

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2018
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Jun-18 RM'000	Preceding Year Corresponding Quarter 30-Jun-17 RM'000	Current Year To Date 30-Jun-18 RM'000	Preceding Year Corresponding Period 30-Jun-17 RM'000
Continuing Operations				
Revenue	342,533	320,539	690,251	630,393
Profit before depreciation	21,177	26,009	41,892	55,016
Depreciation	(8,749)	(8,453)	(17,438)	(16,958)
Operating profit/(loss)	12,428	17,556	24,454	38,058
Interest expense	-	-	-	-
Interest income	1,623	1,517	3,029	3,338
Share of profit/(loss) of associates	(539)	(231)	(390)	(550)
Profit/(loss) before tax	13,512	18,842	27,093	40,846
Tax expense	(3,110)	(4,401)	(6,102)	(9,899)
Profit/(loss) after tax from continuing operations	10,402	14,441	20,991	30,947
Other comprehensive income/(loss)	(53)	551	(782)	1,617
Total comprehensive income/(loss)	10,349	14,992	20,209	32,564
Profit/(loss) after tax attributable to equity holders of the parent	10,402	14,441	20,991	30,947
Total comprehensive income/(loss) attributable to equity holders of the parent	10,349	14,992	20,209	32,564
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	2.82	3.91	5.68	8.38
Diluted earnings/(loss) per share (sen)	2.82	3.91	5.68	8.38

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 30 JUNE 2018
(The figures have not been audited)

	As at End of Current Quarter 30-Jun-18 RM'000	As at Preceding Financial Qtr. 31-Dec-17 RM'000
ASSETS:		
Non-current assets		
Property, plant and equipment	201,010	208,100
Investment in associates	1,826	2,216
Investment	5,578	6,359
Investment property	42,544	42,544
Deferred tax assets	116	77
Prepaid operating lease	17,436	17,555
	268,510	276,851
Current assets		
Inventories	257,624	263,635
Receivables	171,244	189,538
Cash and cash equivalents	193,966	161,036
	622,834	614,209
Total assets	891,344	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	1,395	2,177
Retained earnings	399,487	415,427
Equity attributable to equity holders of the parent/Total equity	802,431	819,153
Non-current liabilities		
Deferred taxation	18,157	18,757
Long term loan	-	-
	18,157	18,757
Current liabilities		
Payables	70,756	53,150
Short term borrowings	-	-
Taxation	-	-
	70,756	53,150
Total liabilities	88,913	71,907
Total equity and liabilities	891,344	891,060
Net Assets per share (RM)	2.17	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 SECOND QUARTER ENDED 30 JUNE 2018
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Jun-18 RM'000	Preceding Year Corresponding Period 30-Jun-17 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	27,093	40,846
Adjustments for:		
Non-cash items	17,798	17,528
Non-operating items	1,909	4,955
Operating Profit/(Loss) Before Working Capital Changes	46,800	63,329
(Increase)/Decrease in working capital:		
Inventories	6,011	(45,812)
Trade and other receivables	20,160	(16,161)
Trade and other payables	(5,656)	(38,458)
Cash Generated From Operations	67,315	(37,102)
Tax paid	(8,782)	(8,389)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	58,533	(45,491)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,199)	(10,984)
Interest received	3,025	3,710
Sale of subsidiary net of cash disposed	-	-
Acquisition of investment in associates	-	-
Acquisition of investment	-	-
Dividend received from investment	36	699
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(7,138)	(6,575)
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	32,930	(50,693)
Cash and cash equivalents at beginning of period	161,036	269,529
Cash and cash equivalents at end of period	193,966	218,836
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	10,222	11,820
Deposits in licensed banks	48,683	111,465
Unit trust funds	135,061	95,551
	193,966	218,836

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 SECOND QUARTER ENDED 30 JUNE 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)	-	-	-	(782)	20,991	20,209
Dividends	-	-	-	-	(36,930)	(36,930)
Disposal/(Purchase) of treasury shares	-	-	-	-	-	-
Rounding difference	-	-	-	-	(1)	(1)
Balance as at 30 June 2018	413,163	-	(11,614)	1,395	399,487	802,431
Balance as at 1 January 2017	380,000	32,441	(12,266)	1,057	407,319	808,551
Total comprehensive income/(loss)	-	-	-	1,617	30,947	32,564
Dividends	-	-	-	-	(51,702)	(51,702)
Disposal/(Purchase) of treasury shares	-	722	651	-	-	1,373
Transfer arising from 'no par value' regime	33,163	(33,163)	-	-	-	-
Rounding difference	-	-	1	-	-	1
Balance as at 30 June 2017	413,163	-	(11,614)	2,674	386,564	790,787

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.

Notes on the Quarterly Report – Six Months Ended 30 June 2018

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.

A7. Dividend Paid

There was no dividend paid during the quarter under review.

Notes on the Quarterly Report – Six Months Ended 30 June 2018

A8. Segment information

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

	<u>Steel coils*</u> RM'000	Technical fee RM'000	Others RM'000	Consolidation adjustment RM'000	Current year to date RM'000
Revenue from external customers	690,213	-	38	-	690,251
Inter-segment revenue	-	-	39,439	(39,439)	-
Total revenue	<u>690,213</u>	<u>-</u>	<u>39,477</u>	<u>(39,439)</u>	<u>690,251</u>
Segment result	<u>24,758</u>	<u>-</u>	<u>36,336</u>	<u>(36,640)</u>	<u>24,454</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	14,368
Approved but not contracted for	32,220
	<u>46,588</u>

Notes on the Quarterly Report – Six Months Ended 30 June 2018

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 RM342.5 million and RM13.5 million respectively. This represents an increase of RM22.0 million or 6.9% higher in revenue than that of its corresponding quarter. The increase in revenue is primarily due to substantial increase in sales volume albeit at marginally lower selling prices for all our steel products except for sales of Steel Scraps where prices had gone up significantly higher. However, the Group recorded a lower profit before tax of RM13.5 million this quarter compared with RM18.8 million in the corresponding quarter. The lower profit was due to higher transportation costs as well as significant drop in sales of higher margin Galvanized Steel.

Revenue:										
	Q2 2017			Q2 2018			Variance			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	38,010	111,370	2,930	51,133	149,048	2,915	13,123	34.5%	37,678	33.8%
GI	38,615	131,848	3,414	33,741	112,261	3,327	(4,874)	-12.6%	(19,587)	-14.9%
PPGI	16,132	72,250	4,479	16,401	74,581	4,547	269	1.7%	2,331	3.2%
SCRAPS	5,618	4,392	782	5,458	6,643	1,217	(160)	-2.8%	2,251	51.3%
Others	-	679		-	-		-		(679)	
	98,375	320,539	3,251	106,733	342,533	3,209	8,358	8.5%	21,994	6.9%

Year-to-date performance review

The Group registered revenue and profit before tax of RM690.3 million and RM24.5 million respectively. This represents an increase of RM59.9 million or 9.5% increase in revenue than that of its corresponding period. The increase in revenue is primarily due to increases in both selling prices of all steel products and overall sale volume. However, the Group recorded a significant drop in profit before tax of RM24.5 million for H1 2018 compared with RM38.1 million for H1 2017. The significant 35.7% drop in profit is mainly due to substantially higher production cost as a result of higher raw materials price of Hot Rolled Steel and Zinc, increase in transportation costs and substantial drop in sale volume of higher margin Galvanized Steel and Pre-painted Galvanized Steel.

Revenue:										
	YTD Q2 2017			YTD Q2 2018			Variance			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	86,713	238,063	2,745	103,735	299,131	2,884	17,022	19.6%	61,068	25.7%
GI	79,730	252,688	3,169	72,755	241,581	3,320	(6,975)	-8.7%	(11,107)	-4.4%
PPGI	30,463	129,795	4,261	30,329	137,365	4,529	(134)	-0.4%	7,570	5.8%
SCRAPS	11,571	9,117	788	11,237	12,136	1,080	(334)	-2.9%	3,019	33.1%
Others	-	730		-	38		-		(692)	
	208,477	630,393	3,020	218,056	690,251	3,165	9,579	4.6%	59,858	9.5%

CRC = cold rolled steel/pickled & oiled steel

GI = galvanised steel

PPGI = pre-painted galvanised steel

Notes on the Quarterly Report – Six Months Ended 30 June 2018

B2. Variation of results against preceding quarter

The Group's revenue has decreased marginally by 1.5% from RM347.7 million in the preceding quarter to RM342.5 million this quarter. The decrease is mainly due to overall decrease in sale volume despite marginal increase in prices of all steel products. In spite of the lower sale volume, the Group's profit before tax of RM13.5 million this quarter is marginally lower than that achieved in the previous quarter due to marginal increase in overall production cost.

Revenue:										
	Q1 2018			Q2 2018			Variance			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	52,603	150,083	2,853	51,133	149,048	2,915	(1,470)	-2.8%	(1,035)	-0.7%
GI	39,014	129,320	3,315	33,741	112,261	3,327	(5,273)	-13.5%	(17,059)	-13.2%
PPGI	13,928	62,784	4,508	16,401	74,581	4,547	2,473	17.8%	11,797	18.8%
SCRAPS	5,778	5,493	951	5,458	6,643	1,217	(320)	-5.5%	1,150	20.9%
<i>Others</i>	-	38		-	-		-		(38)	
	111,323	347,718	3,123	106,733	342,533	3,209	(4,590)	-4.1%	(5,185)	-1.5%

B3. Current year prospects

The imposition of the 25% tariff on steel under Section 232 by the United States and the latest 25% tariff under the Provisional Safeguard Measure by the European Commission are likely to affect the global steel supply and demand dynamics. We expect the steel market to face micro price fluctuation till the year end due to trade measure issues and price factor in iron ore and coking coal.

Domestic steel market has returned to its normal operation after the Raya festivities. However local Galvanised Steel manufacturers' market share are facing threat from the influx of low priced steel imports. The Ministry of International Trade and Industry has been made aware of the situation and is now taking appropriate actions including initiating anti-dumping investigation on imports of galvanised steel from China and Vietnam to minimize the harm to the local manufacturers.

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.

Notes on the Quarterly Report – Six Months Ended 30 June 2018

B5. Tax expense/ (income)

	Current quarter RM'000	Year-to-Date RM' 000
Current:		
- Income tax	4,912	6,741
- Deferred tax	(1,802)	(639)
	3,110	6,102
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	<u>3,110</u>	<u>6,102</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

Notes on the Quarterly Report – Six Months Ended 30 June 2018

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

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 has been paid to the shareholders on 15th August 2018 to those whose names were registered on the Register of Members at the close of business on 31st July 2018.

The dividends paid for the 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>10,402</u>	<u>20,991</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,300</u>
Basic earnings/(loss) per share (sen)	<u>2.82</u>	<u>5.68</u>
Diluted earnings/(loss) per share (sen)	<u>2.82</u>	<u>5.68</u>

Notes on the Quarterly Report – Six Months Ended 30 June 2018

B12. Notes to the Consolidated Statement of Comprehensive Income

		Current		Financial
		Quarter		Year
		Ended		To Date
		30-Jun-18		30-Jun-18
		RM'000		RM'000
a)	Other income	1,684		2,632
b)	Provision for write off/(reversal) of receivable	-		-
c)	Provision for write off of inventories	-		-
d)	Gain/(loss) on disposal of quoted investments or properties	-		-
e)	Impairment of assets	-		-
f)	Foreign exchange gain or (loss)	3,614		9,594
g)	Gain/(loss) on derivatives	-		-
h)	Exceptional items	-		-

By order of the Board
 Mr. Lee Ie-Hsian
 Group Managing Director
 17th August 2018