

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month financial period ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		6 MONTHS ENDED	
	30-6-2019	30-6-2018	30-6-2019	30-6-2018
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	18,623	14,685	35,409	32,345
Cost of sales	(13,464)	(9,913)	(25,171)	(21,499)
Gross Profit	5,159	4,772	10,238	10,846
Other income	977	826	1,939	2,349
Administrative expenses	(2,382)	(2,285)	(4,655)	(4,601)
Selling and marketing expenses	(866)	(1,000)	(1,677)	(2,003)
Other expenses	-	(29)	-	(71)
Finance cost	-	-	-	-
Profit before tax	2,888	2,284	5,845	6,520
Income tax expense	(645)	(468)	(1,263)	(1,365)
Profit for the period	2,243	1,816	4,582	5,155
Profit for the period attributable to:				
Owners of the Company	2,243	1,816	4,582	5,155
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	5.39 Sen	4.37 Sen	11.02 Sen	12.40 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 2018 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 six-month financial period ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	30/6/2019	31/12/2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,110	37,007
Investments	375	375
Intangible assets	8	8
	<u>37,493</u>	<u>37,390</u>
Current Assets		
Inventories	28,871	28,695
Trade receivables	18,334	15,935
Other receivables	2,922	2,189
Tax recoverable	344	169
Cash & bank balances	71,781	70,299
	<u>122,252</u>	<u>117,287</u>
TOTAL ASSETS	<u>159,745</u>	<u>154,677</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,609	4,337
Retained earnings	106,718	102,136
	<u>152,907</u>	<u>148,053</u>
Non-Current Liabilities		
Retirement benefits obligations	12	12
Deferred tax liabilities	694	698
	<u>706</u>	<u>710</u>
Current Liabilities		
Trade payables	2,512	2,458
Other Payables	2,731	2,728
Contract liabilities	889	728
	<u>6,132</u>	<u>5,914</u>
Total liabilities	<u>6,838</u>	<u>6,624</u>
TOTAL EQUITY AND LIABILITIES	<u>159,745</u>	<u>154,677</u>
Net assets per share attributable to ordinary equity holder of the parent	3.68	3.56

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2019

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 2018	41,580	500	3,582	-	95,851	141,513
Currency translation differences representing net expenses recognised directly in equity	-	-	(600)	-	-	(600)
Net profit for the period	-	-	-	-	5,155	5,155
Dividend	-	-	-	-	-	-
As at 30 June 2018	<u>41,580</u>	<u>500</u>	<u>2,982</u>	<u>-</u>	<u>101,006</u>	<u>146,068</u>
As at 1 January 2019	41,580	500	3,593	244	102,136	148,053
Currency translation differences representing net expenses recognised directly in equity	-	-	272	-	-	272
Net profit for the period	-	-	-	-	4,582	4,582
Dividend	-	-	-	-	-	-
As at 30 June 2019	<u>41,580</u>	<u>500</u>	<u>3,865</u>	<u>244</u>	<u>106,718</u>	<u>152,907</u>

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month financial period ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	30-06-2019 RM'000	30-06-2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	5,845	6,520
Adjustments for:		
Depreciation of property, plant and equipment	683	659
Interest income	(1,081)	(1,066)
Loss on disposal of fixed assets	-	-
Reversal of impairment loss on trade receivables	-	-
Unrealised (gain)/loss on foreign exchange	11	(7)
Operating profit before working capital changes	<u>5,458</u>	<u>6,106</u>
Changes in working capital:		
Increase in inventories	(176)	(8,678)
Decrease/(Increase) in receivables	(3,132)	7,967
Increase/ (Decrease) in payables	207	(4,301)
Cash from operations	<u>2,357</u>	<u>1,094</u>
Retirement benefits paid	-	(2)
Tax paid	(1,442)	(2,455)
Net cash used in operating activities	<u>915</u>	<u>(1,363)</u>
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(753)	(948)
Proceeds from disposal of property, plant and equipment	-	-
Interest Income	1,081	1,066
Short-term deposits with maturity period more than 3 months	(30,000)	(25,000)
Net cash used in investing activities	<u>(29,672)</u>	<u>(24,882)</u>
Cash flows from Financing Activities		
Dividend paid	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(28,757)	(26,245)
Cash and cash equivalents at beginning of financial period	70,299	68,840
Effect of changes in exchange rate on cash and cash equivalents	239	(504)
Cash and cash equivalents at end of financial period	<u>41,781</u>	<u>42,091</u>

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

	30-06-2019 RM'000	30-06-2018 RM'000
Cash and bank balances	<u>71,781</u>	<u>67,091</u>
Less: Short-term deposits with maturity period more than 3 months	(30,000)	(25,000)
Cash and cash equivalents	<u>41,781</u>	<u>42,091</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 2018 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Six-month financial period ended 30 June 2019.

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 August 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
- Amendments to MFRS 140: Transfers of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- MFRS 16 : Leases
- Amendments to MFRS 119 “Employee Benefits”: Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to MFRS Standards 2015-2017 Cycle
- IC Interpretation 23: Uncertainty over Income Tax Treatments

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. 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.

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.

The Group receives consideration in advance from certain customers before the transfer of goods and services. The considerations received were classified as other payables previously. Upon the adoption of MFRS 15, the Group recognises such consideration received in advance as contract liabilities.

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. A debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest' on the principal amount outstanding and the instrument is held within the appropriate business model for that classification.

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

- 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
- 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 Independent Auditors have expressed an "except for" opinion on the Group's and the Company's investment in an unquoted equity investment in the Audited Financial Statements of the Company for the financial year ended 31 December 2018, pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The key audit matters disclosed in the Independent Auditors' Report are not related to the modified opinion issued by the Independent Auditors.

The Directors of the Company have mandated the Management to sell the unquoted investment. Barring unforeseen circumstances, the Board expects to address the matter concerned within the next financial year.

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 June 2019.

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		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	18,503	14,475	35,137	31,906
Installation income	27	75	45	172
Delivery income	93	135	227	267
Total operating revenue	18,623	14,685	35,409	32,345

10. Other Income

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Sundry income	-	3	20	8
Sales of scrap materials	446	260	833	1,054
Bank interest earned	531	532	1,081	1,066
Gain/(Loss) on foreign exchange	-	31	5	220
Doubtful debts recovery	-	-	-	1
	977	826	1,939	2,349

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 June 2019 were as follows:

	Current Quarter		Cumulative Quarter	
	3 Months ended		6 Months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	9,166	7,949	18,698	17,221
- ASEAN	6,400	5,149	11,530	11,211
- South Asia	722	123	916	203
- East Asia	202	101	339	201
- Middle East	832	82	1,676	739
- Australasia	1,301	1,281	2,250	2,770
	18,623	14,685	35,409	32,345

12. Related Party Disclosures

	Current Quarter		Cumulative Quarter	
	3 Months ended		6 Months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Rental of land and buildings	85	85	171	171
Fabricating services	32	5	62	11
Transportation services	3	1	5	24
Galvanizing services	-	-	-	-
	120	91	238	206

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

5,000

Approved but not contracted for

19,000

24,000

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 30 June 2019 that have not been reflected in the financial statements for the financial period ended 30 June 2019.

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 June 2019: 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 (2nd quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Correspon- ding Quarter			Current Year To- date	Preceding Year Correspon- ding Period		
	30/6/2019	30/6/2018	30/6/2019	30/6/2018				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,623	14,685	3,938	27	35,409	32,345	3,064	9
Operating Profit	2,888	2,284	604	26	5,845	6,520	(675)	(10)
Profit Before Interest & Tax	2,888	2,284	604	26	5,845	6,520	(675)	(10)
Profit Before Tax	2,888	2,284	604	26	5,845	6,520	(675)	(10)
Profit After Tax	2,243	1,816	427	24	4,582	5,155	(573)	(11)
Profit Attributable to Ordinary Equity Holders of the Company	2,243	1,816	427	24	4,582	5,155	(573)	(11)

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 June 2019 of RM5.85 million was RM0.67 million lower than the previous corresponding period of RM6.52 million. Net profit attributable to equity holders decreased by RM0.57 million from RM5.15 million to RM4.58 million for the financial period ended 30 June 2019. The sales of poles and masts comprise RM26.95 million and RM3.66 million respectively for financial period ended 30 June 2019 as compared to RM22.98 million and RM7.27 million respectively for previous corresponding period. The decrease in profit was mainly due to less delivery of higher margin products for financial period ended 30 June 2019.

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

For the 2nd quarter ended 30 June 2019, the Group registered a pre-tax profit of RM2.89 million, an increase of RM0.61 million or 26% as compared to the previous year corresponding quarter of RM2.28 million. Earnings attributable to equity holders increased by RM0.43 million or 24% over the same period. The increase was mainly due to increase in revenue by RM3.94 million for financial period ended 30 June 2019 as compared to previous corresponding period.

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

	Current Quarter 30/6/2019	Immediate Preceding Quarter 31/3/2019	Changes (Amount/%)	
	RM'000	RM'000	RM'000	%
Revenue	18,623	16,786	1,837	11
Operating Profit	2,888	2,957	(69)	(2)
Profit Before Interest and Tax	2,888	2,957	(69)	(2)
Profit Before Tax	2,888	2,957	(69)	(2)
Profit After Tax	2,243	2,339	(96)	(4)
Profit Attributable to Ordinary Equity Holders of the Company	2,243	2,339	(96)	(4)

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

The Group's pre-tax profit of RM2.89 million for the current quarter shows a decrease of RM0.07 million as compared to the pre-tax profit of RM2.96 million for the preceding quarter ended 31 March 2019. The decrease in profit was mainly due to less delivery of higher margin products in the current quarter.

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 6 Months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Group tax figures consist of :-				
- Current provision	636	465	1,267	1,385
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	9	3	(4)	(20)
	<u>645</u>	<u>468</u>	<u>1,263</u>	<u>1,365</u>

23. Sale of Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties for the financial period ended 30 June 2019.

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 June 2019.
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 6 Months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	2,243	1,816	4,582	5,155
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	5.39 Sen	4.37 Sen	11.02 Sen	12.40 Sen