**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 2009. 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”).

The accounting principles and bases used are consistent with those previously adopted in the preparation of the financial statements of CHB and its subsidiary companies except for the adoption of the following applicable new/revised Financial Reporting Standards (“FRS”) and IC Interpretation effective for financial year beginning 1 January 2010:

FRS 7, Financial Instruments: Disclosures.

FRS 8, Operating Segments.

FRS 101(revised), Presentation of Financial Statements.

FRS 123(revised), Borrowing Costs.

FRS 132(revised), Financial Instruments: Presentation.

IC Interpretation 9, Reassessment of Embedded Derivatives.

IC Interpretation 10, Impairment and Interim Financial Reporting.

IC Interpretation 11, FRS 2, Group and Treasury Share Transactions.

IC Interpretation 13, Customer Loyalty Programmes.

IC Interpretation 14, FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Amendments to FRS 2, Share-based Payment – Vesting Condition and Cancellation.

Amendments to FRS 7, Financial Instruments: Disclosures.

Amendment to FRS 127 Consolidated and Separate Financial Statements

Amendment to FRS 132, Financial Instruments: Presentation.

Amendment to FRS 139, Financial Instruments: Recognition and Measurement

The adoption of the above revised FRSs does not have significant financial impact on the interim financial statements of CHB and the 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 2009.

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:-

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\*Steel coils – cold rolled, galvanized & pre-painted galvanised steel coils

**A9. Valuation of property, plant and equipment**

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for freehold land which is stated at cost. 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 | 7 |
| Approved but not contracted for | 22,586 |
|  |  |
|  | 22,593 |
|  |  |

# 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 RM258.7 million and RM11.2 million respectively. This represents a decrease of RM15.0 million or 6% lower in revenue than that of its corresponding quarter. Profit before tax decrease significantly by RM31.8 million or 74% from RM43.0 million in the corresponding quarter.

The drop in revenue and profit before tax are due to lower selling prices and higher raw material costs even though sales volume is marginally higher than that of corresponding quarter.

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

The Group’s revenue has increased by 34%, from RM192.7 million in the preceding quarter to RM258.7 million in this quarter. The increase in revenue is due to increase in sales volume of our steel products albeit at lower selling prices.

The increase in revenue together with lower raw materials cost resulted in Group’s profit before tax to increase significantly by 369% from RM2.4 million in the preceding quarter to RM11.2 million this quarter.

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

The steel demand and prices started to recover from December 2010 as buyers anticipated that steel prices would increase further due to higher raw materials cost such as iron ore and coking coal. The recent floods in Queensland, Australia had seriously disrupted the supply of coking coal. The upward trend of the prices of raw materials has become more obvious and definite.

We expect the present strong buying sentiment to spread through the first half of 2011, as steel prices are expected to soar further. Barring any unforeseen circumstances, the Group is cautiously optimistic that the first half of 2011 will be profitable. However, there is no clear visibility as to the prospects for the second half of 2011.

**B4.** **Variance of actual and forecast profit**

Not applicable as the Group does not make any profit forecast for financial year 2010.

**B5.** **Tax expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | **Current**  **quarter** |  | **Current**  **year-to-date** |
|  | |  |  |  |  |
| **RM’000** | | | |  | **RM' 000** |  |
| Current: | |  |  |  |  |  |
| - Income tax | |  | 2,826 |  | 28,420 |  |
| - Deferred tax | |  | (197) |  | (5,197) |  |
|  | |  | 2,629 |  | 23,223 |  |
| Prior year: | |  |  |  |  |  |
| - Income tax | |  | - |  | 448 |  |
| - Deferred tax | |  | - |  | 1,924 |  |
|  | |  | - |  | 2,372 |  |
|  | | |  |  |  |  |
| Total |  | | 2,629 |  | 25,595 |  |

The effective tax rate for the period 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.

However, the reduction is partly offset by expenses not deductible for tax purposes.

**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

Purchase of securities (RM’000) Nil 15,000

Sale of securities (RM’000) Nil Nil

Profit/(Loss) (RM’000) 697 2,111

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

* at cost: RM73.1 million;
* at carrying value: RM77.6 million; and
* at market value: RM77.6 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: Nil 6,800,000

Number of shares cancelled: Nil Nil

Number of shares held as treasury shares: Nil 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 instruments**

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 single tier system of dividend of 10% or 10 sen per share and a special single tier system of dividend of 3% or 3 sen per share for the financial year ended 2010 which are subject to the approval of the shareholders in the forthcoming annual general meeting.

This complies with the Company’s dividend policy.

**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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**B15. Disclosure of realised and unrealised profits**

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By order of the Board

Mr. Liang Hsiu-Chang

Group Managing Director

17th February 2011