

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Jun-16 RM'000	Preceding Year Corresponding Quarter 30-Jun-15 RM'000	Current Year To Date 30-Jun-16 RM'000	Preceding Year Corresponding Period 30-Jun-15 RM'000
Continuing Operations				
Revenue	269,715	258,327	490,706	552,704
Profit before depreciation	43,596	21,155	60,565	36,282
Depreciation	(7,875)	(8,736)	(15,699)	(17,774)
Operating profit/(loss)	35,721	12,419	44,866	18,508
Interest expense	-	-	-	-
Interest income	2,658	1,740	4,956	3,506
Share of profit/(loss) of associates	(381)	(370)	(365)	(928)
Profit/(loss) before tax	37,998	13,789	49,457	21,086
Tax expense	(8,677)	(3,341)	(11,189)	(5,224)
Profit/(loss) after tax from continuing operations	29,321	10,448	38,268	15,862
Other comprehensive income/(loss)	89	(54)	107	106
Total comprehensive income/(loss)	29,410	10,394	38,375	15,968
Profit/(loss) after tax attributable to equity holders of the parent	29,321	10,448	38,268	15,862
Total comprehensive income/(loss) attributable to equity holders of the parent	29,410	10,394	38,375	15,968
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	7.95	2.82	10.38	4.27
Diluted earnings/(loss) per share (sen)	7.95	2.82	10.38	4.27

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 JUNE 2016
(The figures have not been audited)

	As at End of Current Quarter 30-Jun-16 RM'000	As at Preceding Financial Quarter 31-Dec-15 RM'000
Assets		
Non-current assets		
Property, plant and equipment	225,412	227,054
Investment in associates	5,710	4,286
Investment	5,169	5,062
Deferred tax assets	-	81
Prepaid operating lease	17,911	18,029
	<u>254,202</u>	<u>254,512</u>
Current assets		
Inventories	168,654	213,319
Receivables	138,718	130,810
Cash and cash equivalents	320,800	231,379
	<u>628,172</u>	<u>575,508</u>
Total assets	<u><u>882,374</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	(12,212)	(12,199)
Fair value adjustment reserve	987	880
Retained earnings	376,898	368,129
Equity attributable to equity holders of the parent/Total equity	<u>778,114</u>	<u>769,251</u>
Non-current liabilities		
Deferred taxation	20,603	20,381
Long term loan	-	-
	<u>20,603</u>	<u>20,381</u>
Current liabilities		
Payables	79,980	40,388
Short term borrowings	-	-
Taxation	3,677	-
	<u>83,657</u>	<u>40,388</u>
Total liabilities	<u>104,260</u>	<u>60,769</u>
Total equity and liabilities	<u><u>882,374</u></u>	<u><u>830,020</u></u>
Net Assets per share (RM)	2.11	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 SECOND QUARTER ENDED 30 JUNE 2016
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Jun-16 RM'000	Preceding Year Corresponding Period 30-Jun-15 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	49,457	21,086
Adjustments for:		
Non-cash items	15,074	20,873
Non-operating items	(5,022)	(2,519)
Operating Profit/(Loss) Before Working Capital Changes	59,509	39,440
(Increase)/Decrease in working capital:		
Inventories	43,228	46,275
Trade and other receivables	(18,234)	(20,579)
Trade and other payables	20,592	(17,049)
Cash Generated From Operations	105,095	48,087
Tax paid	(6,835)	(2,263)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	98,260	45,824
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,956)	(31,550)
Interest received	5,060	3,640
Sale of subsidiary net of cash disposed	-	-
Acquisition of investment in associates	-	-
Acquisition of investment	-	-
Dividend received from investment	70	104
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(8,826)	(27,806)
FINANCING ACTIVITIES		
Dividend paid	-	-
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Buy back of own shares	(13)	(1,243)
Net Cash From/(Used In) Financing Activities	(13)	(1,243)
Net increase/(decrease) in cash and cash equivalents	89,421	16,775
Cash and cash equivalents at beginning of period	231,379	210,395
Cash and cash equivalents at end of period	320,800	227,170
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	15,522	10,492
Deposits in the licensed banks	175,515	95,212
Unit trust funds	129,763	121,466
	320,800	227,170

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 SECOND QUARTER ENDED 30 JUNE 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)	-	-	-	107	38,268	38,375
Dividends	-	-	-	-	(29,499)	(29,499)
Purchase of treasury shares at cost	-	-	(13)	-	-	(13)
Rounding difference	-	-	-	-	-	-
Balance as at 30 June 2016	380,000	32,441	(12,212)	987	376,898	778,114
Balance as at 1 January 2015	380,000	32,441	(9,633)	1,076	324,639	728,523
Total comprehensive income/(loss)	-	-	-	106	15,862	15,968
Dividends	-	-	-	-	(11,112)	(11,112)
Purchase of treasury shares at cost	-	-	(1,243)	-	-	(1,243)
Rounding difference	-	-	-	-	-	-
Balance as at 30 June 2015	380,000	32,441	(10,876)	1,182	329,389	732,136

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.

A7. Dividend Paid

There was no dividend paid during the quarter under review.

CSC STEEL HOLDINGS BERHAD
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Notes on the Quarterly Report- Six Months Ended 30 June 2016

A8. Segment information

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

	<u>Steel coils*</u>	Technical <u>fee</u>	<u>Others</u>	Consolidation <u>adjustment</u>	Current year <u>to date</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	490,636	-	70	-	490,706
Inter-segment revenue	-	-	19,699	(19,699)	-
Total revenue	<u>490,636</u>	<u>-</u>	<u>19,769</u>	<u>(19,699)</u>	<u>490,706</u>
Segment result	<u>43,120</u>	<u>-</u>	<u>18,442</u>	<u>-</u>	<u>44,866</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	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

The Group registered revenue and profit before tax for the current quarter of RM269.7 million and RM38.0 million respectively. This represents an increase of RM11.4 million or 4.4% higher in revenue than that of its corresponding quarter. The increase in revenue is primarily due to significant increase in sales volume of all our steel products albeit at substantially lower selling prices. The Group recorded a higher profit before tax of RM38.0 million this quarter compared with RM13.8 million in the corresponding quarter. The significant improvement in profit is due to lower cost of production experienced during the quarter as a result of lower Hot Rolled Steel prices.

B2. Variation of results against preceding quarter

The Group's revenue has increased by 22.0% from RM221.0 million in the preceding quarter to RM269.7 million this quarter. The increase in revenue is due to significant increase in the sales volume and marginal increase in selling prices of all our steel products. Couple with a substantially lower raw material cost, the Group registered a significantly higher profit before tax of RM38.0 million this quarter compared with RM11.5 million achieved in the previous quarter.

B3. Current year prospects

In view of uncertain steel demand in China, international steel suppliers may find it difficult to maintain, let alone, push up steel prices in the third quarter. Under such market sentiment, the Group expects the third quarter sales volume to be conservative. However the Group expects the fourth quarter business performance to be better than the third quarter as past records have shown that the fourth quarter has traditionally been the better quarter in terms of sales volume. Besides, domestic steel inventories remain low in the third quarter and this will encourage restocking activities in the fourth quarter.

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.

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

B5. Tax expense/ (income)

	Current quarter RM' 000	Year-to- Date RM' 000
Current:		
- Income tax	9,215	10,886
- Deferred tax	(538)	303
	8,677	11,189
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	<u>8,677</u>	<u>11,189</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; 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.

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:	10,000	11,264,100
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	10,000	11,264,100
Number of treasury shares resold:	Nil	Nil

B8. Group borrowings

There are no borrowings as at the end of the reporting quarter.

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

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 final single tier system of dividend of 8% or 8 sen per share as recommended by the directors was approved by the shareholders in the twelfth annual general meeting of the company held on 2nd June 2016. The dividend had subsequently been paid to the shareholders on 13th July 2016.

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>29,321</u>	<u>38,268</u>
Weighted average number of shares in issue ('000)	<u>368,736</u>	<u>368,739</u>
Basic earnings/(loss) per share (sen)	<u>7.95</u>	<u>10.38</u>
Diluted earnings/(loss) per share (sen)	<u>7.95</u>	<u>10.38</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

		Current Quarter Ended 30-Jun-16 RM'000	Financial Year To Date 30-Jun-16 RM'000
a)	Other Income	525	1,402
b)	Provision for write off/(reversal) of receivable	781	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)	2,584	5,396
g)	Gain/(loss) on derivatives	-	-
h)	Exceptional items	-	-

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(Company No: 640357-X)

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

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	423,868	407,248
- Unrealised	<u>(20,858)</u>	<u>(22,104)</u>
	403,010	385,144
Less: Consolidationn adjustment	<u>(26,112)</u>	<u>(17,015)</u>
As per consolidated account	<u><u>376,898</u></u>	<u><u>368,129</u></u>

By order of the Board
Mr. Chen, Huo-Kun
Group Managing Director
19th August 2016