

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Mar-17 RM'000	Preceding Year Corresponding Quarter 31-Mar-16 RM'000	Current Year To Date 31-Mar-17 RM'000	Preceding Year Corresponding Period 31-Mar-16 RM'000
Continuing Operations				
Revenue	309,855	220,991	309,855	220,991
Profit before depreciation	29,907	16,969	29,907	16,969
Depreciation	(8,505)	(7,824)	(8,505)	(7,824)
Operating profit/(loss)	21,402	9,145	21,402	9,145
Interest expense	-	-	-	-
Interest income	1,821	2,298	1,821	2,298
Share of profit/(loss) of associates	(1,219)	16	(1,219)	16
Profit/(loss) before tax	22,004	11,459	22,004	11,459
Tax expense	(5,498)	(2,512)	(5,498)	(2,512)
Profit/(loss) after tax from continuing operations	16,506	8,947	16,506	8,947
Other comprehensive income/(loss)	1,066	17	1,066	17
Total comprehensive income/(loss)	17,572	8,964	17,572	8,964
Profit/(loss) after tax attributable to equity holders of the parent	16,506	8,947	16,506	8,947
Total comprehensive income/(loss) attributable to equity holders of the parent	17,572	8,964	17,572	8,964
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	4.47	2.43	4.47	2.43
Diluted earnings/(loss) per share (sen)	4.47	2.43	4.47	2.43

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 MARCH 2017

(The figures have not been audited)

	As at End of Current Quarter 31-Mar-17 RM'000	As at Preceding Financial Qtr. 31-Dec-16 RM'000
ASSETS:		
Non-current assets		
Property, plant and equipment	214,149	220,676
Investment in associates	2,874	4,993
Investment	6,306	5,240
Investment property	42,544	42,544
Deferred tax assets	-	153
Prepaid operating lease	17,733	17,792
	283,606	291,398
Current assets		
Inventories	262,812	224,396
Receivables	208,754	90,392
Cash and cash equivalents	195,661	269,529
	667,227	584,317
Total assets	950,833	875,715
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	2,124	1,057
Retained earnings	423,825	407,319
Equity attributable to equity holders of the parent/Total equity	827,498	808,551
Non-current liabilities		
Deferred taxation	21,620	20,045
Long term loan	-	-
	21,620	20,045
Current liabilities		
Payables	101,715	47,119
Short term borrowings	-	-
Taxation	-	-
	101,715	47,119
Total liabilities	123,335	67,164
Total equity and liabilities	950,833	875,715
Net Assets per share (RM)	2.24	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 FIRST QUARTER ENDED 31 MARCH 2017
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 31-Mar-17 RM'000	Preceding Year Corresponding Period 31-Mar-16 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	22,004	11,459
Adjustments for:		
Non-cash items	9,743	7,803
Non-operating items	5,700	(2,364)
Operating Profit/(Loss) Before Working Capital Changes	37,447	16,898
(Increase)/Decrease in working capital:		
Inventories	(31,903)	45,055
Trade and other receivables	(60,883)	2,755
Trade and other payables	(14,788)	(400)
Cash Generated From Operations	(70,127)	64,308
Tax paid	(4,801)	(4,118)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	(74,928)	60,190
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,938)	(4,088)
Interest received	1,589	2,431
Sale of subsidiary net of cash disposed	-	-
Acquisition of investment in associates	-	-
Acquisition of investment	-	-
Dividend received from investment	36	70
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(313)	(1,587)
FINANCING ACTIVITIES		
Dividend paid	-	-
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Disposal/(buy back) of own shares	1,373	(13)
Net Cash From/(Used In) Financing Activities	1,373	(13)
Net increase/(decrease) in cash and cash equivalents	(73,868)	58,590
Cash and cash equivalents at beginning of period	269,529	231,379
Cash and cash equivalents at end of period	195,661	289,969
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	6,311	8,271
Deposits in the licensed banks	89,474	165,430
Unit trust funds	99,876	116,268
	195,661	289,969

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
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 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)	-	-	-	1,066	16,506	17,572
Dividends	-	-	-	-	-	-
Purchase of treasury shares at cost	-	722	651	-	-	1,373
Rounding difference	-	-	1	1	-	2
Balance as at 31 March 2017	380,000	33,163	(11,614)	2,124	423,825	827,498
Balance as at 1 January 2016	380,000	32,441	(12,199)	880	368,129	769,251
Total comprehensive income/(loss)	-	-	-	17	8,947	8,964
Dividends	-	-	-	-	-	-
Purchase of treasury shares at cost	-	-	(13)	-	-	(13)
Rounding difference	-	-	-	-	-	-
Balance as at 31 March 2016	380,000	32,441	(12,212)	897	377,076	778,202

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- Three Months Ended 31 March 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.

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Notes on the Quarterly Report- Three Months Ended 31 March 2017

A7. Dividend Paid

There was no dividend paid during the quarter under review.

A8. Segment information

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

	<u>Steel coils*</u>	<u>Technical</u>	<u>Others</u>	<u>Consolidation</u>	<u>Current</u>
	RM'000	<u>fee</u>	RM'000	<u>adjustment</u>	<u>year</u>
		RM'000	RM'000	RM'000	<u>to date</u>
					RM'000
Revenue from external customers	309,805	-	50	-	309,855
Inter-segment revenue	-	-	52,469	(52,469)	-
Total revenue	<u>309,805</u>	<u>-</u>	<u>52,519</u>	<u>(52,469)</u>	<u>309,855</u>
Segment result	<u>21,339</u>	<u>-</u>	<u>51,063</u>	<u>(51,000)</u>	<u>21,402</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.

Notes on the Quarterly Report- Three Months Ended 31 March 2017

A13. Capital commitments

	RM'000
Approved and contracted for	9,136
Approved but not contracted for	35,018
	<u>44,154</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 RM309.9 million and RM22.0 million respectively. This represents an increase of RM88.9 million or 40.2% higher in revenue than that of its corresponding quarter. The increase in revenue is primarily due to significant increase in sales volume and higher selling prices of our steel products. In line with higher sale volume and revenue, the Group recorded a significantly higher profit before tax of RM22.0 million this quarter compared with RM11.5 million in the corresponding quarter. The improved profit is due to significant increase in selling prices of all our steel products despite a significantly higher production cost.

B2. Variation of results against preceding quarter

The Group's revenue has increased by 8.0% from RM286.9 million in the preceding quarter to RM309.9 million this quarter. The increase in revenue is due to significant increase in selling prices of all steel products despite a substantial drop in their sales volume. The Group registered a significantly higher profit before tax of RM22.0 million this quarter compared with RM7.9 million achieved in the previous quarter due mainly to the Group's ability to pass on significantly higher raw material cost to downstream customers.

B3. Current year prospects

Demand for the Group's products is expected to be softer in the second quarter of this year due to the coming month of Ramadan and Hari Raya. We expect local steel demand to recover after the Hari Raya holidays as the Malaysian economy is poised to grow at a commendable rate of about 4.5% in 2017. Internationally, prices of steel products have become more volatile and directionless due to the mismatch between supply and demand of steel in China, impact caused by recent cyclone Debbie in Australia affecting coal export and geopolitics and markets vagaries in the Western economies. However, barring any unforeseen circumstances, the Group is cautiously optimistic to achieve profitability for the rest of the year.

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Notes on the Quarterly Report- Three Months Ended 31 March 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	3,770	3,770
- Deferred tax	1,728	1,728
	5,498	5,498
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	<u>5,498</u>	<u>5,498</u>

The effective tax rate on consolidated profit before tax for the current period was higher than the statutory income tax rate of 24% due mainly to the tax effect of expenses not deductible for tax purposes and partially offset by 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.

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

B8. Group borrowings

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

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Notes on the Quarterly Report- Three Months Ended 31 March 2017

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 had recommended in their last meeting which was announced on 22nd February 2017 a final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share in respect of the financial year ended 2016. These dividends have been duly approved by the shareholders in the 13th Annual General Meeting.

The dividends 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>16,506</u>	<u>16,506</u>
Weighted average number of shares in issue ('000)	<u>369,253</u>	<u>369,253</u>
Basic earnings/(loss) per share (sen)	<u>4.47</u>	<u>4.47</u>
Diluted earnings/(loss) per share (sen)	<u>4.47</u>	<u>4.47</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

		Current Quarter Ended 31-Mar-17 RM'000	Financial Year To Date 31-Mar-17 RM'000
a)	Other Income	971	971
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)	5,842	5,842
g)	Gain/(loss) on derivatives	-	-
h)	Exceptional items	-	-

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(Company No: 640357-X)

Notes on the Quarterly Report- Three Months Ended 31 March 2017

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	472,021	459,592
- Unrealised	(23,207)	(26,262)
	<u>448,814</u>	<u>433,330</u>
Less: Consolidationn adjustment	(24,989)	(26,011)
As per consolidated account	<u><u>423,825</u></u>	<u><u>407,319</u></u>

By order of the Board
Mr. Chen, Huo-Kun
Group Managing Director
26th May 2017