

CSM Group Limited

Unaudited Interim Report

For the six month period ended 31 December 2017

Unaudited Interim Report

For the six month period ended 31 December 2017

Contents

Contents	2
Directors' Report	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 – 13
Company Directory	14

Directors' Report

For the six month period ended 31 December 2017

Dear Shareholders,

CSM Group Operations

Following the decision last financial year to cease operations at its wholly owned subsidiary China Scrap Metal Resources Pty Ltd ("CSM Pty") the company has continued to wind down that business and proceed to a voluntary winding up.

The financial results reflect the decision to wind down and exit the Australian operation.

The wind down has taken the following steps:

- CSM Pty entered into contractual arrangements to sell all of its scrap metal inventory.
- CSM Pty progressively sold property, plant and equipment as the operations wound down.
- CSM Pty employees' service with CSM Pty ceased on 30 September 2017.
- Inventory, property, plant and equipment was either sold or otherwise disposed of.
- CSM Pty undertook a land reinstatement programme in respect of the site in Lara, to return the site to the state it was in as at the commencement of the lease.
- The Lara site has been formally handed back to the landlord.
- As cash is realised from the sale of inventory, property, plant and equipment and local liabilities satisfied, surplus funds have been transferred to the parent company, CSM Group.

Future Options

Following the winding up of CSM Pty, the Company will revert to operating as a listed shell, with considerable cash resources and no debt. The Company has no term liabilities, and will have limited ongoing liabilities, most of which are associated with maintaining a listing on the NZAX market.

The options available for CSM Group include:

- finding a business operation to invest in;
- undertaking a reverse listing of a business seeking a stock exchange listing;
- the voluntary liquidation of the Company, and the distribution of the net proceeds of the liquidation to the shareholders of the Company.

No decision has yet been made as to which course of action the Company shall take in the future, and the Board will be seeking guidance on the future path in consultation with the Company's shareholders.

Result

The financial result for the Group for the interim six month period ended 31 December 2017 is a loss of USD \$286,000.

Dated: 16th March 2018



Director



Director

Statement of Comprehensive Income

For the six month period ended 31 December 2017

	Note	31.12.2017 6 months unaudited US\$'000	31.12.2016 6 months unaudited US\$'000	30.6.2017 12 months audited US\$'000
Revenue		-	-	-
Cost of goods sold		-	-	-
Gross Profit		-	-	-
Other income		-	-	-
Administrative expenses		(218)	(197)	(422)
Operating loss		(218)	(197)	(422)
Finance income		8	8	14
Exchange loss		(34)	(55)	78
Loss before income tax		(244)	(244)	(330)
Income tax expense		-	-	-
Loss from continuing operations		(244)	(244)	(330)
Discontinued Operation				
Loss from discontinued operation (net of tax)		(42)	(300)	(858)
Net loss for the period attributable to shareholders		(286)	(544)	(1,188)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of overseas subsidiaries		1	(15)	17
Other comprehensive income for the period, net of tax		1	(15)	17
Total comprehensive loss for the period attributable to shareholders		(285)	(559)	(1,171)
Total comprehensive loss for the year attributable to shareholders arises from:				
Continuing operations		(244)	(244)	(330)
Discontinued operation		(41)	(315)	(841)
		(285)	(559)	(1,171)
Earnings per share for loss attributable to shareholders for continuing operations:				
- Basic loss per share (cents)	3	(0.0589)	(0.0589)	(0.0796)
- Diluted loss per share (cents)	3	(0.0589)	(0.0589)	(0.0796)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the six month period ended 31 December 2017

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2017	32,355	(474)	(29,395)	2,486
Net loss attributable to shareholders	-	-	(286)	(286)
Other comprehensive income/(loss)	-	1	-	1
Total comprehensive loss/(loss)	-	1	(286)	(285)
Balance as at 31 December 2017	32,355	(473)	(29,681)	2,201
Balance as at 1 July 2016	32,355	(491)	(28,207)	3,657
Net loss attributable to shareholders	-	-	(544)	(544)
Other comprehensive income/(loss)	-	(15)	-	(15)
Total comprehensive loss/(loss)	-	(15)	(544)	(559)
Balance as at 31 December 2016	32,355	(506)	(28,751)	3,098
Balance as at 1 July 2016	32,355	(491)	(28,207)	3,657
Net loss attributable to shareholders	-	-	(1,188)	(1,188)
Other comprehensive income/(loss)	-	17	-	17
Total comprehensive income/(loss)	-	17	(1,093)	(1,171)
Balance as at 30 June 2017	32,355	(474)	(29,395)	2,486

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Financial Position

As at 31 December 2017

	Note	31.12.2017 unaudited US\$'000	31.12.2016 unaudited US\$'000	30.6.2017 audited US\$'000
ASSETS				
Current Assets				
Cash and cash equivalents		2,133	1,740	1,961
Trade and other receivables		48	81	97
Inventories		-	491	228
Property, plant and equipment	4	-	742	348
Taxation receivable		171	164	174
Total current assets		2,352	2,476	2,808
Non-Current Assets				
Property, plant and equipment	4	-	742	-
Intangible assets	5	-	8	-
Total non-current assets		-	750	-
TOTAL ASSETS		2,352	3,226	2,808
LIABILITIES				
Current Liabilities				
Trade and other payables		151	128	322
Total current liabilities		151	128	322
TOTAL LIABILITIES		151	128	322
EQUITY				
Share capital	2	32,355	32,355	32,355
Reserves		(30,154)	(29,257)	(29,869)
Total Equity		2,201	3,098	2,486
TOTAL EQUITY AND LIABILITIES		2,352	3,226	2,808

For and on behalf of the Board:



Director



Director

Dated: 16th March 2018

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of Cash Flows

For the six month period ended 31 December 2017

		31.12.2017	31.12.2016	30.6.2017
		6 months	6 months	12 months
		unaudited	unaudited	audited
	Note	US\$'000	US\$'000	US\$'000
OPERATING ACTIVITIES				
Receipts from customers		415	47	482
Interest received		10	11	19
Payments to suppliers and employees		(609)	(534)	(920)
Income tax paid		(2)	(2)	(3)
Net cash outflows from operating activities	6	(186)	(478)	(422)
INVESTING ACTIVITIES				
Disposal of property, plant and equipment		363	2	128
Purchase of property, plant and equipment		-	(6)	(7)
Purchase of intangible assets		-	(5)	-
Net cash outflows from investing activities		363	(9)	121
Net decrease in cash and cash equivalents		177	(487)	(301)
Cash and cash equivalents at beginning of the period		1,961	2,231	2,231
Effect of exchange rate changes		(5)	(5)	31
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		2,133	1,739	1,961

The above statement of financial position should be read in conjunction with the accompanying notes

Notes to the Financial Statements

For the six month period ended 31 December 2017

A General Information

CSM Group Limited (the Company or Parent) and its subsidiary, China Scrap Metal Resources Pty Limited (CSM Pty) (together, the Group) was engaged in a business operation in Australia of processing scrap metals for export sale to Chinese markets. The Company made the decision to cease the scrap metal operations of CSM Pty during the year ended 30 June 2017.

The Company, CSM Group Limited, is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 44a Orakei Road, Remuera, Auckland 1050.

These interim financial statements have been approved for issue by the Board of Directors on 16th March 2018.

B Summary of Significant Accounting Policies

These general purpose financial statements for the interim six month reporting period ended 31 December 2017 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP), International Accounting Standard 34 and NZ IAS 34 Interim Financial Reporting.

Basis of preparation

The accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2017. Those accounting policies are set out in the 2017 Annual Report.

These interim financial statements do not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017.

The financial statements for the six month periods ending 31 December 2017 and 31 December 2016 are unaudited. The comparative information for the year ending 30 June 2017 is audited.

The reporting currency used in the preparation of these consolidated financial statements is United States dollars, rounded where necessary to the nearest thousand dollars.

Entities reporting

The consolidated financial statements are for the consolidated Group, which comprise of CSM Group Limited and its subsidiary, CSM Pty.

Statutory base

CSM Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the New Zealand Alternative Market ("NZAX"). In accordance with the Financial Markets Conduct Act 2013, because the Group financial statements are prepared and presented for CSM Group Limited and its subsidiary, separate financial statements of CSM Group Limited are no longer required to be prepared and presented.

Measurement basis

These financial statements have been prepared under the historical cost convention.

Going concern

During the period the Directors continued to wind down the operations of its subsidiary CSM Pty Ltd, preserving value through maximising the sales recovery of the scrap metal inventory and the sale of property, plant and equipment.

The close down process was effected from May 2017 with all staff terminated as at 30 September 2017. All inventory has been sold, all property, plant and equipment sold or otherwise disposed, and the land leased at 300 Broderick Road, Lara has been remediated in accordance with the landlord's requirements. The final site remediation resulted in a contingent liability at period end, which has since been realised. Once CSM Pty's obligations are met, the entity will be voluntarily wound up and liquidated.

CSM Pty's surplus cash will be repatriated to the Company and held on deposit.

The Company will revert to a listed shell, post the liquidation of the subsidiary, with cash resources and no debt. The Company has limited financial obligations and these are composed largely of costs associated with maintaining a listing on the NZAX.

In adopting the going concern basis of accounting, the Directors have considered that the Company has sufficient cash funds to continue operations through the next 12 months and in several accounting periods at the current and expected cash burn rate without recourse to shareholders or external funding.

There are several options for the Company and these will be investigated and discussed with the shareholders at the appropriate time. These options include realistic alternatives of the business finding another operation to invest in or a reverse listing of a company seeking a stock exchange listing or following a special resolution of shareholders the Company could also be voluntarily wound up and the net proceeds, post liquidation, returned to the shareholders. No decisions on these options or any others have been made and they will follow discussions with shareholders. At the date of this Annual Report, the Directors have not made the decision to liquidate the Company.

Having considered all the factors for the Company, in balance, the Directors have adopted the going concern basis in preparing its consolidated financial statements. These consolidated financial statements do not include any adjustments that would result if the CSM Group Limited was unable to continue as going concern.

Notes to the Financial Statements

For the six month period ended 31 December 2017

1 Segment Information

The Group has identified its operating segments based on the internal reports reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The Group is organised into the following main operating segments:

- China Scrap Metals Resources Pty Limited (CSM Ltd Australia) includes the business operation in Australia involved in the processing of scrap metal for export sale to Chinese markets.
- Holding company New Zealand includes holding company costs and head office charges.

Revenue is allocated based on the country where the sale is generated. Expenses are allocated based on the country where the expense is incurred.

Total assets and liabilities are allocated based on where those assets and liabilities are located.

	Six month period ended 31 December 2017			Six month period ended 31 December 2016		
	CSM Ltd Australia unaudited US\$'000	Holding Company NZ unaudited US\$'000	Total unaudited US\$'000	CSM Ltd Australia unaudited US\$'000	Holding Company NZ unaudited US\$'000	Total unaudited US\$'000
Total inter-segment revenue	-	-	-	-	-	-
Total external sales revenue	395	-	395	30	-	30
Total EBITDA	(111)	(218)	(329)	(218)	(197)	(469)
Amortisation	-	-	-	-	-	-
Depreciation	-	-	-	(75)	-	(75)
Impairment reduction	15	-	15	-	-	-
Closedown costs	-	-	-	-	-	-
Finance income	2	8	10	3	8	11
Exchange gain/(loss)	52	(34)	18	(10)	(55)	(65)
Net loss for the period	(42)	(244)	(286)	(300)	(244)	(544)
Allocated non-current segment assets	-	-	-	750	-	750
Additions to non-current assets	-	-	-	11	-	11
Allocated segment liabilities	78	73	151	106	22	128

	Year ended 30 June 2017		
	CSM Ltd Australia audited US\$'000	Holding Company NZ audited US\$'000	Total audited US\$'000
Total inter-segment revenue	-	72	72
Total external sales revenue	479	-	479
Total EBITDA	(390)	(422)	(812)
Amortisation	(3)	-	(3)
Depreciation	(133)	-	(133)
Impairment	(247)	-	(247)
Closedown costs	(95)	-	(95)
Finance income	5	14	19
Exchange gain / (loss)	5	78	83
Net loss for the period	(858)	(330)	(1,188)
Allocated non-current segment assets	-	-	-
Additions to non-current assets	27	-	27
Allocated segment liabilities	233	89	322

The "Total EBITDA" measure above excludes foreign exchange gains / losses as well as net finance income and depreciation.

Notes to the Financial Statements

For the six month period ended 31 December 2017

2 Share Capital

	31.12.2017 unaudited Number	31.12.2016 unaudited Number	30.6.2017 audited Number	31.12.2017 unaudited US\$'000	31.12.2016 unaudited US\$'000	30.6.2017 audited US\$'000
Ordinary shares						
Balance at beginning of the period	414,550,000	414,550,000	414,550,000	32,355	32,355	32,355
Shares issued	-	-	-	-	-	-
Balance at end of the period	<u>414,550,000</u>	414,550,000	414,550,000	32,355	32,355	32,355

Ordinary shares

As at 31 December 2017 there were 414,550,000 shares issued. All ordinary shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each share.

3 Earnings per share

Basic earnings per share is calculated by dividing the (loss) / profit by the weighted average number of ordinary shares on issue during the period.

	31.12.2017 6 months unaudited 000	31.12.2016 6 months unaudited 000	30.6.2017 12 months audited 000
Loss used in calculating earnings per share			
Net loss attributable to shareholders from continuing operations	(244)	(244)	(330)
Net loss attributable to shareholders from discontinued operations	(373)	(300)	(858)
	<u>(617)</u>	<u>(544)</u>	<u>(1,188)</u>

Number of shares used as the denominator

Number of ordinary shares on issue (thousands)	414,550	414,550	414,550
Weighted average number of ordinary shares on issue (thousands)	414,550	414,550	414,550
Weighted average number of diluted shares on issue (thousands)	414,550	414,550	414,550

Basic loss per share (cents)

Basic loss per share attributable to shareholders			
From continuing operations	(0.0589)	(0.0589)	(0.0796)
From discontinued operations	(0.0100)	(0.0724)	(0.2070)
Total basic loss per share attributable to shareholders (cents)	<u>(0.0689)</u>	<u>(0.1312)</u>	<u>(0.2866)</u>

Diluted loss per share (cents)

Diluted loss per share attributable to shareholders			
From continuing operations	(0.0589)	(0.0589)	(0.0796)
From discontinued operations	(0.0100)	(0.0724)	(0.2070)
Total diluted loss per share attributable to shareholders (cents)	<u>(0.0689)</u>	<u>(0.1312)</u>	<u>(0.2866)</u>

Notes to the Financial Statements

For the six month period ended 31 December 2017

4 Property, Plant and Equipment

	Leasehold improvements	Plant & equipment	Motor vehicles	Office furniture & equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost					
Balance as at 1 July 2016	115	1,036	12	18	1,181
Additions	-	6	-	-	6
Disposals	-	(2)	-	-	(2)
Exchange differences	(3)	(28)	-	(1)	(32)
Balance as at 31 December 2016	112	1,012	12	17	1,153
Additions	-	-	-	1	1
Disposals	-	(205)	-	(4)	(209)
Exchange differences	7	57	1	1	66
Balance as at 30 June 2017	119	864	13	15	1,011
Additions	-	-	-	-	-
Disposals	(119)	(864)	(13)	(15)	(1,011)
Exchange differences	-	-	-	-	-
Balance as at 31 December 2017	-	-	-	-	-
Accumulated depreciation					
Balance as at 1 July 2016	27	307	4	9	347
Depreciation charge for the period	5	70	1	-	76
Disposals	-	-	-	-	-
Exchange differences	(1)	(11)	-	-	(12)
Balance as at 31 December 2016	31	366	5	9	411
Depreciation charge for the period	4	50	1	2	57
Impairment	77	156	7	7	247
Disposals	-	(79)	-	(4)	(83)
Exchange differences	3	27	-	1	31
Balance as at 30 June 2017	115	520	13	15	663
Impairment reduction	-	(15)	-	-	(15)
Disposals	(115)	(505)	(13)	(15)	(648)
Exchange differences	-	-	-	-	-
Balance as at 31 December 2017	-	-	-	-	-
Carrying amounts					
At 31 December 2016	81	646	7	8	742
At 30 June 2017	4	344	-	-	348
At 31 December 2017	-	-	-	-	-

Notes to the Financial Statements

For the six month period ended 31 December 2017

5 Intangible Assets

	Permits US\$'000	Total US\$'000
Cost		
Balance as at 1 July 2016	8	8
Additions	5	5
Balance as at 31 December 2016	13	13
Disposals	(5)	(5)
Balance as at 30 June 2017	8	8
Disposals	(8)	(8)
Exchange differences	-	-
Balance as at 31 December 2017	-	-
Accumulated amortisation		
Balance as at 1 July 2016	5	5
Amortisation charge for the period	-	-
Exchange differences	-	-
Balance as at 31 December 2016	5	5
Amortisation charge for the period	3	3
Exchange differences	-	-
Balance as at 30 June 2017	8	8
Disposals	(8)	(8)
Exchange differences	-	-
Balance as at 31 December 2017	-	-
Carrying amounts		
At 31 December 2016	8	8
At 30 June 2017	-	-
At 31 December 2017	-	-

6 Reconciliation of Loss after Taxation with Cash Flow from Operating Activities

	31.12.2017 6 months unaudited US\$'000	31.12.2016 6 months unaudited US\$'000	30.6.2017 12 months audited US\$'000
Reconciliation with Net Reported Loss			
Reported net loss after taxation	(286)	(544)	(1,188)
Items not involving cash flows:			
Amortisation expense	-	-	3
Depreciation expense	-	76	380
Impairment reduction	(14)	-	-
Exchange loss on net cash	24	30	(35)
Changes in working capital items (excluding the effects of exchange differences on consolidation):			
Decrease / (increase) in trade and other receivables	49	3	(11)
Decrease/(Increase) in inventories	228	(23)	253
(Increase) / decrease in taxation receivable	(2)	1	179
Increase / (decrease) in trade and other payables	(171)	(21)	(3)
Net cash outflows from operating activities	(172)	(478)	(422)

Notes to the Financial Statements

For the six month period ended 31 December 2017

7 Contingent Liabilities

There are no contingent liabilities as at 31 December 2017 (30 June 2017: nil; 31 December 2016: nil).

8 Commitments**(a) Capital commitments**

The Group had no commitments for future capital expenditure as at 31 December 2017 (30 June 2017: nil; 31 December 2016: nil).

(b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31.12.2017	31.12.2016	30.6.2017
	unaudited	unaudited	audited
	US\$'000	US\$'000	US\$'000
Within one year	-	107	-
Later than one year but not later than five years	-	-	-
Later than five years	-	-	-
Commitments not recognised in the financial statements	-	107	-

China Scrap Metals Resources Pty Limited had leased an industrial site under a non-cancellable operating lease agreement. This lease ceased on 19 October 2017 and has not been renewed. The lease reflects normal commercial arrangements with escalation clauses based on the CPI index and renewal rights.

9 Events Subsequent to Interim Balance Date

Subsequent to 31 December 2017, further site remediation costs of A\$58,178 were incurred.

Directors

R H Gower
S R Joyce
P Li
Y Shi
Z Shi

Registered Office

c/- Roger Gower & Associates
44A Orakei Road, Remuera 1050
New Zealand

Postal Address

c/- Roger Gower & Associates
44A Orakei Road, Remuera 1050
New Zealand

Bankers

ASB Bank Limited
PO Box 35
Shortland Street
Auckland 1140

Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland
New Zealand

Share Registry

Link Market Services
Level 16, Brookfield House
19 Victoria Street West
Auckland 1010

PO Box 91976
Auckland 1142
New Zealand