

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month financial period ended 30 September 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		9 MONTHS ENDED	
	30-9-2017	30-9-2016	30-9-2017	30-9-2016
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	26,826	13,691	68,778	45,333
Cost of sales	(15,914)	(8,551)	(41,719)	(26,844)
Gross Profit	10,912	5,140	27,059	18,489
Other income	786	1,374	2,525	3,185
Administrative expenses	(2,103)	(1,842)	(6,559)	(6,136)
Selling and marketing expenses	(1,306)	(832)	(3,559)	(2,620)
Other expenses	(62)	(9)	(126)	(30)
Finance cost	-	-	-	-
Profit before tax	8,227	3,831	19,340	12,888
Income tax expense	(1,698)	(818)	(4,138)	(2,644)
Profit for the period	6,529	3,013	15,202	10,244
Profit for the period attributable to:				
Owners of the Company	6,529	3,013	15,202	10,244
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	15.70 Sen	7.25 Sen	36.56 Sen	24.64 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month financial period ended 30 September 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	30/9/2017	31/12/2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	32,771	31,043
Investments	131	131
Intangible assets	8	8
	<u>32,910</u>	<u>31,182</u>
Current Assets		
Inventories	27,979	24,560
Trade receivables	18,834	18,033
Other receivables	773	1,052
Cash & bank balances	68,920	61,582
	<u>116,506</u>	<u>105,227</u>
TOTAL ASSETS	<u>149,416</u>	<u>136,409</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,607	4,566
Retained earnings	93,173	80,882
	<u>139,360</u>	<u>127,028</u>
Non-Current Liabilities		
Retirement benefits obligations	14	14
Deferred tax liabilities	586	585
	<u>600</u>	<u>599</u>
Current Liabilities		
Trade payables	3,831	2,955
Other Payables	2,848	4,210
Current tax payable	2,777	1,617
	<u>9,456</u>	<u>8,782</u>
Total liabilities	<u>10,056</u>	<u>9,381</u>
TOTAL EQUITY AND LIABILITIES	<u>149,416</u>	<u>136,409</u>
Net assets per share attributable to ordinary equity holder of the parent	3.35	3.06

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine-month financial period ended 30 September 2017

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 2016	41,580	500	3,590	-	72,142	117,812
Currency translation differences representing net expenses recognised directly in equity	-	-	108	-	-	108
Net profit for the period	-	-	-	-	10,244	10,244
Dividend	-	-	-	-	(6,237)	(6,237)
As at 30 September 2016	41,580	500	3,698	-	76,149	121,927
As at 1 January 2017	41,580	500	4,066	-	80,882	127,028
Currency translation differences representing net expenses recognised directly in equity	-	-	41	-	-	41
Net profit for the period	-	-	-	-	15,202	15,202
Dividend	-	-	-	-	(2,911)	(2,911)
As at 30 September 2017	41,580	500	4,107	-	93,173	139,360

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 2016 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 nine-month financial period ended 30 September 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	30-09-2017 RM'000	30-09-2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	19,340	12,888
Adjustments for:		
Depreciation of property, plant and equipment	1,002	905
Interest income	(1,247)	(1,516)
Loss on disposal of fixed assets	12	-
Reversal of impairment loss on trade receivables	(17)	(22)
Unrealised loss on foreign exchange	22	-
Operating profit before working capital changes	19,112	12,255
Changes in working capital:		
(Increase)/Decrease in inventories	(3,419)	(2,514)
Decrease/(Increase) in receivables	(505)	(1,530)
Decrease in payables	(508)	(3,690)
Cash from operations	14,680	4,521
Retirement benefits paid	-	(3)
Tax paid	(2,977)	(3,040)
Net cash generated from/(used in) operating activities	11,703	1,478
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(2,719)	(25)
Proceeds from disposal of property, plant and equipment	32	-
Interest Income	1,247	1,516
Net cash generated from investing activities	(1,440)	1,491
Cash flows from Financing Activities		
Dividend paid	(2,911)	(6,237)
Net cash used in financing activities	(2,911)	(6,237)
Net change in cash and cash equivalents	7,352	(3,268)
Cash and cash equivalents at beginning of financial period	61,582	62,391
Effect of changes in exchange rate on cash and cash equivalents	(14)	112
Cash and cash equivalents at end of financial period	68,920	59,235

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

	30-09-2017 RM'000	30-09-2016 RM'000
Cash and bank balances	68,920	59,235

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 2016 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Nine-month financial period ended 30 September 2017.

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 22 November 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:-

- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRS Standards 2014-2016 Cycle
 - (i) Amendments to MFRS 12 “Disclosure of Interests in Other Entities”

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
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- 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 128 “Investments in Associates and Joint Ventures”
- Amendments to MFRS 140: Transfers of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
- MFRS 16 : Leases
- Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- MFRS 17 : Insurance Contracts
- IC Interpretation 23: Uncertainty over Income Tax Treatments

* 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 30 September 2017.

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 9 months ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	26,826	13,691	68,778	45,333
Total operating revenue	26,826	13,691	68,778	45,333

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	RM'000	RM'000	RM'000	RM'000
Sundry income	-	6	22	57
Sales of scrap materials	389	359	1,169	760
Rental income	-	-	-	-
Bank interest earned	460	521	1,247	1,516
Gain/(Loss) on foreign exchange	(67)	484	82	830
Gain/(Loss) on disposal of fixed assets	4	-	(12)	-
Doubtful debts recovery	-	4	17	22
	786	1,374	2,525	3,185

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 September 2017 were as follows:

	Current Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
By geographical area :	RM'000	RM'000	RM'000	RM'000
- Malaysia	14,604	6,352	37,173	20,576
- ASEAN	7,764	6,539	20,988	22,323
- South Asia	331	138	701	296
- East Asia	1,256	34	1,770	444
- Middle East	35	-	578	-
- Australasia	2,836	628	7,568	1,694
- East Europe	-	-	-	-
- America	-	-	-	-
	26,826	13,691	68,778	45,333

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	RM'000	RM'000	RM'000	RM'000
Rental of land and buildings	85	-	228	-
Galvanizing services	149	-	429	-
Transportation services	31	-	31	-
	265	-	688	-

The directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

13. Capital Commitments

There were no capital commitments at the date of issue of this quarterly report.

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 30 September 2017 that have not been reflected in the financial statements for the financial period ended 30 September 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 30 September 2017; 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**

Table 1: Financial review for current quarter and financial year to date

	Individual Period (3rd quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To- date	Preceding Year Corresponding Period		
	30/09/2017	30/09/2016	30/09/2017	30/09/2016				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	26,826	13,691	13,135	96	68,778	45,333	23,445	52
Operating Profit	8,227	3,831	4,396	115	19,340	12,888	6,452	50
Profit Before Interest & Tax	8,227	3,831	4,396	115	19,340	12,888	6,452	50
Profit Before Tax	8,227	3,831	4,396	115	19,340	12,888	6,452	50
Profit After Tax	6,529	3,013	3,516	117	15,202	10,244	4,958	48
Profit Attributable to Ordinary Equity Holders of the Company	6,529	3,013	3,516	117	15,202	10,244	4,958	48

a) Current Year-to-date vs. Previous Year-to-date (refer Table 1)

The Group's pre-tax profit for the financial period ended 30 September 2017 of RM19.34 million was RM6.45 million higher than the previous corresponding period of RM12.89 million. Net profit attributable to equity holders increased by RM4.96 million from RM10.24 million to RM15.20 million for the financial period ended 30 September 2017. The increase was mainly due to increase in revenue by RM23.44 million for financial period ended 30 September 2017 as compared to previous corresponding period. The sales of poles and masts comprise RM52.95 million and RM12.10 million respectively for financial period ended 30 September 2017 as compared to RM36.95 million and RM5.83 million respectively for previous corresponding period. The sales tonnage has also increased by 27%.

b) Current Quarter vs. Previous Year Corresponding Quarter (refer Table 1)

For the 3rd quarter ended 30 September 2017, the Group registered a pre-tax profit of RM8.23 million, an increase of RM4.40 million or 115% as compared to the previous year corresponding quarter of RM3.83 million. Earnings attributable to equity holders increased by RM3.52 million or 117% over the same period. The increase was mainly due to increase in revenue by RM13.13 million in 3rd quarter ended 30 September 2017 as compared to previous year corresponding quarter. The sales of poles and masts comprise RM19.71 million and RM5.56 million respectively for the current quarter ended 30 September 2017 as compared to RM11.11 million and RM1.49 million respectively for previous year corresponding quarter.

Table 2: Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	30/09/2017	30/06/2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	26,826	21,698	5,128	24
Operating Profit	8,227	5,490	2,737	50
Profit Before Interest and Tax	8,227	5,490	2,737	50
Profit Before Tax	8,227	5,490	2,737	50
Profit After Tax	6,529	4,232	2,297	54
Profit Attributable to Ordinary Equity Holders of the Company	6,529	4,232	2,297	54

c) Variation of Results Against Preceding Quarter (refer Table 2)

The Group's pre-tax profit of RM8.23 million for the current quarter shows an increase of RM2.74 million as compared to the pre-tax profit of RM5.49 million for the preceding quarter ended 30 June 2017. The increase in profit was mainly due to increase in revenue by RM5.13 million. The sales of poles and masts comprise RM19.71 million and RM5.56 million respectively for the current quarter ended 30 September 2017 as compared to RM17.26 million and RM3.63 million respectively for the preceding quarter ended 30 June 2017.

20. Commentary on Prospects

The coming quarters will remain challenging for the Group, given the foreign exchange volatility and increase in competition with lower quality products. The Group constantly reviews its operations with a view to increase productivity and 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 9 Months ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	1,697	764	4,183	2,669
- Under/(Over) provision in prior years	(46)	20	(46)	20
- Deferred Tax	47	34	1	(45)
	<u>1,698</u>	<u>818</u>	<u>4,138</u>	<u>2,644</u>

23. Sale of Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties for the financial period ended 30 September 2017.

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 30 September 2017.

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

No dividend has been proposed for the quarter under review.

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 9 Months ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	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	6,529	3,013	15,202	10,244
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	15.70 Sen	7.25 Sen	36.56 Sen	24.64 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 30 Sep 2017 RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	93,759
- Unrealised	(586)

Retained earnings as per financial statements	93,173
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