

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2017
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Jun-17 RM'000	Preceding Year Corresponding Quarter 30-Jun-16 RM'000	Current Year To Date 30-Jun-17 RM'000	Preceding Year Corresponding Period 30-Jun-16 RM'000
Continuing Operations				
Revenue	320,539	269,715	630,393	490,706
Profit before depreciation	26,009	43,596	55,016	60,565
Depreciation	(8,453)	(7,875)	(16,958)	(15,699)
Operating profit/(loss)	17,556	35,721	38,058	44,866
Interest expense	-	-	-	-
Interest income	1,517	2,658	3,338	4,956
Share of profit/(loss) of associates	(231)	(381)	(550)	(365)
Profit/(loss) before tax	18,842	37,998	40,846	49,457
Tax expense	(4,401)	(8,677)	(9,899)	(11,189)
Profit/(loss) after tax from continuing operations	14,441	29,321	30,947	38,268
Other comprehensive income/(loss)	551	89	1,617	107
Total comprehensive income/(loss)	14,992	29,410	32,564	38,375
Profit/(loss) after tax attributable to equity holders of the parent	14,441	29,321	30,947	38,268
Total comprehensive income/(loss) attributable to equity holders of the parent	14,992	29,410	32,564	38,375
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	3.91	7.95	8.38	10.38
Diluted earnings/(loss) per share (sen)	3.91	7.95	8.38	10.38

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 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017
(The figures have not been audited)

	As at End of Current Quarter 30-Jun-17 RM'000	As at Preceding Financial Qtr. 31-Dec-16 RM'000
ASSETS:		
Non-current assets		
Property, plant and equipment	214,801	220,676
Investment in associates	2,642	3,192
Investment	6,857	5,240
Investment property	42,544	42,544
Deferred tax assets	-	153
Prepaid operating lease	17,673	17,792
	284,517	289,597
Current assets		
Inventories	276,721	230,909
Receivables	108,955	95,608
Cash and cash equivalents	218,836	269,529
	604,512	596,046
Total assets	889,029	885,643
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	2,674	1,057
Retained earnings	386,564	407,319
Equity attributable to equity holders of the parent/Total equity	790,787	808,551
Non-current liabilities		
Deferred taxation	19,167	20,045
Long term loan	-	-
	19,167	20,045
Current liabilities		
Payables	79,075	57,047
Short term borrowings	-	-
Taxation	-	-
	79,075	57,047
Total liabilities	98,242	77,092
Total equity and liabilities	889,029	885,643
Net Assets per share (RM)	2.14	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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Jun-17 RM'000	Preceding Year Corresponding Period 30-Jun-16 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	40,846	49,457
Adjustments for:		
Non-cash items	17,528	15,074
Non-operating items	4,955	(5,022)
Operating Profit/(Loss) Before Working Capital Changes	63,329	59,509
(Increase)/Decrease in working capital:		
Inventories	(45,812)	43,228
Trade and other receivables	(16,161)	(18,234)
Trade and other payables	(38,458)	20,592
Cash Generated From Operations	(37,102)	105,095
Tax paid	(8,389)	(6,835)
Interest paid	-	-
Net Cash From/(Used In) Operating Activities	(45,491)	98,260
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,984)	(13,956)
Interest received	3,710	5,060
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	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash From/(Used In) Investing Activities	(6,575)	(8,826)
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	(50,693)	89,421
Cash and cash equivalents at beginning of period	269,529	231,379
Cash and cash equivalents at end of period	218,836	320,800
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	11,820	15,522
Deposits in the licensed banks	111,465	175,515
Unit trust funds	95,551	129,763
	218,836	320,800

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 SECOND QUARTER ENDED 30 JUNE 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)	-	-	-	1,617	30,947	32,564
Dividends	-	-	-	-	(51,702)	(51,702)
Purchase of treasury shares at cost	-	722	651	-	-	1,373
Rounding difference	-	-	1	-	-	1
Balance as at 30 June 2017	380,000	33,163	(11,614)	2,674	386,564	790,787
Balance as at 1 January 2016	380,000	32,441	(12,199)	880	368,129	769,251
Total comprehensive income/(loss)	-	-	-	107	38,268	38,375
Dividends	-	-	-	-	(29,499)	(29,499)
Purchase of treasury shares at cost	-	-	(13)	-	-	(13)
Rounding difference	-	-	-	-	-	-
Balance as at 30 June 2016	380,000	32,441	(12,212)	987	376,898	778,114

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.

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.

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

Notes on the Quarterly Report- Six Months Ended 30 June 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> 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	629,664	-	729	-	630,393
Inter-segment revenue	-	-	53,939	(53,939)	-
Total revenue	<u>629,664</u>	<u>-</u>	<u>54,668</u>	<u>(53,939)</u>	<u>630,393</u>
Segment result	<u>39,056</u>	<u>-</u>	<u>49,551</u>	<u>(50,549)</u>	<u>38,058</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.

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Notes on the Quarterly Report- Six Months Ended 30 June 2017

A13. Capital commitments

	RM'000
Approved and contracted for	12,780
Approved but not contracted for	26,211
	<u>38,991</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 RM320.5 million and RM18.8 million respectively. This represents an increase of RM50.8 million or 18.8% 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 albeit at significantly lower sale volume. However, the Group recorded a significantly lower profit before tax of RM18.8 million this quarter compared with RM38.0 million in the corresponding quarter. The 50.7% drop in profit is mainly due to significant increase in production cost as a result of higher raw material cost and lower production volume of all our steel products.

Year-to-date performance review

The Group registered revenue and profit before tax of RM630.4 million and RM40.8 million respectively. This represents an increase of RM139.7 million or 28.5% increase in revenue than that of its corresponding period. 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 significant drop in profit before tax of RM40.8 million for H1 2017 compared with RM49.5 million for H1 2016. The significant 17.4% drop in profit is mainly due to higher production cost as a result of significantly higher raw material price and substantial drop in sale volume of higher margin steel product.

B2. Variation of results against preceding quarter

The Group's revenue has increased by 3.4% from RM309.9 million in the preceding quarter to RM320.5 million this quarter. The increase in revenue is due to significant increase in selling prices of all steel products despite a significant drop in their sales volume. The Group registered a significantly lower profit before tax of RM18.8 million this quarter compared with RM22.0 million achieved in the previous quarter due mainly to an inventory write down of RM6.8 million due to valuing of some affected inventories to net realizable value as selling prices for third quarter are softening.

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Notes on the Quarterly Report- Six Months Ended 30 June 2017

B3. Current year prospects

Demand for the Group's products is expected to recover in the third quarter of this year as economic activities have normalised after the Hari Raya holidays. However prices of steel products have been trending lower since June 2017 and this may impact on our profitability in the third quarter as a result of sales margin squeeze. Internationally, the demand for steel is expected to be adversely affected by the effect of the Chinese Government's move in clamping down on bank lending in its bid to address the country's soaring debt problem as well as the launch of national security investigation into steel imports by Trump Administration to curb foreign steel imports into US have posed a great concern to Malaysian steel players as the excess steel supply may be diverted to countries in South East Asia especially Malaysia. However, the price of steel has been moving up lately due to higher cost of iron ore and coking coal. If the increasing price trend is sustainable, this will bode well for the Group in the coming quarter. 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.

B5. Tax expense/ (income)

	Current quarter RM' 000	Year-to- Date RM' 000
Current:		
- Income tax	5,251	9,021
- Deferred tax	(850)	878
	4,401	9,899
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	<u>4,401</u>	<u>9,899</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.

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Notes on the Quarterly Report- Six Months Ended 30 June 2017

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.

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 final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share as recommended by the directors was approved by the shareholders in the 13th Annual General Meeting of the Company held on 25th May 2017. The dividends had subsequently been paid to the shareholders on 12th July 2017.

The dividends 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>14,441</u>	<u>30,947</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,277</u>
Basic earnings/(loss) per share (sen)	<u>3.91</u>	<u>8.38</u>
Diluted earnings/(loss) per share (sen)	<u>3.91</u>	<u>8.38</u>

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

Notes on the Quarterly Report- Six Months Ended 30 June 2017

B12. Notes to the Consolidated Statement of Comprehensive Income

						Current Quarter Ended 30-Jun-17 RM'000	Financial Year To Date 30-Jun-17 RM'000
a)	Other Income					858	1,829
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)					6,752	12,594
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	434,305	459,592
- Unrealised	(19,830)	(26,262)
	414,475	433,330
Less: Consolidationn adjustment	(27,911)	(26,011)
As per consolidated account	386,564	407,319

By order of the Board
Mr. Chen, Huo-Kun
Group Managing Director
25th August 2017