

CSC STEEL HOLDINGS BERHAD

(Company No. 640357-X)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Sep-18 RM'000	Preceding Year Corresponding Quarter 30-Sep-17 RM'000	Current Year To Date 30-Sep-18 RM'000	Preceding Year Corresponding Period 30-Sep-17 RM'000
Continuing Operations				
Revenue	336,591	325,679	1,026,842	956,072
Profit/(Loss) before depreciation	11,550	23,182	53,442	78,198
Depreciation	(8,754)	(8,600)	(26,192)	(25,558)
Operating profit/(loss)	2,796	14,582	27,250	52,640
Interest expense	-	-	-	-
Interest income	1,450	1,462	4,479	4,800
Share of profit/(loss) of associates	(480)	(134)	(870)	(684)
Profit/(loss) before tax	3,766	15,910	30,859	56,756
Tax expense	(786)	(1,868)	(6,888)	(11,767)
Profit/(loss) after tax from continuing operations	2,980	14,042	23,971	44,989
Other comprehensive income/(loss)	214	(71)	(568)	1,546
Total comprehensive income/(loss)	3,194	13,971	23,403	46,535
Profit/(loss) after tax attributable to equity holders of the parent	2,980	14,042	23,971	44,989
Total comprehensive income/(loss) attributable to equity holders of the parent	3,194	13,971	23,403	46,535
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	0.81	3.80	6.49	12.18
Diluted earnings/(loss) per share (sen)	0.81	3.80	6.49	12.18

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 2017.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
(The figures have not been audited)

	As at End of Current Quarter 30-Sep-18 RM'000	As at Preceding Financial Year Ended 31-Dec-17 RM'000
Assets		
Non-current assets		
Property, plant and equipment	197,669	208,100
Investment in associates	1,346	2,216
Investment	5,792	6,359
Investment property	42,544	42,544
Deferred tax assets	176	77
Prepaid operating lease	17,377	17,555
	<u>264,904</u>	<u>276,851</u>
Current assets		
Inventories	296,606	263,635
Receivables	187,251	189,538
Cash and cash equivalents	160,264	161,036
	<u>644,121</u>	<u>614,209</u>
Total assets	<u>909,025</u>	<u>891,060</u>
Equity and Liabilities		
Capital and reserves		
Share capital	380,000	380,000
Share premium	33,163	33,163
Less: 10,700,000 treasury shares at cost	(11,614)	(11,614)
	401,549	401,549
Fair value adjustment reserve	1,609	2,177
Retained earnings	402,469	415,427
Equity attributable to equity holders of the parent/Total equity	<u>805,627</u>	<u>819,153</u>
	-	-
Non-current liabilities		
Deferred tax liabilities	16,744	18,757
Long term loan	-	-
	<u>16,744</u>	<u>18,757</u>
Current liabilities		
Payables	86,654	53,150
Short term borrowings	-	-
Taxation	-	-
	<u>86,654</u>	<u>53,150</u>
Total liabilities	<u>103,398</u>	<u>71,907</u>
Total equity and liabilities	<u>909,025</u>	<u>891,060</u>
Net Assets per share (RM)	<u>2.18</u>	<u>2.22</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 2017.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Sep-18 RM'000	Preceding Year Corresponding Period 30-Sep-17 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	30,859	56,756
Adjustments for:		
Non-cash items	27,064	26,704
Non-operating items	(379)	5,409
Operating Profit Before Working Capital Changes	57,544	88,869
(Increase)/Decrease in working capital:		
Inventories	(32,971)	-35,804
Trade and other receivables	6,051	-53,566
Trade and other payables	28,708	-23,750
Cash Generated From Operations	59,332	(24,251)
Tax paid	(12,949)	(11,979)
Interest paid	-	-
Net Cash From Operating Activities	46,383	(36,230)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15,586)	(15,673)
Interest received	4,487	5,515
Sale of subsidiary net of cash disposed (Note 1)	-	-
Acquisition of investment	-	-
Dividend received from investment	874	699
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash Used In Investing Activities	(10,225)	(9,459)
FINANCING ACTIVITIES		
Dividend paid	(36,930)	(51,702)
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Disposal/(Buy back) of own shares	-	1,373
Net Cash From/(Used In) Financing Activities	(36,930)	(50,329)
Net increase/(decrease) in cash and cash equivalents	(772)	(96,018)
Cash and cash equivalents at beginning of period	161,036	269,529
Cash and cash equivalents at end of period	160,264	173,511
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	13,341	14,991
Deposits in the licensed banks	23,530	32,786
Unit trust funds	123,393	125,734
	160,264	173,511

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 2017.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018
(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 2018	380,000	33,163	(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	380,000	33,163	(11,614)	1,609	402,469	805,627
Balance as at 1 January 2017	380,000	32,441	(12,266)	1,057	407,319	808,551
Total comprehensive income/(loss)	-	-	-	1,546	44,989	46,535
Dividends	-	-	-	-	(51,702)	(51,702)
Purchase of treasury shares at cost	-	722	651	-	-	1,373
Rounding difference	-	-	1	-	1	2
Balance as at 30 September 2017	380,000	33,163	(11,614)	2,603	400,607	804,759

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 2017.

Notes on the Quarterly Report – Nine Months Ended 30 September 2018

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 2016. 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 2017.

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 5 sen per share for the financial year ended 2017 were paid on 15nd August 2018 to the Company's shareholders whose names appeared on the Register of Members at the close of business on 31st July 2018.

Notes on the Quarterly Report – Nine Months Ended 30 September 2018

A8. Segment information

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

	<u>Steel coils*</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	1,025,967	875	-	1,026,842
Inter-segment revenue	-	40,953	(40,953)	-
Total revenue	<u>1,025,967</u>	<u>41,828</u>	<u>(40,953)</u>	<u>1,026,842</u>
Segment result	<u>26,695</u>	<u>37,455</u>	<u>(36,900)</u>	<u>27,250</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.

A13. Capital commitments

	RM'000	
Approved and contracted for	22,149	
Approved but not contracted for	22,388	
	<u>44,537</u>	

Notes on the Quarterly Report – Nine Months Ended 30 September 2018

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 RM336.6 million and RM3.8 million respectively. This represents an increase of RM10.9 million or 3.4% higher in revenue than that of its corresponding quarter. The increase in revenue is due to increase in average selling price and offset by reduced sales volume of certain steel products. The main reason for a decline in the profit is due to the increase in the raw material prices and transportation cost are greater than the increase in average selling price of the steel products.

Revenue

	Q3 2017			Q3 2018			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	43,963	118,266	2,690	51,044	147,552	2,891	7,081	16.1%	29,286	24.8%
GI	39,257	127,223	3,241	28,903	94,976	3,286	(10,353)	-26.4%	(32,247)	-25.3%
PPGI	17,933	75,333	4,201	19,139	85,771	4,482	1,206	6.7%	10,438	13.9%
Sub-Con	-	-	-	202	14	69	202	n/a	14	n/a
Trading	-	-	-	205	732	3,572	205	n/a	732	n/a
SCRAP	6,285	4,857	773	5,802	6,707	1,156	(483)	-7.7%	1,850	38.1%
Others	-	-	-	-	839	-	-	n/a	(839)	n/a
	107,437	325,679	3,031	105,295	336,591	3,197	(2,142)	-2.0%	10,912	3.4%

CRC = cold rolled steel/pickled & oiled steel

GI = galvanized steel

PPGI = pre-painted galvanized steel

Year-to-date (YTD) performance review

YTD 9/2018, The Group registered revenue and profit before tax of RM1,026.8 million and RM30.9 million respectively as compared with RM956.1 million and RM56.8 million achieved for the YTD 9/2017. The increase in revenue is primarily due to increase in average selling price and increase in total sales volume. However, profit before tax reduce by RM25.9 million due to higher raw material cost and transportation cost.

Revenue

	YTD 09/2017			YTD 09/2018			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	130,676	356,329	2,727	154,779	446,683	2,886	24,103	18.4%	90,354	25.4%
GI	118,987	379,911	3,193	101,658	336,557	3,311	(17,328)	-14.6%	(43,354)	-11.4%
PPGI	48,395	205,128	4,239	49,468	223,136	4,511	1,072	2.2%	18,008	8.8%
Sub-Con	-	-	-	217	16	74	217	n/a	16	n/a
Trading	-	-	-	205	732	3,572	205	n/a	732	n/a
SCRAP	17,856	13,974	783	17,039	18,843	1,106	(818)	-4.6%	4,869	34.8%
Others	-	730	-	-	875	-	-	n/a	45	19.9%
	315,914	956,072	3,026	323,366	1,026,842	3,175	7,247	2.3%	70,038	7.3%

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 2018

B2. Variation of results against preceding quarter

The Group's revenue has decreased by 1.7%, from RM342.5 million in the preceding quarter to RM336.6 million this quarter. The decrease in revenue is due to decrease in total sales volume and average selling price. The Group achieve profit before tax of RM3.8 million this quarter compared with a profit before tax of RM13.5 in preceding quarter due to higher raw material cost and transportation cost.

Revenue

	Q2 2018			Q3 2018			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	51,133	149,048	2,915	51,044	147,552	2,891	(89)	-0.2%	(1,496)	-1.0%
GI	33,741	112,261	3,327	28,903	94,976	3,286	(4,838)	-14.3%	(17,285)	-15.4%
PPGI	16,401	74,581	4,547	19,139	85,771	4,482	2,738	16.7%	11,190	15.0%
Sub-Con	-	-	-	202	14	69	202	n/a	14	n/a
Trading	-	-	-	205	732	3,572	205	n/a	732	n/a
SCRAP	5,458	6,643	1,217	5,802	6,707	1,156	344	6.3%	64	1.0%
Others	-	-	-	-	839	-	-	n/a	839	n/a
	106,733	342,533	3,209	105,295	336,591	3,197	(1,438)	-1.3%	(5,942)	-1.7%

B3. Current year prospects

The impact of the on-going trade wars has continued to affect the supply chain of global steel industry especially in South East Asia region as the steel demand in South East Asia has grown tremendously in the last few years. The Group has further noticed that there are more sources and volume of steel being brought into Malaysia since middle of the year which poses an adverse effect on the market share of the local steel manufacturers as well as the steel prices. Hence, the local steel manufacturers are unable to sustain reasonable margin to compete with the imports. In view of the above and the lack of mega projects to support the demand of steel locally, the Group foresees slow improvement in the steel demand which negatively impacting the local steel industry this year.

Barring any unforeseen circumstance, the Group is cautiously optimistic to achieve profitability for the rest of the year.

B4. Variance of actual and forecast profit

Not applicable as the Group does not make any profit forecast for current financial year.

Notes on the Quarterly Report – Nine Months Ended 30 September 2018

B5. Tax expense/ (income)

	Current Quarter RM'000	Current Year To Date RM'000
Current:		
- Income tax	2,029	8,770
- Deferred tax	(1,474)	(2,113)
	555	6,657
Prior year:		
- Income tax	231	231
- Deferred tax	-	-
	231	231
Total	<u>786</u>	<u>6,888</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 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

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.

Notes on the Quarterly Report – Nine Months Ended 30 September 2018

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>2,980</u>	<u>23,971</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,300</u>
Basic earnings/(loss) per share (sen)	<u>0.81</u>	<u>6.49</u>
Diluted earnings/(loss) per share (sen)	<u>0.81</u>	<u>6.49</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended	Financial Year To Date
	RM'000	RM'000
a) Other income	2,170	4,802
b) Provision for write off of receivable	-	-
c) Provision for write off of inventories (reversal)	856	(1,634)
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	2,348	11,942
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

By order of the Board
Mr. Lee, Ie-Hsian
Group Managing Director
28 November 2018