

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Dec-17 RM'000	Preceding Year Corresponding Quarter 31-Dec-16 RM'000	Current Year To Date 31-Dec-17 RM'000	Preceding Year Corresponding Period 31-Dec-16 RM'000
Continuing Operations				
Revenue	367,187	286,916	1,323,259	1,035,197
Profit before depreciation	26,853	14,833	105,051	106,353
Depreciation	(8,639)	(8,766)	(34,197)	(32,623)
Operating profit/(loss)	18,214	6,067	70,854	73,730
Interest expense	-	-	-	-
Interest income	1,401	2,132	6,201	9,475
Share of profit/(loss) of associates	(292)	(348)	(976)	(1,082)
Profit/(loss) before tax	19,323	7,851	76,079	82,123
Tax expense	(4,502)	(1,661)	(16,269)	(13,434)
Profit/(loss) after tax from continuing operations	14,821	6,190	59,810	68,689
Other comprehensive income/(loss)	(427)	(391)	1,119	178
Total comprehensive income/(loss)	14,394	5,799	60,929	68,867
Profit/(loss) after tax attributable to equity holders of the parent	14,821	6,190	59,810	68,689
Total comprehensive income/(loss) attributable to equity holders of the parent	14,394	5,799	60,929	68,867
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	4.01	1.68	16.20	18.63
Diluted earnings/(loss) per share (sen)	4.01	1.68	16.20	18.63

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 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(The figures have not been audited)

	As at End of Current Quarter 31-Dec-17 RM'000	As at Preceding Financial Qtr. 31-Dec-16 RM'000
ASSETS:		
Non-current assets		
Property, plant and equipment	208,100	220,676
Investment in associates	2,216	3,192
Investment	6,359	5,240
Investment property	42,544	42,544
Deferred tax assets	77	153
Prepaid operating lease	17,555	17,792
	<u>276,851</u>	<u>289,597</u>
Current assets		
Inventories	260,530	230,909
Receivables	184,690	95,608
Cash and cash equivalents	161,036	269,529
	<u>606,256</u>	<u>596,046</u>
Total assets	<u><u>883,107</u></u>	<u><u>885,643</u></u>
EQUITY AND LIABILITIES:		
Capital and reserves		
Share capital	380,000	380,000
Share premium	33,163	32,441
Less: treasury shares at cost	(11,614)	(12,266)
Fair value adjustment reserve	2,177	1,057
Retained earnings	415,427	407,319
Equity attributable to equity holders of the parent/Total equity	<u>819,153</u>	<u>808,551</u>
Non-current liabilities		
Deferred taxation	18,757	20,045
Long term loan	-	-
	<u>18,757</u>	<u>20,045</u>
Current liabilities		
Payables	45,197	57,047
Short term borrowings	-	-
Taxation	-	-
	<u>45,197</u>	<u>57,047</u>
Total liabilities	<u>63,954</u>	<u>77,092</u>
Total equity and liabilities	<u><u>883,107</u></u>	<u><u>885,643</u></u>
Net Assets per share (RM)	2.22	2.19

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 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	Current Year To Date 31-Dec-17 RM'000	Cumulative Quarter Preceding Year Corresponding Period 31-Dec-16 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	76,079	82,123
Adjustments for:		
Non-cash items	35,732	33,058
Non-operating items	4,873	(984)
Operating Profit/(Loss) Before Working Capital Changes	116,684	114,197
(Increase)/Decrease in working capital:		
Inventories	(29,621)	(12,514)
Trade and other receivables	(88,692)	13,920
Trade and other payables	(23,777)	9,673
Cash Generated From Operations	(25,406)	125,276
Tax paid	(18,466)	(19,318)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	(43,872)	105,958
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,943)	(26,368)
Interest received	6,951	9,600
Sale of subsidiary net of cash disposed	-	-
Acquisition of investment in associates	-	-
Acquisition of investment	-	-
Dividend received from investment	699	70
Acquisition of investment property	-	(21,544)
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(14,293)	(38,242)
FINANCING ACTIVITIES		
Dividend paid	(51,702)	(29,499)
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Disposal/(buy back) of own shares	1,374	(67)
Net Cash From/(Used In) Financing Activities	(50,328)	(29,566)
Net increase/(decrease) in cash and cash equivalents	(108,493)	38,150
Cash and cash equivalents at beginning of period	269,529	231,379
Cash and cash equivalents at end of period	161,036	269,529
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	16,723	11,708
Deposits in the licensed banks	16,745	158,837
Unit trust funds	127,568	98,984
	161,036	269,529

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 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	Non-Distributable				Distributable	
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	Total RM'000
Balance as at 1 January 2017	380,000	32,441	(12,266)	1,057	407,319	808,551
Total comprehensive income/(loss)	-	-	-	1,119	59,810	60,929
Dividends	-	-	-	-	(51,702)	(51,702)
Purchase of treasury shares at cost	-	722	651	-	-	1,373
Rounding difference	-	-	1	-	1	2
Balance as at 31 December 2017	380,000	33,163	(11,614)	2,176	415,428	819,153
Balance as at 1 January 2016	380,000	32,441	(12,199)	880	368,129	769,251
Total comprehensive income/(loss)	-	-	-	178	68,689	68,867
Dividends	-	-	-	-	(29,499)	(29,499)
Purchase of treasury shares at cost	-	-	(67)	-	-	(67)
Rounding difference	-	-	-	(1)	-	(1)
Balance as at 31 December 2016	380,000	32,441	(12,266)	1,057	407,319	808,551

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 2016.

Notes on the Quarterly Report- Twelve Months 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 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 2016.

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.

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2017

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	1,322,530	-	729	-	1,323,259
Inter-segment revenue	-	-	56,878	(56,878)	-
Total revenue	<u>1,322,530</u>	<u>-</u>	<u>57,607</u>	<u>(56,878)</u>	<u>1,323,259</u>
Segment result	<u>71,440</u>	<u>-</u>	<u>54,801</u>	<u>(55,387)</u>	<u>70,854</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	13,220
Approved but not contracted for	18,538
	<u>31,758</u>

Notes on the Quarterly Report- Twelve Months Ended 31 December 2017

**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 RM367.2 million and RM19.3 million respectively. This represents an increase of RM80.3 million or 28.0% 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 with marginal increase in total sale volume. Consequently, the Group recorded a higher profit before tax of RM19.3 million this quarter compared with RM7.9 million in the corresponding quarter. The one and half folds increase in profit is mainly due to the significant increase in selling price coupled with lower increase in production cost resulting in higher sale margin for all steel products.

Year-to-date performance review

The Group registered revenue and profit before tax of RM1.323 billion and RM76.1 million respectively. This represents an increase of RM2881 million or 27.8% increase in revenue than that of the financial year 2016. The increase in revenue is primarily due to significant increase in selling prices of all steel products albeit at marginally lower sale volume. However, the Group recorded a lower profit before tax of RM76.1 million compared with RM82.1 million for the financial year 2016. The 7.4% drop in profit is mainly due to higher production cost as a result of higher raw material cost and overheads, inventory write down of RM2.5 million and higher distribution cost due to increased exports.

B2. Variation of results against preceding quarter

The Group's revenue has increased by 12.7% from RM325.7 million in the preceding quarter to RM367.2 million this quarter. The increase in revenue is due to substantial increase in total sale volume and higher selling prices for all our steel products. As a result, the Group registered a significantly higher profit before tax of RM19.3 million this quarter compared with RM15.9 million achieved in the previous quarter.

B3. Current year prospects

Driven by increasing prices of steel making raw materials such as iron ores and coking coxes, coupled with China's continued efforts in shutting down its rudimentary and polluting steel mills, steel prices are expected to remain firm at least until the first half of 2018. However, steel market for the second half of 2018 becomes less predictable and very much dependent on the actions to be taken by Trump Administration on the outcomes of section 232 investigation. The Group expects business volume for the first quarter of 2018 to be impacted by Chinese New Year festivities and the rest of 2018 to remain challenging as the Malaysia steel markets continue to be liberalized and new steel mills come on stream within ASEAN countries taking advantage of the unimpeded access to markets within ASEAN under the ASEAN Free Trade Agreement.

Barring any unforeseen circumstances, the Group is cautiously optimistic to achieve profitability for the coming year.

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2017

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.

B5. Tax expense/ (income)

	Current quarter RM' 000	Year-to- Date RM' 000
Current:		
- Income tax	4,955	17,867
- Deferred tax	(453)	(1,209)
	4,502	16,658
Prior year:		
- Income tax	-	(387)
- Deferred tax	-	(2)
	-	(389)
Total	<u>4,502</u>	<u>16,269</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 utilizing re-investment allowance.

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:	600,000	600,000

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2017

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

The Board of Directors has declared an interim dividend of 5 sen per share for financial year ended 2017 to be 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.

The Board of Directors too has recommended a final dividend of 5 sen per share for the financial year ended 2017 which is subject to the approval of the shareholders in the forthcoming annual general meeting.

The dividends 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:-

	Current Quarter	Current Year To-date
Profit/(Loss) attributable to equity holders of the parent (RM'000)	<u>14,821</u>	<u>59,810</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,288</u>
Basic earnings/(loss) per share (sen)	<u>4.01</u>	<u>16.20</u>
Diluted earnings/(loss) per share (sen)	<u>4.01</u>	<u>16.20</u>

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2017

B12. Notes to the Consolidated Statement of Comprehensive Income

						Current Quarter Ended 31-Dec-17 RM'000	Financial Year To Date 31-Dec-17 RM'000
a)	Other Income					1,884	4,494
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)					6,085	23,405
g)	Gain/(loss) on derivatives					-	-
h)	Exceptional items					-	-

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	467,755	459,592
- Unrealised	(21,125)	(26,262)
	446,630	433,330
Less: Consolidation adjustment	(31,203)	(26,011)
As per consolidated account	415,427	407,319

By order of the Board
Mr. Lee, Ie-Hsian
Group Managing Director
12th February 2018