

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2019
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Mar-19 RM'000	Preceding Year Corresponding Quarter 31-Mar-18 RM'000	Current Year To Date 31-Mar-19 RM'000	Preceding Year Corresponding Period 31-Mar-18 RM'000
Continuing Operations				
Revenue	331,193	347,718	331,193	347,718
Profit/(Loss) before depreciation	12,003	20,715	12,003	20,715
Depreciation	(7,485)	(8,689)	(7,485)	(8,689)
Operating profit/(loss)	4,518	12,026	4,518	12,026
Interest expense	(21)	-	(21)	-
Interest income	1,335	1,406	1,335	1,406
Share of profit/(loss) of associates	-	149	-	149
Profit/(loss) before tax	5,832	13,581	5,832	13,581
Tax expense	(1,225)	(2,992)	(1,225)	(2,992)
Profit/(loss) after tax from continuing operations	4,607	10,589	4,607	10,589
Other comprehensive income/(loss)	142	(729)	142	(729)
Total comprehensive income/(loss)	4,749	9,860	4,749	9,860
Profit/(loss) after tax attributable to equity holders of the parent	4,607	10,589	4,607	10,589
Total comprehensive income/(loss) attributable to equity holders of the parent	4,749	9,860	4,749	9,860

Earnings per share from continuing operations attributable to equity holders of the parent:

Basic earnings/(loss) per share (sen)	1.25	2.87	1.25	2.87
Diluted earnings/(loss) per share (sen)	1.25	2.87	1.25	2.87

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 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019
(The figures have not been audited)

	As at End of Current Quarter 31-Mar-19 RM'000	As at Preceding Financial Year Ended 31-Dec-18 RM'000
Assets		
Non-current assets		
Property, plant and equipment	196,879	196,692
Investment in associates	-	-
Investment	7,103	6,960
Investment property	42,544	42,544
Deferred tax assets	70	92
Prepaid operating lease	17,258	17,318
	<u>263,854</u>	<u>263,606</u>
Current assets		
Inventories	258,766	290,586
Receivables	210,051	168,233
Cash and cash equivalents	177,722	192,532
	<u>646,539</u>	<u>651,351</u>
Total assets	<u><u>910,393</u></u>	<u><u>914,957</u></u>
Equity and Liabilities		
Capital and reserves		
Share capital	413,163	413,163
Less: 10,700,000 treasury shares at cost	(11,614)	(11,614)
	401,549	401,549
Fair value adjustment reserve	969	827
Retained earnings	407,098	402,491
Equity attributable to equity holders of the parent/Total equity	<u>809,616</u>	<u>804,867</u>
Non-current liabilities		
Deferred tax liabilities	19,177	18,074
Long term loan	-	-
	<u>19,177</u>	<u>18,074</u>
Current liabilities		
Payables	81,600	92,016
Short term borrowings	-	-
Taxation	-	-
	<u>81,600</u>	<u>92,016</u>
Total liabilities	<u>100,777</u>	<u>110,090</u>
Total equity and liabilities	<u><u>910,393</u></u>	<u><u>914,957</u></u>
Net Assets per share (RM)	<u>2.19</u>	<u>2.18</u>

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 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 31-Mar-19 RM'000	Preceding Year Corresponding Period 31-Mar-18 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	5,832	13,581
Adjustments for:		
Non-cash items	7,484	8,536
Non-operating items	(1,214)	15,017
Operating Profit Before Working Capital Changes	12,102	37,134
(Increase)/Decrease in working capital:		
Inventories	28,986	9,995
Trade and other receivables	(40,009)	30,200
Trade and other payables	(7,591)	(28,778)
Cash Generated From Operations	(6,512)	48,551
Tax paid	(1,999)	(4,851)
Interest paid	(21)	-
Net Cash From Operating Activities	(8,532)	43,700
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,613)	(2,522)
Interest received	1,335	1,401
Sale of subsidiary net of cash disposed (Note 1)	-	-
Acquisition of investment	-	-
Dividend received from investment	-	36
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash Used In Investing Activities	(6,278)	(1,085)
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	-	-
Net Cash From/(Used In) Financing Activities	-	(18,465)
Net increase/(decrease) in cash and cash equivalents	(14,810)	24,150
Cash and cash equivalents at beginning of period	192,532	161,036
Cash and cash equivalents at end of period	177,722	185,186
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	16,681	33,984
Deposits in the licensed banks	20,700	17,396
Unit trust funds	140,341	133,806
	177,722	185,186

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 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2019
(The figures have not been audited)

	Non-Distributable			Distributable	Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	
Balance as at 1 January 2019	413,163	(11,614)	827	402,491	804,867
Total comprehensive income/(loss)	-	-	142	4,607	4,749
Dividends	-	-	-	-	-
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	-	-
Balance as at 31 March 2019	413,163	(11,614)	969	407,098	809,616
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)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	-	-
Balance as at 31 March 2018	413,163	(11,614)	1,448	407,551	810,548

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 2018.

Notes on the Quarterly Report – Three Months Ended 31 March 2019

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 2018. 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 financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

• **Adoption of new and amendments to MFRS and IC Interpretation ("IC Int.")**

In the current financial year, the Group adopted a number of new and amendments to MFRS and IC Int. issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after January 1, 2019 as follows:

MFRS 16	Leases ¹
MFRS 17	Insurance Contracts ³
Amendments to MFRS 3	Definition of a Business ²
Amendments to MFRS 9	Financial Instrument - Prepayment Features with Negative Compensation ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to MFRS 101 and MFRS 108	Definition of Material ²
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement ¹
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures ¹
Amendments to MFRS	Annual Improvements to MFRS 2015 - 2017 Cycle: Amendments to MFRS 3 <i>Business Combination</i> , MFRS 11 <i>Joint Arrangement</i> , MFRS 112 <i>Income Taxes</i> and MFRS 123 <i>Borrowing Costs</i> ¹
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards ²
IC Int. 23	Uncertainty over Income Tax Payments ¹

¹ Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

⁴ Effective date deferred to a date to be determined and announced, with earlier application permitted.

Notes on the Quarterly Report – Three Months Ended 31 March 2019

The adoption of the above new and amendments to the MFRS and IC Int. did not have material impact on the amounts reported in the financial statements of the Group upon its initial application.

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 2018.

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 are no dividend paid during the quarter under review.

Notes on the Quarterly Report – Three Months Ended 31 March 2019

A8. Segment information

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

	<u>Steel coils*</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	331,193	-	-	331,193
Inter-segment revenue	-	13,014	(13,014)	-
Total revenue	<u>331,193</u>	<u>13,014</u>	<u>(13,014)</u>	<u>331,193</u>
Segment result	<u>4,264</u>	<u>11,947</u>	<u>(11,693)</u>	<u>4,518</u>

*Steel coils – cold rolled, galvanized & pre-painted galvanized 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 2019

A13. Capital commitments

	RM'000
Approved and contracted for	15,918
Approved but not contracted for	20,637
Total	<u>36,555</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 total revenue of RM331.2 million for the current quarter, a decrease of RM16.5 million or 4.8% compared to its corresponding quarter. The decrease was mainly due to lower sales volume for GI product and lower key products average selling price by 5.31%.

The Group recorded lower profit before tax of RM5.83 million for the current quarter compared with RM13.6 million in the corresponding quarter. The 57% drop in profit was mainly due to lower average selling price and raw material cost increase.

Revenue

	Q1 2018			Q1 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	52,603	150,083	2,853	62,953	171,509	2,724	10,351	19.7%	21,426	14.3%
GI	39,014	129,320	3,315	27,311	84,549	3,096	(11,703)	(30.0%)	(44,771)	(34.6%)
PPGI	13,928	62,784	4,508	14,728	66,258	4,499	801	5.8%	3,474	5.5%
Sub-Con	15	2	133	508	67	132	493	3283.8%	65	3250.0%
Trading				878	2,576	2,933	878	n/a	2,576	n/a
Scrap	5,778	5,493	951	5,758	6,234	1,083	(20)	(0.4%)	741	13.5%
Others		36			0				(36)	(100.0%)
	111,338	347,718	3,123	112,137	331,193	2,953	799	0.7%	(16,525)	(4.8%)

CRC = cold rolled steel/pickled & oiled steel
 GI = galvanized steel
 PPGI = pre-painted galvanized steel

Notes on the Quarterly Report – Three Months Ended 31 March 2019

B2. Variation of results against preceding quarter

The Group's revenue had decreased by 6.8% or RM24.3 million to RM331.2 million in this quarter. The decrease was mainly caused by decline in sales volume for GI and PPGI products and lower selling price for CRC and GI products. However, the Group registered profit before tax of RM5.83 million this quarter compared with a loss of RM4.55 million in the preceding quarter, mainly attributed to the decrease in raw material cost amid soft market sentiment due to uncertainties of China-US trade war and economic development in China and European countries.

Revenue

	Q4 2018			Q1 2019			Variance Analysis			
	Mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	61,409	174,969	2,849	62,953	171,509	2,724	1,544	2.5%	(3,460)	(2.0%)
GI	31,816	103,562	3,255	27,311	84,549	3,096	(4,505)	(14.2%)	(19,013)	(18.4%)
PPGI	15,927	70,258	4,411	14,728	66,258	4,499	(1,199)	(7.5%)	(4,000)	(5.7%)
Sub-Con	740	45	61	508	67	132	(231)	(31.3%)	22	48.9%
Trading	237	824	3,483	878	2,576	2,933	642	271.2%	1,752	212.6%
Scrap	5,616	5,846	1,041	5,758	6,234	1,083	142	2.5%	388	6.6%
Others		-			-					
	115,745	355,504	3,071	112,137	331,193	2,953	(3,608)	(3.1%)	(24,311)	(6.8%)

B3. Current year prospects

The mining disaster happened in Brazil on 25th Jan 2019 has not only brought substantial effects on the global iron ore industry- such as tighter controls and the need for more investments in sustainability and safety by the iron ore miner which would affect the global iron ore supply, and also a considerable impact on international iron ore price. In China, the commodity had gained 18 percent since then, once up to USD94/mt, the highest price in two years. International steel prices of upstream products such as HRC, had once increased nearly USD100/mt in two months in the wake of the mining disaster, whereas the downstream markets remained in their own tendencies respectively according to the regional steel market sentiment and economic performance.

For Malaysia, the steel industry has been exposed to the uncertainties of global trade war and the slowing down of national economic growth since last year. The side effect of the cancellation of mega projects by the Malaysian government still permeate the steel industry. Despite of the hike of HRC and the softening steel market, the Group is still managed to secure reasonable amount of sales order. Although the challenges in the business environment will not change much in short term, it is broadly believed that the sentiment of local steel industry will be liven up in the second half of 2019, backed by the revival of mega projects and trade remedies for steel products by the Malaysian government recently.

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

Notes on the Quarterly Report – Three Months Ended 31 March 2019

B4. Variance of actual and forecast profit

Not applicable as the Group does not make any profit forecast for current financial year.

B5. Tax expense/ (income)

	Current Quarter RM'000	Current Year To Date RM'000
Current:		
- Income tax	100	100
- Deferred tax	1,125	1,125
	1,225	1,225
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	1,225	1,225

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 tax effect of income not taxable in determining taxable profit. However, the decrease is partly offset by the tax effect of the 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.

Notes on the Quarterly Report – Three Months Ended 31 March 2019

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

A final single tier dividend of 4 Sen per share for the financial year ended 2018 had been recommended by the Board of Directors in their previous board meeting which was announced on 26 February 2019 and was approved by the shareholders in the Annual General Meeting held on 23 May 2019. The 4 Sen dividend per share will be paid on 11 July 2019 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 28 June 2019.

The dividends paid and payable for the financial year 2018 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>4,607</u>	<u>4,607</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,300</u>
Basic earnings/(loss) per share (sen)	<u>1.25</u>	<u>1.25</u>
Diluted earnings/(loss) per share (sen)	<u>1.25</u>	<u>1.25</u>

Notes on the Quarterly Report – Three Months Ended 31 March 2019

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended	Financial Year To Date
	RM'000	RM'000
a) Other income	1,116	1,116
b) Provision for write off of receivable	-	-
c) Provision for write off of inventories (reversal)	(5,995)	(5,995)
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	4,679	4,679
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

By order of the Board
Mr. Yin, Shou-Kang
Group Managing
Director
24 May 2019