

# LYSAGHT GALVANIZED STEEL BHD (46426-P)

## Explanatory notes pursuant to MFRS 134

For the Nine-month financial period ended 30 September 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 25 November 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
- Amendments to MFRS 119 : Defined Benefit Plans : Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

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

- 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
- Amendments to MFRS 116 and MFRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations
- MFRS 15 : Revenue from Contracts with Customers
- Amendments to MFRS 116 and MFRS 141 : Agriculture : Bearer Plants

\* 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 September 2014.

8. **Debt and Equity Securities**

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

9. **Dividend Paid**

A 12% final single tier dividend per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2013 amounting to RM 4,989,600.00 was paid during the current quarter.

10. **Operating Revenue**

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30 Sep 2014</b>	<b>30 Sep 2013</b>	<b>30 Sep 2014</b>	<b>30 Sep 2013</b>
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	18,292	18,881	47,772	60,824
Total operating revenue	18,292	18,881	47,772	60,824

#### 11. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31 Sep 2014	30 Sep 2013	31 Sep 2014	31 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Sundry income	6	40	37	45
Sales of scrap materials	264	1,019	844	2,250
Rental income	43	42	128	128
Bank interest earned	117	248	398	691
Gain/(Loss) on foreign exchange	56	204	104	388
Gain on disposal of fixed assets	12	-	12	13
Fixed assets written off	-	-	-	-
Doubtful debts recovery	54	2	133	57
	552	1,555	1,656	3,572

#### 12. Segmental Information

The Group operates within a single business segment.

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

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
- Malaysia	10,281	11,534	28,332	41,801
- ASEAN	7,084	6,934	16,870	16,686
- South Asia	472	321	797	1,010
- East Asia	41	43	188	740
- Middle East	-	-	-	-
- Australasia	414	49	1,585	587
- East Europe	-	-	-	-
- Africa	-	-	-	-
	18,292	18,881	47,772	60,824

#### 13. Related Party Disclosures

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Rental paid to Holding Co -Lysaght (Malaysia) Sdn Bhd	-	84	-	313

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 September 2014 that have not been reflected in the financial statements for the financial period ended 30 September 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 September 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 September 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 September 2014 of RM10.29 million was RM5.02 million or 32.79% lower than the previous corresponding period of RM15.31 million. Net profit attributable to equity holders decreased by RM3.83 million to RM7.96 million. The decrease in earnings was mainly due to lower revenue and other income.

(b) Current Quarter vs. Previous Year Corresponding Quarter

For the 3rd quarter ended 30 September 2014, the Group registered a pre-tax profit of RM4.42 million, a decrease of RM0.55 million or 11.07% as compared to the previous year corresponding quarter of RM4.97 million. The decrease in earnings was mainly due to lower other income. Earnings attributable to equity holders decreased by RM0.46 million or 11.79% over the same period.

(c) Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM4.42 million for the 3rd quarter ended 30 September 2014 shows an increase of RM2.51 million or 131.41% as compared to the pre-tax profit of RM1.91 million for the preceding quarter ended 30 June 2014. Net profit attributable to equity holders increased by RM1.98 million or 135.62% over the same period. The increase in profit was mainly due to higher 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**

	<b>Current Quarter 3 Months ended</b>		<b>Cumulative Quarter 9 Months ended</b>	
	<b>30 Sep 2014</b>	<b>30 Sep 2013</b>	<b>30 Sep 2014</b>	<b>30 Sep 2013</b>
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	975	947	2,332	3,364
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	10	122	-	150
	<u>985</u>	<u>1,069</u>	<u>2,332</u>	<u>3,514</u>

24. **Sale of Unquoted Investment and Properties**

On 5 September 2014, the Company announced it had entered into a Sales & Purchase Agreement with Semai Haruman Sdn Bhd for the disposal of a piece of leasehold land held under individual title HSD137536 PT127, Bandar Sunway, District of Petaling, State of Selangor measuring approximately 352 square metres together with 4-storey shop-office erected thereon and bearing postal address of No. 17, Jalan PJS 8/5, PJ Selatan, 46000 Selangor Darul Ehsan for a total cash consideration of RM6.400,000.00.

The properties is classified under Non Current Assets Held for Sales in financial statements.

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 September 2014.

26. **Corporate Proposals**

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

On 14 October 2014, the Company announced it is not able to meet the given timeframe for the submission of the Company draft circular and documents to Bursa Malaysia Securities Berhad ("Bursa Securities") pertaining to the Proposed Share Split, Proposed Bonus Issue and Proposed Issue Of Free Warrants ("Proposals") as Director's declaration from a newly appointed director appointed on 30 September 2014 is still pending.

An application has been submitted to Bursa Securities on 13 October 2014 for further extension of time of up 30 October 2014 for the submission to Bursa Securities of the Company draft circular and documents pertaining to the Proposals.

The Company also announced that it had on evening of 13 October 2014, received a letter from Lysaght (Malaysia) Sdn Bhd ("LMSB") informing that a corporate representative of LMSB, has been authorised and directed by LMSB to vote against any resolutions, whether with or without amendments, in relation to the Proposals.

On 17 October 2014, the Company announced to abort the Proposals after taking into consideration that LMSB, a major shareholder holding approximately 55% interest in the Company has indicated that they are not in favour of the Proposals through a letter from LMSB dated 13 October 2014 which was received and announced on 14 October 2014 informing that a corporate representative of LMSB, has been authorised and directed by LMSB to vote against any resolutions, whether with or without amendments in relation to the Proposals.

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**

A special interim single tier dividend of 50 sen per ordinary share of RM1.00 has been declared by the Board of Directors in respect of the financial year ended 31 December 2014 which will be paid on 24 December 2014 to depositors whose names appear in the Record of Depositors as at the close of business on 10 December 2014.

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		Cumulative Quarter	
	3 Months ended		9 Months ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	3,439	3,903	7,959	11,794
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	8.27 Sen	9.39 Sen	19.14 Sen	28.36 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 Sep 2014
	RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	73,932
- Unrealised	(582)
Retained earnings as per financial statements	<u><u>73,350</u></u>

