

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	22,032	20,070	90,810	65,403
Cost of sales	(15,942)	(12,139)	(57,661)	(38,983)
Gross Profit	6,090	7,931	33,149	26,420
Other Income	1,318	1,638	3,843	4,823
Administrative expenses	(2,410)	(2,088)	(8,969)	(8,224)
Selling and marketing expenses	(1,451)	(1,298)	(5,010)	(3,918)
Other expenses	(51)	(23)	(177)	(53)
Finance cost	-	-	-	-
Profit before tax	3,496	6,160	22,836	19,048
Income tax expense	(872)	(1,366)	(5,010)	(4,010)
Profit for the period	2,624	4,794	17,826	15,038
Profit for the period attributable to:				
Owners of the Company	2,624	4,794	17,826	15,038
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	6.31 Sen	11.53 Sen	42.87 Sen	36.17 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.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/12/2017	31/12/2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	36,623	31,043
Investments	131	131
Intangible assets	8	8
	36,762	31,182
Current Assets		
Inventories	25,170	24,560
Trade receivables	19,100	18,033
Other receivables	351	1,052
Cash & bank balances	68,840	61,582
	113,461	105,227
TOTAL ASSETS	150,223	136,409
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,082	4,566
Retained earnings	95,797	80,882
	141,459	127,028
Non-Current Liabilities		
Retirement benefits obligations	14	14
Deferred tax liabilities	696	585
	710	599
Current Liabilities		
Trade payables	3,773	2,955
Other Payables	2,739	4,210
Current tax payable	1,542	1,617
	8,054	8,782
Total liabilities	8,764	9,381
TOTAL EQUITY AND LIABILITIES	150,223	136,409
Net assets per share attributable to ordinary equity holder of the parent	3.40	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 twelve-month financial period ended 31 December 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	-	72,141	117,811
Currency translation differences representing net expenses recognised directly in equity	-	-	476	-	-	476
Net profit for the period	-	-	-	-	14,978	14,978
Dividend	-	-	-	-	(6,237)	(6,237)
As at 31 December 2016	41,580	500	4,066	-	80,882	127,028
As at 1 January 2017	41,580	500	4,066	-	80,882	127,028
Currency translation differences representing net expenses recognised directly in equity	-	-	(484)	-	-	(484)
Net profit for the period	-	-	-	-	17,826	17,826
Dividend	-	-	-	-	(2,911)	(2,911)
As at 31 December 2017	41,580	500	3,582	-	95,797	141,459

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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	31-12-2017 RM'000	31-12-2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	22,836	19,048
Adjustments for:		
Depreciation of property, plant and equipment	1,475	1,322
Interest income	(1,877)	(2,026)
(Gain)/Loss on disposal of fixed assets	10	(194)
Reversal of impairment loss on trade receivables	(17)	(28)
Unrealised (gain)/loss on foreign exchange	4	(87)
Operating profit before working capital changes	<u>22,431</u>	<u>18,035</u>
Changes in working capital:		
(Increase)/Decrease in inventories	(610)	(3,634)
Decrease/(Increase) in receivables	(353)	(5,344)
Decrease in payables	(653)	(1,555)
Cash from operations	<u>20,815</u>	<u>7,502</u>
Retirement benefits paid	-	(5)
Tax paid	(4,974)	(3,884)
Net cash generated from operating activities	<u>15,841</u>	<u>3,613</u>
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(7,177)	(809)
Proceeds from disposal of property, plant and equipment	34	196
Interest Income	1,877	2,026
Net cash generated from/(used in) investing activities	<u>(5,266)</u>	<u>1,413</u>
Cash flows from Financing Activities		
Dividend paid	(2,911)	(6,237)
Net cash used in financing activities	<u>(2,911)</u>	<u>(6,237)</u>
Net change in cash and cash equivalents	7,664	(1,211)
Cash and cash equivalents at beginning of financial period	61,582	62,391
Effect of changes in exchange rate on cash and cash equivalents	(406)	402
Cash and cash equivalents at end of financial period	<u>68,840</u>	<u>61,582</u>
Cash and cash equivalents at the end of financial period comprise the following:		
	31-12-2017 RM'000	31-12-2016 RM'000
Cash and bank balances	<u>68,840</u>	<u>61,582</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 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 Twelve-month financial period ended 31 December 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 27 February 2018.

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
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9: Prepayment Features with Negative Compensation

- Annual Improvements to MFRS Standards 2015-2017 Cycle
 - (i) Previously held interest in a Joint Operation (Amendments to MFRS 3 “Business Combinations”)
 - (ii) Previously held interest in a Joint Operation (Amendments to MFRS 11 “Joint Arrangements”)
 - (iii) Income tax consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 “Income Taxes”)
 - (iv) Borrowing costs eligible for capitalisation (Amendments to MFRS 123 “Borrowing Costs”)

* 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 cyclicality.
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 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 12 months ended	
	31 Dec 2017 RM’000	31 Dec 2016 RM’000	31 Dec 2017 RM’000	31 Dec 2016 RM’000
Sales of galvanized steel products	22,032	20,070	90,810	65,403
Total operating revenue	22,032	20,070	90,810	65,403

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Sundry income	18	6	40	63
Sales of scrap materials	539	404	1,708	1,164
Bank interest earned	630	510	1,877	2,026
Gain/(Loss) on foreign exchange	129	518	211	1,348
Gain/(Loss) on disposal of fixed assets	2	194	(10)	194
Doubtful debts recovery	-	6	17	28
	<u>1,318</u>	<u>1,638</u>	<u>3,843</u>	<u>4,823</u>

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 December 2017 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
- Malaysia	14,679	10,399	51,852	30,975
- ASEAN	5,437	8,172	26,425	30,495
- South Asia	480	43	1,181	339
- East Asia	850	73	2,620	517
- Middle East	277	331	855	331
- Australasia	309	1,052	7,877	2,746
	<u>22,032</u>	<u>20,070</u>	<u>90,810</u>	<u>65,403</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Rental of land and buildings	85	-	313	-
Galvanizing services	60	-	489	-
Transportation services	49	-	80	-
	<u>194</u>	<u>-</u>	<u>882</u>	<u>-</u>

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

As at 31.12.2017

RM'000

Property, plant and equipment:

Approved but not contracted for

2,240

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 December 2017 that have not been reflected in the financial statements for the financial period ended 31 December 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 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 (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Correspon- ding Quarter			Current Year To- date	Preceding Year Correspon- ding Period		
	31/12/2017	31/12/2016			31/12/2017	31/12/2016		
	RM'000	RM'000			RM'000	RM'000		
Revenue	22,032	20,070	1,962	10	90,810	65,403	25,407	39
Operating Profit	3,496	6,160	(2,664)	(43)	22,836	19,048	3,788	20
Profit Before Interest & Tax	3,496	6,160	(2,664)	(43)	22,836	19,048	3,788	20
Profit Before Tax	3,496	6,160	(2,664)	(43)	22,836	19,048	3,788	20
Profit After Tax	2,624	4,794	(2,170)	(45)	17,826	15,038	2,788	19
Profit Attributable to Ordinary Equity Holders of the Company	2,624	4,794	(2,170)	(45)	17,826	15,038	2,788	19

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

The Group's pre-tax profit for the financial period ended 31 December 2017 of RM22.84 million was RM3.79 million higher than the previous corresponding period of RM19.05 million. Net profit attributable to equity holders increased by RM2.79 million from RM15.04 million to RM17.83 million for the financial period ended 31 December 2017. The increase was mainly due to increase in revenue by RM25.41 million for financial period ended 31 December 2017 as compared to previous corresponding period. The sales of poles and masts comprise RM61.54 million and RM24.09 million respectively for financial period ended 31 December 2017 as compared to RM50.59 million and RM10.42 million respectively for previous corresponding period. The sales tonnage has also increased by 23%.

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

For the 4th quarter ended 31 December 2017, the Group registered a pre-tax profit of RM3.50 million, a decrease of RM2.66 million or 43% as compared to the previous year corresponding quarter of RM6.16 million. Earnings attributable to equity holders decreased by RM2.17 million or 45% over the same period. The decrease was mainly due to increase in steel consumption cost by 13% from RM2,421/mt in the previous 4th quarter ended 31 December 2016 to RM2,748/mt in the current 4th quarter ended 31 December 2017. An amount of RM0.31 million of slow-moving inventories was written off in the current 4th quarter 2017 as compared to RMNil in the previous year corresponding quarter. Zinc consumption has also increased by RM0.72 million in the current 4th quarter ended 31 December 2017 as compared to the previous year corresponding quarter due to the increase in zinc price by 29% from RM9,858/mt in 2016 to RM12,763/mt in 2017. A provision of RM227,621 was made in the current 4th quarter ended 31 December 2017 for backpay claims of union employees after the finalization of the Collective Agreement in January 2018.

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

	Current	Immediate	Changes	
	Quarter	Preceding Quarter	(Amount/%)	
	31/12/2017	30/9/2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	22,032	26,826	(4,794)	(18)
Operating Profit	3,496	8,227	(4,731)	(58)
Profit Before Interest and Tax	3,496	8,227	(4,731)	(58)
Profit Before Tax	3,496	8,227	(4,731)	(58)
Profit After Tax	2,624	6,529	(3,905)	(60)
Profit Attributable to Ordinary Equity Holders of the Company	2,624	6,529	(3,905)	(60)

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

The Group's pre-tax profit of RM3.50 million for the current quarter shows a decrease of RM4.73 million as compared to the pre-tax profit of RM8.23 million for the preceding quarter ended 30 September 2017. The decrease in profit was mainly due to decrease in revenue by RM4.79 million. The sales of poles and masts comprise RM8.59 million and RM11.99 million respectively for the current quarter ended 31 December 2017 as compared to RM19.71 million and RM5.56 million respectively for the preceding quarter ended 30 September 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 12 Months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	762	1,304	4,945	3,973
- Under/(Over) provision in prior years	-	-	(46)	20
- Deferred Tax	110	62	111	17
	872	1,366	5,010	4,010

23. Sale of Unquoted Investment and Properties

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

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 39th 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 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	2,624	4,794	17,826	15,038
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	6.31 Sen	11.53 Sen	42.87 Sen	36.17 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 2017 RM'000
Retained earnings of the Company and its subsidiaries	
- Realised	96,493
- Unrealised	(696)

Retained earnings as per financial statements	95,797
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