluted earnings/(loss) per share (sen)	<u>2.53</u>	<u>4.06</u>

By order of the Board  
Mr. Su, Wei-Jin  
Group Managing Director  
17 August 2009