

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Dec-16 RM'000	Preceding Year Corresponding Quarter 31-Dec-15 RM'000	Current Year To Date 31-Dec-16 RM'000	Preceding Year Corresponding Period 31-Dec-15 RM'000
Continuing Operations				
Revenue	286,916	242,539	1,035,197	1,017,982
Profit before depreciation	14,833	42,789	106,353	98,827
Depreciation	(8,766)	(8,248)	(32,623)	(34,714)
Operating profit/(loss)	6,067	34,541	73,730	64,113
Interest expense	-	-	-	-
Interest income	2,132	1,820	9,475	7,084
Share of profit/(loss) of associates	(348)	(259)	(1,082)	(1,747)
Profit/(loss) before tax	7,851	36,102	82,123	69,450
Tax expense	(1,661)	(7,577)	(13,434)	(14,848)
Profit/(loss) after tax from continuing operations	6,190	28,525	68,689	54,602
Other comprehensive income/(loss)	(391)	18	178	(196)
Total comprehensive income/(loss)	5,799	28,543	68,867	54,406
Profit/(loss) after tax attributable to equity holders of the parent	6,190	28,525	68,689	54,602
Total comprehensive income/(loss) attributable to equity holders of the parent	5,799	28,543	68,867	54,406
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	1.68	7.47	18.63	14.75
Diluted earnings/(loss) per share (sen)	1.68	7.47	18.63	14.75

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 31 DECEMBER 2016
(The figures have not been audited)

	As at End of Current Quarter 31-Dec-16 RM'000	As at Preceding Financial Qtr. 31-Dec-15 RM'000
ASSETS:		
Non-current assets		
Property, plant and equipment	220,676	227,054
Investment in associates	4,993	4,286
Investment	5,240	5,062
Investment property	42,544	-
Deferred tax assets	153	81
Prepaid operating lease	17,792	18,029
	<u>291,398</u>	<u>254,512</u>
Current assets		
Inventories	224,396	213,319
Receivables	90,392	130,810
Cash and cash equivalents	269,529	231,379
	<u>584,317</u>	<u>575,508</u>
Total assets	<u><u>875,715</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	(12,266)	(12,199)
Fair value adjustment reserve	1,057	880
Retained earnings	407,319	368,129
Equity attributable to equity holders of the parent/Total equity	<u>808,551</u>	<u>769,251</u>
Non-current liabilities		
Deferred taxation	20,045	20,381
Long term loan	-	-
	<u>20,045</u>	<u>20,381</u>
Current liabilities		
Payables	47,119	40,388
Short term borrowings	-	-
Taxation	-	-
	<u>47,119</u>	<u>40,388</u>
Total liabilities	<u>67,164</u>	<u>60,769</u>
Total equity and liabilities	<u><u>875,715</u></u>	<u><u>830,020</u></u>
Net Assets per share (RM)	2.19	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 FOURTH QUARTER ENDED 31 DECEMBER 2016
(The figures have not been audited)

	Cumulative Quarter	
	Current	Preceding Year
	Year	Corresponding
	To Date	Period
	31-Dec-16	31-Dec-15
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	82,123	69,450
Adjustments for:		
Non-cash items	33,058	22,436
Non-operating items	(984)	(6,020)
Operating Profit/(Loss) Before Working Capital Changes	114,197	85,866
(Increase)/Decrease in working capital:		
Inventories	(12,514)	11,643
Trade and other receivables	13,920	(14,051)
Trade and other payables	9,673	(5,255)
Cash Generated From Operations	125,276	78,203
Tax paid	(19,318)	(10,519)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	105,958	67,684
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,368)	(40,215)
Interest received	9,600	6,909
Sale of subsidiary net of cash disposed	-	526
Acquisition of investment in associates	-	-
Acquisition of investment	-	(459)
Dividend received from investment	70	217
Acquisition of investment property	(21,544)	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(38,242)	(33,022)
FINANCING ACTIVITIES		
Dividend paid	(29,499)	(11,112)
Proceeds from term loan	-	-
Repayment of term loan	-	-
Net proceeds from/(repayment of) short-term borrowings	-	-
Buy back of own shares	(67)	(2,566)
Net Cash From/(Used In) Financing Activities	(29,566)	(13,678)
Net increase/(decrease) in cash and cash equivalents	38,150	20,984
Cash and cash equivalents at beginning of period	231,379	210,395
Cash and cash equivalents at end of period	269,529	231,379
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	11,708	7,779
Deposits in the licensed banks	158,837	108,821
Unit trust funds	98,984	114,779
	269,529	231,379

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
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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)	-	-	-	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
Balance as at 1 January 2015	380,000	32,441	(9,633)	1,076	324,639	728,523
Total comprehensive income/(loss)	-	-	-	(196)	54,602	54,406
Dividends	-	-	-	-	(11,112)	(11,112)
Purchase of treasury shares at cost	-	-	(2,566)	-	-	(2,566)
Rounding difference	-	-	-	-	-	-
Balance as at 31 December 2015	380,000	32,441	(12,199)	880	368,129	769,251

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.

Notes on the Quarterly Report- Twelve Months Ended 31 December 2016

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.

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2016

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> RM'000	<u>Technical fee</u> RM'000	<u>Others</u> RM'000	<u>Consolidation adjustment</u> RM'000	<u>Current year to date</u> RM'000
Revenue from external customers	1,035,097	-	100	-	1,035,197
Inter-segment revenue	-	-	22,578	(22,578)	-
Total revenue	<u>1,035,097</u>	<u>-</u>	<u>22,678</u>	<u>(22,578)</u>	<u>1,035,197</u>
Segment result	<u>72,314</u>	<u>-</u>	<u>17,293</u>	<u>(15,877)</u>	<u>73,730</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- Twelve Months Ended 31 December 2016

A13. Capital commitments

	RM'000
Approved and contracted for	7,872
Approved but not contracted for	10,631
	<u>18,503</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 RM286.9 million and RM7.9 million respectively. This represents an increase of RM44.4 million or 18.3% 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. However, the Group recorded a lower profit before tax of RM7.9 million this quarter compared with RM36.1 million in the corresponding quarter. The significant deterioration in profit is due to substantial increase in production cost due to higher raw materials cost exacerbated by rapidly weakening Ringgit vis-à-vis US Dollar during the quarter under review and the absence of the write back of doubtful debt amounted to RM16.9 million which happened in the corresponding quarter.

Year-to-date performance review

For the whole of 2016, the Group registered revenue and profit before tax of RM1,035 million and RM82.1 million respectively as compared with RM1,018 million and RM69.5 million achieved for the same period the previous year (2015). The increase in revenue is primarily due to significant improvement on the sale of Cold Rolled Steel (CRC) despite a substantial lower sale of our higher priced products such as Galvanised Steel (GI) and Pre-painted Galvanised Steel (PPGI). The significant increase in profit before tax is mainly due to lower cost of HRC and larger overall sale volume.

B2. Variation of results against preceding quarter

The Group's revenue has increased by 11.4% from RM257.6 million in the preceding quarter to RM286.9 million this quarter. The increase in revenue is due to significant increase in the sales volume albeit at marginally lower selling prices of all our steel products. The Group registered a significantly lower profit before tax of RM7.9 million this quarter compared with RM24.8 million achieved in the previous quarter due mainly to substantially higher cost of production due to higher raw materials cost exacerbated by rapidly weakening Ringgit vis-à-vis US Dollar during the quarter under review.

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2016

B3. Current year prospects

Going forward in 2017, the weak Ringgit and unpredictable business environment are expected to continue to affect local demand for our steel products and our ability to pass on further cost increases to our downstream customers. Our main raw material, Hot Rolled Steel (HRC), has been trending upwards due to increases in coking coal and iron ore prices, the main inputs in the manufacturing of HRC. However the price of coking coal has seen sharp correction recently and this increases the volatility of the HRC prices which may impact on our profitability.

On the international front, with the changing of guards in USA, the business environment has become more unpredictable. The protectionist and anti-globalisation policies promised by the new leaderships during their election campaign if materialised may affect our exports to our neighbouring countries whose economies are export oriented. The good news is China has promised to continue to shut down its excess steel capacity in 2017. With such a move, it is hoped that their record high export volume in 2016 will be greatly reduced in 2017.

Barring any unforeseen circumstances, the Group is cautiously optimistic to face the challenges with grit and determination to perform better in 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	2,803	13,431
- Deferred tax	(1,142)	(658)
	1,661	12,773
Prior year:		
- Income tax	-	411
- Deferred tax	-	250
	-	661
Total	<u>1,661</u>	<u>13,434</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;
- tax effect of the utilization of re-investment tax allowance; 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.

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Notes on the Quarterly Report- Twelve Months Ended 31 December 2016

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:	45,900	11,300,000
Number of shares cancelled:	Nil	Nil
Number of shares held as treasury shares:	45,900	11,300,000
Number of treasury shares resold:	Nil	Nil

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 recommended a final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share for the financial year ended 2016 which are subject to the approval of the shareholders in the forthcoming 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>6,190</u>	<u>68,689</u>
Weighted average number of shares in issue ('000)	<u>368,700</u>	<u>368,724</u>
Basic earnings/(loss) per share (sen)	<u>1.68</u>	<u>18.63</u>
Diluted earnings/(loss) per share (sen)	<u>1.68</u>	<u>18.63</u>

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

Notes on the Quarterly Report- Twelve Months Ended 31 December 2016

B12. Notes to the Consolidated Statement of Comprehensive Income

						Current Quarter Ended 31-Dec-16 RM'000	Financial Year To Date 31-Dec-16 RM'000
a)	Other Income					1,661	4,181
b)	Provision for write off/(reversal) of receivable					-	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)					1,771	11,387
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	459,591	407,248
- Unrealised	(26,262)	(22,104)
	433,329	385,144
Less: Consolidation adjustment	(26,010)	(17,015)
As per consolidated account	407,319	368,129

By order of the Board
Mr. Chen, Huo-Kun
Group Managing Director
13th February 2017