

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month financial period ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		6 MONTHS ENDED	
	30-06-2014	30-06-2013	30-06-2014	30-06-2013
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	14,404	19,518	29,480	41,943
Cost of sales	(10,214)	(12,682)	(19,078)	(27,339)
Gross Profit	4,190	6,836	10,402	14,604
Other income	541	652	1,104	2,017
Administrative expenses	(1,985)	(2,250)	(3,942)	(4,166)
Selling and marketing expenses	(812)	(966)	(1,633)	(1,999)
Other expenses	(29)	(54)	(64)	(120)
Finance cost	-	-	-	-
Profit before tax	1,905	4,218	5,867	10,336
Income tax expense	(448)	(921)	(1,347)	(2,445)
Profit for the period	1,457	3,297	4,520	7,891
Profit for the period attributable to:				
Owners of the Company	1,457	3,297	4,520	7,891
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	3.50 Sen	7.93 Sen	10.87 Sen	18.98 Sen
(ii) Diluted, for profit for the period	N/A	N/A	N/A	N/A

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	30/06/2014	31/12/2013
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	34,201	34,283
Investments	131	131
Intangible assets	8	8
	34,340	34,422
Current Assets		
Inventories	28,498	30,511
Trade receivables	15,162	18,912
Other receivables	1,344	486
Cash & bank balances	45,221	39,325
	90,225	89,234
TOTAL ASSETS	124,565	123,656
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	1,942	2,208
Retained earnings	74,901	70,381
	118,423	114,169
Non-Current Liabilities		
Retirement benefits obligations	181	181
Deferred tax liabilities	572	582
	753	763
Current Liabilities		
Trade payables	1,711	1,815
Other Payables	2,955	5,984
Current tax payable	723	925
	5,389	8,724
Total liabilities	6,142	9,487
TOTAL EQUITY AND LIABILITIES	124,565	123,656
Net assets per share attributable to ordinary equity holder of the parent	2.85	2.75

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The figures have not been audited.

	Share capital	Capital reserve	Exchange reserve	Reserve on consolidation	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2013	41,580	500	804	-	60,297	103,181
Currency translation differences representing net expenses recognised directly in equity	-	-	904	-	-	904
Net profit for the period	-	-	-	-	15,074	15,074
Dividend	-	-	-	-	(4,990)	(4,990)
As at 31 December 2013	41,580	500	1,708	-	70,381	114,169
As at 1 January 2014	41,580	500	1,708	-	70,381	114,169
Currency translation differences representing net expenses recognised directly in equity	-	-	(266)	-	-	(266)
Net profit for the period	-	-	-	-	4,520	4,520
Dividend	-	-	-	-	-	-
As at 30 June 2014	41,580	500	1,442	-	74,901	118,423

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	30-06-2014 RM'000	30-06-2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	5,867	10,336
Adjustments for:		
Impairment loss on trade receivables	-	-
Depreciation of property, plant and equipment	762	686
Interest income	(281)	(443)
Loss/(Gain) on disposal of fixed assets	-	(13)
Reversal of impairment loss on trade receivables	-	-
Unrealised loss/(gain) on foreign exchange	-	-
Inventories written down	-	-
Property, plant and equipment written off	-	-
Operating profit before working capital changes	6,348	10,566
Changes in working capital:		
Decrease in inventories	2,013	1,883
Decrease in receivables	3,615	6,067
Decrease/(increase) in amount due to related companies	-	-
(Decrease) in payables	(3,133)	(2,371)
Tax paid	(2,282)	(1,544)
Net cash used in operating activities	6,561	14,601
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(680)	(1,508)
Proceeds from disposal of property, plant and equipment	-	13
Interest Income	281	443
Net cash used in investing activities	(399)	(1,052)
Cash flows from Financing Activities		
Dividend paid	-	-
Retirement benefits paid	-	(7)
Net cash generated from financing activities	-	(7)
Net change in cash and cash equivalents	6,162	13,542
Cash and cash equivalents at beginning of financial period	39,325	33,065
Effect of changes in exchange rate on cash and cash equivalents	(266)	132
Cash and cash equivalents at end of financial period	45,221	46,739

Cash and cash equivalents at the end of financial period comprise the following

	30-06-2014 RM'000	30-06-2013 RM'000
Cash and bank balances	45,221	46,739

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the six-month financial period ended 30 June 2014

1. Corporate information

Lysaght Galvanized Steel Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 August 2014.

2. Changes in Accounting Policies

2.1 Adoption of Standards, Amendments and Issues Committee (IC) Interpretations and changes in accounting policies.

Adoption of Standards, Amendments and IC Interpretations

The Group adopted the following Standards, Amendments and IC interpretations:-

- Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127 : Investment Entities
- Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139 : Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 : Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

- Amendments to MFRS 119 : Defined Benefit Plans : Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle
- MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9 : Financial Instruments : Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139
- MFRS 14 Regulatory Deferral Accounts
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)

* International Accounting Standards Board

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

3. Changes in estimates

There were no changes in estimates that have had a material effect in the current interim results.

4. Changes in Composition of the Group

There are no changes in the composition of the Group.

5. Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding annual financial statements was not subject to any qualification.

6. Comments about Seasonal or Cyclical Factors

The Group's operations were not affected by seasonality or cyclicity.

7. Unusual Items due to their Nature, Size or Incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the financial period ended 30 June 2014.

8. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

9. Dividend Paid

No dividend was paid during the current quarter.

10. Operating Revenue

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	14,404	19,518	29,480	41,943
Total operating revenue	14,404	19,518	29,480	41,943

11. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31 Jun 2014	30 Jun 2013	31 Jun 2014	31 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Sundry income	12	-	31	5
Sales of scrap materials	251	207	580	1,231
Rental income	43	42	85	85
Bank interest earned	161	245	281	443
Gain/(Loss) on foreign exchange	5	96	48	185
Gain on disposal of fixed assets	-	12	-	13
Fixed assets written off	-	-	-	-
Doubtful debts recovery	69	50	79	55
	541	652	1,104	2,017

12. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 June 2014 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
- Malaysia	8,976	13,912	18,051	30,266
- ASEAN	4,497	4,685	9,786	9,752
- South Asia	153	201	325	689
- East Asia	-	633	147	697
- Middle East	-	-	-	-
- Australasia	778	87	1,171	539
- East Europe	-	-	-	-
- Africa	-	-	-	-
	14,404	19,518	29,480	41,943

13. Related Party Disclosures

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Rental paid to Holding Co				
-Lysaght (Malaysia) Sdn Bhd	-	127	-	229

There was no related party transaction in this quarter.

14. Capital Commitments

There were no capital commitments at the date of issue of this quarterly report.

15. Subsequent Event

There were no material events subsequent to the end of the financial period ended 30 June 2014 that have not been reflected in the financial statements for the financial period ended 30 June 2014.

16. Carrying Amount of Revalued Assets

There were no valuations of property, plant and equipment during the period. Valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

17. Derivatives

a) There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the financial period ended 30 June 2014: and

b) The Group has not entered into any type of derivatives not disclosed in the previous financial year.

18. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

19. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period ended 30 June 2014

20. Operating Segment Review

(a) Current Year-to-date vs. Previous Year-to-date

The Group's pre-tax profit for the financial period ended 30 June 2014 of RM5.87 million was RM4.47 million or 43.23% lower than the previous corresponding period of RM10.34 million. Net profit attributable to equity holders decreased by RM3.37 million to RM4.52 million. The decrease in earnings was mainly due to lower revenue.

(b) Current Quarter vs. Previous Year Corresponding Quarter

For the 2nd quarter ended 30 June 2014, the Group registered a pre-tax profit of RM1.91 million, a decrease of RM2.31 million or 54.74% as compared to the previous year corresponding quarter of RM4.22 million. The decrease in earnings was mainly due to lower revenue. Earnings attributable to equity holders decreased by RM1.84 million or 55.76% over the same period.

(c) Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM1.91 million for the 2nd quarter ended 30 June 2014 shows an decrease of RM2.05 million or 51.77% as compared to the pre-tax profit of RM3.96 million for the preceding quarter ended 31 March 2014. Net profit attributable to equity holders decreased by RM1.60 million or 52.29% over the same period. The decrease in profit was mainly due to lower revenue.

21. Commentary on Prospects

The market for the Group's products remains very competitive. The Group's products continue to face stiff price competition. The Management are studying ways to face these challenges ahead as best as possible.

22. Profit forecast/profit guarantee

No explanatory notes will be provided as the Group has not provided any profit forecast or profit guarantee.

23. Income Tax Expense

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2014 RM'000	30 Jun 2013 RM'000	30 Jun 2014 RM'000	30 Jun 2013 RM'000
Group tax figures consist of :-				
- Current provision	458	918	1,357	2,417
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	(10)	3	(10)	28
	<u>448</u>	<u>921</u>	<u>1,347</u>	<u>2,445</u>

24. Sale of Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties for the financial period ended 30 June 2014.

25. Quoted securities

- (i) There were no purchases or sales of quoted securities for the financial period under review.
(ii) There were no investments in quoted securities as at 30 June 2014.

26. Corporate Proposals

Save as disclosed below, there were no other corporate proposals at the date of issue of this quarterly report.

On 15 May 2014, the Company announced to undertake Proposed Share Split, Proposed Bonus Issue and Proposed Issue Of Free Warrants as below.

- Proposed subdivision of every one (1) existing ordinary share of RM1.00 each in the Company held into two (2) new ordinary shares of RM0.50 each in the Company, on an entitlement date to be determined later.
- Proposed bonus issue of 41,580,000 new ordinary shares of RM0.50 each in the Company to be credited as full paid-up, on the basis of one (1) Bonus Share for every two (2) Subdivided Shares held after the Proposed Subdivision, on an entitlement date to be determined later.
- Proposed issue of 62,370,000 free warrants in the Company on the basis of three (3) free warrants for every four (4) Subdivided Shares held after the Proposed Subdivision on an entitlement date to be determined later.

On 2 July 2014, the Company announced an application to Bursa Malaysia Securities Berhad ("Bursa Securities") to seek an extension of time to comply with Paragraph 9.33(1)(a) of Bursa Securities MMLR for the submission to Bursa Securities of the Company's draft circular and documents in relation to the Proposed Share Split, Proposed Bonus Issue and Proposed Issue Of Free Warrants.

On 17 July 2014, the Company announced that Bursa Securities had vide its letter dated 16 July 2014 granted the Company an extension of time of up to 14 October 2014, to comply with Paragraph 9.33(1)(a) of Bursa Securities MMLR for submission to Bursa Securities, the Company's draft circular in relation to the Proposed Share Split, Proposed Bonus Issue and Proposed Issue Of Free Warrants.

27. Borrowing

There were no group borrowings and debt securities as at the end of the reporting period.

28. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments at the date of issue of this quarterly report.

29. Material Litigation

There was no material litigation against the Group for the quarter under review.

30. Dividend Payable

No dividend has been proposed for the quarter under review.

31. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the number of ordinary shares in issue during the period.

	Individual Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2014 RM'000	30 Jun 2013 RM'000	30 Jun 2014 RM'000	30 Jun 2013 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	1,457	3,297	4,520	7,891
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	3.50 Sen	7.93 Sen	10.87 Sen	18.98 Sen

32. Disclosure on Realised and Unrealised Profits/Losses

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	Group As at 30 June 2014 RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	75,473
- Unrealised	(572)

Retained earnings as per financial statements	74,901
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