

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 30-Sep-16 RM'000	Preceding Year Corresponding Quarter 30-Sep-15 RM'000	Current Year To Date 30-Sep-16 RM'000	Preceding Year Corresponding Period 30-Sep-15 RM'000
Continuing Operations				
Revenue	257,575	222,739	748,281	775,442
Profit before depreciation	30,955	19,756	91,520	56,038
Depreciation	(8,158)	(8,693)	(23,857)	(26,467)
Operating profit/(loss)	22,797	11,063	67,663	29,571
Interest expense	-	-	-	-
Interest income	2,387	1,758	7,343	5,264
Share of profit/(loss) of associates	(369)	(560)	(734)	(1,488)
Profit/(loss) before tax	24,815	12,261	74,272	33,347
Tax expense	(583)	(2,047)	(11,773)	(7,271)
Profit/(loss) after tax from continuing operations	24,232	10,214	62,499	26,076
Other comprehensive income/(loss)	462	(320)	569	(214)
Total comprehensive income/(loss)	24,694	9,894	63,068	25,862
Profit/(loss) after tax attributable to equity holders of the parent	24,232	10,214	62,499	26,076
Total comprehensive income/(loss) attributable to equity holders of the parent	24,694	9,894	63,068	25,862
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	6.57	2.77	16.95	7.04
Diluted earnings/(loss) per share (sen)	6.57	2.77	16.95	7.04

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 2015.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016
(The figures have not been audited)

	As at End of Current Quarter 30-Sep-16 RM'000	As at Preceding Financial Quarter 31-Dec-15 RM'000
Assets		
Non-current assets		
Property, plant and equipment	226,363	227,054
Investment in associates	5,341	4,286
Investment	5,631	5,062
Investment property	42,523	-
Deferred tax assets	-	81
Prepaid operating lease	17,851	18,029
	<u>297,709</u>	<u>254,512</u>
Current assets		
Inventories	188,041	213,319
Receivables	98,359	130,810
Cash and cash equivalents	266,035	231,379
	<u>552,435</u>	<u>575,508</u>
Total assets	<u><u>850,144</u></u>	<u><u>830,020</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	(12,266)	(12,199)
Fair value adjustment reserve	1,448	880
Retained earnings	401,129	368,129
Equity attributable to equity holders of the parent/Total equity	<u>802,752</u>	<u>769,251</u>
Non-current liabilities		
Deferred taxation	21,034	20,381
Long term loan	-	-
	<u>21,034</u>	<u>20,381</u>
Current liabilities		
Payables	26,358	40,388
Short term borrowings	-	-
Taxation	-	-
	<u>26,358</u>	<u>40,388</u>
Total liabilities	<u>47,392</u>	<u>60,769</u>
Total equity and liabilities	<u><u>850,144</u></u>	<u><u>830,020</u></u>
Net Assets per share (RM)	2.18	2.09

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 2015.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Sep-16 RM'000	Preceding Year Corresponding Period 30-Sep-15 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	74,272	33,347
Adjustments for:		
Non-cash items	23,943	29,688
Non-operating items	(3,341)	(4,087)
Operating Profit/(Loss) Before Working Capital Changes	94,874	58,948
(Increase)/Decrease in working capital:		
Inventories	23,841	27,029
Trade and other receivables	1,499	(20,649)
Trade and other payables	(6,599)	(16,741)
Cash Generated From Operations	113,615	48,587
Tax paid	(12,090)	(3,600)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	101,525	44,987
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,349)	(33,747)
Interest received	7,499	5,393
Sale of subsidiary net of cash disposed	-	526
Acquisition of investment in associates	-	-
Acquisition of investment	-	(459)
Dividend received from investment	70	104
Acquisition of investment property	(21,523)	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(37,303)	(28,183)
FINANCING ACTIVITIES		
Dividend paid	(29,499)	(11,112)
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Buy back of own shares	(67)	(2,425)
Net Cash From/(Used In) Financing Activities	(29,566)	(13,537)
Net increase/(decrease) in cash and cash equivalents	34,656	3,267
Cash and cash equivalents at beginning of period	231,379	210,395
Cash and cash equivalents at end of period	266,035	213,662
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	12,231	20,206
Deposits in the licensed banks	156,072	83,270
Unit trust funds	97,732	110,186
	266,035	213,662

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 2015.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(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 2016	380,000	32,441	(12,199)	880	368,129	769,251
Total comprehensive income/(loss)	-	-	-	569	62,499	63,068
Dividends	-	-	-	-	(29,499)	(29,499)
Purchase of treasury shares at cost	-	-	(67)	-	-	(67)
Rounding difference	-	-	-	(1)	-	(1)
Balance as at 30 September 2016	380,000	32,441	(12,266)	1,448	401,129	802,752
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

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 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 2015. 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 2015.

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
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Notes on the Quarterly Report- Six Months Ended 30 September 2016

A7. Dividend Paid

During the quarter under review a final single tier system of dividend of 8% or 8 sen per share for the financial year ended 2015 were paid on 13th July 2016 to the Company's shareholders whose names appeared on the Register of Members at the close of business on 30th June 2016.

A8. Segment information

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

	<u>Steel coils*</u>	<u>Technical fee</u>	<u>Others</u>	<u>Consolidation adjustment</u>	<u>Current year to date</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	748,196	-	85	-	748,281
Inter-segment revenue	-	-	21,138	(21,138)	-
Total revenue	<u>748,196</u>	<u>-</u>	<u>21,223</u>	<u>(21,138)</u>	<u>748,281</u>
Segment result	<u>66,002</u>	<u>-</u>	<u>18,357</u>	<u>(16,696)</u>	<u>67,663</u>

*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 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.

Notes on the Quarterly Report- Six Months Ended 30 September 2016

A13. Capital commitments

	RM'000
Approved and contracted for	52,861
Approved but not contracted for	12,511
	<u>65,372</u>

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

B1. Review of performance

Year-on-year performance review

The Group registered revenue and profit before tax for the current quarter of RM257.6 million and RM24.8 million respectively. This represents an increase of RM34.8 million or 15.6% higher in revenue than that of its corresponding quarter. The increase in revenue is primarily due to significant increase in sales volume and selling prices of our steel products. The Group recorded a higher profit before tax of RM24.8 million this quarter compared with RM12.3 million in the corresponding quarter. The significant improvement in profit is due to significant increase in sale volume and improvement in gross margin of all our steel products.

Year-to-date performance review

For the first nine months of this year, the Group registered revenue and profit before tax of RM748.3 million and RM74.3 million respectively as compared with RM775.4 million and RM33.3 million achieved for the same period last year (2015). The reduction in revenue is primarily due to lower sale of our higher priced products such as Galvanised Steel and Prepainted Galvanised Steel despite a marginal improvement in total sale volume. However profit before tax improved by RM40.9 million despite a lower revenue due to substantially lower raw material cost.

B2. Variation of results against preceding quarter

The Group's revenue has decreased by 4.5% from RM269.7 million in the preceding quarter to RM257.6 million this quarter. The decrease in revenue is due to significant decrease in the sales volume and higher selling prices of all our steel products. The Group registered a significantly lower profit before tax of RM24.8 million this quarter compared with RM38.0 million achieved in the previous quarter due mainly to significant drop in sale of our higher priced higher margin products and substantial increase in raw material cost.

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Notes on the Quarterly Report- Six Months Ended 30 September 2016

B3. Current year prospects

The domestic demand for the Group's steel products in the first two months of the fourth quarter has seen improvement over that of the third quarter due to restocking activity and in anticipation of increasing prices. The price of our raw material, hot rolled steel coil, has been trending upwards since the later part of the second quarter due to increases in prices of coking coal and iron ores. It is expected that this trend shall persist until the end of this year. The Group's fourth quarter performance is thus dependent on our ability to pass on the cost increases to our downstream customers.

Barring any unforeseen circumstances, the Group expects to achieve reasonable profitability for the rest of the year.

B4. Variance of actual and financial estimate, forecast or projection

Not applicable as the Group does not make any financial estimate, forecast or projection for current financial year.

B5. Tax expense/ (income)

	Current quarter RM' 000	Year-to- Date RM' 000
Current:		
- Income tax	(178)	10,709
- Deferred tax	100	403
	(78)	11,112
Prior year:		
- Income tax	411	411
- Deferred tax	250	250
	661	661
Total	<u>583</u>	<u>11,773</u>

The effective tax rate on consolidated profit before tax for the current period was lower than the statutory income tax rate of 24% due mainly to the following:

- tax effect of income not taxable in determining taxable profit;
- tax effect of the utilization of re-investment tax allowance; and
- tax effect of double deduction on export and import marine insurance premium insured locally.

However, the reduction is partly offset by expenses not deductible for tax purposes.

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Notes on the Quarterly Report- Six Months Ended 30 September 2016

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 -----
Description of shares purchased:	Ordinary share of RM1.00 each:	
Number of shares purchased:	45,900	11,300,000
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	45,900	11,300,000
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>24,232</u>	<u>62,499</u>
Weighted average number of shares in issue ('000)	<u>368,720</u>	<u>368,733</u>
Basic earnings/(loss) per share (sen)	<u>6.57</u>	<u>16.95</u>
Diluted earnings/(loss) per share (sen)	<u>6.57</u>	<u>16.95</u>

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

Notes on the Quarterly Report- Six Months Ended 30 September 2016

B12. Notes to the Consolidated Statement of Comprehensive Income

						Current Quarter Ended 30-Sep-16 RM'000	Financial Year To Date 30-Sep-16 RM'000
a)	Other Income					1,118	2,520
b)	Provision for write off/(reversal) of receivable					-	781
c)	Provision for write off of inventories					-	-
d)	Gain/(loss) on disposal of quoted investment or properties					-	-
e)	Impairment of assets					-	-
f)	Foreign exchange gain or (loss)					4,220	9,616
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	451,324	407,248
- Unrealised	(23,714)	(22,104)
	427,610	385,144
Less: Consolidation adjustment	(26,481)	(17,015)
As per consolidated account	401,129	368,129

By order of the Board
Mr. Chen, Huo-Kun
Group Managing Director
16th November 2016