

Notes on the Quarterly Report – Three Months Ended 31 March 2015

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1. 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 2014. 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").

A2. 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 2014.

A3. Seasonal and cyclical factors

The Group's business operation results are not materially affected by any major seasonal or cyclical factors.

A4. 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.

A5. Material changes in estimates

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

A6. Issuances and repayment of debt and equity securities

There is no issuance and repayment of debt and equity securities during the quarter under review.

A7. Dividend Paid

There was no dividend paid during the quarter under review.

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A8. Segment information

Segmental information in respect of the Group's business segments is as follows:-

	<u>Steel coils*</u> RM'000	<u>Technical fee</u> RM'000	<u>Others</u> RM'000	<u>Consolidation adjustment</u> RM'000	<u>Current year to date</u> RM'000
Revenue from external customers	294,048	225	104	-	294,377
Inter-segment revenue	-	-	1,229	(1,229)	-
Total revenue	<u>294,048</u>	<u>225</u>	<u>1,333</u>	<u>(1,229)</u>	<u>294,377</u>
Segment result	<u>6,245</u>	<u>(421)</u>	<u>265</u>	<u>-</u>	<u>6,089</u>

*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. However, the company received technical fee for services provided.

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.

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A13. Capital commitments

	RM'000
Approved and contracted for	10,152
Approved but not contracted for	56,669
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	66,821
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PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group registered revenue and profit before tax for the current quarter of RM294.4 million and RM7.3 million respectively. This represents a significant increase of RM25.0 million or 9.3% higher in revenue than that of its corresponding quarter. The increase in revenue is due to both increases in selling prices of our steel products and sales volume. As a result, the Group's profit before tax improves significantly registering RM7.3 million this quarter compared with a loss before tax of RM0.5 million suffered in the corresponding quarter.

The Group's pilot bio-coal manufacturing plant has yet to commence commercial production due to the complexity of the technical issues encountered. As the technical issues will be fully undertaken by the Research & Development team at China Steel Corporation, our immediate holding company, China Steel Asia Pacific Holdings Pte. Ltd. has proposed to take over this project from the Company. The Company is viewing this offer favourably and a decision is expected by June 2015. Any decision by the Company on this proposal is not expected to have any significant impact on the performance of the Group.

B2. Variation of results against preceding quarter

The Group's revenue has increased by 12.6%, from RM261.5 million in the preceding quarter to RM294.4 million this quarter. The increase in revenue is due to significant increases in both sales volume and selling prices of our steel products. As a result, the Group's profit before tax records a healthy RM7.3 million profit reversing from a loss before tax of RM12.2 million in the preceding quarter.

B3. Current year prospects

The sale of steel products in the 1st quarter of 2015 has shown some improvement over the previous quarter. However, the overall local steel market demand is still not stable.

Imports from China, Vietnam and other countries remain a threat to local steel manufacturers. It is crucial that the market share of imports for this year and the next few years be effectively contained.

If the various trade measures currently proposed and/or introduced can be carried out effectively, it will have a positive impact to the local steel manufacturers.

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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 RM'000	Year-to-Date RM' 000
Current:		
- Income tax	1,153	1,153
- Deferred tax	730	730
	1,883	1,883
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	<u>1,883</u>	<u>1,883</u>

The effective tax rate on consolidated profit before tax for the current period was higher than the statutory income tax rate of 25% due mainly to expenses not deductible for tax purposes. However, the impact is partially offset by the following:

- tax effect of income not taxable in determining taxable profit; and
- tax effect of double deduction on import insurance.

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 Year-to-Date	Accumulated Total
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Description of shares purchased:	Ordinary share of RM1.00 each:	

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Number of shares purchased:	10,000	8,711,200
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	10,000	8,711,200
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 Board of Directors had recommended in their last meeting which was announced on 9th February 2015 a final single tier system of dividend of 3% or 3 sen per share for the financial year ended 2014 which is subject to the approval of the shareholders in the forthcoming annual general meeting.

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:-

	Current Quarter	Current Year To-date
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>5,414</u>	<u>5,414</u>
Weighted average number of shares in issue ('000)	<u>371,293</u>	<u>371,293</u>
Basic earnings/(loss) per share (sen)	<u>1.46</u>	<u>1.46</u>
Diluted earnings/(loss) per share (sen)	<u>1.46</u>	<u>1.46</u>

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B12. Notes to the Consolidated Statement of Comprehensive Income

		Current		Financial
		Quarter		Year
		Ended		To Date
		31-Mar-15		31-Mar-15
		RM'000		RM'000
a)	Other income	535		535
b)	Provision for write off of receivable	-		-
c)	Provision for write off of inventories	-		-
d)	Gain/(loss) on disposal of quoted investments or properties	-		-
e)	Impairment of assets	-		-
f)	Foreign exchange gain or (loss)	1,790		1,790
g)	Gain/(loss) on derivatives	-		-
h)	Exceptional items	-		-

B13. Disclosure of realised and unrealised profits

	Current financial period/financial year (RM'000)	As at end of last financial year (RM'000)
Total retained earnings of the Group		
- Realised	378,806	374,572
- Unrealised	(21,179)	(23,901)
	<u>357,627</u>	<u>350,671</u>
Less: Consolidation adjustment	(27,573)	(26,032)
As per consolidated account	<u><u>330,054</u></u>	<u><u>324,639</u></u>

By order of the Board
Mr. Chen, Chung-Te
Group Managing Director
8th May 2015