

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	20,070	16,361	65,403	63,887
Cost of sales	(12,139)	(8,826)	(38,983)	(37,952)
Gross Profit	7,931	7,535	26,420	25,935
Other income	1,638	1,108	4,823	7,370
Administrative expenses	(2,088)	(2,706)	(8,224)	(9,169)
Selling and marketing expenses	(1,298)	(1,173)	(3,918)	(3,762)
Other expenses	(23)	(22)	(53)	(59)
Finance cost	-	-	-	-
Profit before tax	6,160	4,742	19,048	20,315
Income tax expense	(1,366)	(1,182)	(4,010)	(4,010)
Profit for the period	4,794	3,560	15,038	16,305
Profit for the period attributable to:				
Owners of the Company	4,794	3,560	15,038	16,305
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	11.53 Sen	8.56 Sen	36.17 Sen	39.21 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 2015 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 twelve-month financial period ended 31 December 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/12/2016	31/12/2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	30,492	30,924
Investments	131	131
Intangible assets	8	8
	<u>30,631</u>	<u>31,063</u>
Current Assets		
Inventories	24,560	20,926
Trade receivables	17,057	11,919
Other receivables	764	451
Cash & bank balances	61,582	62,391
	<u>103,963</u>	<u>95,687</u>
TOTAL ASSETS	<u>134,594</u>	<u>126,750</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,566	4,090
Retained earnings	80,942	72,141
	<u>127,088</u>	<u>117,811</u>
Non-Current Liabilities		
Retirement benefits obligations	14	181
Deferred tax liabilities	586	568
	<u>600</u>	<u>749</u>
Current Liabilities		
Trade payables	2,949	2,482
Other Payables	2,375	4,235
Current tax payable	1,582	1,473
	<u>6,906</u>	<u>8,190</u>
Total liabilities	<u>7,506</u>	<u>8,939</u>
TOTAL EQUITY AND LIABILITIES	<u>134,594</u>	<u>126,750</u>
Net assets per share attributable to ordinary equity holder of the parent	3.06	2.83

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the twelve-month financial period ended 31 December 2016

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 2015	41,580	500	1,883	-	55,836	99,799
Currency translation differences representing net expenses recognised directly in equity	-	-	1,707	-	-	1,707
Net profit for the period	-	-	-	-	16,305	16,305
Dividend	-	-	-	-	-	-
As at 31 December 2015	41,580	500	3,590	-	72,141	117,811
As at 1 January 2016	41,580	500	3,590	-	72,141	117,811
Currency translation differences representing net expenses recognised directly in equity	-	-	476	-	-	476
Net profit for the period	-	-	-	-	15,038	15,038
Dividend	-	-	-	-	(6,237)	(6,237)
As at 31 December 2016	41,580	500	4,066	-	80,942	127,088

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the twelve-month financial period ended 31 December 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	31-12-2016 RM'000	31-12-2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	19,048	20,315
Adjustments for:		
Impairment loss on trade receivables		134
Depreciation of property, plant and equipment	1,322	1,245
Interest income	(2,026)	(1,562)
Gain on disposal of fixed assets	(194)	(3,795)
Reversal of impairment loss on trade receivables	(28)	(30)
Unrealised gain on foreign exchange	(87)	(219)
Operating profit before working capital changes	<u>18,035</u>	<u>16,088</u>
Changes in working capital:		
Decrease in inventories	(3,634)	3,235
Decrease/(Increase) in receivables	(5,344)	5,808
Decrease in payables	(1,555)	(1,816)
Cash from operations	<u>7,502</u>	<u>23,315</u>
Retirement benefits paid	(5)	-
Tax paid	(3,884)	(3,110)
Net cash generated from/(used in) operating activities	<u>3,613</u>	<u>20,205</u>
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(809)	(307)
Proceeds from disposal of property, plant and equipment	196	6,405
Interest Income	2,026	1,562
Net cash generated from investing activities	<u>1,413</u>	<u>7,660</u>
Cash flows from Financing Activities		
Dividend paid	(6,237)	-
Net cash used in financing activities	<u>(6,237)</u>	<u>-</u>
Net change in cash and cash equivalents	(1,211)	27,865
Cash and cash equivalents at beginning of financial period	62,391	33,165
Effect of changes in exchange rate on cash and cash equivalents	402	1,361
Cash and cash equivalents at end of financial period	<u>61,582</u>	<u>62,391</u>

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

	31-12-2016 RM'000	31-12-2015 RM'000
Cash and bank balances	<u>61,582</u>	<u>62,391</u>

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 2015 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Twelve-month financial period ended 31 December 2016.

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 15 February 2017.

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:-

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 and MFRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127 : Equity Method in Separate Financial Statements
- Amendments to MFRS 101 : Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exceptions
- MFRS 14 Regulatory Deferral Accounts

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 15 : Revenue from Contracts with Customers
- MFRS 16 : Leases
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Annual Improvements to MFRS Standards 2014-2016 Cycle
 - (i) Amendments to MFRS 1 “First-time Adoption of Malaysian Financial Reporting Standards”

- (ii) Amendments to MFRS 12 “Disclosure of Interests in Other Entities”
- (iii) Amendments to MFRS 128 “Investments in Associates and Joint Ventures”
- Amendments to MFRS 140: Transfers of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

* 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. Auditors’ Report on Preceding Annual Financial Statements

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

5. Comments about Seasonal or Cyclical Factors

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

6. 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 2016.

7. Debt and Equity Securities

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

8. Dividend Paid

No dividend was paid during the current quarter.

9. Operating Revenue

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2016 RM’000	31 Dec 2015 RM’000	31 Dec 2016 RM’000	31 Dec 2015 RM’000
Sales of galvanized steel products	20,070	16,361	65,403	63,887
Total operating revenue	20,070	16,361	65,403	63,887

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Sundry income	6	10	63	62
Sales of scrap materials	404	242	1,164	837
Rental income	-	-	-	41
Bank interest earned	510	576	2,026	1,561
Gain/(Loss) on foreign exchange	518	275	1,348	1,043
Gain on disposal of fixed assets	194	-	194	3,796
Doubtful debts recovery	6	5	28	30
	<u>1,638</u>	<u>1,108</u>	<u>4,823</u>	<u>7,370</u>

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 December 2016 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
- Malaysia	10,399	9,857	30,975	35,328
- ASEAN	8,172	5,846	30,495	25,380
- South Asia	43	70	339	398
- East Asia	73	130	517	474
- Middle East	331	-	331	88
- Australasia	1,052	458	2,746	2,203
- East Europe	-	-	-	3
- America	-	-	-	13
	<u>20,070</u>	<u>16,361</u>	<u>65,403</u>	<u>63,887</u>

12. Related Party Disclosures

There was no related party transaction in this quarter.

13. Capital Commitments

	As at 31.12.2016 RM'000
Property, plant and equipment:	
Contracted but not provided for	494
Approved but not contracted for	5,000

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 December 2016 that have not been reflected in the financial statements for the financial period ended 31 December 2016, except that the Company has entered into a 2-year tenancy agreement with Lysaght Corrugated Pipe Sdn Bhd for rental of two adjoining parcel of industrial lands together with a double storey office and three single storey open-sided buildings with monthly rental of RM28,500 with effect from 1 February 2017.

15. 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.

16. 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 2016: and
- b) The Group has not entered into any type of derivatives not disclosed in the previous financial year.

17. Changes in Contingent Liabilities and Contingent Assets

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

18. Changes in Composition of the Group

There are no changes in the composition of the Group.

19. 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 2016 of RM19.05 million was RM2.53 million higher than the previous corresponding period of RM16.52 million (RM20.32 million minus RM3.80 million one-off gain from sales of investment property). Net profit attributable to equity holders increased by RM2.53 million from RM12.51 million (RM16.31 million minus RM3.80 million one-off gain from sales of investment property) to RM15.04 million for the financial period ending 31 December 2016. The increase was mainly due to higher other income by RM1.25 mil from bank interest earned, foreign exchange gain, sales of scrap materials and higher revenue. Administrative expenses also decreased mainly due to lower directors' remuneration by RM0.84 million.

b) Current Quarter vs. Previous Year Corresponding Quarter

For the 4th quarter ended 31 December 2016, the Group registered a pre-tax profit of RM6.16 million, an increase of RM1.42 million or 29.96% as compared to the previous year corresponding quarter of RM4.74 million. Earnings attributable to equity holders increased by RM1.23 million or 34.55% over the same period. The increase was mainly due to higher other income by RM0.53 million from foreign exchange gain and sales of scrap materials. Administrative expenses also decreased mainly due to lower directors' remuneration by RM0.55 million.

c) Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM6.16 million for the current quarter shows an increase of RM2.33 million as compared to the pre-tax profit of RM3.83 million for the preceding quarter ended 30 September 2016. The increase in profit was mainly due to more delivery in the 4th quarter.

20. Commentary on Prospects

The coming quarters will remain challenging for the Group, given the foreign exchange volatility and increase in raw materials cost. The Group constantly reviews its operations with a view to enhance profitability. Notwithstanding the above, the Group expects to maintain its profitability.

21. Profit forecast/profit guarantee

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

22. Income Tax Expense

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	1,304	1,137	3,973	3,934
- Under/(Over) provision in prior years	-	8	20	75
- Deferred Tax	62	37	17	1
	<u>1,366</u>	<u>1,182</u>	<u>4,010</u>	<u>4,010</u>

23. Sale of Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties for the financial period ended 31 December 2016.

24. 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 2016.

25. Corporate Proposals

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

26. Borrowing

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

27. Off Balance Sheet Financial Instruments

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

28. Material Litigation

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

29. Dividend Payable

A final single tier dividend of 7 sen per ordinary share amounting to RM2,910,600 has been recommended for the quarter under review to be approved by the shareholders at the coming 38th Annual General Meeting.

30. 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 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	4,794	3,560	15,038	16,305
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	11.53 Sen	8.56 Sen	36.17 Sen	39.21 Sen

31. 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 2016 RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	81,528
- Unrealised	(586)
Retained earnings as per financial statements	<u>80,942</u>