

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Jun-19 RM'000	Preceding Year Corresponding Quarter 30-Jun-18 RM'000	Current Year To Date 30-Jun-19 RM'000	Preceding Year Corresponding Period 30-Jun-18 RM'000
Continuing Operations				
Revenue	343,752	342,533	674,945	690,251
Profit/(Loss) before depreciation	21,983	21,177	33,986	41,892
Depreciation	(7,220)	(8,749)	(14,705)	(17,438)
Operating profit/(loss)	14,763	12,428	19,281	24,454
Interest expense	-	-	(21)	-
Interest income	1,339	1,623	2,674	3,029
Share of profit/(loss) of associates	-	(539)	-	(390)
Profit/(loss) before tax	16,102	13,512	21,934	27,093
Tax expense	(3,499)	(3,110)	(4,724)	(6,102)
Profit/(loss) after tax from continuing operations	12,603	10,402	17,210	20,991
Other comprehensive income/(loss)	53	(53)	195	(782)
Total comprehensive income/(loss)	12,656	10,349	17,405	20,209
Profit/(loss) after tax attributable to equity holders of the parent	12,603	10,402	17,210	20,991
Total comprehensive income/(loss) attributable to equity holders of the parent	12,656	10,349	17,405	20,209
Earnings per share from continuing operations attributable to equity holders of the parent:				
Basic earnings/(loss) per share (sen)	3.41	2.82	4.66	5.68
Diluted earnings/(loss) per share (sen)	3.41	2.82	4.66	5.68

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 30 JUNE 2019
(The figures have not been audited)

	As at End of Current Quarter 30-Jun-19 RM'000	As at Preceding Financial Year Ended 31-Dec-18 RM'000
Assets		
Non-current assets		
Property, plant and equipment	191,273	196,692
Investment in associates	-	-
Investment	6,986	6,960
Investment property	42,544	42,544
Deferred tax assets	121	92
Prepaid operating lease	17,199	17,318
	<u>258,123</u>	<u>263,606</u>
Current assets		
Inventories	263,516	290,586
Receivables	196,472	168,233
Cash and cash equivalents	184,064	192,532
	<u>644,052</u>	<u>651,351</u>
Total assets	<u><u>902,175</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	1,022	827
Retained earnings	404,929	402,491
Equity attributable to equity holders of the parent/Total equity	<u>807,500</u>	<u>804,867</u>
Non-current liabilities		
Deferred tax liabilities	18,353	18,074
Long term loan	-	-
	<u>18,353</u>	<u>18,074</u>
Current liabilities		
Payables	76,322	92,016
Short term borrowings	-	-
Taxation	-	-
	<u>76,322</u>	<u>92,016</u>
Total liabilities	<u>94,675</u>	<u>110,090</u>
Total equity and liabilities	<u><u>902,175</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 SECOND QUARTER ENDED 30 JUNE 2019
(The figures have not been audited)

	Current Year To Date 30-Jun-19 RM'000	Cumulative Quarter Preceding Year Corresponding Period 30-Jun-18 RM'000
OPERATING ACTIVITIES		
Profit before tax/(loss)	21,934	27,093
Adjustments for:		
Non-cash items	14,896	17,798
Non-operating items	1,205	1,909
Operating Profit Before Working Capital Changes	38,035	46,800
(Increase)/Decrease in working capital:		
Inventories	24,236	6,011
Trade and other receivables	(44,019)	20,160
Trade and other payables	(16,141)	(5,656)
Cash Generated From Operations	2,111	67,315
Tax paid	(4,506)	(8,782)
Interest paid	(21)	-
Net Cash From Operating Activities	(2,416)	58,533
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,189)	(10,199)
Interest received	2,674	3,025
Sale of subsidiary net of cash disposed (Note 1)	-	-
Acquisition of investment	-	-
Dividend received from investment	463	36
Acquisition of investment property	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net Cash Used In Investing Activities	(6,052)	(7,138)
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	(8,468)	32,930
Cash and cash equivalents at beginning of period	192,532	161,036
Cash and cash equivalents at end of period	184,064	193,966
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	20,073	10,222
Deposits in the licensed banks	32,935	48,683
Unit trust funds	131,056	135,061
	184,064	193,966

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 SECOND QUARTER ENDED 30 JUNE 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)	-	-	195	17,210	17,405
Dividends	-	-	-	(14,772)	(14,772)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	-	-
Balance as at 30 June 2019	413,163	(11,614)	1,022	404,929	807,500
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)
Purchase of treasury shares at cost	-	-	-	-	-
Rounding difference	-	-	-	(1)	(1)
Balance as at 30 June 2018	413,163	(11,614)	1,395	399,487	802,431

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 – Six Months Ended 30 June 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.

- 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
Amendments to MFRS 9	Financial Instrument - Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS	Annual Improvements to MFRS 2015 - 2017 Cycle: Amendments to MFRS 3 Business Combination, MFRS 11 Joint Arrangement, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs
IC Int. 23	Uncertainty over Income Tax Payments

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.

- New and amendments to MFRS but not yet effective

As of the date of authorization for issue of interim financial statements, the Group and the Company have not applied the following new and amendments to MFRS that have been issued but not yet effective:

MFRS 17	Insurance Contracts ²
Amendments to MFRS 3	Definition of a Business ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 101 and MFRS 108	Definition of Material ¹
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards ¹

Notes on the Quarterly Report – Six Months Ended 30 June 2019

- ¹ Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.
- ² Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
- ³ Effective date deferred to a date to be determined and announced, with earlier application permitted.

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 – Six Months Ended 30 June 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	674,482	-	-	674,482
Inter-segment revenue	-	14,872	(14,409)	463
Total revenue	<u>674,482</u>	<u>14,872</u>	<u>(14,409)</u>	<u>674,945</u>
Segment result	<u>18,895</u>	<u>12,078</u>	<u>(11,692)</u>	<u>19,281</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.

A13. Capital commitments

	RM'000
Approved and contracted for	16,132
Approved but not contracted for	<u>17,890</u>
Total	<u>34,022</u>

Notes on the Quarterly Report – Six Months Ended 30 June 2019

PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

Year-on-year performance review

The Group registered a total revenue of RM343.7 million for the current quarter, marginally increase of RM1.2 million or 0.4% compared to its corresponding period. The additional revenue generated from higher CRC's sales volume was offset by the decrease in sales revenue of GI and PPGI products as a result of lower sales volume and selling prices in all our key products.

However, the Group recorded a higher profit before tax of RM16.1 million for the current quarter compared with RM13.5 million in the corresponding quarter. The increase in profit was mainly due to the lower marketing and administrative expenses as well as marginally increase in margin for coated steel products.

Revenue

	Q2 2018			Q2 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	51,133	149,048	2,915	60,309	162,775	2,699	9,176	17.9%	13727	9.2%
GI	33,741	112,261	3,327	32,813	100,568	3,065	-928	-2.7%	-11693	-10.4%
PPGI	16,401	74,581	4,547	15,814	71,436	4,517	-587	-3.6%	-3145	-4.2%
Sub-Con	0	0		684	80	117	684	n/a	80	n/a
Trading				724	2,300	3,178	724	n/a	2300	n/a
Scrap	5,458	6,643	1,217	5,691	6,130	1,077	232	4.3%	-513	-7.7%
Others					463				463	0.0%
Total	106,733	342,533	3,209	116,035	343,752	2,962	9,302	8.7%	1,219	0.4%

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

Year-to-date performance review

The Group recorded a total revenue and profit before tax of RM674.9 million and RM21.9 million respectively, compared with RM690.2 million and RM27 million achieved for the same period in 2018. The decrease in revenue was mainly attributed to the decline in export sales for GI although the sales volume for other steel products had increased.

The Group's profit before tax had reduced by RM5.1 million mainly due to the price adjustment for maintaining market share in an intensely competitive steel market.

Revenue

	YTD 2018			YTD 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	103,735	299,130	2,884	123,262	334,284	2,712	19,527	18.8%	35,154	11.8%
GI	72,755	241,581	3,320	60,124	185,117	3,079	-12,631	-17.4%	-56,464	-23.4%
PPGI	30,329	137,365	4,529	30,543	137,694	4,508	214	0.7%	329	0.2%
Sub-Con	15	2	133	1,192	147	123	1,177	7838.3%	145	7250%
Trading				1,602	4,876	3,044	1,602	n/a	4,876	n/a
Scrap	11,237	12,137	1,080	11,449	12,364	1,080	212	1.9%	227	1.9%
Others		36			463				427	1186.1%
Total	218,071	690,251	3,165	228,172	674,945	2,958	10,101	4.6%	-15,306	-2.2%

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

Notes on the Quarterly Report – Six Months Ended 30 June 2019

B2. Variation of results against preceding quarter

The Group's revenue had increased by 3.8% or RM12.5 million to RM343.7 million in the current quarter mainly driven by the increase in sales volume of GI and PPGI products. As a result, the Group's profit before tax increased substantially, registering RM16.1 million in the current quarter compared with RM5.8 million in the preceding quarter. The significant improvement in profit of 176% mainly attributed to higher margin for certain steel products and the lower production cost as a result of lower raw material prices amid an intensely competitive steel market.

Revenue

	Q1 2019			Q2 2019			Variance Analysis			
	mt	RM'000	RM/mt	mt	RM'000	RM/mt	mt	%	RM'000	%
CRC	62,953	171,509	2,724	60,309	162,775	2,699	-2,644	-4.2%	-8,734	-5.1%
GI	27,311	84,549	3,096	32,813	100,568	3,065	5,502	20.1%	16,019	18.9%
PPGI	14,728	66,258	4,499	15,814	71,436	4,517	1,086	7.4%	5,178	7.8%
Sub-Con	508	67	132	684	80	117	176	34.6%	13	19.4%
Trading	878	2,576	2,933	724	2,300	3,178	-155	-17.6%	-276	-10.7%
Scrap	5,758	6,234	1,083	5,691	6,130	1,077	-67	-1.2%	-104	-1.7%
Others					463				463	
Total	112,137	331,193	2,953	116,035	343,752	2,962	3,897	3.5%	12,559	3.8%

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

B3. Current year prospects

Since the end of April 2019, iron ore price has been moving upward rapidly in the last 5 years, approaching USD 120/MT at the end of June 2019. The high production cost has caused the profit margins of steel mills to remain under pressure and has pushed some of the steel mills into the red. Moreover, the finished steel prices are not rising fast enough to spare steel mills from becoming squeezed in the tight supply of raw materials. Although the elevated iron ore prices are not expected to persist next year, but market speculation would still be the main factor for iron ore to remain at high level in the second half of this year. The Chinese government has recently begun to intervene the iron ore prices, however, it remains to be seen whether the said intervention will effectively stabilise the iron ore prices.

The challenges of high raw material costs and the influx of cheap import are still the main factors affecting the Group's business performance. As such, the Group has adopted the strategy of high volume with low margin to solidify the market share and to effectively compete with the cheap imported steel products. The sales volume for the 2nd quarter increased by 3.8% as compared to the 1st quarter.

Going forward, apart from the rise in iron ore price, there are various potential influencing factors that may affect Malaysia steel industry such as Malaysia's new steel policy and government's revival of some mega infrastructure projects. However, the prospect of the construction section in the second half year of 2019 is expected to remain sluggish as certain construction contracts will only be released in early 2020.

Barring any unforeseen circumstances, the Group is cautiously optimistic to achieve positive results in 2019.

Notes on the Quarterly Report – Six Months Ended 30 June 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	4,375	4,474
- Deferred tax	(876)	250
	3,499	4,724
Prior year:		
- Income tax	-	-
- Deferred tax	-	-
	-	-
Total	3,499	4,724

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

Notes on the Quarterly Report – Six Months Ended 30 June 2019

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

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 had been paid to the shareholders on 11 July 2019 to those 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>12,603</u>	<u>17,210</u>
Weighted average number of shares in issue ('000)	<u>369,300</u>	<u>369,300</u>
Basic earnings/(loss) per share (sen)	<u>3.41</u>	<u>4.66</u>
Diluted earnings/(loss) per share (sen)	<u>3.41</u>	<u>4.66</u>

Notes on the Quarterly Report – Six Months Ended 30 June 2019

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter Ended	Financial Year To Date
	RM'000	RM'000
a) Other income	1,440	2,556
b) Provision for write off of receivable	-	-
c) Provision for write off of inventories (reversal)	1,390	(4,605)
d) Gain/(loss) on disposal of quoted investments or properties	-	-
e) Impairment of assets	-	-
f) Foreign exchange gain or (loss)	3,400	8,079
g) Gain/(loss) on derivatives	-	-
h) Exceptional items	-	-

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