**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**

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:-

****

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 | 907 |
| Approved but not contracted for | 5,187 |
|  |  |
|  | 6,094 |
|  |  |

# 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 RM273.7 million and RM43.0 million respectively. This represents an increase of RM68.7 million or 33.5% higher in revenue than that of its corresponding quarter. The increase in revenue is due to the significantly higher sales volume of our steel products during the quarter under review.

The higher revenue together with the favourable sales margin have resulted in the Group achieving profit before tax of RM43.0 million this quarter from a loss of RM58.5 million in the corresponding quarter.

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

The Group’s revenue has increased by 4.7% from RM261.5 million in the preceding quarter to RM273.7 million this quarter. The improvement in revenue is primarily due to higher selling prices of our steel products albeit at a marginally lower sales volume.

Despite the higher revenue, profit before tax reduced by RM10.6 million or 19.8% to RM43.0 million. This is mainly due to the significantly higher raw materials cost incurred during the quarter under review.

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

The domestic steel demand and prices of steel products started to recover in December 2009 as the steel demand in China rebounded strongly after falling steel prices since October 2009. This improved market sentiment is expected to continue into the first quarter of 2010 as downstream steel industries are back to the market for re-stocking activities.

The full liberalization of Asean Free Trade Agreement (AFTA) effective 1 January 2010 may increase competition within the domestic steel market. However, we foresee that the actual effect of the liberalization would not be obvious at this point due to the steel market sentiments in other Asean countries are also improving.

Barring any unforeseen circumstances, the Group is optimistic that the first half of 2010 will continue to be positive. The prospect for the second half of 2010 cannot be predicted at this moment.

**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** |
|  | |  | **31 Dec 2009** |  | **31 Dec 2009** |
| **RM’000** | | | |  | **RM' 000** |  |
| Current: | |  |  |  |  |  |
| - Income tax | |  | 1,866 |  | 4,313 |  |
| - Deferred Tax | | | 3,998 |  | 21,095 |  |
| Total |  | | 5,864 |  | 25,408 |  |

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 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:-

Current Quarter Current Year-to-date ended 31/12/09 ended 31/12/09

Purchase of securities (RM’000) 2,000 12,000

Sale of securities (RM’000) Nil Nil

Profit/(loss) (RM’000) 367 1,511

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

* at cost: RM58.10 million;
* at carrying value: RM60.8 million; and
* at market value: RM60.8 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 Accumulated

Year-to-Date Total

---------------------- -----------------

Description of shares purchased: Ordinary share of RM1.00 each:

Number of shares purchased: 19,500 6,800,000

Number of shares cancelled: Nil Nil

Number of shares held as treasury shares: 19,500 6,800,000

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**

The Board of Directors has recommended a final dividend of 13% or 13 sen per share less 25% tax and a special dividend of 7% consisting of a franked dividend of 6% or 6 sen per share less 25% tax and a single tier system of dividend of 1% or 1 sen per share for the financial year ended 2009 which are subject to the approval of the shareholders in the forthcoming annual general meeting.

This complies with our dividend policy and any dividend recommended or declared in the future will be in the form of single tier system of dividend.

**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:-

****

By order of the Board

Mr. Su, Wei-Jin

Group Managing Director

5th February 2010