

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-Jun-23 RM'000	Preceding Year Corresponding Quarter 30-Jun-22 RM'000	Current Year To Date 30-Jun-23 RM'000	Preceding Year Corresponding Period 30-Jun-22 RM'000
Continuing Operations				
Revenue	372,982	519,598	778,228	974,658
Profit before depreciation	21,660	26,362	45,005	47,206
Depreciation	(5,586)	(5,571)	(11,192)	(11,186)
Operating profit	16,074	20,791	33,813	36,020
Interest expense	-	(82)	-	(476)
Interest income	2,678	1,005	5,232	1,988
Profit before tax	18,752	21,714	39,045	37,532
Tax expense	(3,853)	(4,645)	(8,404)	(8,411)
Profit after tax	14,899	17,069	30,641	29,121
Other comprehensive income/(expense)	-	(718)	196	(816)
Total comprehensive income	14,899	16,351	30,837	28,305
Profit after tax attributable to equity holders of the parent	14,899	17,069	30,641	29,121
Total comprehensive income attributable to equity holders of the parent	14,899	16,351	30,837	28,305
Earnings per share attributable to equity holders of the parent:				
Basic earnings/per share (sen)	4.03	4.62	8.30	7.89
Diluted earnings/per share (sen)	4.03	4.62	8.30	7.89

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 2022.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**
(The figures have not been audited)

	As at End of Current Quarter 30-Jun-23 RM'000	As at Preceding Financial Year Ended 31-Dec-22 RM'000
Assets		
Non-current assets		
Property, plant and equipment	141,549	146,993
Investment	3,262	3,067
Prepaid operating lease	16,251	16,369
Staff loans receivables	388	457
	<u>161,450</u>	<u>166,886</u>
Current assets		
Inventories	303,159	333,022
Receivables	137,961	163,205
Cash and cash equivalents	344,985	275,400
	<u>786,105</u>	<u>771,627</u>
Total assets	<u><u>947,555</u></u>	<u><u>938,513</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	1,850	1,654
Retained earnings	477,856	458,294
Equity attributable to equity holders of the parent/Total equity	<u>881,255</u>	<u>861,497</u>
Non-current liability		
Deferred tax liability	11,971	17,488
	<u>11,971</u>	<u>17,488</u>
Current liabilities		
Payables	52,468	59,525
Taxation	1,861	3
	<u>54,329</u>	<u>59,528</u>
Total liabilities	<u>66,300</u>	<u>77,016</u>
Total equity and liabilities	<u><u>947,555</u></u>	<u><u>938,513</u></u>
Net Assets per share (RM)	<u>2.39</u>	<u>2.33</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 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(The figures have not been audited)

	Cumulative Quarter	
	Current Year To Date 30-Jun-23 RM'000	Preceding Year Corresponding Period 30-Jun-22 RM'000
OPERATING ACTIVITIES		
Profit before tax	39,045	37,532
Adjustments for:		
Non-cash items	11,288	8,891
Non-operating items	(5,297)	(1,577)
Operating Profit Before Working Capital Changes	45,036	44,846
(Increase)/Decrease in working capital:		
Inventories	29,863	(26,076)
Trade and other receivables	17,135	(8,987)
Trade and other payables	(18,136)	(5,881)
Cash Generated From Operations	73,898	3,902
Tax paid	(3,885)	(6,974)
Interest paid	-	(476)
Net Cash From/(Used in) Operating Activities	70,013	(3,548)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,725)	(3,533)
Interest received	5,232	1,988
Proceeds from disposal of property, plant and equipment	0	33
Dividend received from investment	66	66
Proceeds from disposal of investment	-	43,500
Net Cash (Used in) From Investing Activities	(427)	42,054
FINANCING ACTIVITY		
Repayment of short-term borrowings	-	(49,300)
Net Cash Used In Financing Activity	-	(49,300)
Net increase in cash and cash equivalents	69,586	(10,794)
Cash and cash equivalents at beginning of period	275,399	233,523
Cash and cash equivalents at end of period	344,985	222,729
Cash and cash equivalents at end of period comprise:		
Cash & bank balances	30,858	71,078
Deposits in the licensed banks	28,223	23,511
Unit trust funds	285,904	128,139
	344,985	222,729

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 2022.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**
(The figures have not been audited)

	Non-Distributable			Distributable	Total
	Share Capital RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	
Balance as at 1 January 2023	413,163	(11,614)	1,654	458,294	861,497
Total comprehensive income	-	-	196	30,641	30,837
Dividends	-	-	-	(11,079)	(11,079)
Balance as at 30 June 2023	413,163	(11,614)	1,850	477,856	881,255
Balance as at 1 January 2022	413,163	(11,614)	2,731	495,386	899,666
Total comprehensive income	-	-	(1,077)	14,610	13,533
Dividends	-	-	-	(51,702)	(51,702)
Balance as at 31 December 2022	413,163	(11,614)	1,654	458,294	861,497

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 2022.

Notes on the Quarterly Report – Six Months Ended 30 June 2023

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's audited annual financial statements for the financial year ended 31 December 2022. 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 amended MFRSs

In the current financial year, the Group and the Company have adopted a number of amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after January 1, 2023 as follows:

MFRS 17/Amendments to MFRS 17	Insurance contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Disclosures of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred tax related Assets and Liabilities arising from a Single Transaction

The adoption of the above amendments to MFRSs did not have any material impact on the amounts reported in the financial statements of the Group and of the Company upon its initial application.

Standards and amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below:

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ¹
Amendments to MFRS 101	Non-current Liabilities in Covenants ¹

Notes on the Quarterly Report – Six Months Ended 30 June 2023

1 Effective for annual periods beginning on or after January 1, 2024 with earlier application permitted.

2 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 2022.

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 are 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 is no dividend paid during the quarter under review.

CSC STEEL HOLDINGS BERHAD

Registration No.: 200401001854 (640357-X)

Notes on the Quarterly Report – Six Months Ended 30 June 2023**A8. Segment information**

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

	Steel coils	Others	Consolidation adjustment	Total year to date
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	778,149	-	-	778,149
Inter-segment revenue	-	11,138	(11,059)	79
Total revenue	<u>778,149</u>	<u>11,138</u>	<u>(11,059)</u>	<u>778,228</u>
Segment result	<u>34,043</u>	<u>10,829</u>	<u>(11,059)</u>	<u>33,813</u>

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 fiscal 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 are no changes in the composition of the Group during the quarter under review.

A12. 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

Approved and contracted for	16,918
Approved but not contracted for	18,457
	<u>35,375</u>

CSC STEEL HOLDINGS BERHAD

Registration No.: 200401001854 (640357-X)

Notes on the Quarterly Report – Six Months Ended 30 June 2023**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES****B1. Performance review**

	3 MONTHS ENDED				PERIOD-TO-DATE			
	30.06.2023	30.06.2022	Variance	%	30.06.2023	30.06.2022	Variance	%
	RM'000				RM'000			
Revenue	372,982	519,598	(146,616)	(28%)	778,228	974,658	(196,430)	(20%)
Operating profit	16,074	20,791	(4,717)	(23%)	33,813	36,020	(2,207)	(6%)
Profit before tax	18,752	21,714	(2,962)	(14%)	39,045	37,532	1,513	4%
Profit after tax	14,899	17,069	(2,170)	(13%)	30,641	29,121	1,520	5%

Revenue for the second quarter of 2023 (2QFY23) was RM372.9 million, a decrease of 28% from the same quarter in the previous year. This was primarily due to weakened export sales volumes and average selling prices. Profit after tax for 2QFY23 was RM14.8 million, a decrease of RM2.1 million from the previous year. This was mainly due to a one-off gain of RM2.5 million from the disposal of an investment property in FY2022.

Revenue for the first six months of 2023 (6MFY2023) decreased by 20% to RM778.2 million, compared to the same period in the previous year. This was primarily due to a decrease in steel prices. Despite the revenue decrease, the Group reported an increase in profit after tax of RM1.5 million. This was due to an increase in income from other investments, as a result of higher investment return rates during the period.

B2. Variance of results for the current quarter ended 30 June 2023 against the immediately preceding quarter

	3 MONTHS ENDED			
	30.06.2023	31.03.2023	Variance	%
	RM'000			
Revenue	372,982	405,246	(32,264)	(8%)
Operating profit	16,074	17,739	(1,665)	(9%)
Profit before tax	18,752	20,293	(1,541)	(8%)
Profit after tax	14,899	15,742	(843)	(5%)

In the second quarter of 2023 (2Q2023), the Group's revenue decreased by RM32.2 million to RM372.9 million, compared to the immediately preceding quarter. This was due to a decrease in average steel prices, despite an increase in average sales volume. The Group's profit after tax also decreased by 5% in 2Q2023, compared to the immediately preceding quarter. This was mainly due to an additional provision for net realizable value made on the inventory.

Notes on the Quarterly Report – Six Months Ended 30 June 2023**B3. Current year prospects**

In the second quarter of 2023, the international steel market price plunged as China's steel market supply flooded after the 'zero COVID-19 policy' ended. Given the difficulty in improving demand and the lack of upward momentum in the market, supply pressure has become more pronounced. In spite of China's government's effort to reduce production on the green goal in 2023 provided some support to the market which leading to a slight rebound, the effect was insignificant and intensifying the supply-demand imbalance. In addition to these external challenges, domestic demand in Malaysia was remain unchanged in the current quarter. This was attributed to inflationary pressures, a flood of cheap imports, and a stagnant construction industry.

It is expected that the steel market will continue to be volatile in the third quarter of 2023. With the Chinese government's effort to reduce steel production, steel prices may increase slightly. However, continuous inflation, uncontrolled energy prices, interest rate increases, and overall global economic conditions will have an adverse effect on the steel price. Thus, the steel market will remain unpredictable in the near future. As for domestic demand in Malaysia, it is expected to remain volatile. A lack of upward momentum coupled with cost inflation and a continued flood of imports due to uplifted trade barriers will put the steel market in uncertainty. The Group will continuously monitor the steel market, implement strategies, and mitigate risks to deliver the best steel quality and good customer service.

B4. Variance of actual and forecast profit

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

B5. Tax expense

	Current Quarter RM'000	Current YTD RM'000
Current:		
- Income Tax	7,528	13,922
- Deferred Tax	(3,675)	(5,518)
Total	<u>3,853</u>	<u>8,404</u>

B6. Status of corporate proposal announced

There is no corporate proposal announced during the quarter under review.

CSC STEEL HOLDINGS BERHAD

Registration No.: 200401001854 (640357-X)

Notes on the Quarterly Report – Six Months Ended 30 June 2023**B7. Details of treasury shares**

As at the end of the reporting quarter, the status of the share buy-back is as follows:

	Current YTD	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.

B9. Changes in material litigation

Neither the Group 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 3 Sen per share for the financial year ended 2022 had been recommended by the Board of Directors in their previous board meeting which was announced on 17 February 2023 and was approved by the shareholders in the Annual General Meeting held on 01 June 2023. The 3 Sen dividend per share will be paid on 06 July 2023 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 23 June 2023.

The dividends paid and payable for the financial year 2022 comply with the Group's dividend policy of distributing at least 50% of the Group's profit after tax.

CSC STEEL HOLDINGS BERHAD

Registration No.: 200401001854 (640357-X)

Notes on the Quarterly Report – Six Months Ended 30 June 2023**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	YTD
Profit/Loss attributable to equity holder of the parent (RM'000)	14,899	30,641
Weighted average number of shares in issue ('000)	369,300	369,300
Basic earnings per share (sen)	<u>4.03</u>	<u>8.30</u>
Diluted earnings per share (sen)	<u>4.03</u>	<u>8.30</u>

B12. Notes to the Consolidated Statement of Comprehensive Income

	Current Quarter RM'000	YTD RM'000
Interest Income	2,678	5,232
Provision for and inventories written-down	(9,889)	(8,530)
Realised gain of foreign exchange	1,770	2,410
Unrealised gain of foreign exchange	<u>1,778</u>	<u>2,098</u>

By order of the Board
Mr. Chiu, Ping-Tung
Group Managing Director
18th August 2023