

CSC STEEL HOLDINGS BERHAD
(Company No. 640357-X)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Sep-15 RM'000	Preceding Year Corresponding Quarter 30-Sep-14 RM'000	Current Year To Date 30-Sep-15 RM'000	Preceding Year Corresponding Period 30-Sep-14 RM'000
Continuing Operations				
Revenue	222,739	254,366	775,442	786,960
Profit before depreciation	19,756	4,806	56,038	9,912
Depreciation	(8,693)	(9,233)	(26,467)	(29,245)
Operating profit/(loss)	11,063	(4,427)	29,571	(19,333)
Interest expense	-	-	-	-
Interest income	1,758	1,688	5,264	5,169
Share of profit/(loss) of associates	(560)	(385)	(1,488)	(628)
Profit/(loss) before tax	12,261	(3,124)	33,347	(14,792)
Tax expense	(2,047)	1	(7,271)	2,538
Profit/(loss) after tax from continuing operations	10,214	(3,123)	26,076	(12,254)
Other comprehensive income/(loss)	(320)	(178)	(214)	640
Total comprehensive income/(loss)	9,894	(3,301)	25,862	(11,614)
Profit/(loss) after tax attributable to equity holders of the parent	10,214	(3,123)	26,076	(12,254)
Total comprehensive income/(loss) attributable to equity holders of the parent	9,894	(3,301)	25,862	(11,614)
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	2.77	(0.84)	7.04	(3.29)
Diluted earnings/(loss) per share (sen)	2.77	(0.84)	7.04	(3.29)

Notes:

The condensed financial statements should be read in conjunction with the accompanying explanatory notes attached to the financial statements and the audited financial statements for the financial year ended 31 December 2014.

CSC STEEL HOLDINGS BERHAD
(Company No. 640357-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015
(The figures have not been audited)

	As at End of Current Quarter 30-Sep-15 RM'000	As at Preceding Financial Year Ended 31-Dec-14 RM'000
Assets		
Non-current assets		
Property, plant and equipment	228,920	234,000
Investment in associates	4,545	5,867
Investment	16,544	4,800
Prepaid operating lease	18,088	18,266
	<u>268,097</u>	<u>262,933</u>
Current assets		
Inventories	196,586	223,615
Receivables	113,627	100,631
Cash and cash equivalents	213,662	210,395
	<u>523,875</u>	<u>534,641</u>
Total assets	<u><u>791,972</u></u>	<u><u>797,574</u></u>
Equity and Liabilities		
Capital and reserves		
Share capital	380,000	380,000
Share premium	32,441	32,441
Less: treasury shares at cost	(12,058)	(9,633)
Fair value adjustment reserve	862	1,076
Retained earnings	339,603	324,639
Equity attributable to equity holders of the parent/Total equity	<u>740,848</u>	<u>728,523</u>
Non-current liabilities		
Deferred taxation	19,068	20,449
Long term loan	-	-
	<u>19,068</u>	<u>20,449</u>
Current liabilities		
Payables	31,861	48,602
Short term borrowings	-	-
Taxation	195	-
	<u>32,056</u>	<u>48,602</u>
Total liabilities	<u>51,124</u>	<u>69,051</u>
Total equity and liabilities	<u><u>791,972</u></u>	<u><u>797,574</u></u>
Net Assets per share (RM)	<u>2.01</u>	<u>1.96</u>

Notes:

The condensed financial statements should be read in conjunction with the accompanying explanatory notes attached to the financial statements and the audited financial statements for the financial year ended 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015
(The figures have not been audited)

	Current Year To Date 30-Sep-15 RM'000	Cumulative Quarter Preceding Year Corresponding Period 30-Sep-14 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	33,347	(14,792)
Adjustments for:		
Non-cash items	29,688	30,942
Non-operating items	(4,087)	(5,365)
Operating Profit/(Loss) Before Working Capital Changes	58,948	10,785
(Increase)/Decrease in working capital:		
Inventories	27,029	(25,615)
Trade and other receivables	(20,649)	(20,537)
Trade and other payables	(16,741)	38,404
Cash Generated From Operations	48,587	3,037
Tax paid	(3,600)	(6,162)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	44,987	(3,125)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(33,747)	(22,250)
Interest received	5,393	5,752
Sale of subsidiary net of cash disposed (Note 1)	526	-
Acquisition of investment in associates	-	-
Acquisition of investment	(459)	-
Dividend received from investment	104	196
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(28,183)	(16,302)
FINANCING ACTIVITIES		
Dividend paid	(11,112)	(26,034)
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Buy back of own shares	(2,425)	(20)
Net Cash From/(Used In) Financing Activities	(13,537)	(26,054)
Net increase/(decrease) in cash and cash equivalents	3,267	(45,481)
Cash and cash equivalents at beginning of period	210,395	259,997
Cash and cash equivalents at end of period	213,662	214,516
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	20,206	8,925
Deposits in the licensed banks	83,270	101,910
Unit trust funds	110,186	103,681
	213,662	214,516

Notes:

The condensed financial statements should be read in conjunction with the accompanying explanatory notes attached to the financial statements and the audited financial statements for the financial year ended 31 December 2014.

CSC STEEL HOLDINGS BERHAD
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Notes to Consolidated Statement of Cash Flows
For The Third Quarter Ended 30 September 2015
(The figures have not been audited)

Note 1 : Disposal of Subsidiary, CBC Bio-Coal Sdn Bhd

	RM'000
Property plant and equipment	12,296
Inventories	90
Receivables	352
Bank balances	474
Payables	<u>(14,478)</u>
	(1,266)
Gain on Disposal	<u>2,266</u>
Total disposal consideration	1,000
Less: Bank balances of CSC Bio-Coal Sdn Bhd	<u>(474)</u>
Cash flow on disposal, net of cash disposed	<u><u>526</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015
(The figures have not been audited)

	Non-Distributable				Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	
Balance as at 1 January 2015	380,000	32,441	(9,633)	1,076	324,639	728,523
Total comprehensive income/(loss)	-	-	-	(214)	26,076	25,862
Dividends	-	-	-	-	(11,112)	(11,112)
Purchase of treasury shares at cost	-	-	(2,425)	-	-	(2,425)
Rounding difference	-	-	-	-	-	-
Balance as at 30 September 2015	380,000	32,441	(12,058)	862	339,603	740,848
Balance as at 1 January 2014	380,000	32,441	(8,950)	756	371,939	776,186
Total comprehensive income/(loss)	-	-	-	640	(12,254)	(11,614)
Dividends	-	-	-	-	(26,034)	(26,034)
Purchase of treasury shares at cost	-	-	(20)	-	-	(20)
Rounding difference	-	-	-	-	-	-
Balance as at 30 September 2014	380,000	32,441	(8,970)	1,396	333,651	738,518

Notes:

The condensed financial statements should be read in conjunction with the accompanying explanatory notes attached to the financial statements and the audited financial statements for the financial year ended 31 December 2014.

CSC STEEL HOLDINGS BERHAD
(Company No: 640357-X)

Notes on the Quarterly Report- Nine Months Ended 30 September 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.

CSC STEEL HOLDINGS BERHAD
(Company No: 640357-X)

Notes on the Quarterly Report- Nine Months Ended 30 September 2015

A7. Dividend Paid

During the quarter under review a final single tier system of dividend of 3% or 3 sen per share for the financial year ended 2014 were paid on 13th July 2015 to the Company's shareholders whose names appeared on the Register of Members at the close of business on 30th June 2015.

A8. Segment information

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

	<u>Steel coils*</u> RM'000	Technical <u>fee</u> RM'000	<u>Others</u> RM'000	<u>Consolidation adjustment</u> RM'000	Current year <u>to date</u> RM'000
Revenue from external customers	774,493	800	149	-	775,442
Inter-segment revenue	-	-	13,808	(13,808)	-
Total revenue	774,493	800	13,957	(13,808)	775,442
Segment result	27,094	(638)	10,116	(7,001)	29,571

*Steel coils– cold rolled, galvanised & pre-painted galvanised steel coils

CHB has disposed of its 100% equity stake in its wholly owned subsidiary, CSC Bio-Coal Sdn Bhd during the quarter under review.

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

Save and except for the disposal of a subsidiary company dealing in the production of bio-mass and bio-, coal there is no other 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.

CSC STEEL HOLDINGS BERHAD
(Company No: 640357-X)

Notes on the Quarterly Report- Nine Months Ended 30 September 2015

A13. Capital commitments

	RM'000
Approved and contracted for	5,583
Approved but not contracted for	48,254
	<u>53,837</u>

**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 RM222.7 million and RM12.3 million respectively. This represents a decrease of RM31.6 million or 12.4% lower in revenue than that of its corresponding quarter. The decrease in revenue is primarily due to decreases in selling prices of all our steel products and lower sales volume. In spite of the lower revenue, the Group recorded a profit before tax of RM12.3 million this quarter compared with a loss before tax of RM3.1 million suffered in the corresponding quarter. The significant improvement in profit is due to lower cost of production experienced during the quarter as a result of lower Hot Rolled Steel prices and a consolidation gain of RM2.3 million arising from the disposal of CBC Bio-Coal Sdn Bhd, a wholly owned subsidiary of the Group.

B2. Variation of results against preceding quarter

The Group's revenue has decreased by 13.8% from RM258.3 million in the preceding quarter to RM222.7 million this quarter. The decrease in revenue is due to significant decreases in both sales volume and selling prices of our steel products. With the lower revenue, the Group registered a lower profit of RM12.3 million compared with RM13.8 million achieved in the preceding quarter. In spite of lower raw material cost and a consolidation gain of RM2.3 million arising from the disposal of a subsidiary, the profit before tax is being impacted negatively by higher shipping charges for exports to Australia and write off of obsolete spare parts for Temper Mill which is currently being replaced with a new modern Mill.

B3. Current year prospects

As long as China continues its production level as in the first nine months of 2015, we expect to see the global steel supply and demand will remain imbalanced as China's weak demands in domestic market will result in the increase of its export quantity to South East Asia and other regional steel markets.

Our Malaysian government has initiated trade measures in order to help the local steel industry to defend against the surge of imports which bring injury to local steel manufacturers due to huge import quantity and at extremely low prices. Whilst anti-dumping measures will bring positive benefits to our Company, safeguard measures for hot rolled coils can adversely affect our business. At this juncture, the overall impact on our business from the various trade measures introduced cannot as yet be ascertained.

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Notes on the Quarterly Report- Nine Months Ended 30 September 2015

According to the recent new steel policy which disclosed by MITI Minister II, two of it are particularly related to flat products: i) Government has agreed to maintain the import duty of 15% on flat products up to year 2019 instead of 2018. From year 2020 onwards, import duties will range from 0 to 10%; ii) a duty drawback facility will also be introduced early next year to ensure that imported raw materials are effectively utilized to produce finished goods for export. The Company believes the said new steel policy will encourage positive benefit on the future business of the company.

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	3,386	8,360
- Deferred tax	-1,635	-1,381
	1,751	6,979
Prior year:		
- Income tax	296	292
- Deferred tax	-	-
	296	292
Total	<u>2,047</u>	<u>7,271</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:-

CSC STEEL HOLDINGS BERHAD
(Company No: 640357-X)

Notes on the Quarterly Report- Nine Months Ended 30 September 2015

	Current Year-to-Date -----	Accumulated Total -----
Description of shares purchased:	Ordinary share of RM1.00 each:	
Number of shares purchased:	2,408,300	11,109,500
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	2,408,300	11,109,500
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

There is no dividend recommended by directors during the quarter under review.

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>10,214</u>	<u>26,076</u>
Weighted average number of shares in issue ('000)	<u>369,297</u>	<u>370,551</u>
Basic earnings/(loss) per share (sen)	<u>2.77</u>	<u>7.04</u>
Diluted earnings/(loss) per share (sen)	<u>2.77</u>	<u>7.04</u>

CSC STEEL HOLDINGS BERHAD
(Company No: 640357-X)

Notes on the Quarterly Report- Nine Months Ended 30 September 2015

B12. Notes to the Consolidated Statement of Comprehensive Income

					Current Quarter Ended 30-Sep-15 RM'000	Financial Year To Date 30-Sep-15 RM'000
a)	Other Income				3,162	4,225
b)	Provision for write off of receivable				1,666	3,964
c)	Provision for write off of inventories				1,405	1,405
d)	Gain/(loss) on disposal of quoted investment or properties				-	-
e)	Impairment of assets				-	-
f)	Foreign exchange gain or (loss)				30	4,164
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	386,692	367,003
- Unrealised	(19,319)	(21,566)
	367,373	345,437
Less: Consolidationn adjustment	(27,770)	(20,798)
As per consolidated account	339,603	324,639

By order of the Board
Mr. Chen, Chung-Te
Group Managing Director
16th November 2015