**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 2013. 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:-

* Amendment to MFRS 127 Consolidated and Separate Financial Statements (Amendments relating to Investment Entities);
* Amendments to MFRS 132 Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities);
* Amendments to MFRS 136 Impairment of Assets (Amendments relating to Recoverable Amount Disclosures for Non-Financial Assets).

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:

* Amendment to MFRS 3 Business Combinations;
* Amendment to MFRS 8 Operating Segments;
* Amendment to MFRS 10 Consolidated Financial Statements (Amendments relating to Investment Entities);
* Amendment to MFRS 13 Fair Value Measurement;
* Amendment to MFRS 116 Property, Plant and Equipment;
* Amendment to MFRS 119 Employee Benefits;
* Amendment to MFRS 124 Related Party Disclosures;
* Amendment to MFRS 138 Intangible Assets;
* Amendment to MFRS 140 Investment Properties.

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 2013.

1. Seasonal and cyclical factors

The Group’s business operation results are 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 is no item of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows.

1. **Material changes in estimates**

There is no material changes in estimates of amounts reported in the current quarter under review.

1. Issuances and repayment of debt and equity securities

There is 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

As at the end of the reporting quarter the Group’s pilot bio-coal plant has yet to commence commercial production.

**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 is 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 is no material event subsequent to the end of the quarter under review

**A11. Changes in the composition of the Group**

There is no change in the composition of the Group during the quarter under review.

**A12. Changes in contingent liabilities**

There is no contingent liability 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 | 26,511 |
| Approved but not contracted for | 50,984 |
|  |  |
|  | 77,495 |
|  |  |

# PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

**B1.** **Review of performance**

The Group registered revenue and loss before tax for the current quarter of RM263.2 million and RM11.2 million respectively. This represents a significant decrease of RM25.9 million or 9.0% lower in revenue than that of its corresponding quarter. The decrease in revenue is due to significant decreases in selling prices of our steel products in spite of a marginal increase in sales volume. As a result, the Group suffered a loss before tax of RM11.2 million, a decrease of RM21.4 million from that of its corresponding quarter of RM10.2 million in profit before tax.

With regards to our pilot bio-coal manufacturing plant, the plant has yet to commence commercial production as our parent company’s R&D team is still in the process of solving technical issues encountered.

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

The Group’s revenue has decreased by 2.3%, from RM269.4 million in the preceding quarter to RM263.2 million this quarter. The decrease in revenue is primarily due to lower sales volume of some of our steel products mitigated by marginal increases in their selling prices. However, due to higher raw material costs, higher transportation charges as a result of greater export volume and impairment charge on equity investment in associate and related companies, the Group suffered a loss before tax of RM11.2 million this quarter compared with a loss before tax of RM0.5 million in the previous quarter.

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

Domestic market is facing severe competition from low priced imported steel materials. The situation is becoming very serious in the country. Trade remedy measures are expected to be taken by local steel manufacturers to stem the influx of cheap imported steel materials. Petition for anti-dumping of hot rolled steel coils has already been accepted by Ministry of International Trade and Industry (MITI) and investigation is now underway. Meantime, cold rolled steel and coated steel manufacturers are also expected to file anti-dumping petition with MITI soon. We believe these defensive actions will help to stabilize the domestic steel market and improve the local steel industries to grow once it has been implemented.

**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 | | |  | | (174) | |  | | 1,058 |
| - Deferred tax | | |  | | (2,470) | |  | | (3,817) |
|  | | |  | | (2,644) | |  | | (2,759) |
| Prior year: | |  | |  | |  | |  | |  |
| - Income tax | |  | | - | |  | | - | |  |
| - Deferred tax | |  | | 222 | |  | | 222 | |  |
|  | |  | | 222 | |  | | 222 | |  |
|  | | | |  | |  | |  | |  |
| Total |  | | | (2,422) | |  | | (2,537) | |  |

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**

There is no corporate proposal announced during the quarter under review.

**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: 5,000 8,088,200

Number of shares cancelled: Nil Nil

Number of shares held as treasury shares: 5,000 8,088,200

Number of treasury shares resold: Nil Nil

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

There are no borrowings as at the end of the reporting quarter.

**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 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 2013 as recommended by the Directors were approved by the shareholders in the Tenth Annual General Meeting of the company held on 19th June 2014. These dividends had subsequently been paid to the shareholders on 11th July 2014.

**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, Chung-Te

Group Managing Director

5th August 2014