

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Nine-month financial period ended 30 September 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 23rd November 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 September 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 3 months ended | | Cumulative Quarter 9 months ended | |
|------------------------------------|---|--------------------|--|--------------------|
| | 30 Sep 2015 | 30 Sep 2014 | 30 Sep 2015 | 30 Sep 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of galvanized steel products | 14,226 | 18,292 | 47,526 | 47,772 |
| Total operating revenue | 14,226 | 18,292 | 47,526 | 47,772 |

11. Other Income

| | Current Quarter 3 months ended | | Cumulative Quarter 9 months ended | |
|----------------------------------|---|--------------------|--|--------------------|
| | 30 Sep 2015 | 30 Sep 2014 | 30 Sep 2015 | 30 Sep 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sundry income | 8 | 6 | 53 | 37 |
| Sales of scrap materials | 2 | 264 | 593 | 844 |
| Rental income | - | 43 | 41 | 128 |
| Bank interest earned | 510 | 117 | 986 | 398 |
| Gain/(Loss) on foreign exchange | 50 | 56 | 768 | 104 |
| Gain on disposal of fixed assets | - | 12 | 3,796 | 12 |
| Fixed assets written off | - | - | - | - |
| Doubtful debts recovery | 15 | 54 | 25 | 133 |
| | 585 | 552 | 6,262 | 1,656 |

12. Segmental Information

The Group operates within a single business segment.

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

| By geographical area : | Current Quarter 3 Months ended | | Cumulative Quarter 9 months ended | |
|------------------------|-----------------------------------|---------------|--------------------------------------|---------------|
| | 30 Sep 2015 | 30 Sep 2014 | 30 Sep 2015 | 30 Sep 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| - Malaysia | 8,065 | 10,281 | 25,471 | 28,332 |
| - ASEAN | 5,753 | 7,084 | 19,535 | 16,870 |
| - South Asia | - | 472 | 327 | 797 |
| - East Asia | 8 | 41 | 343 | 188 |
| - Middle East | 72 | - | 88 | - |
| - Australasia | 328 | 414 | 1,746 | 1,585 |
| - East Europe | - | - | 3 | - |
| - America | - | - | 13 | - |
| | <u>14,226</u> | <u>18,292</u> | <u>47,526</u> | <u>47,772</u> |

13. Related Party Disclosures

| | Current Quarter 3 months ended | | Cumulative Quarter 9 months ended | |
|--|-----------------------------------|-------------|--------------------------------------|-------------|
| | 30 Sep 2015 | 30 Sep 2014 | 30 Sep 2015 | 30 Sep 2014 |
| | RM'000 | RM'000 | RM'000 | 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 September 2015 that have not been reflected in the financial statements for the financial period ended 30 September 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 September 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 September 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 September 2015 of RM15.57 million was RM5.28 million or 51% higher than the previous corresponding period of RM10.29 million. Net profit attributable to equity holders increased from RM7.96 million to RM12.75 million. The increase was mainly due to capital gain from the disposal of an investment of property.

(b) Current Quarter vs. Previous Year Corresponding Quarter

For the 3rd quarter ended 30 September 2015, the Group registered a pre-tax profit of RM3.2 million, a decrease of RM1.22 million or 27.6% as compared to the previous year corresponding quarter of RM4.42 million. Earnings attributable to equity holders decreased by RM0.95 million or 27.7% over the same period. The decrease was mainly due to lower revenue.

(c) Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM3.2 million for the current quarter shows a decrease of RM1.39 million or 30.28% as compared to the pre-tax profit of RM4.59 million for the preceding quarter ended 30 June 2015. The decrease in profit was mainly due to lower revenue.

21. Commentary on Prospects

The remaining quarter is very challenging for the Group. Enquiries have reduced. Competition is very stiff.

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 9 months ended | |
|--|-----------------------------------|-----------------------|--------------------------------------|-----------------------|
| | 30 Sep 2015 RM'000 | 30 Sep 2014 RM'000 | 30 Sep 2015 RM'000 | 30 Sep 2014 RM'000 |
| Group tax figures consist of :- | | | | |
| - Current provision | 885 | 975 | 2,797 | 2,332 |
| - Under/(Over) provision in prior years | - | - | 67 | - |
| - Deferred Tax | (169) | 10 | (36) | - |
| | <u>716</u> | <u>985</u> | <u>2,828</u> | <u>2,332</u> |

24. Sale of Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties for the financial period ended 30 September 2015.

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 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 | | Cumulative Quarter | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| | 3 Months ended | | 9 months ended | |
| | 30 Sep 2015 | 30 Sep 2014 | 30 Sep 2015 | 30 Sep 2014 |
| | 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 | 2,485 | 3,439 | 12,745 | 7,959 |
| Number of ordinary shares in issue | 41,580 | 41,580 | 41,580 | 41,580 |
| Basic Earnings per share | 5.98 Sen | 8.27 Sen | 30.65 Sen | 19.14 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 2015 RM'000 |
|---|--------------------------------------|
| Retained earnings of the Company and its subsidiaries | |
| - Realised | 69,113 |
| - Unrealised | (532) |
| | ----- |
| Retained earnings as per financial statements | <u>68,581</u> |