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

1. **Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2011. 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”).

Commencing January 1, 2012 the Group has adopted Malaysia Accounting Standard Board approved accounting framework and applied MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (MFRS 1). The adoption of the MFRS 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 2011.

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 was 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, galvanised & 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 was no material event 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**

On 5th June 2012, CSC Steel Sdn. Bhd., a wholly owned subsidiary company of the Group, has submitted an Appeal to the Ministry of Finance under Section 14A of the Customs Act 1967 (‘the Act’) for full remission of customs duty of RM8,258,789.69 imposed by Customs Malacca for alleged contravention of the conditions of duty exemption approval for CSC Steel Sdn. Bhd.’s importation of raw material from November 2009 to March 2010. The Appeal is still pending.

 **A13. Capital commitments**

|  |  |
| --- | --- |
|  | RM’000 |
|  |  |
| Approved and contracted for |  5,059 |
| Approved but not contracted for |  19,648 |
|  |  |
|  |  24,707 |
|  |  |

# 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 RM308.6 million and RM14.4 million respectively. This represents an increase of RM8.3 million or 2.8% higher in revenue than that of its corresponding quarter. As a result of the higher revenue achieved, profit before tax increased by RM6.1 million or 73.5% from RM8.3 million in the corresponding quarter.

The increase in revenue and profit before tax were due to the increase in sale volume of all our steel products albeit at lower average selling prices.

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

 The Group’s revenue has increased by 27.4%, from RM242.2 million in the preceding quarter to RM308.6 million this quarter. The increase in revenue was primarily due to the significantly higher sales volume and the marginal increase in the average selling prices of our steel products.

As a result, the Group’s profit before tax increased by RM6.6 million or 85.6% to register RM14.4 million this quarter.

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

The domestic steel market sentiment was still relatively weak in the 2nd quarter due to the unfavorable external factors. Export sales volume doubled in the 2nd quarter compared to the 1st quarter of 2012 whilst domestic sales volume registered a much lower percentage increase compared to the 1st quarter of 2012. The Group had secured more orders in the 2nd quarter, mainly due to the Group having the advantage of preferential tariff under Asean Free Trade Area compared to Korea and Taiwan. However, steel prices, both domestically and internationally, remained stagnant as the unfavorable external factors had formed a strong barrier for the Group to pass on the increased cost.

We forecast that sales in the 3rd quarter will improve compared with the 2nd quarter as the downstream industries are likely to re-stock their inventory. Although the prices of raw materials, such as iron ore and coal, have been softening lately, steel prices appear to be trending downwards as well.

Barring any unforeseen circumstances, the Group is cautiously optimistic on the performance of the Group in 2012.

**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/ (income)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Current****quarter**  |  | **Current****year-to-date** |
|  **RM’000** |  | **RM' 000** |
| Current: |  |  |  |  |
| - Income tax |  |  4,515 |  |  4,782 |
| - Deferred tax |  |  (934)  |  |  746 |
|  |  |  3,581 |  |  5,528 |
| Prior year: |  |   |  |   |  |
| - Income tax |  |  124  |  |  622 |  |
| - Deferred tax |  |   |  |  (246) |  |
|  |  |  124  |  |  376 |  |
|  |   |  |   |   |
| Total |  |  3,705 |  |  5,904 |  |

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.** **Status of corporate proposal announced**

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

**B7. 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

**B8.** **Group borrowings**

The Group’s borrowings as at the end of the reporting quarter are as follows:



**B9.** **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 save as disclosed in A12, 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.

**B10.** **Dividend recommended by Directors**

The final single tier system of dividend of 5% or 5 sen per share and the special single tier system of dividend of 2% or 2 sen per share for the financial year ended 2011 recommended by the Directors was approved by the shareholders in the Eighth Annual General Meeting of the company held on 21st June 2012.

**B11. 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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**B12. Notes to the Consolidated Statement of Comprehensive Income**

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**B13. Disclosure of realised and unrealised profits**

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By order of the Board

Mr. Liang Hsiu-Chang

Group Managing Director

17th August 2012