**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 2010. 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 2011:

FRS 2 Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)

FRS 2 Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)

FRS 3 Business Combinations (revised in 2010)

FRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary)

FRS 7 Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)

FRS 127 Consolidated and Separate Financial Statements (revised in 2010)

FRS 132 Financial Instruments: Presentation (Amendments relating to classification of rights issue)

FRS 138 Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)

FRS 139 Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)

IC Int. 4 Determining whether an Arrangement contains a Lease

IC Int. 9 Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)

IC Int. 12 Service Concession Arrangements

IC Int. 16 Hedges of a Net Investment in a Foreign Operation

IC Int. 17 Distributions of Non-cash Assets to Owners

IC Int. 18 Transfers of Assets from Customers

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 2010.

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 | 329 |
| Approved but not contracted for | 14,186 |
|  |  |
|  | 14,515 |
|  |  |

# 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 RM300.3 million and RM8.3 million respectively. This represents a small decrease of RM1.5 million or 0.5% lower in revenue than that of its corresponding quarter. However, profit before tax decrease significantly by RM33.8 million or 80% from RM42.1 million in the corresponding quarter.

The small decrease in revenue is due to decreases in selling prices of our steel products albeit at higher sales volume. The significant drop in profit before tax is due to lower selling prices of our steel products coupled with significantly higher raw material cost.

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

The Group’s revenue has decreased by 2.6%, from RM308.4 million in the preceding quarter to RM300.3 million in this quarter. The decrease in revenue is due to decrease in sales volume of our steel products albeit at higher selling prices.

The decrease in revenue coupled with relatively higher raw material cost results in Group’s profit before tax to decrease by 66.6% from RM35.5 million in the preceding quarter to RM11.9 million this quarter.

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

The strong buying sentiment in the first quarter of 2011 did not last long and the Group’s sales dipped in the second quarter. The reason being the global steel demand, including that of Malaysia, started weakening in the middle of second quarter. Besides, higher raw material prices have kept costs up while prices of finished steel products have moved downward due to weak demand. The weak market results in the Group being unable to pass on the increased costs to customers.

Going forward, the Group foresees that the second half of 2011 will be very challenging as Malaysia’s economy may slow down due to the pressure of inflation as well as uncertainties in the recovery of the global economy.

Barring any unforeseen circumstances, the Group is cautiously optimistic that the Group results for 2011 should still be positive.

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

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | **Current**  **quarter** |  | **Current**  **year-to-date** |
|  | |  |  |  |  |
| **RM’000** | | | |  | **RM' 000** |  |
| Current: | |  |  |  |  |  |
| - Income tax | |  | 6,644 |  | 12,522 |  |
| - Deferred tax | |  | (4,714) |  | (2,719) |  |
|  | | |  |  |  |  |
| Total |  | | 1,930 |  | 9,803 |  |

The effective tax rate for the period 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.

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 Nil

Sale of securities (RM’000) Nil Nil

Profit/(Loss) (RM’000) 590 1,139

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: RM78.6 million; and
* at market value: RM78.6 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**

There is no Group borrowing as at the end of the reporting quarter.

**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 final single tier system of dividend of 10% or 10 sen per share and the special single tier system of dividend of 3% or 3 sen per share for the financial year ended 2010 recommended by the Directors was approved by the shareholders in the Seventh Annual General Meeting of the company held on 21st June 2011.

**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

12 August 2011