

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Six-month financial period ended 30 June 2015

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 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 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
- 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
- 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
- Amendments to MFRS 101 : Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exceptions

* 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 2015.

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 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	16,272	14,404	33,300	29,480
Total operating revenue	16,272	14,404	33,300	29,480

11. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Sundry income	-	12	45	31
Sales of scrap materials	294	251	499	580
Rental income	-	43	41	85
Bank interest earned	347	161	567	281
Gain/(Loss) on foreign exchange	341	5	719	48
Gain on disposal of fixed assets	-	-	3,796	-
Fixed assets written off	-	-	-	-
Doubtful debts recovery	-	69	10	79
	982	541	5,677	1,104

12. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 June 2015 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
- Malaysia	6,772	8,976	17,407	18,051
- ASEAN	8,659	4,497	13,783	9,786
- South Asia	79	153	327	325
- East Asia	3	-	335	147
- Middle East	15	-	15	-
- Australasia	728	778	1,417	1,171
- East Europe	3	-	3	-
- America	13	-	13	-
	16,272	14,404	33,300	29,480

13. Related Party Disclosures

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
	-	-	-	-

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 2015 that have not been reflected in the financial statements for the financial period ended 30 June 2015.

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 2015; 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 2015

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 2015 of RM12.37 million was RM6.5 million or 110% higher than the previous corresponding period of RM5.87 million. Net profit attributable to equity holders increased from RM4.52 million to RM10.26 million. The increase was due to improvement in sales as well as a capital gain from the disposal of investment of property.

(b) Current Quarter vs. Previous Year Corresponding Quarter

For the 2nd quarter ended 30 June 2015, the Group registered a pre-tax profit of RM4.59 million, an increase of RM2.69 million or 141.58% as compared to the previous year corresponding quarter of RM1.9 million. Earnings attributable to equity holders increased by RM2.04 million or 140% over the corresponding quarter.

(c) Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM4.59 million for the current quarter was RM3.19 million lower than the result of the last quarter which had benefited from a capital gain arising from disposal of investment property.

21. Commentary on Prospects

The remaining quarters would remain 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 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Group tax figures consist of :-				
- Current provision	874	458	1,912	1,357
- Under/(Over) provision in prior years	67	-	67	-
- Deferred Tax	154	(10)	133	(10)
	<u>1,095</u>	<u>448</u>	<u>2,112</u>	<u>1,347</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 disposal of investment property was completed during the financial period under review.

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 2015.

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 6 Months ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	3,498	1,457	10,260	4,520
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	8.41 Sen	3.50 Sen	24.68 Sen	10.87 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 Jun 2015 RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	65,458
- Unrealised	638
Retained earnings as per financial statements	<u>66,096</u>