

CSC STEEL HOLDINGS BERHAD
Registration No.: 200401001854 (640357-X)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Sep-20 RM'000	Preceding Year Corresponding Quarter 30-Sep-19 RM'000	Current Year To Date 30-Sep-20 RM'000	Preceding Year Corresponding Period 30-Sep-19 RM'000
Continuing Operations				
Revenue	306,835	353,671	712,513	1,028,616
Profit/(Loss) before depreciation	20,650	17,865	31,240	51,851
Depreciation	(6,148)	(6,546)	(18,492)	(21,251)
Operating profit/(loss)	14,502	11,319	12,748	30,600
Interest expense	-	-	-	(21)
Interest income	1,444	1,468	5,165	4,142
Share of profit/(loss) of associates	-	-	-	-
Profit/(loss) before tax	15,946	12,787	17,913	34,721
Tax (expense)/credit	(3,226)	(2,259)	(2,340)	(6,984)
Profit/(loss) after tax from continuing operations	12,720	10,528	15,573	27,737
Other comprehensive income/(loss)	338	89	(338)	284
Total comprehensive income/(loss)	13,058	10,617	15,235	28,021
Profit/(loss) after tax attributable to equity holders of the parent	12,720	10,528	15,573	27,737
Total comprehensive income/(loss) attributable to equity holders of the parent	13,058	10,617	15,235	28,021
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	3.44	2.85	4.22	7.51
Diluted earnings/(loss) per share (sen)	3.44	2.85	4.22	7.51

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 2019.

CSC STEEL HOLDINGS BERHAD
Registration No.: 200401001854 (640357-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(The figures have not been audited)

	As at End of Current Quarter 30-Sep-20 RM'000	As at Preceding Financial Year Ended 31-Dec-19 RM'000
Assets		
Non-current assets		
Property, plant and equipment	172,667	182,943
Investment in associates	-	-
Investment	2,115	7,418
Investment property	43,500	43,500
Deferred tax assets	-	130
Prepaid operating lease	16,902	17,081
	<u>235,184</u>	<u>251,072</u>
Current assets		
Inventories	233,238	234,761
Receivables	138,398	162,988
Cash and cash equivalents	307,561	249,401
Assets classified as held for sale	-	-
	<u>679,197</u>	<u>647,150</u>
Total assets	<u><u>914,381</u></u>	<u><u>898,222</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	702	1,040
Retained earnings	413,722	422,522
Equity attributable to equity holders of the parent/Total equity	<u>815,973</u>	<u>825,111</u>
Non-current liabilities		
Deferred tax liabilities	15,259	17,249
Long term loan	-	-
	<u>15,259</u>	<u>17,249</u>
Current liabilities		
Payables	83,149	55,862
Short term borrowings	-	-
Taxation	-	-
	<u>83,149</u>	<u>55,862</u>
Total liabilities	<u>98,408</u>	<u>73,111</u>
Total equity and liabilities	<u><u>914,381</u></u>	<u><u>898,222</u></u>
Net Assets per share (RM)	<u>2.21</u>	<u>2.23</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 2019.

CSC STEEL HOLDINGS BERHAD
Registration No.: 200401001854 (640357-X)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Sep-20 RM'000	Preceding Year Corresponding Period 30-Sep-19 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	17,913	34,721
Adjustments for:		
Non-cash items	18,302	21,692
Non-operating items	(5,200)	10,030
Operating Profit Before Working Capital Changes	31,015	66,443
(Increase)/Decrease in working capital:		
Inventories	1,523	35,043
Trade and other receivables	23,582	(32,741)
Trade and other payables	27,287	(13,761)
Cash Generated From Operations	83,407	54,984
Tax paid	(3,191)	(4,603)
Interest paid	-	(21)
Net Cash From/(Used In) Operating Activities	80,216	50,360
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,039)	(11,832)
Interest received	5,165	4,142
Sale of subsidiary net of cash disposed (Note 1)	-	-
Acquisition of investment	-	-
Dividend received from investment	36	463
Proceeds from disposal of investment	5,156	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	2,318	(7,227)
FINANCING ACTIVITIES		
Dividend paid	(24,374)	(14,772)
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	(24,374)	(14,772)
Net increase/(decrease) in cash and cash equivalents	58,160	28,361
Cash and cash equivalents at beginning of period	249,401	192,532
Cash and cash equivalents at end of period	307,561	220,893
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	59,706	20,576
Deposits in the licensed banks	589	42,997
Unit trust funds	247,266	157,320
	307,561	220,893

Notes:

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CSC STEEL HOLDINGS BERHAD
Registration No.: 200401001854 (640357-X)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
(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 2020	413,163	(11,614)	1,040	422,522	825,111
Total comprehensive income/(loss)	-	-	(338)	15,573	15,235
Dividends	-	-	-	(24,374)	(24,374)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	1	1
Balance as at 30 September 2020	413,163	(11,614)	702	413,722	815,973
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

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 2019.

Notes on the Quarterly Report – Nine Months Ended 30 September 2020**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 2019. 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, 2020 as follows:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 16	Covid-19-Related Rent Concessions
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS	Amendments to References to the Conceptual Framework in MFRSs Standards

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 ³
Amendments to MFRS 9, MFRS139, MFRS 7, MFRS4, and MFRS 16	Interest Rate Benchmark Reform - Phase 2 ¹
Amendments to MFRS 3	Reference to the Conceptual Framework ²
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS9 ³
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its associate or Joint Venture ⁴
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ³
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to MFRS 137	Onerous Contract - Cost of Fulfilling a Contract ²
Annual Improvements to MFRSs 2018 - 2020 Cycle ²	

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

² Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

⁴ 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 2020**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 2019.

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 are 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 6.6 Sen per share for the financial year ended 2019 were paid on 10 July 2020 to the Company's shareholders whose names appeared on the Record of Depositors at the close of business on 26 June 2020.

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	712,470	-	-	712,470
Inter-segment revenue	-	29,131	(29,088)	43
Total revenue	<u>712,470</u>	<u>29,131</u>	<u>(29,088)</u>	<u>712,513</u>
Segment result	<u>13,352</u>	<u>28,396</u>	<u>(29,000)</u>	<u>12,748</u>

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

Notes on the Quarterly Report – Nine Months Ended 30 September 2020**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 fiscal 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 are no changes 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	1,798,786
Approved but not contracted for	<u>20,561,591</u>
Total	<u>22,360,377</u>

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Notes on the Quarterly Report – Nine Months Ended 30 September 2020**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES****B1. Review of performance**Year-on- year performance review

For the quarter under review, the Group reported total revenue of RM306.8 mil which was 13.2% lower compared to RM353.6 mil in the corresponding quarter last year. The decrease was mainly due to the decline in CRC's volume and a reduction in the product's average selling price in line with the lower input raw material cost. However, the Group achieved a pre-tax profit of RM15.9 mil in the current quarter, 24.7% higher compared to RM12.7mil in the same period last year, by focusing on higher-margin products and skewing towards best performing product's mix, amid increasing market demand as economic activities have gradually recovered from the pandemic crisis.

Revenue:

	Q3 2019			Q3 2020			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	58,633	161,620	2,756	50,087	127,359	2,543	-8,546	-14.6%	-34261	-21.2%
GI	36,389	111,042	3,052	35,731	103,496	2,896	-657	-1.8%	-7546	-6.8%
PPGI	16,626	73,332	4,411	16,113	69,107	4,289	-513	-3.1%	-4225	-5.8%
Sub-Con	203	15	74	10,219	1,318	129	10,016	4934%	1303	8689%
Trading	317	1,035	3,263	116	343	2,957	-201	-63.5%	-692	-67%
Scrap	6,150	6,627	1,078	5,419	5,205	960	-731	-11.9%	-1422	-21%
Others					7				7	
Total	118,318	353,671	2,989	117,685	306,835	2,607	-633	-0.5%	-46,836	-13.2%

CRC = cold rolled steel/pickled & oiled steel

GI = galvanized steel

PPGI = pre-painted galvanized steel

Year-on- year performance review

For the first nine-month to date, the Group's total revenue of RM712.5 mil and pre-tax profit of RM 17.9 mil, were 30.7% and 48.4% lower compared to RM1,028mil and RM34.7mil respectively in the same period last year. The decline in revenue and pre-tax profit attributable to the consequential business deterioration when the Government has taken severe measures to curb pandemic from March until May, which had led to a significant low levels of productivity during the said period.

Revenue:

	YTD 2019			YTD 2020			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	181,895	495,903	2,726	125,684	313,688	2,496	-56,211	-30.9%	-182,215	-36.7%
GI	96,513	296,159	3,069	80,870	229,604	2,839	-15,643	-16.2%	-66,555	-22.5%
PPGI	47,169	211,026	4,474	36,066	154,289	4,278	-11,103	-23.5%	-56,737	-26.9%
Sub-Con	1,395	162	116	11,049	1,403	127	9,653	691.9%	1,241	766%
Trading	1,919	5,911	3,080	424	1,259	2,970	-1,495	-77.9%	-4,652	-79%
Scrap	17,598	18,992	1,079	12,783	12,228	957	-4,816	-27.4%	-6,764	-36%
Others		463			42				-421	-92%
Total	346,489	1,028,616	2,969	266,875	712,513	2,670	-79,614	-23.0%	-316,103	-30.7%

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Notes on the Quarterly Report – Nine Months Ended 30 September 2020

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

B2. Variation of results against preceding quarter

The Group's business, which was adversely affected by the COVID pandemic in Q2, rebounded a tough Q2 in the current quarter. The Group reported higher Q3 revenue of RM306.8 mil, increased by 152.7% compared to RM121.4 mil in the preceding quarter. The revenue increase derived from a jump in the sales volume of 165%, supported by increasing customer demand and shipments to customers. Furthermore, the Group posted a profit before tax of RM15.9 mil in the current quarter, a turnaround from a pre-tax loss of RM3.05 mil in the previous quarter. Better performance due mainly to rebound in sales volume, improved margin, and productivity.

Revenue:

	Q2 2020			Q3 2020			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	24,542	61,435	2,503	50,087	127,359	2,543	25,545	104.1%	65,925	107.3%
GI	11,279	31,853	2,824	35,731	103,496	2,896	24,453	216.8%	71,643	224.9%
PPGI	5,822	25,504	4,381	16,113	69,107	4,289	10,291	176.8%	43,604	171.0%
Sub-Con	379	37	97	10,219	1,318	129	9,840	2598.8%	1,282	3488.4%
Trading	145	433	2,990	116	343	2,957	-29	-20.0%	-90	-20.8%
Scrap	2,233	2,146	961	5,419	5,205	960	3,186	142.7%	3,058	142.5%
Others					7				7	
Total	44,399	121,407	2,734	117,685	306,835	2,607	73,286	165.1%	185,428	152.7%

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

Notes on the Quarterly Report – Nine Months Ended 30 September 2020**B3. Current year prospects**

The steel market in China resumed activity with strong domestic demand after long national holiday in early October and similar domestic demand has also seen in India, who has reclaimed domestic demand with the revival in economy after the easing of pandemic lockdown. Moreover, due to steel mills' production cut and tight domestic supply, India steelmakers have lowered exports on a large-scale. Asia steel price was supported by the decrease in export from China and India besides the high level of iron ore price. In Malaysia, the domestic steel market in Q4 will continue to keep up the momentum and remain at the same pace as Q3 mainly attributed to the steady growth of the domestic construction and manufacturing sector.

With steel prices continue to rise for the past few months, it is foreseen that the price may progressively enter the horizontal consolidation period. Any further breakthrough is depending on the rise and fall of the iron ore and the international steel market. At present, the piling up of iron ore and effects of uncertainty on the winter production cuts in China as well as fears of resurgence of Covid-19 cases globally are the factors that may impacting the world economy growth and steel demand in the 4Q.

As Malaysia is facing more challenging third wave of the Covid-19 outbreak where CMCO has been enforced against those affected areas. CSCM will be responsive to its impact on economic activities, and focus on speeding up the production and delivery to ensure the customers' production will not be disrupted by the shortage of raw materials. Besides, we will continue to focus on cost reduction programs and product quality upgrade to remain resilient and responsive to dynamic market in the near future.

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	3,737	4,196
- Deferred tax	(514)	(1,859)
	3,223	2,337
Prior year:		
- Income tax	3	3
- Deferred tax	-	-
	3	3
Total	3,226	2,340

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.

CSC STEEL HOLDINGS BERHAD

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Notes on the Quarterly Report – Nine Months Ended 30 September 2020**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

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)	12,720	15,573
Weighted average number of shares in issue ('000)	369,300	369,300
Basic earnings/(loss) per share (sen)	3.44	4.22
Diluted earnings/(loss) per share (sen)	3.44	4.22

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Notes on the Quarterly Report – Nine Months Ended 30 September 2020**B12. Notes to the Consolidated Statement of Comprehensive Income**

	Current Quarter Ended	Financial Year To Date
	RM'000	RM'000
a) Other income	1,774	3,855
b) Provision for write off of receivable	-	-
c) Provision for write off of inventories (reversal)	494	2,144
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	5,084	8,810
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

By order of the Board
Mr. Yin, Shou-Kang
Group Managing Director
20 November 2020