**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 2012. 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”) except during the financial period, the Group has adopted the following applicable new and revised Malaysia Financial Reporting Standards (“MFRSs”) issued by the Malaysian Accounting Standards Board that are mandatory for the current financial period:-

* MFRS 101 Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
* MFRS 7 Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)]
* MFRS 7 Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)
* MFRS 10 Consolidated Financial Statements
* MFRS 10 Consolidated Financial Statements (Amendments relating to Transition Guidance)
* MFRS 13 Fair Value Measurement
* Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle

The adoption of the above new and revised MFRSs does not have significant financial impact on the interim financial statements of CHB and the Group.

At the date of authorisation for issue of these interim financial statement, the new and revised Standards which were in issue but not yet effective and not early adopted by CHB and the Group are listed below:

* MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2009)
* MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2010)
* MFRS 132 Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)

The directors anticipate that abovementioned Standards will be adopted in the annual financial statements of CHB and the Group when they become effective and that the adoption of these Standards will have no material impact on the financial statements of CHB and the Group in the period of initial application.

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 2012.

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 amounts 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**

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**

There were no contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

However with regards to our appeal to the Ministry of Finance (MOF) for the full remission of the 30% import duty, the MOF had on 29th March 2013 rejected our appeal. This matter is henceforth considered closed.

**A13. Capital commitments**

|  |  |
| --- | --- |
|  | RM’000 |
|  |  |
| Approved and contracted for | 5,109 |
| Approved but not contracted for | 21,209 |
|  |  |
|  | 26,318 |
|  |  |

# 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 RM312.0 million and RM23.1 million respectively. This represents an increase of RM69.8 million or 28.8% higher in revenue than that of its corresponding quarter. As a result of the higher revenue, profit before tax increased significantly by RM15.3 million from RM7.8 million in the corresponding quarter.

The increase in revenue is primarily due to significant increase in sales volume of all our steel products albeit at lower selling prices. The much improved profit before tax is due to significantly lower raw materials cost and lower unit production cost as a result of greater production volume.

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

Group’s revenue has increased by 15.8%, from RM269.6 million in the preceding quarter to RM312.0 million this quarter. The increase in revenue is primarily due to significant increase in sales volume of our steel products. Similarly, Group’s profit before tax increased significantly by RM15.7 million to register RM23.1 million this quarter. The much improved profit before tax is due to lower unit production cost as a result of higher production volume and significantly lower raw materials cost.

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

The Group did well in the first quarter of 2013. Both the sales volume and profit margin improved significantly from the previous quarter. Domestic steel prices registered increases each month during the first quarter due to price increases in the international steel market since the beginning of the year. The recent imposition of anti-dumping duty by Indonesia on cold rolled coils from East Asian steel mills has also boosted our exports to Indonesia as Malaysia is not affected by this Indonesian measure.

International steel market in the second quarter appears softer and demand has slowed down. Buying sentiment in the domestic market is also less strong and orders are possibly sidelined in view of the Malaysian elections to be held during this quarter. Although the second quarter result is expected to be less upbeat compared to the first quarter, the Indonesian anti-dumping duty as well as MITI’s new steel policy entitled “The Statement on the Iron & Steel Industry” in early 2013 should bring impetus to the domestic steel market.

Barring sudden downturn in the international steel market, the Group expects to generate healthier returns for the Group in 2013.

**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 | | |  | | 4,656 | |  | | 4,656 |
| - Deferred tax | | |  | | - | |  | | - |
|  | | |  | | 4,656 | |  | | 4,656 |
| Prior year: | |  | |  | |  | |  | |  |
| - Income tax | |  | | 888 | |  | | 888 | |  |
| - Deferred tax | |  | | - | |  | | - | |  |
|  | |  | | 888 | |  | | 888 | |  |
|  | | | |  | |  | |  | |  |
| Total |  | | | 5,544 | |  | | 5,544 | |  |

The effective tax rate for the current 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**

An announcement was made on 9th November 2012 whereby CHB had signed an agreement with Tatt Giap Group Berhad for the acquisition of a 20% equity stake in Tatt Giap Steel Centre Sdn Bhd (TGSC). This exercise was yet to be completed as at the end of the reporting quarter and had subsequently been completed on 19th April 2013 with the payment of the balance purchase price. Please refer to <http://www.bursamalaysia.com/market/listed-companies/company-announcements/1114445> for full details of the announcement.

**B7. Details of treasury shares**

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: 601,900 7,886,000

Number of shares cancelled: Nil Nil

Number of shares held as treasury shares: 601,900 7,886,000

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.

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

The Board of Directors had recommended at their last meeting which was announced on 5th February 2013 a final single tier system of dividend of 5% or 5 sen per share and a special single tier system of dividend of 2% or 2 sen per share for the financial year ended 2012 which are subject to the approval of the shareholders in the forthcoming annual general meeting.

The recommendation complies with the Company’s dividend policy.

**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. Chen, High-Pinn

Group Managing Director

13th May 2013