

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Dec-19 RM'000	Preceding Year Corresponding Quarter 31-Dec-18 RM'000	Current Year To Date 31-Dec-19 RM'000	Preceding Year Corresponding Period 31-Dec-18 RM'000
Continuing Operations				
Revenue	334,390	355,504	1,363,006	1,382,346
Profit/(Loss) before depreciation	13,403	2,882	65,255	56,325
Depreciation	(6,318)	(8,038)	(27,569)	(34,231)
Operating profit/(loss)	7,085	(5,156)	37,686	22,094
Interest expense	-	-	(21)	-
Interest income	1,642	1,213	5,784	5,692
Share of profit/(loss) of associates	-	(610)	-	(1,480)
Profit/(loss) before tax	8,727	(4,553)	43,449	26,306
Tax expense	(1,662)	2,473	(8,645)	(4,415)
Profit/(loss) after tax from continuing operations	7,065	(2,080)	34,804	21,891
Other comprehensive income/(loss)	(71)	(782)	213	(1,350)
Total comprehensive income/(loss)	6,994	(2,862)	35,017	20,541
Profit/(loss) after tax attributable to equity holders of the parent	7,065	(2,080)	34,804	21,891
Total comprehensive income/(loss) attributable to equity holders of the parent	6,994	(2,862)	35,017	20,541
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	1.91	(0.56)	9.42	5.93
Diluted earnings/(loss) per share (sen)	1.91	(0.56)	9.42	5.93

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 31 DECEMBER 2019
(The figures have not been audited)

	As at End of Current Quarter 31-Dec-19 RM'000	As at Preceding Financial Year Ended 31-Dec-18 RM'000
Assets		
Non-current assets		
Property, plant and equipment	182,943	196,692
Investment in associates	-	-
Investment	7,418	6,960
Investment property	43,500	42,544
Deferred tax assets	130	92
Prepaid operating lease	17,081	17,318
	<u>251,072</u>	<u>263,606</u>
Current assets		
Inventories	234,761	290,586
Receivables	162,988	168,233
Cash and cash equivalents	249,401	192,532
	<u>647,150</u>	<u>651,351</u>
Total assets	<u><u>898,222</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	1,040	827
Retained earnings	422,522	402,491
Equity attributable to equity holders of the parent/Total equity	<u>825,111</u>	<u>804,867</u>
Non-current liabilities		
Deferred tax liabilities	17,249	18,074
Long term loan	-	-
	<u>17,249</u>	<u>18,074</u>
Current liabilities		
Payables	55,862	92,016
Short term borrowings	-	-
Taxation	-	-
	<u>55,862</u>	<u>92,016</u>
Total liabilities	<u>73,111</u>	<u>110,090</u>
Total equity and liabilities	<u><u>898,222</u></u>	<u><u>914,957</u></u>
Net Assets per share (RM)	<u>2.23</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 FOURTH QUARTER ENDED 31 DECEMBER 2019
(The figures have not been audited)

	Current Year To Date 31-Dec-19 RM'000	Cumulative Quarter Preceding Year Corresponding Period 31-Dec-18 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	43,449	26,306
Adjustments for:		
Non-cash items	26,617	36,604
Non-operating items	8,468	(1,592)
Operating Profit Before Working Capital Changes	78,534	61,318
(Increase)/Decrease in working capital:		
Inventories	52,991	(26,258)
Trade and other receivables	(10,613)	4,456
Trade and other payables	(33,328)	58,861
Cash Generated From Operations	87,584	98,377
Tax paid	(8,335)	(13,934)
Interest paid	(21)	-
Net Cash From Operating Activities	79,228	84,443
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,834)	(22,590)
Interest received	5,784	5,699
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	(7,587)	(16,017)
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	56,869	31,496
Cash and cash equivalents at beginning of period	192,532	161,036
Cash and cash equivalents at end of period	249,401	192,532
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	22,523	28,910
Deposits in the licensed banks	33,177	52,194
Unit trust funds	193,701	111,428
	249,401	192,532

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 FOURTH QUARTER ENDED 31 DECEMBER 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)	-	-	213	34,804	35,017
Dividends	-	-	-	(14,772)	(14,772)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	(1)	(1)
Balance as at 31 December 2019	413,163	(11,614)	1,040	422,522	825,111
Balance as at 1 January 2018	413,163	(11,614)	2,177	417,529	821,255
Total comprehensive income/(loss)	-	-	(1,350)	21,891	20,541
Dividends	-	-	-	(36,930)	(36,930)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	1	1
Balance as at 31 December 2018	413,163	(11,614)	827	402,491	804,867

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 – Twelve Months Ended 31 December 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 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform 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 – Twelve Months Ended 31 December 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

There are no dividend paid during the quarter under review.

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	1,362,543	-	-	1,362,543
Inter-segment revenue	-	17,781	(17,318)	463
Total revenue	<u>1,362,543</u>	<u>17,781</u>	<u>(17,318)</u>	<u>1,363,006</u>
Segment result	<u>37,238</u>	<u>8,345</u>	<u>(7,897)</u>	<u>37,686</u>

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

Notes on the Quarterly Report – Twelve Months Ended 31 December 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	12,761
Approved but not contracted for	<u>17,742</u>
Total	<u><u>30,503</u></u>

A14. Events after the reporting period

On 3 January 2020, the Group has initiated and expressed their intention to dispose of the investment amounted to RM4,965,854, its 6% shareholding of 1,328,940 shares in CSGT Vietnam Joint Stock Company ("CSMV") to the existing shareholders in CSMV and the process is currently ongoing. The financial statements for the period ended 31 December 2019 have not been adjusted for the financial effect of this incident.

Notes on the Quarterly Report – Twelve Months Ended 31 December 2019

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

B1. Review of performance

Year-on-year performance review

Despite a marginal increase in sales volume, the Group reported total revenue of RM334.4 mil for the current quarter, which was 5.9% or RM21.1 mil lower compared to RM355.5 mil in the same period last year. The decline was mainly due to the drop in the average selling price, which reflected lower HR costs. The Group, however, posted a turnaround in profit before tax of RM8.7 mil for the current quarter, which represented an increased profit of RM13.28 million compared to a pre-tax loss of RM4.5 mil in the same period last year. The stronger performance largely benefitted from the improved sales mix as a result of an increase in sales at the local market and high-margin products, as well as the advantage of favorable HRC and operational costs.

Revenue:

	Q4 2018			Q4 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	61,409	174,969	2,849	57,008	149,928	2,630	-4,401	-7.2%	-25041	-14.3%
GI	31,816	103,562	3,255	35,589	104,233	2,929	3,773	11.9%	671	0.6%
PPGI	15,927	70,258	4,411	16,468	70,590	4,287	540	3.4%	332	0.5%
Sub-Con	740	45	61	195	15	77	-544	n/a	-30	-67%
Trading	237	824	3,483	1,438	3,771	2,622	1,202	507.9%	2947	358%
Scrap	5,616	5,846	1,041	6,004	5,853	975	388	6.9%	7	0%
Others										
Total	115,745	355,504	3,071	116,703	334,390	2,865	958	0.8%	(21,114)	-5.9%

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

Year-to-date performance review

The Group registered annual revenue of RM 1,363 mil, which was 1.4% or RM19.3 mil lower than that of the financial year 2018, despite a 5.5% rise in sales volume. The decline was mainly due to decrease in the key product average selling price, which response to reduced HRC input cost and adjustment of the sales mix. However, the Group recorded an annual profit before tax of RM43.4 mil, which rose significantly by 65.2% or RM17.1 mil compared to RM26.3 mil in the previous year. The increase was mainly contributed by improved domestic sales and recovery in the margin due to improved sales mix and operational efficiency.

Revenue:

	YTD 2018			YTD 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	216,188	621,652	2,876	238,903	645,832	2,703	22,715	10.5%	24,180	3.9%
GI	133,474	440,119	3,297	132,101	400,392	3,031	-1,373	-1.0%	-39,727	-9.0%
PPGI	65,395	293,394	4,486	63,637	281,616	4,425	-1,758	-2.7%	-11,778	-4.0%
Sub-Con	956	61	64	1,591	177	111	634	66.3%	116	190%
Trading	442	1,556	3,524	3,357	9,682	2,884	2,916	660.4%	8,126	522%
Scrap	22,655	24,689	1,090	23,603	24,844	1,053	948	4.2%	155	1%
Others		875			463				-412	-47%
Total	439,110	1,382,346	3,148	463,192	1,363,006	2,943	24,082	5.5%	-19,340	-1.4%

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

Notes on the Quarterly Report – Twelve Months Ended 31 December 2019

B2. Variation of results against preceding quarter

The Group posted revenue of RM334.3 mil for the current quarter shrunk by 5.5% compared to RM353.6 mil in the immediate preceding quarter, primarily caused by a decrease in sales volume and average selling price. Consequently, the Group registered a lower profit before tax of RM8.7 million compared to RM12.7 million in the preceding quarter. The decrease was mainly attributed to shrinking margin due to lower selling price, as weak sentiment arises from US-China trade dispute and excess supply has negatively affect the steel price.

Revenue

	Q3 2019			Q4 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	58,633	161,620	2,756	57,008	149,928	2,630	-1,624	-2.8%	-11,692	-7.2%
GI	36,389	111,042	3,052	35,589	104,233	2,929	-800	-2.2%	-6,809	-6.1%
PPGI	16,626	73,332	4,411	16,468	70,590	4,287	-159	-1.0%	-2,742	-3.7%
Sub-Con	203	15	74	195	15	77	-8	-3.8%	0	0.0%
Trading	317	1,035	3,263	1,438	3,771	2,622	1,121	353.5%	2,736	264.3%
Scrap	6,150	6,627	1,078	6,004	5,853	975	-146	-2.4%	-774	-11.7%
Total	118,318	353,671	2,989	116,703	334,390	2,865	(1,615)	-1.4%	(19,281)	-5.5%

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

B3. Current year prospects

The price for hot-rolled coil has bottomed out and rebounded since the fourth quarter of 2019, where the steel producers in various countries have begun to carry out the scheduled maintenance for the main machinery, resulting in short supply. Furthermore, strong domestic demand in both India and China have pushed for higher prices of export which acted as a major driver of rising prices in Asian markets. In mid-December 2019, the hot-rolled coil price for delivery in the first quarter of 2020 had moved up to USD500/MT.

As the Chinese New Year (CNY) falls in the first quarter of 2020, which is typically sluggish in sales, however, the sales of the Group is expected to pick up strongly this time due to the anticipation of rising raw material prices, particularly for hot-rolled coil, resulting the downstream players start to replenish their inventory. Overall, there are no major driving force behind Malaysia's domestic steel demand for the time being, and imported steel materials are still the biggest threat for the domestic steel players. For the international steel market, the overproduction still remain a concern, the COVID-19 (Novel Corona Virus) outbreak has raised doubts and uncertainty to the world economy. As such, the Group will react by continuously improving its competitiveness and providing customers with the best support. The Group will closely observe the market situation after CNY and adjust its business strategy accordingly to maintain a balance in production and sales for better profit margin.

Barring any unforeseen circumstances, the Group is cautiously optimistic in achieving profitability for the coming 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 – Twelve Months Ended 31 December 2019

B5. Tax expense/ (income)

	Current Quarter RM'000	Current Year To Date RM'000
Current:		
- Income tax	1,585	10,101
- Deferred tax	77	(864)
	1,662	9,237
Prior year:		
- Income tax	-	(592)
- Deferred tax	-	-
	-	(592)
Total	1,662	8,645

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.

Notes on the Quarterly Report – Twelve Months Ended 31 December 2019

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

The Board of Directors has recommended a final single-tier system of a dividend of 6.6 Sen per share for the financial year ended 2019, which is subject to the approval of the shareholders in the forthcoming annual general meeting.

The dividend declared and recommended by the directors comply with the Group's dividend policy of distributing at least 50% of the Group's profit after tax.

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)	7,065	34,804
Weighted average number of shares in issue ('000)	369,300	369,300
Basic earnings/(loss) per share (sen)	1.91	9.42
Diluted earnings/(loss) per share (sen)	1.91	9.42

Notes on the Quarterly Report – Twelve Months Ended 31 December 2019

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended	Financial Year To Date
	RM'000	RM'000
a) Other income	3,025	6,907
b) Provision for write off of receivable	-	-
c) Provision for write off of inventories (reversal)	3,151	(131)
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	4,796	16,412
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

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