

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the twelve-month financial period ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	18,677	17,865	75,916	67,911
Cost of sales	(13,607)	(13,425)	(54,394)	(47,665)
Gross Profit	5,070	4,440	21,522	20,246
Other income	711	1,073	3,849	4,375
Administrative expenses	(2,552)	(1,821)	(9,984)	(8,647)
Selling and marketing expenses	(889)	(991)	(3,645)	(4,002)
Other expenses	-	(28)	-	(134)
Finance cost	-	-	-	-
Profit before tax	2,340	2,673	11,742	11,838
Income tax expense	(518)	(581)	(2,567)	(2,537)
Profit for the period	1,822	2,092	9,175	9,301
Profit for the period attributable to:				
Owners of the Company	1,822	2,092	9,175	9,301
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	1,822	2,336	9,175	9,545
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	4.38 Sen	5.03 Sen	22.07 Sen	22.37 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 twelve-month financial period ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/12/2019	31/12/2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,065	37,007
Investments	-	375
Intangible assets	8	8
	42,073	37,390
Current Assets		
Inventories	35,489	28,695
Trade receivables	15,301	15,935
Other receivables	240	2,189
Tax recoverable	29	169
Cash & bank balances	68,332	70,299
	119,391	117,287
TOTAL ASSETS	161,464	154,677
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,153	4,337
Retained earnings	108,644	102,136
	154,377	148,053
Non-Current Liabilities		
Retirement benefits obligations	11	12
Deferred tax liabilities	733	698
	744	710
Current Liabilities		
Trade payables	3,031	2,458
Other Payables	2,496	2,728
Contract liabilities	816	728
	6,343	5,914
Total liabilities	7,087	6,624
TOTAL EQUITY AND LIABILITIES	161,464	154,677
Net assets per share attributable to ordinary equity holder of the parent	3.71	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 twelve-month financial period ended 31 December 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
Effect of adoption of new accounting standard	-	-	-	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
As at 1 January 2019	41,580	500	3,593	244	102,136	148,053
Transfer upon disposal of unquoted investment designated at FVOCI	-	-	-	(244)	244	-
Currency translation differences representing net expenses recognised directly in equity	-	-	60	-	-	60
Net profit for the period	-	-	-	-	9,175	9,175
Dividend	-	-	-	-	(2,911)	(2,911)
As at 31 December 2019	41,580	500	3,653	0	108,644	154,377

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.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	31-12-2019 RM'000	31-12-2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	11,742	11,838
Adjustments for:		
Depreciation of property, plant and equipment	1,389	1,391
Interest income	(2,087)	(2,135)
Gain on disposal of fixed assets	(42)	-
Gain on disposal of unquoted investment	(63)	-
Reversal of impairment loss on trade receivables	-	(1)
Unrealised (gain)/loss on foreign exchange	(20)	(6)
Operating profit before working capital changes	10,919	11,087
Changes in working capital:		
Increase in inventories	(6,794)	(4,094)
Decrease in receivables	2,583	4,391
Increase/ (Decrease) in payables	449	(3,782)
Cash from operations	7,157	7,602
Retirement benefits paid	(1)	(2)
Tax paid	(2,392)	(4,170)
Net cash generated from operating activities	4,764	3,430
Cash flows from Investing activities:		
Purchase of Property, plant and equipment	(6,440)	(1,218)
Proceeds from disposal of property, plant and equipment	43	-
Proceeds from disposal of unquoted investment	438	-
Interest Income	2,087	2,135
Short-term deposits with maturity period more than 3 months	(38,000)	(48,000)
Net cash used in investing activities	(41,872)	(47,083)
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	(40,019)	(46,564)
Cash and cash equivalents at beginning of financial period	70,299	68,840
Effect of changes in exchange rate on cash and cash equivalents	52	23
Cash and cash equivalents at end of financial period	30,332	22,299

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

	31-12-2019 RM'000	31-12-2018 RM'000
Cash and bank balances	68,332	70,299
Less: Short-term deposits with maturity period more than 3 months	(38,000)	(48,000)
Cash and cash equivalents	30,332	22,299

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 Twelve-month financial period ended 31 December 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 20 February 2020.

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 depicts 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)
- Interest Rate Benchmark Reform (Amendments to MFRS 9: Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)

* 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 unquoted investment has been disposed during the current quarter.

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 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 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Sales of galvanized steel products	18,455	17,676	75,260	67,058
Installation income	24	49	96	287
Delivery income	198	140	560	566
Total operating revenue	18,677	17,865	75,916	67,911

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Sundry income	14	4	39	12
Sales of scrap materials	219	387	1,648	1,898
Bank interest earned	491	570	2,087	2,136
Gain/(Loss) on foreign exchange	(76)	112	(30)	328
Gain on disposal of property, plant and equipment	-	-	42	-
Gain on disposal of unquoted investment	63	-	63	-
Doubtful debts recovery	-	-	-	1
	<u>711</u>	<u>1,073</u>	<u>3,849</u>	<u>4,375</u>

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 December 2019 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
- Malaysia	8,963	7,817	37,462	34,854
- ASEAN	6,271	5,934	24,535	22,756
- South Asia	551	1,145	2,461	1,687
- East Asia	101	1,026	506	1,705
- Africa	-	-	29	-
- Middle East	399	820	4,305	1,679
- Australasia	2,392	1,123	6,618	5,230
	<u>18,677</u>	<u>17,865</u>	<u>75,916</u>	<u>67,911</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Rental of land and buildings	86	86	342	342
Fabricating services	68	4	161	50
Transportation services	9	5	14	36
	<u>163</u>	<u>95</u>	<u>517</u>	<u>428</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	1,000
Approved but not contracted for	23,000
	<hr/> 24,000 <hr/>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 December 2019 that have not been reflected in the financial statements for the financial period ended 31 December 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 31 December 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 (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Correspon- ding Quarter	RM'000	%	Current Year To- date	Preceding Year Correspon- ding Period	RM'000	%
	31/12/2019	31/12/2018			31/12/2019	31/12/2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,677	17,865	812	5	75,916	67,911	8,005	12
Operating Profit	2,340	2,673	(333)	(12)	11,742	11,838	(96)	(1)
Profit Before Interest & Tax	2,340	2,673	(333)	(12)	11,742	11,838	(96)	(1)
Profit Before Tax	2,340	2,673	(333)	(12)	11,742	11,838	(96)	(1)
Profit After Tax	1,822	2,092	(270)	(13)	9,175	9,301	(126)	(1)
Profit Attributable to Ordinary Equity Holders of the Company	1,822	2,092	(270)	(13)	9,175	9,301	(126)	(1)

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 2019 of RM11.74 million was RM0.10 million lower than the previous corresponding period of RM11.84 million. Net profit attributable to equity holders decreased by RM0.12 million from RM9.30 million to RM9.18 million for the financial period ended 31 December 2019. The sales of poles and decorpoles comprise RM57.00 million and RM8.25 million respectively for financial period ended 31 December 2019 as compared to RM49.40 million and RM4.94 million respectively for previous corresponding period. The slight decrease in profit was mainly due to increase in administrative expenses by RM1.34 million for financial period ended 31 December 2019.

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

For the 4th quarter ended 31 December 2019, the Group registered a pre-tax profit of RM2.34 million, a decrease of RM0.33 million or 12% as compared to the previous year corresponding quarter of RM2.67 million. Earnings attributable to equity holders decreased by RM0.27 million or 13% over the same period. The decrease was mainly due to increase in administrative expenses by RM0.73 million for 4th quarter ended 31 December 2019 as compared to previous corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	31/12/2019	30/9/2019		
	RM'000	RM'000	RM'000	%
Revenue	18,677	21,830	(3,153)	(14)
Operating Profit	2,340	3,557	(1,217)	(34)
Profit Before Interest and Tax	2,340	3,557	(1,217)	(34)
Profit Before Tax	2,340	3,557	(1,217)	(34)
Profit After Tax	1,822	2,771	(949)	(34)
Profit Attributable to Ordinary Equity Holders of the Company	1,822	2,771	(949)	(34)

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

The Group's pre-tax profit of RM2.34 million for the current quarter shows a decrease of RM1.22 million as compared to the pre-tax profit of RM3.56 million for the preceding quarter ended 30 September 2019. The decrease in profit was mainly due to decrease in revenue by RM3.15 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 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Group tax figures consist of :-				
- Current provision	502	545	2,562	2,490
- Under/(Over) provision in prior years	-	-	(30)	19
- Deferred Tax	16	36	35	28
	<u>518</u>	<u>581</u>	<u>2,567</u>	<u>2,537</u>

23. 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 2019.
24. Corporate Proposals
 There were no outstanding corporate proposals at the date of issue of this quarterly report.
25. Borrowing
 There were no group borrowings and debt securities as at the end of the reporting period.
26. Off Balance Sheet Financial Instruments
 There were no off balance sheet financial instruments at the date of issue of this quarterly report.
27. Material Litigation
 There was no material litigation against the Group for the quarter under review.
28. Dividend Payable
 A final single tier dividend of 5 sen per ordinary share amounting to RM2,079,000 has been recommended for the quarter under review to be approved by the shareholders at the coming 41st Annual General Meeting.
29. 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 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	1,822	2,092	9,175	9,301
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	4.38 Sen	5.03 Sen	22.07 Sen	22.37 Sen