**PART A: EXPLANATORY NOTES AS PER FRS 134**

1. **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”).

1. **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.

1. Seasonal and cyclical factors

The Group’s business operation results were not materially affected by any major seasonal or cyclical factors.

1. **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.

1. **Material changes in estimates**

There were no material changes in estimates of amounts reported in the current quarter under review.

1. Issuances and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities during the quarter under review.

1. **Dividend Paid**

During the quarter under review, a final dividend of 2% or 2 sen per share less 25% tax in respect of financial year 2008 was paid on 13th July 2009 to the shareholders whose names appeared on the Register of Members at the close of business on 30th June 2009.

**A8. Segment information**

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

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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.

**A13. Capital commitments**

|  |  |
| --- | --- |
|  | RM’000 |
|  |  |
| Approved and contracted for | 160 |
| Approved but not contracted for | 6,890 |
|  |  |
|  | 7,050 |
|  |  |

# 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 RM261.5 million and RM53.6 million respectively. This represents a significant reduction of RM127.7 million or 32.8% lower in revenue than that of its corresponding quarter. The significant drop in revenue is due to lower selling prices of our steel products although sale volume improved marginally.

Despite the lower revenue, profit before tax increased by RM25.1 million or 88.2% to RM53.6 million. This is mainly due to the absence of the write-down of inventories to net realisable value amounted to RM30 million made in the corresponding quarter.

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

The Group’s revenue has increased by 61.9% from RM161.6 million in the preceding quarter to RM261.5 million in this quarter. As a result, profit before tax increased by RM41.1 million or 328% from RM12.5 million in the preceding quarter.

The better performances in revenue and profit before tax are driven by both higher sales volume and favourable selling prices of our steel products. The improved sale volume was supported by the timely increase in supply of hot rolled steel (HRC) from our ultimate parent company, China Steel Corporation, to make up for the delay in local HRC supply.

**B3.** **Current year prospects**

The local steel market has slowed down since October 2009 after a series of price increases since second quarter 2009. Overcapacity and high inventory which caused steel prices falling in China since August 2009 was the main factor that made local buyers cautious in re-stocking activities. From mid October 2009, steel prices in China has begun to increase as such the Group expects steel market to recover by end of the year or beginning of 2010 as the stimulus packages introduced by many countries, especially China, with forecast GDP growth of above 8.0% this year, performed excellently.

The Malaysia domestic steel demand is increasing as projects under the stimulus packages, are being gradually implemented. Coupled with the current low inventory level, we expect greater re-ordering activities to take place once international steel market starts to recover.

Barring any unforeseen circumstances, the Group is optimistic that the rest of the year will continue to be profitable.

**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** |  | **Current**  **year-to-date** |
|  | |  | **30 Sep 2009** |  | **30 Sep 2009** |
| **RM’000** | | | |  | **RM' 000** |  |
| Current: | |  |  |  |  |  |
| - Income tax | |  | 2,120 |  | 2,448 |  |
| - Deferred Tax | | | 12,592 |  | 17,097 |  |
| Total |  | | 14,712 |  | 19,545 |  |

The effective tax rate for the period under review was higher than the statutory income tax rate of 25% due mainly to the tax effect of expenses not deductible in determining taxable profit.

**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:-

Current Quarter Current Year-to-date ended 30/9/09 ended 30/9/09

Purchase of securities (RM’000) 10,000 10,000

Sale of securities (RM’000) Nil 20

Profit/(loss) (RM’000) 423 1,144

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

* at cost: RM56.10 million;
* at carrying value: RM58.5 million; and
* at market value: RM58.5 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 Accumulated

Year-to-Date Total

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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:



**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.

**B13.** **Dividend recommended by Directors**

There was no dividend recommended by the 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:-

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By order of the Board

Mr. Su, Wei-Jin

Group Managing Director

13th November 2009