

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	17,865	22,032	67,911	90,810
Cost of sales	(13,425)	(15,942)	(47,665)	(57,661)
Gross Profit	4,440	6,090	20,246	33,149
Other income	1,073	1,420	4,375	3,945
Administrative expenses	(1,821)	(2,556)	(8,647)	(9,115)
Selling and marketing expenses	(991)	(1,408)	(4,002)	(4,967)
Other expenses	(28)	(51)	(134)	(177)
Finance cost	-	-	-	-
Profit before tax	2,673	3,495	11,838	22,835
Income tax expense	(581)	(817)	(2,537)	(4,955)
Profit for the period	2,092	2,678	9,301	17,880
Profit for the period attributable to:				
Owners of the Company	2,092	2,678	9,301	17,880
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Net fair value changes in unquoted investments at fair value through other comprehensive income ("FVOCI")				
	244	-	244	-
Total comprehensive income	2,336	2,678	9,545	17,880
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	5.03 Sen	6.44 Sen	22.37 Sen	43.00 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 twelve-month financial period ended 31 December 2018**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The figures have not been audited.

	Quarter ended	
	31/12/2018	31/12/2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,007	37,192
Investments	375	131
Intangible assets	8	8
	37,390	37,331
Current Assets		
Inventories	28,695	24,601
Trade receivables	15,459	20,225
Other receivables	1,471	1,095
Cash & bank balances	70,299	68,840
	115,924	114,761
TOTAL ASSETS	153,314	152,092
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,337	4,082
Retained earnings	102,241	95,851
	148,158	141,513
Non-Current Liabilities		
Retirement benefits obligations	12	14
Deferred tax liabilities	724	696
	736	710
Current Liabilities		
Trade payables	2,498	3,597
Other Payables	2,096	4,785
Current tax payable	(174)	1,487
	4,420	9,869
Total liabilities	5,156	10,579
TOTAL EQUITY AND LIABILITIES	153,314	152,092
Net assets per share attributable to ordinary equity holder of the parent	3.56	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 twelve-month financial period ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The figures have not been audited.

	Share capital	Capital reserve	Exchange reserve	Fair value reserve	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	-	-	(484)	-	-	(484)
Net profit for the period	-	-	-	-	17,880	17,880
Dividend	-	-	-	-	(2,911)	(2,911)
As at 31 December 2017	41,580	500	3,582	-	95,851	141,513
As at 1 January 2018	41,580	500	3,582	-	95,851	141,513
(Effect of adoption of new accounting standard: Note 2.1)	-	-	-	244	-	244
Currency translation differences representing net expenses recognised directly in equity	-	-	11	-	-	11
Net profit for the period	-	-	-	-	9,301	9,301
Dividend	-	-	-	-	(2,911)	(2,911)
As at 31 December 2018	41,580	500	3,593	244	102,241	148,158

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 twelve-month financial period ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	31-12-2018 RM'000	31-12-2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	11,838	22,835
Adjustments for:		
Depreciation of property, plant and equipment	1,391	1,475
Interest income	(2,135)	(1,877)
Loss on disposal of fixed assets	-	13
Inventories written off	-	678
Impairment loss on trade receivables	-	6
Reversal of impairment loss on trade receivables	(1)	(17)
Unrealised (gain)/loss on foreign exchange	(6)	(96)
Operating profit before working capital changes	11,087	23,017
Changes in working capital:		
Increase in inventories	(4,094)	(718)
Decrease/(Increase) in receivables	4,391	(2,224)
Decrease in payables	(3,782)	1,312
Cash from operations	7,602	21,387
Retirement benefits paid	(2)	-
Tax paid	(4,170)	(4,974)
Net cash generated from/ (used in) operating activities	3,430	16,413
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(1,218)	(7,744)
Proceeds from disposal of property, plant and equipment	-	31
Interest Income	2,135	1,877
Short-term deposits with maturity period more than 3 months	(48,000)	(29,000)
Net cash used in investing activities	(47,083)	(34,836)
Cash flows from Financing Activities		
Dividend paid	(2,911)	(2,911)
Net cash used in financing activities	(2,911)	(2,911)
Net change in cash and cash equivalents	(46,564)	(21,334)
Cash and cash equivalents at beginning of financial period	68,840	61,582
Effect of changes in exchange rate on cash and cash equivalents	23	(408)
Cash and cash equivalents at end of financial period	22,299	39,840

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

	31-12-2018 RM'000	31-12-2017 RM'000
Cash and bank balances	70,299	68,840
Less: Short-term deposits with maturity period more than 3 months	(48,000)	(29,000)
Cash and cash equivalents	22,299	39,840

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 Twelve-month financial period ended 31 December 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 21 February 2019.

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
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
- Amendment to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- 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.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group adopted MFRS 15 using the modified retrospective approach and has ensured that goods or services provided to customers are in an amount that reflects the consideration to which the entity expects to be entitled for the goods and services and recognition of revenue on the transfer of performance obligation to customer. There was no significant impact that would require adjustment to the opening retained profits.

MFRS 9: Financial Instruments

On the adoption of MFRS 9, the Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. During the current financial quarter ended 31 December 2018, there is no requirement for any reclassification for loans and receivables and there is no expectation of any impairment on trade receivables.

The changes in accounting policies have been applied retrospectively from 1 January 2018. In accordance with the transition requirements, comparatives are not restated. On initial recognition of equity investments that are not held for trading, the Group has irrevocably elected to present subsequent changes in fair value in Other Comprehensive Income. This election is made on an instrument-by-instrument basis and is irrevocable.

2.2 Standards issued but not yet effective

- 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
- 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
- Amendments to MFRS 101: Presentation of Financial Statements
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134: Interim Financial Reporting
- Amendment to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138: Intangible Assets
- Amendments to IC Interpretation 132: Intangible Assets – Web Site Costs
- Definition of a Business (Amendments to MFRS 3: Business Combinations)
- Definition of Material (Amendments to MFRS 101: Presentation of Financial Statements and MFRS 108: Accounting Policies, Changes in Accounting Estimates & Errors)

* 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 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 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	17,676	22,032	67,058	90,810
Installation income	49	-	287	-
Delivery income	140	-	566	-
Total operating revenue	17,865	22,032	67,911	90,810

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Sundry income	4	18	12	40
Sales of scrap materials	387	539	1,898	1,708
Bank interest earned	570	630	2,136	1,877
Gain/(Loss) on foreign exchange	112	221	328	303
Gain/(Loss) on disposal of fixed assets	-	12	-	-
Doubtful debts recovery	-	-	1	17
Total other income	1,073	1,420	4,375	3,945

11. Segmental Information

The Group operates within a single business segment.

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

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	7,817	14,679	34,854	51,852
- ASEAN	5,934	5,437	22,756	26,425
- South Asia	1,145	480	1,687	1,181
- East Asia	1,026	850	1,705	2,620
- Middle East	820	277	1,679	855
- Australasia	1,123	309	5,230	7,877
	<u>17,865</u>	<u>22,032</u>	<u>67,911</u>	<u>90,810</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Rental of land and buildings	86	85	342	313
Fabricating services	4	-	50	-
Transportation services	5	49	36	80
Galvanizing services	-	60	-	489
	<u>95</u>	<u>194</u>	<u>428</u>	<u>688</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

	RM'000
Property, plant and equipment:	
Approved and contracted for	3,000
Approved but not contracted for	21,000
	<u>24,000</u>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 December 2018 that have not been reflected in the financial statements for the financial period ended 31 December 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 December 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 (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter	RM'000	%	Current Year To- date	Preceding Year Corresponding Period	RM'000	%
	31/12/2018	31/12/2017			31/12/2018	31/12/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,865	22,032	(4,167)	(19)	67,911	90,810	(22,899)	(25)
Operating Profit	2,673	3,495	(822)	(24)	11,838	22,835	(10,997)	(48)
Profit Before Interest & Tax	2,673	3,495	(822)	(24)	11,838	22,835	(10,997)	(48)
Profit Before Tax	2,673	3,495	(822)	(24)	11,838	22,835	(10,997)	(48)
Profit After Tax	2,092	2,678	(586)	(22)	9,301	17,880	(8,579)	(48)
Profit Attributable to Ordinary Equity Holders of the Company	2,092	2,678	(586)	(22)	9,301	17,880	(8,579)	(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 31 December 2018 of RM11.84 million was RM11.00 million lower than the previous corresponding period of RM22.84 million. Net profit attributable to equity holders decreased by RM8.58 million from RM17.88 million to RM9.30 million for the financial period ended 31 December 2018. The decrease was mainly due to decrease in revenue by RM22.90 million for financial period ended 31 December 2018 as compared to previous corresponding period. The sales of poles and masts comprise RM49.40 million and RM13.61 million respectively for financial period ended 31 December 2018 as compared to RM59.50 million and RM26.12 million respectively for previous corresponding period. The sales tonnage has also decreased by 20%.

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

For the 4th quarter ended 31 December 2018, the Group registered a pre-tax profit of RM2.67 million, a decrease of RM0.82 million or 24% as compared to the previous year corresponding quarter of RM3.49 million. Earnings attributable to equity holders decreased by RM0.59 million or 22% over the same period. The decrease was mainly due to decrease in revenue by RM4.17 million for financial period ended 31 December 2018 as compared to previous corresponding period.

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

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	31/12/2018	30/9/2018	RM'000	%
Revenue	17,865	17,701	164	1
Operating Profit	2,673	2,645	28	1
Profit Before Interest and Tax	2,673	2,645	28	1
Profit Before Tax	2,673	2,645	28	1
Profit After Tax	2,092	2,054	38	2
Profit Attributable to Ordinary Equity Holders of the Company	2,092	2,054	38	2

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

The Group's pre-tax profit of RM2.67 million for the current quarter shows an increase of RM0.03 million as compared to the pre-tax profit of RM2.64 million for the preceding quarter ended 30 September 2018. The increase in profit was mainly due to increase in revenue by RM0.16 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.

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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	545	723	2,490	4,906
- Under/(Over) provision in prior years	-	(16)	19	(62)
- Deferred Tax	36	110	28	111
	<u>581</u>	<u>817</u>	<u>2,537</u>	<u>4,955</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 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 December 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

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 40th 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 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	2,092	2,678	9,301	17,880
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	5.03 Sen	6.44 Sen	22.37 Sen	43.00 Sen