

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month financial period ended 31 March 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		3 MONTHS ENDED	
	31-3-2020	31-3-2019	31-3-2020	31-3-2019
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	14,715	16,786	14,715	16,786
Cost of sales	(10,343)	(11,707)	(10,343)	(11,707)
Gross Profit	4,372	5,079	4,372	5,079
Other income	974	962	974	962
Administrative expenses	(2,605)	(2,273)	(2,605)	(2,273)
Selling and marketing expenses	(725)	(811)	(725)	(811)
Finance cost	(4)	-	(4)	-
Profit before tax	2,012	2,957	2,012	2,957
Income tax expense	(397)	(618)	(397)	(618)
Profit for the period	1,615	2,339	1,615	2,339
Profit for the period attributable to:				
Owners of the Company	1,615	2,339	1,615	2,339
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	3.88 Sen	5.63 Sen	3.88 Sen	5.63 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 2019 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 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/3/2020	31/12/2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,597	42,065
Right-of-use asset	658	-
Intangible assets	8	8
	<u>43,263</u>	<u>42,073</u>
Current Assets		
Inventories	35,344	35,488
Trade receivables	15,234	15,806
Other receivables	945	396
Tax recoverable	237	-
Cash & bank balances	67,392	68,186
	<u>119,152</u>	<u>119,876</u>
TOTAL ASSETS	<u>162,415</u>	<u>161,949</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	3,953	4,153
Retained earnings	110,211	108,596
	<u>155,744</u>	<u>154,329</u>
Non-Current Liabilities		
Retirement benefits obligations	11	11
Lease liability	660	-
Deferred tax liabilities	763	724
	<u>1,434</u>	<u>735</u>
Current Liabilities		
Trade payables	2,387	2,583
Other Payables	2,158	2,947
Tax payable	-	28
Contract liabilities	692	1,327
	<u>5,237</u>	<u>6,885</u>
Total liabilities	<u>6,671</u>	<u>7,620</u>
TOTAL EQUITY AND LIABILITIES	<u>162,415</u>	<u>161,949</u>
Net assets per share attributable to ordinary equity holder of the parent	3.75	3.71

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020

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 2019	41,580	500	3,593	244	102,136	148,053
Currency translation differences representing net expenses recognised directly in equity	-	-	(205)	-	-	(205)
Net profit for the period	-	-	-	-	2,339	2,339
Dividend	-	-	-	-	-	-
As at 31 March 2019	41,580	500	3,388	244	104,475	150,187
As at 1 January 2020	41,580	500	3,653	-	108,596	154,329
Currency translation differences representing net expenses recognised directly in equity	-	-	(200)	-	-	(200)
Net profit for the period	-	-	-	-	1,615	1,615
Dividend	-	-	-	-	-	-
As at 31 March 2020	41,580	500	3,453	-	110,211	155,744

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 2019 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 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	31-03-2020 RM'000	31-03-2019 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,012	2,957
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	464	335
Finance cost	4	-
Interest income	(447)	(550)
Unrealised (gain)/loss on foreign exchange	(12)	(2)
Operating profit before working capital changes	<u>2,021</u>	<u>2,740</u>
Changes in working capital:		
Decrease/ (Increase) in inventories	143	(2,143)
(Increase)/ Decrease in receivables	(100)	976
Decrease in payables	(1,484)	(854)
Cash from operations	<u>580</u>	<u>719</u>
Tax paid	(623)	(529)
Net cash (used in)/ generated from operating activities	<u>(43)</u>	<u>190</u>
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(953)	(135)
Interest Income	447	550
Short-term deposits with maturity period more than 3 months	(41,000)	(41,000)
Net cash used in investing activities	<u>(41,506)</u>	<u>(40,585)</u>
Cash flows from Financing Activities		
Payment of lease liability	(62)	-
Dividend paid	-	-
Net cash used in financing activities	<u>(62)</u>	<u>-</u>
Net change in cash and cash equivalents	(41,611)	(40,395)
Cash and cash equivalents at beginning of financial period	68,186	70,299
Effect of changes in exchange rate on cash and cash equivalents	(183)	(205)
Cash and cash equivalents at end of financial period	<u>26,392</u>	<u>29,699</u>

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

	31-03-2020 RM'000	31-03-2019 RM'000
Cash and bank balances	<u>67,392</u>	<u>70,699</u>
Less: Short-term deposits with maturity period more than 3 months	(41,000)	(41,000)
Cash and cash equivalents	<u>26,392</u>	<u>29,699</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 2019 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 2020.

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 17 June 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 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
- Amendments to References to the Conceptual Framework in MFRS Standards
- 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)

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

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
- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101: Presentation of Financial Statements)

* 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 2020.
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		3 months ended	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	14,549	16,634	14,549	16,634
Installation income	72	18	72	18
Delivery income	94	134	94	134
Total operating revenue	14,715	16,786	14,715	16,786

10. **Other Income**

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Sundry income	21	20	21	20
Sales of scrap materials	437	387	437	387
Bank interest earned	447	550	447	550
Gain/(Loss) on foreign exchange	69	5	69	5
Doubtful debts recovery	-	-	-	-
	974	962	974	962

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 March 2020 were as follows:

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	6,490	9,532	6,490	9,532
- ASEAN	5,552	5,130	5,552	5,130
- South Asia	488	194	488	194
- East Asia	174	137	174	137
- Middle East	348	844	348	844
- Australasia	1,663	949	1,663	949
	<u>14,715</u>	<u>16,786</u>	<u>14,715</u>	<u>16,786</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	90	86	90	86
Fabricating services	28	30	28	30
Transportation services	3	2	3	2
	<u>121</u>	<u>118</u>	<u>121</u>	<u>118</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	-
Approved but not contracted for	23,000
	<u>23,000</u>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 March 2020 that have not been reflected in the financial statements for the financial period ended 31 March 2020.

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 2020; 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 Year Quarter	Preceding Year Corresponding Quarter			Current Year To- date	Preceding Year Corresponding Period		
	31/3/2020	31/3/2019	31/3/2020	31/3/2019				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	14,715	16,786	(2,071)	(12)	14,715	16,786	(2,071)	(12)
Operating Profit	2,012	2,957	(945)	(32)	2,012	2,957	(945)	(32)
Profit Before Interest & Tax	2,012	2,957	(945)	(32)	2,012	2,957	(945)	(32)
Profit Before Tax	2,012	2,957	(945)	(32)	2,012	2,957	(945)	(32)
Profit After Tax	1,615	2,339	(724)	(31)	1,615	2,339	(724)	(31)
Profit Attributable to Ordinary Equity Holders of the Company	1,615	2,339	(724)	(31)	1,615	2,339	(724)	(31)

- 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 2020 of RM2.01 million was RM0.95 million lower than the previous corresponding period of RM2.96 million. Net profit attributable to equity holders decreased by RM0.72 million from RM2.34 million to RM1.62 million for the financial period ended 31 March 2020. The sales of poles and decorporoles comprise RM10.38 million and RM0.52 million respectively for financial period ended 31 March 2020 as compared to RM11.89 million and RM2.69 million respectively for previous corresponding period. The decrease in profit was mainly due to decrease in revenue by RM2.07 million for financial period ended 31 March 2020, as a result of implementation of Movement Control Order (MCO) nationwide which was enforced from 18/3/2020 to 3/5/2020, Conditional MCO from 4/5/2020 to 9/6/2020 and Recovery MCO from 10/6/2020 to 31/8/2020.

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

For the 1st quarter ended 31 March 2020, the Group registered a pre-tax profit of RM2.01 million, a decrease of RM0.95 million or 32% as compared to the previous year corresponding quarter of RM2.96 million. Earnings attributable to equity holders decreased by RM0.72 million or 31% over the same period. The decrease was mainly due to decrease in revenue by RM2.07 million for 1st quarter ended 31 March 2020 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/%)	
	31/3/2020	31/12/2019	RM'000	%
Revenue	14,715	18,677	(3,962)	(21)
Operating Profit	2,012	2,340	(328)	(14)
Profit Before Interest and Tax	2,012	2,340	(328)	(14)
Profit Before Tax	2,012	2,340	(328)	(14)
Profit After Tax	1,615	1,822	(207)	(11)
Profit Attributable to Ordinary Equity Holders of the Company	1,615	1,822	(207)	(11)

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

The Group's pre-tax profit of RM2.01 million for the current quarter shows a decrease of RM0.33 million as compared to the pre-tax profit of RM2.34 million for the preceding quarter ended 31 December 2019. The decrease in profit was mainly due to decrease in revenue by RM3.96 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. Safety and health became immediate priorities to deal with Covid-19 pandemic, and the Group's operations only resumed progressively during Conditional MCO. Disruption of economic activities have affected supply chain networks and buying behaviour, with reduced consumer spending and liquidity tightening across the markets. 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 3 Months ended	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Group tax figures consist of :-				
- Current provision	367	631	367	631
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	30	(13)	30	(13)
	<u>397</u>	<u>618</u>	<u>397</u>	<u>618</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 March 2020.

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

No dividend has been proposed for the quarter under review.

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 3 Months ended	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	1,615	2,339	1,615	2,339
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	3.88 Sen	5.63 Sen	3.88 Sen	5.63 Sen

30. Profit Before Tax

Profit before tax is derived after taking into account of the following income/ (expenses) items:

	Individual current quarter from 1 Jan 2020 to 31 Mar 2020 RM'000	Cumulative current year from 1 Jan 2020 to 31 Mar 2020 RM'000
Interest income from fixed deposits	447	447
Realised gain on foreign exchange	57	57
Unrealised gain on foreign exchange	12	12
Auditors' remuneration:		
Statutory audit	(29)	(29)
Non-audit fees:		
- assurance related	(2)	(2)
- tax and other non-audit services	(14)	(14)
Depreciation of property, plant and equipment and right-of-use asset	(464)	(464)
Finance cost	(4)	(4)
Rental expenses to a related party	(28)	(28)