

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Mar-18 RM'000	Preceding Year Corresponding Quarter 31-Mar-17 RM'000	Current Year To Date 31-Mar-18 RM'000	Preceding Year Corresponding Period 31-Mar-17 RM'000
Continuing Operations				
Revenue	347,718	309,855	347,718	309,855
Profit before depreciation	20,715	29,006	20,715	29,006
Depreciation	(8,689)	(8,505)	(8,689)	(8,505)
Operating profit/(loss)	12,026	20,501	12,026	20,501
Interest expense	-	-	-	-
Interest income	1,406	1,821	1,406	1,821
Share of profit/(loss) of associates	149	(318)	149	(318)
Profit/(loss) before tax	13,581	22,004	13,581	22,004
Tax expense	(2,992)	(5,498)	(2,992)	(5,498)
Profit/(loss) after tax from continuing operations	10,589	16,506	10,589	16,506
Other comprehensive income/(loss)	(729)	1,066	(729)	1,066
Total comprehensive income/(loss)	9,860	17,572	9,860	17,572
Profit/(loss) after tax attributable to equity holders of the parent	10,589	16,506	10,589	16,506
Total comprehensive income/(loss) attributable to equity holders of the parent	9,860	17,572	9,860	17,572
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	2.87	4.47	2.87	4.47
Diluted earnings/(loss) per share (sen)	2.87	4.47	2.87	4.47

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 31 MARCH 2018

(The figures have not been audited)

	As at End of Current Quarter 31-Mar-18 RM'000	As at Preceding Financial Qtr. 31-Dec-17 RM'000
ASSETS:		
Non-current assets		
Property, plant and equipment	201,996	208,100
Investment in associates	2,365	2,216
Investment	5,631	6,359
Investment property	42,544	42,544
Deferred tax assets	56	77
Prepaid operating lease	17,496	17,555
	270,088	276,851
Current assets		
Inventories	253,640	263,635
Receivables	162,208	189,538
Cash and cash equivalents	185,186	161,036
	601,034	614,209
Total assets	871,122	891,060
EQUITY AND LIABILITIES:		
Capital and reserves		
Issued share capital	413,163	413,163
Share premium	-	-
Less: treasury shares at cost	(11,614)	(11,614)
Fair value adjustment reserve	1,448	2,177
Retained earnings	407,551	415,427
Equity attributable to equity holders of the parent/Total equity	810,548	819,153
Non-current liabilities		
Deferred taxation	19,920	18,757
Long term loan	-	-
	19,920	18,757
Current liabilities		
Payables	40,654	53,150
Short term borrowings	-	-
Taxation	-	-
	40,654	53,150
Total liabilities	60,574	71,907
Total equity and liabilities	871,122	891,060
Net Assets per share (RM)	2.19	2.22

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 CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 31-Mar-18 RM'000	Preceding Year Corresponding Period 31-Mar-17 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	13,581	22,004
Adjustments for:		
Non-cash items	8,536	9,743
Non-operating items	15,017	5,700
Operating Profit/(Loss) Before Working Capital Changes	37,134	37,447
(Increase)/Decrease in working capital:		
Inventories	9,995	(31,903)
Trade and other receivables	30,200	(60,883)
Trade and other payables	(28,778)	(14,788)
Cash Generated From Operations	48,551	(70,127)
Tax paid	(4,851)	(4,801)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	43,700	(74,928)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,522)	(1,938)
Interest received	1,401	1,589
Sale of subsidiary net of cash disposed	-	-
Acquisition of investment in associates	-	-
Acquisition of investment	-	-
Dividend received from investment	36	36
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(1,085)	(313)
FINANCING ACTIVITIES		
Dividend paid	(18,465)	-
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	(18,465)	1,373
Net increase/(decrease) in cash and cash equivalents	24,150	(73,868)
Cash and cash equivalents at beginning of period	161,036	269,529
Cash and cash equivalents at end of period	185,186	195,661
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	33,984	6,311
Deposits in the licensed banks	17,396	89,474
Unit trust funds	133,806	99,876
	185,186	195,661

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 FIRST QUARTER ENDED 31 MARCH 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	413,163	-	(11,614)	2,177	415,427	819,153
Total comprehensive income/(loss)	-	-	-	(729)	10,589	9,860
Dividends	-	-	-	-	(18,465)	(18,465)
Disposal/(Purchase) of treasury shares	-	-	-	-	-	-
Rounding difference	-	-	-	-	-	-
Balance as at 31 March 2018	413,163	-	(11,614)	1,448	407,551	810,548
Balance as at 1 January 2017	380,000	32,441	(12,266)	1,057	407,319	808,551
Total comprehensive income/(loss)	-	-	-	1,066	16,506	17,572
Dividends	-	-	-	-	-	-
Disposal/(Purchase) of treasury shares	-	722	651	-	-	1,373
Transfer arising from 'no par value' regime	33,163	(33,163)	-	-	-	-
Rounding difference	-	-	1	1	-	2
Balance as at 31 March 2017	413,163	-	(11,614)	2,124	423,825	827,498

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.

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 2017. 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.

CSC STEEL HOLDINGS BERHAD
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Notes on the Quarterly Report – Three Months Ended 31 March 2018

A7. Dividend Paid

An interim dividend of 5 Sen per share for the financial year ended 2017 was paid on 15th March 2018 to the Company's shareholders whose names appeared on the Register of Members at the close of business on 28th February 2018.

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 to date
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	347,680	-	38	-	347,718
Inter-segment revenue	-	-	37,969	(37,969)	-
Total revenue	<u>347,680</u>	<u>-</u>	<u>38,007</u>	<u>(37,969)</u>	<u>347,718</u>
Segment result	<u>12,022</u>	<u>-</u>	<u>36,630</u>	<u>(36,626)</u>	<u>12,026</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.

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Notes on the Quarterly Report – Three Months Ended 31 March 2018

A13. Capital commitments

	RM'000
Approved and contracted for	18,650
Approved but not contracted for	30,667
	<u>49,317</u>

**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 RM347.7 million and RM13.6 million respectively. This represents an increase of RM37.9 million or 12.2% higher in revenue than that of its corresponding quarter. The increase in revenue is primarily due to significant increase in selling prices of our steel products and marginal increase in total sale volume. However, the Group recorded a lower profit before tax of RM13.6 million this quarter compared with RM22.0 million in the corresponding quarter. The lower profit was due to higher raw materials and transportation costs as well as significant drop in export selling prices of our steel products despite a significant increase in export volume.

Revenue:											
	Q1 2017			Q1 2018			Variance Analysis				
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%	
CRC	48,703	126,694	2,601	52,603	150,083	2,853	3,900	8.0%	23,389	18.5%	
GI	41,115	120,840	2,939	39,014	129,320	3,315	(2,101)	-5.1%	8,480	7.0%	
PPGI	14,331	57,545	4,015	13,928	62,784	4,508	(403)	-2.8%	5,239	9.1%	
SCRAP	5,953	4,725	794	5,778	5,493	951	(175)	-2.9%	768	16.3%	
Others	-	51			38				(13)		
	110,102	309,855		111,323	347,718		1,221	1.1%	37,863	12.2%	

CRC = cold rolled steel/pickled & oiled steel

GI = galvanized steel

PPGI = pre-painted galvanized steel

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Notes on the Quarterly Report – Three Months Ended 31 March 2018

B2. Variation of results against preceding quarter

The Group's revenue has decreased by 5.3% from RM367.2 million in the preceding quarter to RM347.7 million this quarter. The increase in revenue is due to substantial decrease in total sale volume despite marginal increase in selling prices for all our steel products. Coupled with higher raw materials and transportation costs, the Group registered a significantly lower profit before tax of RM13.6 million this quarter compared with RM19.3 million achieved in the previous quarter.

Revenue:										
	Q4 2017			Q1 2018			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	50,941	142,337	2,794	52,603	150,083	2,853	1,662	3.3%	7,746	5.4%
GI	41,892	136,918	3,268	39,014	129,320	3,315	(2,878)	-6.9%	(7,598)	-5.5%
PPGI	18,716	82,821	4,425	13,928	62,784	4,508	(4,788)	-25.6%	(20,037)	-24.2%
SCRAP	6,133	5,107	833	5,778	5,493	951	(355)	-5.8%	386	7.6%
<i>Others</i>		4			38				34	
	117,682	367,187	3,120	111,323	347,718	3,123	(6,359)	-5.4%	(19,469)	-5.3%

B3. Current year prospects

The move of the US to impose a 25% tariff on steel imports with effect from 23rd March 2018, the result of an investigation led by the Department of Commerce under Section 232 of the Trade Expansion Act of 1962, has thrown global steel markets into turmoil. Prior to the implementation of the import tariff, the US has given a temporary exemption to some of the US' closest trading partners from the said import tariff but no exemption was granted to Malaysia whose export volume to the US was puny as compared to other steel exporting countries. The European Commission has, in response to the imposition of the import tariff under Section 232 by the US, launched safeguard investigation on 26 types of steel products to prevent diversion of steel products from other parts of the world into the EU in order to protect their own steel industry.

For the second quarter and the rest of the year, the Group expects both local and international steel markets to be impacted by the Muslim month of Ramadan, and lingering effects of Section 232 tariff. Steel business remains challenging as we expect stiff competition from relatively cheap imported steel products both within and outside ASEAN countries.

Barring any unforeseen circumstances, the Group is cautiously optimistic to achieve 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 – Three Months Ended 31 March 2018

B5. Tax expense/ (income)

	Current quarter RM' 000	Year-to- Date RM' 000
Current:		
- Income tax	1,829	1,829
- Deferred tax	1,163	1,163
	2,992	2,992
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	<u>2,992</u>	<u>2,992</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
- partly offset by tax effect of 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.

CSC STEEL HOLDINGS BERHAD
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Notes on the Quarterly Report – Three Months Ended 31 March 2018

B10. Dividend recommended by Directors

A final dividend of 5 Sen per share for the financial year ended 2017 had been recommended by the Board of Directors in their previous board meeting which was announced on 12th February 2018 and was approved by the shareholders in the Annual General Meeting held on 24th May 2018. The 5 Sen dividend per share will be paid to the shareholders on 15th August 2018 to those whose names are registered on the Register of Members at the close of business on 31st July 2018.

The dividends paid and payable for financial year 2017 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:-

	Current Quarter	Current Year To-date
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>10,589</u>	<u>10,589</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,300</u>
Basic earnings/(loss) per share (sen)	<u>2.87</u>	<u>2.87</u>
Diluted earnings/(loss) per share (sen)	<u>2.87</u>	<u>2.87</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

		Current Quarter Ended 31-Mar-18 RM'000	Financial Year To Date 31-Mar-18 RM'000
a)	Other Income	948	948
b)	Provision for write off/(reversal) of receivable	-	-
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)	5,980	5,980
g)	Gain/(loss) on derivatives	-	-
h)	Exceptional items	-	-

By order of the Board
Mr. Lee, Ie-Hsian
Group Managing Director
31st May 2018