

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Twelve-month financial period ended 31 December 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 February 2015.

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
- MFRS 9 Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)
- Amendments to MFRS 127 : Equity Method in Separate Financial Statements

- Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to MFRSs 2012-2014 Cycle

* 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 31 December 2014.
8. Debt and Equity Securities
There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.
9. Dividend Paid
A Special Interim Single Tier Dividend of 50 sen per ordinary share of RM1.00 in respect of the financial year ended 31 December 2014 amounting to RM 20,790,000.00 was paid during the current quarter.

10. Operating Revenue

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2014 RM'000	31 Dec 2013 RM'000	31 Dec 2014 RM'000	31 Dec 2013 RM'000
Sales of galvanized steel products	17,470	18,691	65,242	79,515
Total operating revenue	17,470	18,691	65,242	79,515

11. Other Income

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31 Dec 2014	30 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Sundry income	23	-	60	56
Sales of scrap materials	267	339	1,111	2,589
Rental income	42	42	170	170
Bank interest earned	221	224	619	915
Gain/(Loss) on foreign exchange	799	336	903	724
Gain on disposal of fixed assets	-	-	12	2
Fixed assets written off	-	-	-	-
Doubtful debts recovery	30	115	163	172
	1,382	1,056	3,038	4,628

12. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 December 2014 were as follows:

	Current Quarter		Cumulative Quarter	
	3 Months ended		12 Months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	8,698	10,462	37,030	52,263
- ASEAN	7,269	7,034	24,139	23,720
- South Asia	305	713	1,102	1,723
- East Asia	475	195	663	935
- Middle East	292	-	292	-
- Australasia	431	287	2,016	874
- East Europe	-	-	-	-
- Africa	-	-	-	-
	17,470	18,691	65,242	79,515

13. Related Party Disclosures

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Rental paid to Holding Co				
-Lysaght (Malaysia) Sdn Bhd	-	71	-	384

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 31 December 2014 that have not been reflected in the financial statements for the financial period ended 31 December 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 31 December 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 31 December 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 31 December 2014 of RM14.53 million was RM4.65 million or 24.24% lower than the previous corresponding period of RM19.18 million. Net profit attributable to equity holders decreased by RM3.83 million to RM11.24 million. The decrease in earnings was mainly due to lower revenue.

(b) Current Quarter vs. Previous Year Corresponding Quarter

For the 4th quarter ended 31 December 2014, the Group registered a pre-tax profit of RM4.24 million, an increase of RM0.37 million or 9.56% as compared to the previous year corresponding quarter of RM3.87 million. The increase in earnings was mainly due to lower administrative expenses. Earnings attributable to equity holders were RM3.28 million for both periods.

(c) Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM4.24 million for the 4th quarter ended 31 December 2014 shows a decrease of RM0.18 million or 4.07% as compared to the pre-tax profit of RM4.42 million for the preceding quarter ended 30 September 2014. Net profit attributable to equity holders decreased by RM0.16 million or 4.65% over the same period. The decrease in profit was mainly due higher administrative expenses.

21. Commentary on Prospects

The year ahead is very challenging for the Group. Enquiries have reduced, competition remains very stiff. Pricing will be very challenging with the introduction of GST in April 2015. The Management will look into value add to our group range of products.

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		Cumulative Quarter	
	3 Months ended		12 Months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	970	665	3,302	4,029
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	(15)	(75)	(15)	75
	<u>955</u>	<u>590</u>	<u>3,287</u>	<u>4,104</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 property 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 31 December 2014.

26. Corporate Proposals

There were no outstanding corporate proposals at the date of issue of this quarterly report.

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 12 Months ended	
	31 Dec 2014 RM'000	31 Dec 2013 RM'000	31 Dec 2014 RM'000	31 Dec 2013 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	3,282	3,280	11,241	15,074
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	7.89 Sen	7.89 Sen	27.03 Sen	36.25 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 31 Dec 2014 RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	56,409
- Unrealised	(567)

Retained earnings as per financial statements	55,842
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