

**LYSAGHT GALVANIZED STEEL BHD (46426-P)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-month financial period ended 31 March 2018

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		3 MONTHS ENDED	
	31-3-2018	31-3-2017	31-3-2018	31-3-2017
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
Revenue	17,660	20,254	17,660	20,254
Cost of sales	(11,586)	(12,091)	(11,586)	(12,091)
<b>Gross Profit</b>	<b>6,074</b>	<b>8,163</b>	<b>6,074</b>	<b>8,163</b>
Other income	1,523	772	1,523	772
Administrative expenses	(2,316)	(2,241)	(2,316)	(2,241)
Selling and marketing expenses	(1,003)	(1,049)	(1,003)	(1,049)
Other expenses	(42)	(22)	(42)	(22)
Finance cost	-	-	-	-
<b>Profit before tax</b>	<b>4,236</b>	<b>5,623</b>	<b>4,236</b>	<b>5,623</b>
Income tax expense	(897)	(1,182)	(897)	(1,182)
<b>Profit for the period</b>	<b>3,339</b>	<b>4,441</b>	<b>3,339</b>	<b>4,441</b>
<b>Profit for the period attributable to:</b>				
Owners of the Company	3,339	4,441	3,339	4,441
<b>Earnings per share attributable to owners of the Company:</b>				
(i) Basic, for profit for the period	8.03 Sen	10.68 Sen	8.03 Sen	10.68 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 2017 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 three-month financial period ended 31 March 2018

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The figures have not been audited.

	Quarter ended	
	31/3/2018	31/12/2017
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	37,324	37,192
Investments	131	131
Intangible assets	8	8
	37,463	37,331
<b>Current Assets</b>		
Inventories	28,844	24,601
Trade receivables	15,591	20,225
Other receivables	847	1,095
Cash & bank balances	67,061	68,840
	112,343	114,761
<b>TOTAL ASSETS</b>	149,806	152,092
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	41,580	41,580
Other reserves	3,385	4,082
Retained earnings	99,190	95,851
	144,155	141,513
<b>Non-Current Liabilities</b>		
Retirement benefits obligations	12	14
Deferred tax liabilities	673	696
	685	710
<b>Current Liabilities</b>		
Trade payables	1,995	3,597
Other Payables	1,931	4,785
Current tax payable	1,040	1,487
	4,966	9,869
<b>Total liabilities</b>	5,651	10,579
<b>TOTAL EQUITY AND LIABILITIES</b>	149,806	152,092
Net assets per share attributable to ordinary equity holder of the parent	3.47	3.40

*The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.*

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the three-month financial period ended 31 March 2018

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 2017	41,580	500	4,066	-	80,882	127,028
Currency translation differences representing net expenses recognised directly in equity	-	-	396	-	-	396
Net profit for the period	-	-	-	-	4,441	4,441
Dividend	-	-	-	-	-	-
As at 31 March 2017	41,580	500	4,462	-	85,323	131,865
As at 1 January 2018	41,580	500	3,582	-	95,851	141,513
Currency translation differences representing net expenses recognised directly in equity	-	-	(697)	-	-	(697)
Net profit for the period	-	-	-	-	3,339	3,339
Dividend	-	-	-	-	-	-
As at 31 March 2018	41,580	500	2,885	-	99,190	144,155

*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 2017 and the accompanying explanatory notes attached to these interim financial statements.*

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the three-month financial period ended 31 March 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	31-03-2018 RM'000	31-03-2017 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	4,236	5,623
Adjustments for:		
Depreciation of property, plant and equipment	323	309
Interest income	(534)	(375)
Loss on disposal of fixed assets	-	16
Reversal of impairment loss on trade receivables	-	(11)
Unrealised gain on foreign exchange	(41)	(582)
Operating profit before working capital changes	3,984	4,980
Changes in working capital:		
Increase in inventories	(4,243)	(4,354)
Decrease/(Increase) in receivables	4,882	(138)
Decrease in payables	(4,415)	(1,952)
Cash from operations	208	(1,464)
Retirement benefits paid	-	-
Tax paid	(1,367)	(804)
Net cash used in operating activities	(1,159)	(2,268)
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(570)	(434)
Proceeds from disposal of property, plant and equipment	-	28
Interest Income	534	375
Short-term deposits with maturity period more than 3 months	(29,000)	-
Net cash used in investing activities	(29,036)	(31)
Cash flows from Financing Activities		
Dividend paid	-	-
Net cash used in financing activities	-	-
Net change in cash and cash equivalents	(30,195)	(2,299)
Cash and cash equivalents at beginning of financial period	68,840	61,582
Effect of changes in exchange rate on cash and cash equivalents	(584)	311
Cash and cash equivalents at end of financial period	38,061	59,594

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

	31-03-2018 RM'000	31-03-2017 RM'000
Cash and bank balances	67,061	59,594
Less: Short-term deposits with maturity period more than 3 months	(29,000)	-
Cash and cash equivalents	38,061	59,594

*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 2017 and the accompanying explanatory notes attached to these financial statements.*

# LYSAGHT GALVANIZED STEEL BHD (46426-P)

## Explanatory notes pursuant to MFRS 134

For the Three-month financial period ended 31 March 2018.

### 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 May 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 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
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group. The assessment of MFRS 9 and MFRS 15 is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group.

#### **2.2 Standards issued but not yet effective**

- ~~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
- Amendment to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 119 “Employee Benefits”: Plan Amendment, Curtailment or Settlement

- Annual Improvements to MFRS Standards 2015-2017 Cycle
  - (i) Amendments to MFRS 3: Business Combinations
  - (ii) Amendments to MFRS 11: Joint Arrangements
  - (iii) Amendments to MFRS 112: Income Taxes
  - (iv) 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 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 March 2018.
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 3 months ended	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Sales of galvanized steel products	17,660	20,254	17,660	20,254
Total operating revenue	17,660	20,254	17,660	20,254

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
	RM'000	RM'000	RM'000	RM'000
Sundry income	5	13	5	13
Sales of scrap materials	794	283	794	283
Bank interest earned	534	376	534	376
Gain/(Loss) on foreign exchange	189	105	189	105
Gain/(Loss) on disposal of fixed assets	-	(16)	-	(16)
Doubtful debts recovery	1	11	1	11
	<u>1,523</u>	<u>772</u>	<u>1,523</u>	<u>772</u>

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 March 2018 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
	RM'000	RM'000	RM'000	RM'000
- Malaysia	9,272	10,309	9,272	10,309
- ASEAN	6,062	7,397	6,062	7,397
- South Asia	80	237	80	237
- East Asia	100	13	100	13
- Middle East	657	-	657	-
- Australasia	1,489	2,298	1,489	2,298
	<u>17,660</u>	<u>20,254</u>	<u>17,660</u>	<u>20,254</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
	RM'000	RM'000	RM'000	RM'000
Rental of land and buildings	86	57	86	57
Fabricating services	6	-	6	-
Transportation services	23	-	23	-
	<u>115</u>	<u>57</u>	<u>115</u>	<u>57</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 31.3.2018

RM'000

Property, plant and equipment:

Approved but not contracted for

21,800

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14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 March 2018 that have not been reflected in the financial statements for the financial period ended 31 March 2018.

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 March 2018: 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 (1st quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current	Preceding			Current	Preceding		
	Year	Year			Year To-	Year		
	Quarter	Correspon- ding Quarter			date	Correspon- ding Period		
	31/3/2018	31/3/2017			31/3/2018	31/3/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,660	20,254	(2,594)	(13)	17,660	20,254	(2,594)	(13)
Operating Profit	4,236	5,623	(1,387)	(25)	4,236	5,623	(1,387)	(25)
Profit Before								
Interest & Tax	4,236	5,623	(1,387)	(25)	4,236	5,623	(1,387)	(25)
Profit Before Tax	4,236	5,623	(1,387)	(25)	4,236	5,623	(1,387)	(25)
Profit After Tax	3,339	4,441	(1,102)	(25)	3,339	4,441	(1,102)	(25)
Profit Attributable to Ordinary Equity Holders of the Company	3,339	4,441	(1,102)	(25)	3,339	4,441	(1,102)	(25)

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 March 2018 of RM4.24 million was RM1.38 million lower than the previous corresponding period of RM5.62 million. Net profit attributable to equity holders decreased by RM1.10 million from RM4.44 million to RM3.34 million for the financial period ended 31 March 2018. The decrease was mainly due to decrease in revenue by RM2.59 million for financial period ended 31 March 2018 as compared to previous corresponding period. The sales of poles and masts comprise RM10.07 million and RM4.25 million respectively for financial period ended 31 March 2018 as compared to RM11.74 million and RM4.46 million respectively for previous corresponding period. The sales tonnage has also decreased by 17%.

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

For the 1st quarter ended 31 March 2018, the Group registered a pre-tax profit of RM4.24 million, a decrease of RM1.38 million or 25% as compared to the previous year corresponding quarter of RM5.62 million. Earnings attributable to equity holders decreased by RM1.10 million or 25% over the same period. The decrease was mainly due to decrease in revenue by RM2.59 million for financial period ended 31 March 2018 as compared to previous corresponding period.

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

	Current	Immediate	Changes	
	Quarter	Preceding Quarter	(Amount/%)	
	31/3/2018	31/12/2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	17,660	22,032	(4,372)	(20)
Operating Profit	4,236	3,496	740	21
Profit Before Interest and Tax	4,236	3,496	740	21
Profit Before Tax	4,236	3,496	740	21
Profit After Tax	3,339	2,624	715	27
Profit Attributable to Ordinary Equity Holders of the Company	3,339	2,624	715	27

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

The Group's pre-tax profit of RM4.24 million for the current quarter shows an increase of RM0.74 million as compared to the pre-tax profit of RM3.50 million for the preceding quarter ended 31 December 2017. The increase in profit was mainly due to an amount of RM0.68 million of slow-moving inventories (1<sup>st</sup> quarter 2018: RMNil) was written off in the preceding quarter ended 31 December 2017, plus provision of RM0.23 million for backpay claims of union employees (1<sup>st</sup> quarter 2018: RMNil) has decreased the preceding quarter 2017 profit by a total of RM0.91 million.

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 3 Months ended	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Group tax figures consist of :-				
- Current provision	920	1,068	920	1,068
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	(23)	114	(23)	114
	897	1,182	897	1,182

23. Sale of Unquoted Investment and Properties  
There was no sale of unquoted investments and/or properties for the financial period ended 31 March 2018.
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 March 2018.
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 3 Months ended	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	3,339	4,441	3,339	4,441
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	8.03 Sen	10.68 Sen	8.03 Sen	10.68 Sen