

(Company No. 640357-X)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Sep-19 RM'000	Preceding Year Corresponding Quarter 30-Sep-18 RM'000	Current Year To Date 30-Sep-19 RM'000	Preceding Year Corresponding Period 30-Sep-18 RM'000
Continuing Operations				
Revenue	353,671	336,591	1,028,616	1,026,842
Profit/(Loss) before depreciation	17,865	11,550	51,851	53,442
Depreciation	(6,546)	(8,754)	(21,251)	(26,192)
Operating profit/(loss)	11,319	2,796	30,600	27,250
Interest expense	-	-	(21)	-
Interest income	1,468	1,450	4,142	4,479
Share of profit/(loss) of associates	-	(480)	-	(870)
Profit/(loss) before tax	12,787	3,766	34,721	30,859
Tax expense	(2,259)	(786)	(6,984)	(6,888)
Profit/(loss) after tax from continuing operations	10,528	2,980	27,737	23,971
Other comprehensive income/(loss)	89	214	284	(568)
Total comprehensive income/(loss)	10,617	3,194	28,021	23,403
Profit/(loss) after tax attributable to equity holders of the parent	10,528	2,980	27,737	23,971
Total comprehensive income/(loss) attributable to equity holders of the parent	10,617	3,194	28,021	23,403

Earnings per share from continuing operations attributable to equity holders of the parent:

Basic earnings/(loss) per share (sen)	2.85	0.81	7.51	6.49
Diluted earnings/(loss) per share (sen)	2.85	0.81	7.51	6.49

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 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019
(The figures have not been audited)

	As at End of Current Quarter 30-Sep-19 RM'000	As at Preceding Financial Year Ended 31-Dec-18 RM'000
Assets		
Non-current assets		
Property, plant and equipment	187,180	196,692
Investment in associates	-	-
Investment	7,075	6,960
Investment property	42,544	42,544
Deferred tax assets	196	92
Prepaid operating lease	17,140	17,318
	<u>254,135</u>	<u>263,606</u>
Current assets		
Inventories	252,708	290,586
Receivables	183,048	168,233
Cash and cash equivalents	220,893	192,532
	<u>656,649</u>	<u>651,351</u>
Total assets	<u><u>910,784</u></u>	<u><u>914,957</u></u>
Equity and Liabilities		
Capital and reserves		
Share capital	413,163	413,163
Less: 10,700,000 treasury shares at cost	(11,614)	(11,614)
	401,549	401,549
Fair value adjustment reserve	1,111	827
Retained earnings	415,456	402,491
Equity attributable to equity holders of the parent/Total equity	<u>818,116</u>	<u>804,867</u>
Non-current liabilities		
Deferred tax liabilities	17,237	18,074
Long term loan	-	-
	<u>17,237</u>	<u>18,074</u>
Current liabilities		
Payables	75,431	92,016
Short term borrowings	-	-
Taxation	-	-
	<u>75,431</u>	<u>92,016</u>
Total liabilities	<u>92,668</u>	<u>110,090</u>
Total equity and liabilities	<u><u>910,784</u></u>	<u><u>914,957</u></u>
Net Assets per share (RM)	<u>2.22</u>	<u>2.18</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 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Sep-19 RM'000	Preceding Year Corresponding Period 30-Sep-18 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	34,721	30,859
Adjustments for:		
Non-cash items	21,692	27,064
Non-operating items	10,030	(379)
Operating Profit Before Working Capital Changes	66,443	57,544
(Increase)/Decrease in working capital:		
Inventories	35,043	(32,971)
Trade and other receivables	(32,741)	6,051
Trade and other payables	(13,761)	28,708
Cash Generated From Operations	54,984	59,332
Tax paid	(4,603)	(12,949)
Interest paid	(21)	-
Net Cash From Operating Activities	50,360	46,383
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,832)	(15,586)
Interest received	4,142	4,487
Sale of subsidiary net of cash disposed (Note 1)	-	-
Acquisition of investment	-	-
Dividend received from investment	463	874
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash Used In Investing Activities	(7,227)	(10,225)
FINANCING ACTIVITIES		
Dividend paid	(14,772)	(36,930)
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Disposal/(Buy back) of own shares	-	-
Net Cash From/(Used In) Financing Activities	(14,772)	(36,930)
Net increase/(decrease) in cash and cash equivalents	28,361	(772)
Cash and cash equivalents at beginning of period	192,532	161,036
Cash and cash equivalents at end of period	220,893	160,264
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	20,576	13,341
Deposits in the licensed banks	42,997	23,530
Unit trust funds	157,320	123,393
	220,893	160,264

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 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(The figures have not been audited)

	Non-Distributable			Distributable	Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	
Balance as at 1 January 2019	413,163	(11,614)	827	402,491	804,867
Total comprehensive income/(loss)	-	-	284	27,737	28,021
Dividends	-	-	-	(14,772)	(14,772)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	-	-
Balance as at 30 September 2019	413,163	(11,614)	1,111	415,456	818,116
Balance as at 1 January 2018	413,163	(11,614)	2,177	415,427	819,153
Total comprehensive income/(loss)	-	-	(568)	23,971	23,403
Dividends	-	-	-	(36,930)	(36,930)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	1	1
Balance as at 30 September 2018	413,163	(11,614)	1,609	402,469	805,627

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 2018.

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

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 2018. 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.

- Adoption of new and amendments to MFRS and IC Interpretation ("IC Int.")

In the current financial year, the Group adopted a number of new and amendments to MFRS and IC Int. issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after January 1, 2019 as follows:

MFRS 16	Leases
Amendments to MFRS 9	Financial Instrument - Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS	Annual Improvements to MFRS 2015 - 2017 Cycle: Amendments to MFRS 3 Business Combination, MFRS 11 Joint Arrangement, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs
IC Int. 23	Uncertainty over Income Tax Payments

The adoption of the above new and amendments to the MFRS and IC Int. did not have material impact on the amounts reported in the financial statements of the Group upon its initial application.

- New and amendments to MFRS but not yet effective

As of the date of authorization for issue of interim financial statements, the Group and the Company have not applied the following new and amendments to MFRS that have been issued but not yet effective:

MFRS 17	Insurance Contracts ²
Amendments to MFRS 3	Definition of a Business ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 101 and MFRS 108	Definition of Material ¹
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards ¹

¹ Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

³ Effective date deferred to a date to be determined and announced, with earlier application permitted.

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

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 2018.

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

During the quarter under review a final single tier system of dividend 4 Sen per share for the financial year ended 2018 were paid on 11 July 2019 to the Company's shareholders whose names appeared on the Record of Depositors at the close of business on 28 June 2019.

A8. Segment information

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

	Steel coils*	Others	Consolidation adjustment	Current year to date
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	1,028,153	-	-	1,028,153
Inter-segment revenue	-	16,326	(15,863)	463
Total revenue	<u>1,028,153</u>	<u>16,326</u>	<u>(15,863)</u>	<u>1,028,616</u>
Segment result	<u>30,316</u>	<u>11,977</u>	<u>(11,693)</u>	<u>30,600</u>

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

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

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

	<u>RM'000</u>
Approved and contracted for	17,764
Approved but not contracted for	<u>13,849</u>
Total	<u>31,613</u>

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

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

B1. Review of performance

Year-on- year performance review

The Group registered a total revenue of RM353.6 million and profit before tax of RM12.7 million for the current quarter, an increase of RM17 million or 5.1% higher in revenue than that of its corresponding quarter. The stronger performance mainly due to 12.4% increase in overall sales volume albeit lower average selling price that in line with downward trend of raw material price. In tandem with the higher revenue achieved, the Group posted profit before tax of RM12.7 million, an increase of 240% or RM9 million compared to RM3.7 million recorded in the same quarter last year. The better performance mainly derived from improved margin that underpinned by both the increase in domestic sales and favorable raw material cost as well as reduce in production cost as a result of higher capacity utilization.

Revenue:

	Q3 2018			Q3 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	51,044	147,552	2,891	58,633	161,620	2,756	7,589	14.9%	14068	9.5%
GI	28,903	94,976	3,286	36,389	111,042	3,052	7,486	25.9%	16066	16.9%
PPGI	19,139	85,771	4,482	16,626	73,332	4,411	-2,512	-13.1%	-12439	-14.5%
Sub-Con	202	14	69	203	15	74	1	n/a	1	7%
Trading	205	732	3,572	317	1,035	3,263	112	54.8%	303	41%
Scrap	5,802	6,707	1,156	6,150	6,627	1,078	347	6.0%	-80	-1%
Others		839			0				-839	-100%
Total	105,295	336,591	3,197	118,318	353,671	2,989	13,023	12.4%	17,080	5.1%

CRC = cold rolled steel/pickled & oiled steel
GI = galvanized steel
PPGI = pre-painted galvanized steel

Year-to-date performance review

For the year to date, the Group's revenue of RM1028.6 million approximates the revenue for the preceding year. The Group posted a increase in revenue of 0.2% or 1.7 million in comparison to RM1026.8 million recorded in the same period last year, mainly attributed to higher sales volume in CRC product. Nevertheless, the Group posted profit before tax of RM34.7 million, an increase of 12.5% compared to RM30.8 million in the previous year corresponding period. These was mainly due to reduce in export marketing and administration expenses as a result of decrease in export sales.

Revenue:

	YTD 2018			YTD 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	154,779	446,682	2,886	181,895	495,903	2,726	27,115	17.5%	49,221	11.0%
GI	101,658	336,557	3,311	96,513	296,159	3,069	-5,146	-5.1%	-40,398	-12.0%
PPGI	49,468	223,136	4,511	47,169	211,026	4,474	-2,298	-4.6%	-12,110	-5.4%
Sub-Con	217	16	74	1,395	162	116	1,179	543.8%	146	913%
Trading	205	732	3,571	1,919	5,911	3,080	1,714	836.1%	5,179	708%
Scrap	17,039	18,843	1,106	17,598	18,991	1,079	560	3.3%	148	1%
Others		875			463				-412	-47%
Total	323,366	1,026,841	3,175	346,489	1,028,615	2,969	23,124	7.2%	1,774	0.2%

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

CRC = cold rolled steel/pickled & oiled steel
GI = galvanized steel
PPGI = pre-painted galvanized steel

B2. Variation of results against preceding quarter

The Group reported revenue of RM353.6 million for the current quarter compared to RM343.7 million in the preceding quarter with the increase in sales volume of GI and PPGI products. Despite stronger sales volume of coated products, the Group's registered a lesser profit before tax of RM12.7 million compared with RM16.1 million in the preceding quarter. The decrease mainly attributed to margin compression in all our key products undermined by deliver competitive pricing to maintain market share in an intensely price competitive market amid unease macroeconomic and geopolitical situation.

		Q2 2019			Q3 2019			Variance Analysis			
		mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC		60,309	162,775	2,699	58,633	161,620	2,756	-1,676	-2.8%	-1,155	-0.7%
GI		32,813	100,568	3,065	36,389	111,042	3,052	3,576	10.9%	10,474	10.4%
PPGI		15,814	71,436	4,517	16,626	73,332	4,411	812	5.1%	1,896	2.7%
Sub-Con		684	80	117	203	15	74	-481	-70.3%	-65	-81.3%
Trading		724	2,300	3,178	317	1,035	3,263	-407	-56.2%	-1,265	-55.0%
Scrap		5,691	6,130	1,077	6,150	6,627	1,078	459	8.1%	497	8.1%
Others			463							-463	-100.0%
Total		116,035	343,752	2,962	118,318	353,671	2,989	2,283	2.0%	9,919	2.9%

CRC = cold rolled steel/pickled & oiled steel
GI = galvanized steel
PPGI = pre-painted galvanized steel

B3. Current year prospects

The volatility of the China-US trade war negotiations has exposed the global economy into uncertainty and instability. In Q3, the prices of all steel products have shown significant decline with the sharpest decline for flat products driven by the ample supply of HR coils from India, Turkey and Russia. Chinese mills have been trying to prevent the steel price from further falling when returning to work after China National Day "Golden Week", but it might not be supported by weak buying sentiment and high inventory levels. It is generally believed that weak steel prices will continue to be driven by the insufficient market demand globally throughout the 4Q.

Along with the trend in international steel prices, Malaysia market has taken the wait-and-see approach attributable to the uncertainty in the current steel market. As the biggest end consumer of steel, the construction sector has revealed a substantial fall in sales. However, according to CIDB, the growth momentum is likely to pick up by the second half of 2020 as government has approved certain projects.

To get through the tough times, the Group will adhere to prudence and conservatism, consolidate the domestic market, continue to promote the development of high-grade and high-value products, attentively to track the import dynamics to prevent unfair competition, and enhance its competitiveness among other competitors in the domestic market.

Barring any unforeseen circumstances, the Group is cautiously optimistic to achieve positive results in 2019.

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

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	Current Year To Date RM'000
Current:		
- Income tax	4,042	8,517
- Deferred tax	(1,191)	(941)
	2,851	7,576
Prior year:		
- Income tax	(592)	(592)
- Deferred tax	-	-
	(592)	(592)
Total	2,259	6,984

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 tax effect of income not taxable in determining taxable profit. However, the decrease is partly offset by the tax effect of the 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 Year-to-Date -----	Accumulated Total -----
Description of shares purchased:	Ordinary share of RM1.00 each:	
Number of shares purchased:	Nil	11,300,000
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	Nil	10,700,000
Number of treasury shares resold:	Nil	600,000

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

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:-

	<u>Current Quarter</u>	<u>Current Year To-date</u>
Profit/(Loss) attributable to equity holders of the parent (RM'000)	10,528	27,737
Weighted average number of shares in issue ('000)	369,300	369,300
Basic earnings/(loss) per share (sen)	2.85	7.51
Diluted earnings/(loss) per share (sen)	2.85	7.51

Notes on the Quarterly Report – Nine Months Ended 30 September 2019

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended	Financial Year To Date
	RM'000	RM'000
a) Other income	1,326	3,882
b) Provision for write off of receivable	-	-
c) Provision for write off of inventories (reversal)	1,323	(3,282)
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	3,537	11,616
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

By order of the Board
Mr. Yin, Shou-Kang
Group Managing
Director
22 November 2019