LYSAGHT GALVANIZED STEEL BERHAD

(CO.46426-P)

Annual Report

2017

TABLE OF CONTENTS

02 Notice of Annual General Meeting

03 Statement Accompanying Notice of Annual General Meeting

04 Corporate Information

05 Financial Highlights

06 Chairman's Statement

07 Management Discussion and Analysis of Business Operations and Financial Performance

09 Sustainability Statement

11 Directors' Profile

15 Key Management Profile

17 Corporate Governance Overview Statement

23 Additional Disclosure Requirements Pursuant to the Listing Requirements

24 Statement on Risk Management and Internal Control

27 Audit Committee Report

30 Statement on Directors' Responsibility

31 Directors' Report

35 Statement by Directors

35 Statutory Declaration

36 Independent Auditors' Report

40 Statements of Comprehensive Income

41 Statements of Financial Position

42 Statements of Changes in Equity

43 Statements of Cash Flows

44 Notes to the Financial Statements

88 List of Properties

89 Shareholding Distribution Schedule

90 Thirty Largest Shareholders

91 Substantial Shareholders

92 Directors' Shareholdings

Form of Proxy

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth Annual General Meeting ("39th AGM") of **LYSAGHT GALVANIZED STEEL BERHAD** ("the Company") will be held at Emerald Hall, Level 5, Hotel Excelsior, 43, Jalan Sultan Abdul Jalil, 30300 Ipoh, Perak Darul Ridzuan on Thursday, 7 June 2018 at 10:30 a.m. to transact the following business:-

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors' and Auditors' thereon.

2. To approve the payment of final single tier dividend of 7 sen per share for the financial year ended 31 December 2017. ***Resolution 1***

3. To approve the payment of Directors' Fees of RM480,000/- for the financial year ending 31 December 2018 to the Non-Executive Directors. ***Resolution 2***

4. To approve the payment of the meeting allowances of RM107,000/- for the financial year ending 31 December 2018 to the Non-Executive Directors. ***Resolution 3***

5. To re-elect the following Directors of the Company who retire pursuant to Article 81 of the Company's Constitution and who have offered themselves for re-election:-

   i. Ir Chua Tia Bon ***Resolution 4***

   ii. Mr Ee Beng Guan ***Resolution 5***

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at such remuneration to be determined by the Directors of the Company. ***Resolution 6***

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final single tier dividend of 7 sen per share for the financial year ended 31 December 2017, if approved by shareholders at the 39th AGM, will be paid on 16 July 2018 to the depositors whose names appear in the Record of Depositors of the Company at the close of business on 25 June 2018.

A depositor shall qualify for entitlement to the dividend in respect of:-

(a) Shares transferred to the Depositor's Securities Account before 4:00 p.m. on 25 June 2018 in respect of the transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

LIM CHIEN JOO (MAICSA 7063152)
Company Secretary

Kuala Lumpur
Date: 30 April 2018

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Notes:

1. *A member whose name appear in the Record of Depositors as at 31 May 2018 shall be regarded as a member entitled to attend, speak and vote at the 39th AGM. He/She shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies) to attend and vote at the Meeting.*

2. *A proxy may but need not be a member of the Company and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*

3. *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies) the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*

4. *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account'), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*

7. *The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Registered Office at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or adjournment thereof.*

8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of this 39th AGM will be put to vote by poll.*

Explanatory Notes:

1. ***Audited Financial Statements for the financial year ended 31 December 2017***

   This item of the Agenda is for discussion purposes only, as Section 340(1)(a) of the Companies Act 2016 ("Act") does not require the shareholders to formally approve the Audited Financial Statements. Hence, this item will not put forward for voting.

2. ***Resolution 1 – Final Dividend***

   With reference to Section 131 of the Act, a company may only make a distribution to the shareholders out of profits of the Company available if the Company is solvent. On 27 February 2018, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval.

   The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 16 July 2018 in accordance with the requirements under Section 132(2) and (3) of the Act.

3. ***Resolution 3 – Payment of meeting allowances to the Non-Executive Directors***

   The total estimated amount of meeting allowances payable is calculated based on the number of scheduled Board's and Board Committees' meetings for the current financial year ending 31 December 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)

   No individual is seeking election as a Director at the forthcoming 39th Annual General Meeting of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ir. Wan Razali Bin Wan Muda	*Independent Non-Executive Chairman*
Ir. Chua Tia Bon	*Executive Director/Chief Executive Officer*
Chew Meu Jong	*Non-Independent Non-Executive Director*
Ir. Aik Siaw Kong, KMN	*Independent Non-Executive Director*
Cheam Low Soo	*Independent Non-Executive Director*
Ee Beng Guan	*Senior Independent Non-Executive Director*
Chong Sai Sin	*Independent Non-Executive Director*

AUDIT COMMITTEE

Chong Sai Sin *(Chairman)*
Cheam Low Soo
Ee Beng Guan
(Appointed on 1 March 2018)

NOMINATION COMMITTEE

Cheam Low Soo *(Chairman)*
Dato' Ir. Wan Razali Bin Wan Muda
Ee Beng Guan

REMUNERATION COMMITTEE

Chew Meu Jong *(Chairman)*
Dato' Ir. Wan Razali Bin Wan Muda
Ir. Aik Siaw Kong, KMN

RISK MANAGEMENT COMMITTEE

Ir. Aik Siaw Kong, KMN *(Chairman)*
(Re-designated on 1 March 2018)
Dato' Ir. Wan Razali Bin Wan Muda
(Appointed on 1 March 2018)
Chew Meu Jong

COMPANY SECRETARY

Lim Chien Joo *(MAICSA 7063152)*

REGISTERED OFFICE

Suite 13.03, 13th Floor, Menara Tan & Tan
207 Jalan Tun Razak, 50400 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel No : 03-2164 0206/03-2164 0118
Fax No : 03-2164 0207

PRINCIPAL PLACE OF BUSINESS

No. 11, Jalan Majistret U1/26, Seksyen U1
Hicom-Glenmarie Industrial Park
40150 Shah Alam, Selangor Darul Ehsan
Tel No : 03-7880 4728
Fax No : 03-7880 4766
Email : lysaghtg@lysaghtmarketing.com.my
Website : http://lysaghtgalvanizedsteelbhd.com

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
(Company No. 36869-T)
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel No : 603-2084 9000
Fax No : 603-2094 9940

EXTERNAL AUDITORS

Ernst & Young (AF0039)
21 & 23, Jalan Hussein
30250 Ipoh, Perak Darul Ridzuan
Tel No : 05-255 6393
Fax No : 05-254 1572

PRINCIPAL BANKERS

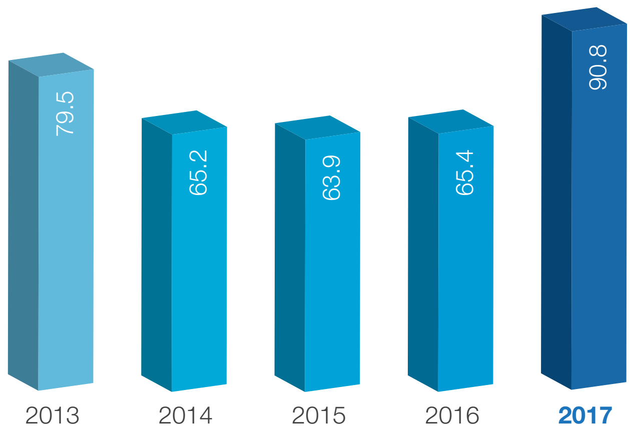
Standard Chartered Bank Malaysia Bhd.

STOCK EXCHANGE LISTING

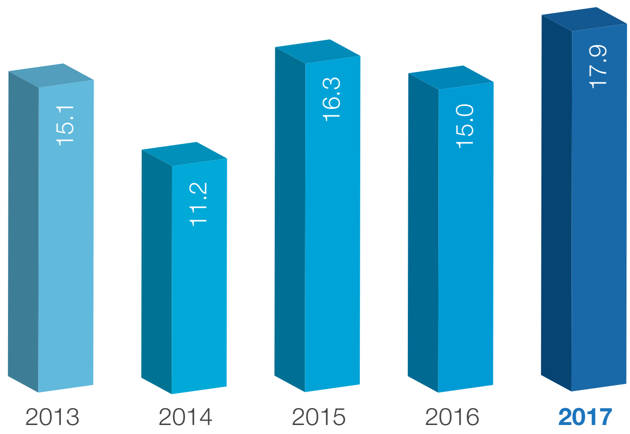
Main Market of Bursa Malaysia Securities Berhad
Stock Name : LYSAGHT
Stock Code : 9199

FINANCIAL HIGHLIGHTS

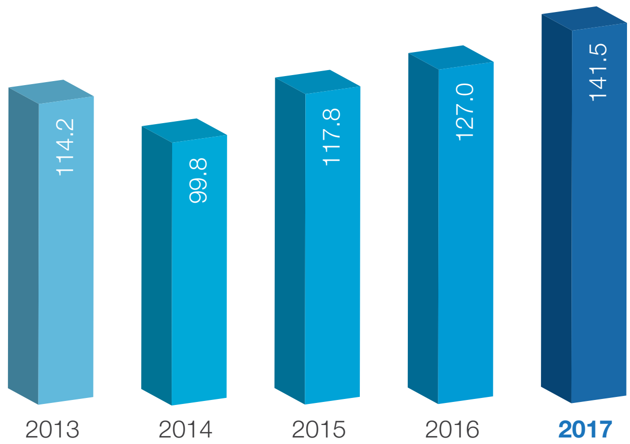
REVENUE
(RM'Mil)



PROFIT AFTER TAX
(RM'Mil)



SHAREHOLDERS' FUND
(RM'Mil)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Financial Statements of our Group for the financial year ended 31 December 2017 ("FY2017").

OPERATING ENVIRONMENT

2017 had been a surprisingly positive year for the Malaysian economy as its gross domestic product grew 5.9% year-on-year ("YoY") compared with the 4.2% increase in 2016. This growth was boosted by strong manufacturing exports and a recovery in commodities and oil prices. From the supply side, all economic sectors (except for mining) continued to expand.

In line with the above resilience of the Malaysian economy, our Group managed to achieve double-digit growth of 38.8% YoY in revenue to RM90.8 million in FY2017 as compared to that of RM65.4 million in the previous financial year. This strong growth in revenue also caused the FY2017's post-tax profit of the Group to increase by 19.3% YoY to RM17.9 million from that of RM15.0 million achieved in the preceding year. The detailed analysis of the Group's financial performance is set out in "Management Discussion and Analysis of Business Operations and Financial Performance" on pages 7 to 8 of this Annual Report.

DIVIDEND

Our prudent approach to capital management in general will ensure that we can balance dividend payments to shareholders, and funding for new capital investments required by our Group as well as new investment opportunities, without having to resort to bank borrowings. In this respect, our Group is presently undertaking a comprehensive review of our manufacturing equipment and machineries some of which were installed in the 1980s with a view to replacing the same with modern state of the art equipment to further enhance productivity.

The Board has, after taking into consideration of the above factors, proposed a final single tier dividend of 7 sen per ordinary share, a pay-out of RM2.9 million based on the issued share capital as of 31 December 2017, for shareholders' approval at the forthcoming 39th Annual General Meeting.

ACKNOWLEDGEMENT

In closing, I and my fellow Directors would like to thank our business partners, advisors, and the relevant government and regulatory agencies for their invaluable support and/or advice throughout FY2017.

On behalf of the Board, I would also like to express my sincere appreciation to all employees of the Group for their loyal and dedicated services and hard work in making FY2017 a profitable year.

Last but not least, I wish to place on record my appreciation for the commitment, understanding and wise counsel which I have received from my fellow Directors to-date.

Dato' Ir Wan Razali Bin Wan Muda
Chairman of the Board

18 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF BUSINESS OPERATIONS

Background

The Group is today a leading manufacturer of galvanized steel poles and masts in Malaysia with a team of in-house design engineers to ensure that our products are suitably designed for a wide variety of applications. Our products are compliant with stringent international codes and standards. Our engineers were trained in various universities and disciplines worldwide thus contributing to strengthening the aesthetic, quality and consistent standard of our products.

We offer sales support to and work with our customers to ensure efficient, cost-effective solutions utilising our products. Our technical support will readily advise on structural design, alternative design requirements to adapt to varying environmental challenges.

We are the leading manufacturer of steel poles and masts in terms of both volume and quality. Our workmanship is of the highest standard.

Market and products

The Group's products are mainly supplied to infrastructure, construction and telecommunication projects domestically and internationally.

Over time, requirements for our product have evolved from standardised generic structures to include customised designs as customers now demand cost efficient solutions. Our production process is accredited by ISO9001:2008 – Quality Management System.

Our Street Light Column and High Mast Steel Lighting Column are accepted worldwide as they have been certified by SIRIM QAS International Sdn Bhd and compliant with international standards such as:

- BS EN 40-5:2002 (a British and European standard for steel street lighting column)
- AASHTO 2001 (standards for highway design and construction set by American Association of State Highway and Transportation Officials)

Our poles and masts, one of our core product range are mainly used as lighting columns for streets, highways, transport terminals, traffic interchanges, airports, ports, sports complexes and stadiums, golf courses etc. Another product of ours is tubular steel structures, which are mostly used to support overhead power transmission lines and power substation structures and for mounting high voltage equipment. These products are marketed under the Group's proprietary registered trade names LYCORPOLE® and Safe-T-Pole®.

Operations

The sales and marketing of the Group's products are carried out by our wholly-owned subsidiary corporations, Lysaght Marketing Sdn Bhd and Lysaght Marketing (S) Pte Ltd, located at Shah Alam and Singapore respectively.

As part of our plant expansion, the Group had during FY2017 acquired a piece of leasehold land measuring 8,152.5 m^2 together with a factory and office erected thereon and located adjacent to our existing galvanizing plant in Ipoh, Perak. This piece of land will be utilised by the Group to enhance production flow by reducing the handling cost as well as increasing our production capacity.

YEAR-ON-YEAR FINANCIAL REVIEW

Revenue

Revenue by country	FY2017 RM'million	FY2016 RM'million
Malaysia	51.9	31.0
Singapore	25.8	30.2
New Zealand	7.9	2.7
Taiwan	2.1	0.4
Others	3.1	1.1
Total	90.8	65.4

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE
cont'd

For FY2017, the revenue for the Group of RM90.8 million was 38.8% or RM25.4 million higher than that of the preceding financial year ended 31 December 2016 **("FY2016")**. This increase in revenue was contributed by all markets (except for Singapore) and was due to increased sales volume and higher average selling prices.

The decline in Singapore's sales was due to the reduced government spending in Singapore during FY2017.

The year-on-year **("YoY")** increase in Group revenue was mainly contributed by the Malaysian market. The major portion of the increased sales locally was attributable to the supply of street light columns and decorative poles to infrastructure projects and housing development sectors respectively. Another significant contributor to the improved domestic revenue was the supply of antenna masts to telecommunication service providers.

As a significant portion of the Group's revenue for FY2017 was export sales which were denominated in either United State Dollars **("USD")** or Singapore Dollars **("SGD")**, the YoY appreciation of RM against USD and SGD during FY2017 had some dampening effect on the Group's revenue which was reported in RM.

Profit before tax

The increased revenue in FY2017 caused the Group's profit before tax **("PBT")** to increase to RM22.8 million from that of RM19.0 million achieved in FY2016.

This YoY increase in PBT of 20.0% was lower than the abovementioned YoY increase in revenue primarily because of margins compression and lower foreign exchange gains.

The margin compression was mainly due to price increases YoY in our major input materials, steel coils and zinc in FY2017.

The reduced foreign exchange gains was attributed to RM appreciating during FY2017 against USD and SGD as mentioned earlier.

Profit net of tax attributable to the equity holders of the Company ("Net profit")

In line with the YoY increase in PBT, the Group's net profit increased to RM17.9 million in FY2017 from that of RM15.0 million for FY2016. With the effective tax rate more or less the same for both FY2017 and FY2016, the basic earnings per share for FY2017 of 43.0 sen was 19.4% higher than that of 36.0 sen achieved in FY2016.

Liquidity, capital resources and gearing

The Group's cash and cash equivalents have decreased from RM61.6 million as of 31 December 2016 to RM39.8 million as of 31 December 2017. This decrease was mainly due to net cash flows used in investing activities of RM34.8 million for FY2017. The summary of the Group's cash inflows and outflows during FY2017 is set out below:

(i) Net cash generated from operating activities for FY2017 was RM16.4 million compared with that of RM4.2 million in FY2016. This inflow improvement was mainly due to higher operating profit of RM22.8 million (FY2016: RM19.0 million), improved trade receivables turnover and faster inventories turnover.

(ii) Cash flows for investing activities in FY2017 was net cash utilised of RM34.8 million as compared to net cash inflow of RM863,000 in FY2016. This increase in cash utilisation was caused by the acquisition of property, plant and equipment ("PPE") of RM7.7 million during FY2017. These PPE relates to the acquisition of land and factory described earlier and expenditure for the upgrading of the factory and plant and machinery. The Group also placed RM29.0 million short term deposits with maturity period of more than 3 months in FY2017.

(iii) The cash outflow from financing activities for both FY2017 and FY2016 was the payment of dividends of RM2.9 million (7 sen per share) and RM6.2 million (15 sen per share) respectively.

The Group has no borrowings as of 31 December 2017.

LOOKING AHEAD

Moving forward, the outlook of the Malaysian economy is expected to remain positive in 2018 with domestic demand expected to continue as the primary driver of growth. The expected faster expansion in global growth would continue to benefit Malaysian exports and this should have positive spill-overs to domestic economic activities.

As for Singapore, our biggest export market, their economy should continue to grow in 2018 but at a more moderate pace than the 3.6% achieved in 2017. The growth and recovery in the domestic service sectors will continue to drive the overall economy. In the meantime, the Singapore government had also taken measures to support business and increase its own infrastructure spending.

Despite the above positives, the anticipated monetary tightening in the developed economies and geopolitical factors together with the rise of protectionism will pose downside risks to global growth and this will impact the Malaysian and Singaporean economies.

Nonetheless, the Group is resilient and had remained profitable in the past in spite of difficult market and economic conditions. This resilience together with disciplined and prudent management should sustain the Group going forward.

SUSTAINABILITY STATEMENT

OUR APPROACH

Sustainability has always been the Group's culture in striving to achieve growth and profitability and our mission as a responsible corporate citizen is to ensure high standards of governance across our business to promote responsible business practices, manage environmental impacts, and meet the social needs of the community in which we operate.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

SUSTAINABILITY GOVERNANCE

The responsibility for sustainability in the Group lies with the Board of Directors **("Board")**. Among others, this responsibility includes overseeing the following:

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

In the longer term, the Group will consider the setting-up of a governance structure that will enable the incorporation of the responsibilities for sustainability into the day-to-day operations of the Group.

MATERIAL SUSTAINABILITY MATTERS

Economic

Our shareholders are the owners of the Company and has a right to receive information on the Group's financial results. Apart from the Annual General Meeting shareholders are encouraged to engage the Board and Executive Management on the financial and business performance of the Group. The Group's corporate website at www.lysaghtgalvanizedsteelbhd.com also provide a link on investor relations including access to quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis.

The Group is committed to ensure that not only our shareholders' interests are taken care of but also those of our customers and suppliers. For our customers, we supply quality products and services which meet their requirement and expectations through continual improvements in technology, processes and services. Our production process is accredited by ISO9001:2008 "Quality Management System", thereby ensuring consistent quality products.

Additionally, our core products, namely Street Light Column and High Mast Lighting Column have been certified by SIRIM QAS International Sdn Bhd and compliant with internationally accepted standards such as BS EN 40-5:2002 (a British and European standard for steel street lighting column) and AASHTO 2001 (standards for highway design and construction set by American Association of State Highway and Transportation Officials). These certifications provide worldwide recognition and acceptance of our products.

To our suppliers, we practise transparent and fair procurement policies so that they as our business partners know that they can depend on us.

SUSTAINABILITY STATEMENT
cont'd

Environment

The Group is consciously aware in complying with applicable environmental laws, guidelines and regulations in relation to emission standards, noise level management and treatment of plant effluents and waste water as regulated by the local and federal authorities.

Our standard operating procedures for environmental management includes:

- Preserving, conserving, minimising wastage of resources and ensuring that the work environment is free from pollution hazards
- Complying with the all acts, rules, regulations and orders of the Department of Environment **("DOE")**, Ministry of Natural Resources and Environment Malaysia
- Communicating clearly to all employees, customers and suppliers to instil in them the environmental awareness culture and values of our Group

Our galvanization process involved applying a protective zinc coating to steel. As in the case of all metallurgical processes, galvanization also generates effluents which are toxic. In compliance with environmental health, the Group operates a DOE approved effluent treatment plant to "clean-up" and "purify" the said effluents before discharging them thus ensuring minimal environmental impact.

However, it must be noted that our galvanized products also contribute to sustainable development as they offer long-lasting, maintenance-free corrosion protection at a reasonable cost.

Social

The Group believes that the safety and well-being of its employees is crucial for its success. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations. In this respect, the Group places importance on compliance with all relevant health and safety laws and regulations such as Occupational Safety and Health Act, 1994.

Apart from promoting good occupational health and safety environments, motivating employees to understand this need is an essential part of the Group's responsibility to our employees. Training programs for skill development and improvement are conducted for our employees so that they can execute their roles and responsibilities efficiently as well as for their personal career development.

We continually focus on human capital development to nurture our employees to their full potential as they are our greatest asset. Every employee is given equal opportunity to rise up in their careers through hard work and dedication.

We also place great importance on hiring the right candidate for the right job. As part of our succession planning, we focus continuously on attracting quality talents who best fit our job requirements and complement our work culture.

Helping the less fortunate members of our community is our way of giving back to society. We participate and donate to various local charitable organisations.

OUR COMMITMENT

As a responsible corporate citizen, the Group shall endeavour to undertake sustainable and responsible practices to add value to sustainable business growth, environmental stewardship and social responsibility.

DIRECTORS' PROFILE

DATO' IR. WAN RAZALI BIN WAN MUDA
Chairman/Independent Non-Executive Director
64 years of age, Malaysian, Male

Dato' Ir. Wan Razali Bin Wan Muda, was appointed to the Board as an Independent Non-Executive Director of the Company on 20 August 2014 and was redesignated as Chairman of the Company on 8 July 2015. He is currently a member of our Remuneration and Nomination Committee and was appointed as a member of our Risk Management Committee on 1 March 2018.

Dato' Ir. Wan Razali holds a degree in Mechanical Engineering from the University of Technology Malaysia. He is a registered Professional Engineer with the Board of Engineers, Malaysia and Fellow Member with Institution of Engineers, Malaysia and Council Member of Road Engineering of Asia & Australasia.

He started his career in 1977 as an officer with the Royal Malaysian Air Force and was with Senior Management Team in a few Semi-Government Bodies. He then joined the AlloyMtd Group in 1994 and was entrusted to manage the Company fleet operation in heavy machineries and highway consultancy. He later led the group Tollways Division which took charge of tolled highway concession of Kuala Lumpur – Karak Highway, Lebuhraya Pantai Timur Phase 1 and East West Link of KL-Seremban Expressway for 6 consecutive years. During his involvement with highway concessionaires, he was appointed as the honorary secretary for Persatuan Syarikat-syarikat Konsesi Lebuhraya Malaysia. He retired in April 2014, after 20 years serving the group in various capacities and positions. He has vast experience in aircraft engineering, highway engineering, building maintenance and gold mining. He sits as Director in a few engineering companies.

Dato' Ir. Wan Razali has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

IR. CHUA TIA BON
Executive Director/Chief Executive Officer
67 years of age, Malaysian, Male

Ir. Chua Tia Bon, was elected to the Board as Non-Independent Non-Executive Director on 30 June 2015 and was redesignated as Executive Director of the Company on 9 July 2015. He was then appointed as an Acting Chief Executive Officer on 1 June 2016. On 1 January 2017, he was redesignated as the Chief Executive Officer.

Ir. Chua obtained a Bachelor of Science (Honours) Degree in Mechanical Engineering from University of Strathclyde, Glasgow, United Kingdom. He is a Member of Institute of Engineers, Malaysia. He is also a Professional Engineer in Mechanical Engineering, Board of Engineers, Malaysia.

In 1972, being one of the first batch of employees of the Group, he joined Lysaght Corrugated Pipe Sdn. Bhd. ("LCPSB") as Production Supervisor. He was promoted to Production Engineer in LCPSB in 1978. In 1979, he was appointed as Product Development Engineer and in 1981, as Deputy Works Manager. In 1987, he was promoted to the position of General Manager for the Lysaght Group. He has extensive experience in the expansion of manufacturing operations, development of the company's products, research and development in improvement of manufacturing equipment and processes and general functions to ensure smooth operations of the business. His responsibility further includes overseeing and managing sales and marketing of Northern states of Peninsular Malaysia and some overseas customers. In 1994, when LGSB was listed on Bursa Malaysia, he continued his functions and responsibilities as before, a position he held until recently, when he was redesignated to Director Operations from July 2014.

Ir. Chua has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
cont'd

CHEW MEU JONG
Non-Independent Non-Executive Director
62 years of age, Australian, Female

Madam Chew Meu Jong, was elected to the Board as Non-Independent Non-Executive Director at the Extraordinary General Meeting held on 30 September 2014 following the demise of her late father, who was a founder member of the Lysaght Group of Companies. She is currently the Chairman of our Remuneration Committee and a member of our Risk Management Committee.

Madam Chew was previously a Fellow of the Chartered Association of Certified Accountants, United Kingdom. Since July 1987, Chew Meu Jong managed the operations of the Lysaght (Malaysia) Sdn Bhd's Group (LMSB Group) in Australia engaged in investment holding of real estate. From 2009, she has been involved in assisting the late Mr Chew Kar Heing in the businesses of LMSB Group. She sits on the Board of Directors of CKH And LIK Family Sdn Bhd, Chew Bros (M) Sdn. Bhd, Lysaght (Malaysia) Sdn Bhd and some of the subsidiary companies of the holding company.

She is the sister of Ms Chew Mee Lee who is a substantial shareholder of the Company and Mr Liew Swee Mio @ Liew Hoi Foo, spouse of Ms Chew Mee Lee and is her brother-in-law, who is a substantial shareholder of the Company.

Madam Chew has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

IR. AIK SIAW KONG, KMN
Independent Non-Executive Director
67 years of age, Malaysian, Male

Ir. Aik Siaw Kong, was appointed to the Board as an Independent Non-Executive Director on 20 August 2014. He is currently a member of our Remuneration Committee and was redesignated as the Chairman of our Risk Management Committee on 1 March 2018.

Ir. Aik graduated from University of Malaya with Bachelor of Civil Engineering (Hons) in 1975. In 2001, he obtained his MSc (Highway & Transportation) from UPM. He began his work career with the Public Works Department and had served as a Project Engineer on the construction of Kuantan-Segamat Highway (2 years), highway planning engineer with the Ministry of Works (3 years) and Highway Design Engineer with the Road Design Section JKR HQ (6 years).

He has also served as an Assistant Director of Operations with the Malaysian Highway Authority for coordinating the planning, design and construction of the North-South Toll Expressway section in Kedah, Penang and Perak (5 years). From 1990 to 1994, he was the Senior Assistant Director of Roads Maintenance Section, overseeing the planning, budgeting and implementation of all maintenance programme of Federal Roads in Malaysia. In 1995, he joined the private sector and was involved in engineering consultancy services, specialising in road design and road safety auditing. He is an accredited Road Safety Auditor with JKR since 2005.

Ir. Aik has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
cont'd

CHEAM LOW SOO
Independent Non-Executive Director
66 years of age, Malaysian, Male

Mr. Cheam Low Soo, was elected to the Board as Independent Non-Executive Director of the Company on 25 June 2014. He was appointed as a member of Audit Committee on 21 August 2014 and the Chairman of Nomination Committee on 8 July 2015.

Mr. Cheam was an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom.

He served with the Inland Revenue Department of Malaysia from 1977 to 1982. In 1982, Mr. Cheam joined Lysaght Corrugated Pipe Sdn Bhd as the Company Secretary and was responsible for the financial and company secretarial functions of the Lysaght (Malaysia) Group of Companies. He had more than 12 years of experience with the Group and he was appointed to the Board of Lysaght Galvanized Steel Berhad on 30 August 1993. He left the Group in 1995 and now sits on the Board of a private limited company with interests in property investment.

Mr. Cheam has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

EE BENG GUAN
Senior Independent Non-Executive Director
62 years of age, Malaysian, Male

Mr. Ee Beng Guan, was elected to the Board as an Independent Non-Executive Director on 30 June 2015. On 30 March 2017, he was appointed as the Senior Independent Non-Executive Director. He is presently a member of our Nomination Committee and was appointed as a member of our Audit Committee on 1 March 2018.

Mr. Ee is a lawyer by training and obtained his bachelor degree in law (LLB Hons) from the University of Hull, England in 1978, Utter Degree of Barrister-at-Law from the Middle Temple Inn, London in 1979 and Masters in Law (LLM) from University College London in 1980. Mr Ee was admitted as advocate and solicitor in the High Court of Malaya in 1981.

He worked as an advocate and solicitor for approximately 4 years before joining a conglomerate in 1985 as its Head of Legal until his retirement in March, 2015. During his time with the conglomerate, he spent 7 years as corporate nominee and executive director of a stock broking company. As Head of Legal, he was in charge of legal, compliance, secretarial and share registration. He is presently in practice as an Advocate & Solicitor.

He also sits on the Board of Hyline Berhad.

Mr. Ee has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
cont'd

CHONG SAI SIN
Independent Non-Executive Director
51 years of age, Malaysian, Male

Mr. Chong Sai Sin was appointed to the Board on 17 June 2016. He is an Independent Non-Executive Director and the Chairman of the Audit Committee of the Company.

Professionally, he is a Chartered Accountant, an Approved Company Auditor under the Companies Act, 2016 and Labuan Companies Act, 1990 and an Approved Tax Agent under the Income Tax Act, 1967 and the Goods and Services Tax Act, 2014.

He is a Partner in Messrs. CL Associates PLT, Messrs. H. S. Lee & Partners and Lum & Co., approved audit firms of Chartered Accountants.

He is also a member of the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA), Institute of Internal Auditors Malaysia (IIAM), and Chartered Tax Institute of Malaysia (CTIM).

He signed up as an article student in MICPA and started audit experience in Messrs. Kassim Chan & Co. (now known as Deloitte) since 1987. He joined Messrs. BDO Binder (now known as BDO) in 1993 after he completed the MICPA articleship. He accumulated more than 8 years' experience in 2 established audit firms before joining commercial organisations as an Accountant, Corporate Finance Manager and Financial Controller from 1995 to 2002. Thereafter, he started his public practice as an audit principal and became an audit partner in 2005 in a mid-sized audit firm. He left that firm to establish his own audit firm named CL Associates PLT in 2016, with 2 other audit partners.

He also serves as a co-opted member of the Public Practice Committee of the MICPA since February 2016.

He has more than 25 years' experience in commercial organisations and public practice and gained good exposure in corporate finance and restructuring, due diligence review, listing exercise, auditing, taxation and accounting.

Presently, he is on the Board of Bonia Corporation Bhd as an Independent Non-Executive Director and a member of its Audit & Risk Management Committee and Nomination & Remuneration Committee.

Mr. Chong has attended all five (5) Board Meetings held during the financial year ended 31 December 2017.

Notes to Board of Directors' profile:-

1. ***Family Relationship***
   Save as disclosed of family relationship by Madam Chew Meu Jong, none of the Directors have any family relationship with any Director and/or any major shareholder of the Company.

2. ***Conflict of Interest***
   None of the Directors has any personal interest or conflict of interest in any business arrangement involving the Group.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offence within the past five (5) years, other than traffic offences (if any) and no public sanctions or penalties were imposed on them by the relevant regularity bodies during the financial year ended 31 December 2017.

4. ***Shareholdings***
   The details of the Directors' interest in the securities of the Company are set out on page 32 of the Annual Report.

KEY MANAGEMENT PROFILE

FOO KOK SENG
Senior General Manager
63 years of age, Malaysian, Male

Mr Foo Kok Seng joined Lysaght Galvanized Steel Bhd in 1983 as Development Engineer and was promoted to Deputy Works Manager of the Company in 1987.

Mr Foo obtained a Bachelor of Science (Honours) Degree in Mechanical Engineering from University of East London, United Kingdom. He is a Member of Institute of Engineers, Malaysia, and a Professional Engineer in Mechanical Engineering, Board of Engineers, Malaysia. He is also an Associate Member of Institution of Mechanical Engineer, United Kingdom.

Mr Foo retired from the Company in 2009 with more than 25 years of experience in the manufacturing, product development, equipment design and technical supports for international market.

In 2016, Mr Foo rejoined the Company as Senior General Manager to oversee the sales and marketing of international customers.

LIEW SUI KUM
Senior Technical Manager
64 years of age, Malaysian, Male

Mr Liew Sui Kum holds the position of Senior Technical Manager. He joined the company in 1985 and is principally responsible for developing in-house computer softwares distinctly configured to comply with the intricate requirements of Pole and Mast designs that conform to internationally recognized design codes and standards. His complementary duties include providing supporting technical proposals to the LGS Sales Team during bidding stage and upon receipt of customer orders he will provide manufacturing drawings to the Production Department ensuring conscientious compliance to specification requirements.

Mr Liew holds a Bachelor of Mechanical Engineering (First Class Honours) and Master of Science (Industrial Engineering) both from the University of Singapore. He is a Registered Professional Engineer with Lembaga Jurutera Malaysia and Professional Engineers Board Singapore. He is also a member of The Institution of Engineers Malaysia (IEM), American Society of Mechanical Engineers (ASME) and The Institution of Lighting Professionals (ILP-UK).

Mr Liew Sui Kum is the elder brother of Mr Liew Swee Mio @ Liew Hoi Foo who is a substantial shareholder and brother-in-law of Madam Chew Meu Jong who is a director of the Company.

JOHNNY CH'NG
Area Sales Manager/Director
55 years of age, Malaysian, Male

Mr Johnny Ch'ng joined Lysaght Corrugated Pipe (S) Pte Ltd in 1989 as Sales Executive and in 1993, he was promoted to Area Manager. In 2002, he served as Area Sales Manager in Lysaght Marketing (S) Pte Ltd. He obtained a Diploma in Building from Singapore Institute of Building.

In 2014, he was appointed as Director of Lysaght Marketing (S) Pte Ltd and his responsibilities include overseeing and managing sales and marketing in Singapore, some overseas and Johor customers.

ONG SIEW SUNG (MS)
Acting Chief Financial Officer
43 years of age, Malaysian, Female

Ms Ong Siew Sung joined Lysaght Galvanized Steel Bhd in 2008 as Finance & Administration Manager and was promoted to Senior Finance & Administration Manager in 2017. She obtained Diploma in Commerce from Tunku Abdul Rahman College in 1998 and also obtained professional Association of Chartered Certified Accountants (ACCA) qualification in 2004. She is also a Fellow member of ACCA and a member of the Malaysian Institute of Accountants.

She started her career as audit assistant in Deloitte KassimChan in 1998 and left Deloitte in 2008 as audit manager prior to joining the Company.

She was promoted to Acting Chief Financial Officer with effect from 1 January 2018 and is currently responsible for the finance, accounting, administration and compliance functions of the Company.

KEY MANAGEMENT PROFILE

cont'd

YAU CHAI FATT
QC/QA Manager
63 years of age, Malaysian, Male

Mr Yau Chai Fatt was appointed as a Quality Control Engineer in 1983 and was redesignated as QC/QA Manager in 1993.

Mr Yau obtained a Bachelor of Science (Honours) Degree in Applied Chemistry from Liverpool Polytechnic, United Kingdom.

From 1983 to 1992 he was involved in the Hot Dip Galvanizing Plant as a QC Engineer in control of the Chemical Laboratory, Pollution Control Plant, Quality Control of the Hot Dip Galvanized products including trouble shooting for Hot Dip Galvanizing processes and established the optimum treatment processes and Hot Dip Galvanizing parameters.

From 1993 till to date, he is in-charge of implementing the Company's Quality Control under the BS EN ISO 9001 Quality Management System, Company's Enterprise Risk Management and Pollution Control operation.

CHANG KHIN SHOE
62 years of age, Malaysian, Male
Production Manager

Mr Chang Khin Shoe joined Lysaght Corrugated Pipe Sdn Bhd in 1974 as a Foreman. In 1995, he became a Senior Supervisor in Lysaght Galvanized Steel Bhd.

He has more than 40 years of experience in the production, galvanizing and logistics operations of the Company.

He was promoted to Production Manager in 2017 and is currently responsible for the overall production planning and control of the whole manufacturing operations.

Notes to Key Senior Management's profile:-

1. ***Directorships***
   None of the above members Key Senior Management has any directorships in public companies and listed issuers.

2. ***Family Relationship***
   Save as disclosed of family relationship by Mr Liew Sui Kum, none of the the above members Key Senior Management have any family relationship with any Director and/or any major shareholders of the Company.

3. ***Conflict of Interest***
   None of the above members Key Senior Management has any personal interest or conflict of interest in any business arrangement involving the Group.

4. ***Conviction of Offences***
   None of the above members Key Senior Management has been convicted of any offence within the past five (5) years, other than traffic offences (if any) and no public sanctions or penalties were imposed on them by the relevant regularity bodies during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors **("Board")** presents this Statement to provide shareholders and investors with an overview of the corporate governance **("CG")** practices of the Group during the financial year ended 31 December 2017 **("FY2017")**. This overview takes guidance from the key CG principles set out in the Malaysian Code on Corporate Governance 2017 **("Code")**.

This Statement is prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad **("MMLR")** and is to be read in conjunction with the CG Report 2017 **("CG Report")** which is available on the Group's website at www.lysaghtgalvanizedsteelbhd.com.

The CG Report provides the explanations on how the Group applied each Practice set out in the Code during FY2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(a) Board Responsibilities

The Board acknowledges and fully supports the importance of corporate governance in directing and managing the businesses and affairs of the Group, and to safeguard and enhance shareholders' value and performance of the Group on a sustainable and long term basis.

The Board determines the Group's strategic objectives and ensures that required resources are in place for the Group to meet its objectives and to guide the Group on its short and long term goals, providing advice, stewardship and directions on the management and business development of the Group. The Board also set the Group's values and standards and ensure that its obligations to the shareholders and other stakeholders are understood and fulfilled.

The above roles and responsibilities of the Board is formalised in the Board Charter. The Board Charter also clearly sets all relevant governance matters and applicable limits of authority, including matters reserved for the Board and those which are expressly delegated to Board committees, the Chairman of the Board **("Chairman")**, the Chief Executive Officer **("CEO")** or a nominated member of Executive Management. The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group. More information on the Board Charter can be found on the Group's website.

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board has established the following Board committees:

- Audit Committee **("AC")**
- Nomination Committee **("NC")**
- Remuneration Committee **("RC")**
- Risk Management Committee **("RMC")**

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of the Chairman and CEO are strictly separated. This is also to maintain effective supervision and accountability of the Board and Executive Management. The Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and efficient manner while the CEO takes on the primary responsibility of managing the Group's businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

During FY2017, the Group adopted a Code of Business Ethics to govern the standards of ethics and conduct expected of Directors and employees. This code manages ethical business conduct, conflicts of interest and anti-corruption.

To maintain the highest standards of ethical conduct, the Group also has a formal Whistle-blowing Policy. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers would not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith. To ensure confidential and independent investigation of all reports, the Group have set up a dedicated email account managed solely by the Senior Independent Director.

The Code of Business Ethics and Whistle-blowing Policy can be viewed on the Group's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(a) Board Responsibilities *cont'd*

The Board members have full and unrestricted access to a Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators. In addition to her corporate secretarial administrative responsibilities, she also advises the Board on its roles and responsibilities, corporate disclosures and compliance, corporate governance developments and practices.

The Board is aware that continuous training for the Directors is vital for them in discharging their duties effectively. All Directors are encouraged to attend appropriate external training programmes to supplement their knowledge in the latest developments and issues relevant to the Group, especially in the areas of corporate governance and regulatory requirements.

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2017 were as follows:

Director	Training Programmes/Seminars/Conferences
Dato' Ir. Wan Razali bin Wan Muda	• Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability
Ir. Chua Tia Bon	• Advocacy Sessions to Enhance Quality of Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers of Listed Issuers • Continuous Listing Obligations of PLC – Chapter 10 Series • Directors Reporting and Disclosure Obligations – To Prevent Public Reprimands and Fines by Regulators
Chew Meu Jong	• MAICSA Malaysian Company Law Conference 2017: The New Companies Act 2016 and Regulations – Impact and Significance • Driving Financial Integrity & Performance – Enhancing Financial Literacy Programme
Ir. Aik Siaw Kong	• Bursa Risk Management Programme: I Am Ready to Manage Risks • Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability • Companies Act 2016
Cheam Low Soo	• MAICSA Malaysian Company Law Conference 2017: The New Companies Act 2016 and Regulations – Impact and Significance
Ee Beng Guan	• Driving Financial Integrity & Performance – Enhancing Financial Literacy Programme • Bursa Risk Management Programme: I Am Ready to Manage Risks • Updates to Companies Act 2016 • The New Companies Act 2016 and the Companies Winding Up Petitions
Chong Sai Sin	• Lecture on Integrity: The Game Changer • National Tax Conference • Audit Opinion & Reporting • Going Concern Indicators, Managing Impairment of Assets & Restructuring Provisions • Advocacy Sessions to Enhance Quality of Management Discussion & Analysis for Listed Issuers • Workshop on Malaysian Code of Corporate Governance • 2018 Budget Seminar

The Board (via the NC and with assistance of the Company Secretary) shall continue to evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(b) Board Composition

The Group is led by an experienced and diversified Board which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors collectively bring with them wide and varied technical, financial and legal experience to enable the Board to lead and control the Group effectively.

The Board (via the NC) assesses the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director annually. This assessment is done on a peer and self-evaluation basis covering the following aspects associated with the Board's and Board committees' effectiveness:

- Strategy and planning
- Board structure and role
- Meeting processes
- Performance monitoring
- Board and Directors' responsibilities
- Board culture and relationship

Based on the evaluation carried out for FY 2017, the NC has informed the Board that it was satisfied with the contribution and performance of each individual Director.

The Board currently has one woman among its seven members. The Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold as proposed in Practice 4.5. Nevertheless, the Board will as and when suitable candidates are identified appoint them as members of the Board.

The Group's Diversity Policy is set out in the Board Charter, full details of which are available on the Group's website. In this policy, the Board affirms its commitment to provide fair and equal opportunities and nurturing diversity at all levels within the Group. To this end, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment, promotion, remuneration and training. The Board is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

(c) Remuneration

The Board (via the RC) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his/her own remuneration. The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management.

The RC's recommended remuneration for Directors and Senior Management is subject to Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Senior Management.

In relation to the fees and allowances for Directors, it will be presented at the Annual General Meeting **("AGM")** for shareholders' approval.

The details of the Group's remuneration policies and practices are included in the Board Charter which is available on the Group's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(c) Remuneration *cont'd*

The aggregate remuneration paid or payable to the Directors by the Group and the Company during FY2017 is as follows:

	Salaries and other emoluments	Employees Provident Fund	Bonus	Benefits-in-kind	Fee	Allowances	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato Ir' Wan Razali Bin Wan Muda	-	-	-	-	120	14	**134**
Ir. Chua Tia Bon	500	166	375	31	-	-	**1,072**
Chew Meu Jong	-	-	-	-	72	8	**80**
Ir. Aik Siaw Kong	-	-	-	-	72	8	**80**
Cheam Low Soo	-	-	-	-	72	13	**85**
Ee Beng Guan	-	-	-	-	72	7	**79**
Chong Sai Sin	-	-	-	-	72	18	**90**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(a) AC

The AC currently comprises of three members, all of whom are Independent Directors. The AC Chairman is Mr Chong Sai Sin and none of the current members of the AC is a former key audit partner involved in auditing the Group.

The AC has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors.

Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.

Further details on the work performed by AC in furtherance of its oversight role are set out in the AC Report on pages 27 to 29 of this Annual Report.

(b) Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through the RMC via a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to ensure effectiveness in managing the Group's risk within the Group's business and corporate objectives.

As for the adequacy and effectiveness of the system of internal control, it is reviewed by the AC with assistance from the internal auditors. The internal audit function is outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group. The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Executive Management. Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements. In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

(b) Risk Management and Internal Control Framework *cont'd*

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FY2017 for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Further details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control on pages 24 to 26 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(a) Communication with Stakeholders

The Board is committed to ensuring that communications to shareholders and the investing public in general, regarding the businesses and financial performance of the Group is timely. Although the Board does not have a formalised corporate disclosure policy, the Group has in place procedures to enable it to comply strictly with the disclosure requirements of all applicable legal and regulatory requirements. Information is disseminated via annual reports, circulars /statements to shareholders, quarterly and annual financial statements, and announcements from time to time.

The release of announcements and information by the Group to Bursa Malaysia Securities Berhad **("Bursa Securities")** are handled by the CEO or the Company Secretary within the prescribed requirements of the MMLR and guided by the Corporate Disclosure Guide issued by Bursa Securities. As these announcements and information can be price-sensitive, they are only released after having being reviewed by the CEO and/or the Board where necessary.

The Group's website also provides all relevant information to stakeholders and the investing community. Quarterly and annual financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the website for investors and the public.

Any shareholders' queries or concerns relating to the Group may be conveyed to the Chairman or CEO at the Group's principal place of business as detailed below:

No. 11, Jalan Majistret U1/26, Seksyen U1
Hicom-Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Telephone no. : +603-7880 4728
Facsimile no. : +603-7880 4766

Mr Ee Beng Guan, the Senior Independent Director, is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels with the Chairman or CEO. He too can be contacted at the above address.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS
cont'd

(b) Conduct of General Meetings

General Meetings serve as a principal forum for the Group's dialogue with shareholders. All shareholders are encouraged to attend the Annual General Meeting (AGM), during which they can participate and given the opportunity to ask questions and vote on important matters affecting the Group, including the election/re-election of Directors and the financial performance of the Group.

All Directors attended the 38th AGM held on 24 May 2017. Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) will be attending the forthcoming 39th AGM. The external auditors will also be present at the meeting to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.

In line with Practice 12.1, the Company's Notice of the forthcoming 39th AGM shall be given to shareholders at least 28 days prior to the meeting.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 18 April 2018.

ADDITIONAL DISCLOSURE REQUIREMENTS

Pursuant to Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The Group did not carry out any fund raising corporate proposals during the financial year ended 31 December 2017 **("FY2017")**.

MATERIAL CONTRACTS

Save for the related party transactions as disclosed in Note 23 to the Financial Statements, neither the Company nor any of its subsidiary companies have entered into any material contracts which involved the Directors' and/or major shareholders' interests, which were still subsisting at the end of FY2017 or which were entered into since the end of the previous financial year ended 31 December 2016.

AUDIT AND NON-AUDIT FEES

The audit fees paid or payable by the Company and the Group to the external auditors for FY2017 amounted to RM60,000 and RM101,685 respectively. As for non-audit fees incurred for services rendered to the Company and the Group by the external auditors or a firm or corporation affiliated to the external auditors during FY2017, the amount concerned was RM54,650 and RM65,950 respectively for the Company and the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control which has been prepared in accordance with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) **("Guidelines")** is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad **("MMLR")**.

BOARD'S RESPONSIBILITY

The Board of Directors **("Board")** acknowledges that risk management and internal control are integral to corporate governance and that it is responsible for establishing a sound risk management framework and internal control system to ensure their adequacy and effectiveness in managing the Group's risk within the Group's business and corporate objectives. As risks are inherent in all business activities, the said framework and system provide reasonable assurance against the risks of material misstatement of financial information, financial losses, fraud and breaches of laws or regulations.

The Board confirms that there is an ongoing risk management process established to identify, evaluate, manage and mitigate significant risks associated with or that may impede the achievement of the Group's business and corporate objectives.

The risk management framework and the system of internal control is delegated by the Board to the Risk Management Committee **("RMC")**. As the business environment evolves, the RMC together with Executive Management continuously review and evaluate new risks associated with the Group's business.

RISK MANAGEMENT PROCESS

The risk management framework adopts a structured and integrated approach in managing key business risks with the aim of safeguarding the Group's assets and shareholders' interests.

The RMC continuously reviews the adequacy and effectiveness of the risk management process. In this respect, it is assisted by the Chief Executive Officer **("CEO")** to identify and assess risks as well as to ensure that the risk management process is adequate and effective. All policies and procedures formulated to identify, measure and monitor various risk components are reviewed by the RMC. Additionally, the RMC reviews and assesses the adequacy of the risk management policies and ensures that the infrastructure, resources and systems are in-place for implementing the risk management process.

The members of the RMC during the financial year ended 31 December 2017 **("FY2017")** and as at the date of this Statement were:

Ir. Aik Siaw Kong - Chairman *(Independent Non-Executive Director)*
(re-designated as Chairman on 01.03.2018)

Chew Meu Jong (Madam) *(Non-Independent Non-Executive Director)*

Dato' Ir. Wan Razali Bin Wan Muda *(Independent Non-Executive Director)*
(appointed on 01.03.2018)

Ee Beng Guan - Ex-Chairman *(Independent Non-Executive Director)*
(ceased on 01.03.2018)

The risk management process involves the key management staff in each functional/operating unit of the Group and is managed by the RMC with assistance from the CEO. The risks identified remain the foundation in developing a risk profile and the action plans to assist Executive Management to manage and respond to these risks.

During FY2017, the RMC updated the Group's risk profile and as a consequence, the Group's key business risks were identified or reaffirmed. Following this update, Executive Management together with the RMC developed standard operating procedures to manage these risks.

The Group's risk management practices are business driven and the processes in identifying, evaluating and managing significant risks facing the Group are embedded into its culture and operations. These processes are driven by the CEO and are responsive to changes in the business environment and are communicated to all levels.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL CONTROL SYSTEM

The Board acknowledges the importance of the internal audit function and is committed to articulating, implementing and reviewing the Group's system of internal control. The internal audit function has been outsourced to an independent professional service provider to assist the Board as well as the Audit Committee **("AC")** in discharging their responsibilities and duties. To ensure independence, the internal auditors report directly to the AC.

During FY2017, the internal audit of the Group was carried out in accordance with a risk-based audit plan approved by AC. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's system of internal control to ensure that the internal controls are viable and robust. The audit findings and where necessary, recommended improvements, are presented to the AC. In addition, the internal auditors also carried out follow-up reviews to ensure their recommendations for improvements to internal controls are implemented.

The key elements of the Group's system of internal control include:

1. A well-defined organisation structure with clearly defined lines of responsibility, authority and accountability;

2. Approval and authority limits are imposed on Executive Management in respect of day-to-day operations as well as major non-operating transactions;

3. Formalised standard operating procedures are in place to ensure compliance with internal controls and the relevant laws and regulations;

4. Internal quality audits and periodic surveillance audits (by LLOYD's Register Quality Assurance) are conducted to provide assurance of compliance for continuous certification with ISO 9001:2008 "Quality Management System";

5. The Board and the AC meet every quarter to discuss the Group's financial performance, business operations and strategies, corporate updates and internal audit findings, if any;

6. Regular training and development programmes are attended by employees to enhance their knowledge and competency;

7. Management financial statements and reports are prepared regularly for monitoring of actual performance by the CEO and senior management;

8. Key functions such as finance, taxation, treasury, corporate secretarial and compliance and legal matters are controlled centrally;

9. A fully independent AC comprising exclusively Independent Directors with full and unrestricted access to both internal and external auditors; and

10. The quarterly financial results and yearly audited financial statements reviewed by the AC prior to their approval by the Board.

ASSURANCE

The Board has reviewed the adequacy and effectiveness of the Group's risk management framework and system of internal control for FY2017 and up to the date of this Statement and is of the view that the risk management process and system of internal control are in place for the period.

Executive Management is accountable to the Board for identifying risks relevant to the business of the Group, implementing and maintaining sound risk management practices and internal controls and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could affect the Group's objectives and performance.

The CEO has provided assurance to the Board that the Group's risk management process and internal control system are operating adequately and effectively in all material aspects, and that there were no material losses incurred as a result of any weaknesses in internal controls that would require disclosure in this Annual Report.

The Board and Executive Management will continuously review and evaluate risks to ensure shareholders' interests and the Group's assets are preserved.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement. Their review procedures were performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on the Review of Statement on Risk Management and Internal Control **("AAPG 3")**, issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management process and system of internal control. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with the material internal control aspects of significant problems, if any, disclosed in this Annual Report will, in fact, remedy the problems.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board dated 18 April 2018.

AUDIT COMMITTEE REPORT

The Audit Committee **("AC")** was established to act as a committee of the Board of Directors **("Board")** with the primary objective of assisting the Board in fulfilling its fiduciary duties in relation to:

- Assessing the processes in relation to the risk and control environment;
- Overseeing financial reporting and internal controls; and
- Evaluating the internal and external audit processes

The AC is guided by its terms of reference which can be viewed on the Company's website at www.lysaghtgalvanizedsteelbhd.com.

MEMBERSHIP AND MEETINGS

The members of the AC during the financial year ended 31 December 2017 **("FY2017")** and as of the date of this Report together with their attendance record at AC meetings held during FY2017 are as follows:

Name	**Designation**	**Status of Directorship**	**No. of meetings attended/No. of meetings held***
Chong Sai Sin**	Chairman	Independent Non-Executive Director	5/5
Cheam Low Soo	Member	Independent Non-Executive Director	5/5
Ee Beng Guan *(appointed on 1 March 2018)*	Member	Senior Independent Non-Executive Director	***
Dato' Ir. Wan Razali bin Wan Muda *(ceased on 1 March 2018)*	Member	Independent Non-Executive Chairman of the Board	5/5

* *Number of meetings held during the respective member's tenure of office during FY2017*
** *A member of the Malaysian Institute of Accountants*
*** *Not applicable*

Whilst the AC's terms of reference require the AC to meet at least 4 times in a financial year, it met 5 times during FY2017. The Company Secretary who is also the Secretary to the AC was in attendance during the meetings. Senior members of Executive Management, if necessary, were invited to the meetings to deliberate on matters within their purview.

After each meeting, the AC Chairman reports on matters deliberated to the Board for their reference and notation. Matters reserved for the Board's approval are tabled at Board meetings. The Company Secretary documents the decisions made and actions required and forward them to Executive Management for their action.

AUDIT COMMITTEE REPORT
cont'd

SUMMARY OF ACTIVITIES

The following activities were carried out by the AC in the discharge of its functions and duties to meet its responsibilities during FY2017:

(a) Financial Results

- Reviewed and recommended the quarterly financial results of the Group (including announcements) and the annual financial statements of the Group and Company for Board's approval.
- Deliberated on significant matters raised by the external auditors including financial reporting issues, significant judgements made by Executive Management, significant and unusual events or transactions and management's reports and updates on actions recommended by the external auditors for improvement.
- Deliberated on changes in or implementation of major accounting changes and compliance with accounting standards and other legal requirements.

(b) External Audit

- Reviewed and approved the external auditors' scope of work and audit plan prior to commencement of the annual audit.
- Analysed and reviewed the proposed external audit fees for approval of the Board.
- Analysed and reviewed the non-audit fees and related costs in respect of non-audit services rendered by the external auditors to ensure that their independence is not impaired.
- Reviewed and discussed with the external auditors, the changes in or implementation of major accounting policies, significant matters arising from the audit, significant judgements made by Executive Management, significant and unusual events or transactions and compliance with accounting standards and other legal and regulatory requirements and how all these matters are dealt with and the audit report, and reported the same to the Board.
- Evaluated the performance, suitability and independence of the external auditors and recommended their re-appointment to the Board for approval.
- Met with the external auditors without the presence of Executive Management to have a frank and candid dialogue, and to exchange free and honest views and opinions.

(c) Internal Audit

- Reviewed and approved the internal audit plan and the internal auditors' scope of work.
- Reviewed and discussed with the internal auditors, their audit findings and issues arising during the course of audit.
- Reviewed the adequacy and effectiveness of corrective actions taken by Executive Management on all significant matters raised by the internal auditors.
- Reviewed and recommended the proposed internal auditors' fees to the Board for approval.
- Evaluated the competency of the internal auditors and their resources to address the risk areas set out in their audit plan.

(d) Related Party Transactions

Reviewed significant related party transactions and conflicts of interest that may arise including any transaction, procedure or course of action or conduct that raised questions of Executive Management's integrity.

(e) Annual Report

- Reviewed and issued this Report for inclusion in the FY2017 Annual Report.
- Reviewed the Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Management Discussion and Analysis of Business Operations and Financial Performance on behalf of the Board for inclusion in the FY2017 Annual Report and the Corporate Governance Report.

AUDIT COMMITTEE REPORT
cont'd

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional consulting firm to assist the AC in discharging their responsibilities and duties. The role of the internal audit function is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively in the Group.

The internal auditors present their audit reports which include their findings and recommendations for improvements to the AC for its review and deliberation. The AC also appraised the adequacy of the comments, actions and measures to be taken by Executive Management in resolving the audit issues reported and recommended for further improvement.

The internal auditors also carried out follow-up reviews to monitor the implementation of the said action plans and measures for reporting to the AC.

For FY2017, the internal audit scope covered the review of the adequacy and effectiveness of the system of internal controls of the following processes:

- Technical Drawing and Engineering System
- Safety, Health and Environment System

The follow-up review carried out by the internal auditors during FY2017 was in respect of the Human Resources and Payroll System audited by them previously.

The total costs paid or payable for the internal audit function for FY2017 was RM31,000.

Chong Sai Sin
Chairman of Audit Committee

18 April 2018

STATEMENT ON DIRECTORS' RESPONSIBILITY

Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors **("Board")** of the Company is required by the Companies Act 2016 **("Act")** to make a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements for the financial year ended 31 December 2017 have been drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year ended on that date in accordance with Financial Reporting Standards and the requirements of the Act.

In preparing the financial statements, the Board has:

- reviewed the accounting policies and ensured that they were consistently applied; and
- in cases where judgements and estimates were made, the judgements and estimates concerned were based on reasonableness and prudence.

The Board has relied on the Group's risk management process and system of internal control to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This Statement of Directors' Responsibility is made in accordance with a resolution of the Board dated 18 April 2018.

DIRECTORS' REPORT
As at 31 December 2017

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the manufacturing of galvanized steel products and the principal activities of the subsidiaries are as stated in Note 9 to the financial statements.

CORPORATE INFORMATION

The immediate holding company is Lysaght (Malaysia) Sdn. Bhd., the penultimate holding company is Chew Bros (M) Sdn. Bhd., and the ultimate holding company is CKH And LIK Family Sdn. Bhd., all of which are incorporated in Malaysia.

RESULTS

	Group	Company
	RM	RM
Profit net of tax attributable to equity holders of the Company	17,879,923	7,372,725

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The amount of dividend paid by the Company since 31 December 2016 was as follows:

	RM
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Final single tier dividend of 7%, on 41,580,000 ordinary shares, approved on 24 May 2017 and paid on 23 June 2017	2,910,600

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2017, of RM0.07 per ordinary share, on 41,580,000 ordinary shares, amounting to a total dividend of RM2,910,600 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

DIRECTORS' REPORT
cont'd

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Cheam Low Soo
Ir. Aik Siaw Kong
Dato' Ir. Wan Razali bin Wan Muda
Chew Meu Jong
Chua Tia Bon
Ee Beng Guan
Chong Sai Sin

The person who is a director of the subsidiaries of the Company during the year (not including those directors listed above) is:

Johnny Ch'ng

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remunerations received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 23 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Balance as at 1.1.2017	Increase During the year	Decrease During the year	Balance as at 31.12.2017
Direct interest in Company				
Chua Tia Bon	12,600	-	-	12,600
Indirect interest in Company				
Chua Tia Bon*	10,600	-	-	10,600
Chew Meu Jong**	31,500	22,925,700	-	22,957,200
Ultimate holding company				
CKH And LIK Family Sdn. Bhd.				
Chew Meu Jong***	-	1	-	1

* *shares held directly by spouse*

** *indirect interest of 31,500 shares deemed through spouse and indirect interest of 22,925,700 shares deemed through Lysaght (Malaysia) Sdn. Bhd.*

*** *indirect interest of 1 share deemed pursuant to consolidation of shareholding following the transfer of shares (in respect of which Chew Meu Jong is not a party) in Chew Bros (M) Sdn. Bhd. to CKH And LIK Family Sdn. Bhd.*

DIRECTORS' REPORT
cont'd

INDEMNITIES TO DIRECTORS, OFFICERS OR AUDITORS

During the financial year, the total amount of insurance effected for directors and officers of the Company is RM10,000,000.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
cont'd

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 5(a) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2018.

Dato' Ir. Wan Razali bin Wan Muda

Chua Tia Bon

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Ir. Wan Razali bin Wan Muda and Chua Tia Bon, being two of the directors of Lysaght Galvanized Steel Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2018.

Dato' Ir. Wan Razali bin Wan Muda

Chua Tia Bon

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ong Siew Sung (NRIC No.: 741220-08-5658), being the officer primarily responsible for the financial management of Lysaght Galvanized Steel Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 87 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Ong Siew Sung
at Ipoh in the State of Perak Darul
Ridzuan on 18 April 2018

Ong Siew Sung
MIA 23490

Before me,
Commissioner For Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of Lysaght Galvanized Steel Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Lysaght Galvanized Steel Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue recognition

(Refer to Note 2.18 and Note 4 to the financial statements)

Revenue from sale of finished goods recognised by the Group during the year amounted to RM90,809,588. The Group's revenue mainly consists of sales of galvanized steel products.

We considered revenue recognition to be a key audit matter due to the nature of the manufacturing operations of the Group which involves significant volume of transactions. As such, there is a risk that revenue could be subject to misstatement, particularly in respect of the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

INDEPENDENT AUDITORS' REPORT

To the Members of Lysaght Galvanized Steel Berhad (Incorporated in Malaysia)
cont'd

How our audit addressed the matter

As part of our audit procedures, we performed the following:

a) Obtained an understanding of the Group's revenue recognition accounting policies;

b) Tested the effectiveness of the management's internal controls over timing and amount of revenue recognised;

c) We inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards and performed cut-off tests, which include inspecting supporting documents to evidence the delivery of goods to customers, to determine that sales are properly recorded in the correct period;

d) Performed substantive testing of revenue recorded during the year and analytical procedures; and

e) Tested journal entries posted to revenue accounts to identify unusual or irregular items.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

To the Members of Lysaght Galvanized Steel Berhad (Incorporated in Malaysia)
cont'd

Auditors' responsibilities for the audit of the financial statements *cont'd*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

To the Members of Lysaght Galvanized Steel Berhad (Incorporated in Malaysia)
cont'd

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Adeline Chan Su Lynn
No. 3082/07/2019 J
Chartered Accountant

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 18 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	4	90,809,588	65,403,299	71,922,337	51,316,094
Cost of sales		(57,661,073)	(39,077,614)	(57,075,597)	(38,343,977)
Gross profit		33,148,515	26,325,685	14,846,740	12,972,117
Other items of income					
Interest income		1,877,403	2,026,299	1,830,313	2,007,890
Other income		2,068,306	2,877,535	2,118,830	1,552,260
Other items of expense					
Administrative expenses		(9,115,291)	(8,255,347)	(6,716,784)	(5,887,595)
Selling and distribution expenses		(4,966,619)	(3,898,997)	(2,069,247)	(1,335,583)
Other operating costs		(177,311)	(53,217)	(177,311)	(53,217)
Profit before tax	5	22,835,003	19,021,958	9,832,541	9,255,872
Income tax expense	6	(4,955,080)	(4,044,424)	(2,459,816)	(2,309,657)
Profit net of tax		17,879,923	14,977,534	7,372,725	6,946,215
Other comprehensive income					
Item that will be reclassified to profit and loss in the future:					
Foreign currency translation		(483,835)	475,861	-	-
Total comprehensive income		17,396,088	15,453,395	7,372,725	6,946,215
Profit net of tax attributable to:					
Equity holders of the Company		17,879,923	14,977,534	7,372,725	6,946,215
Total comprehensive income attributable to:					
Equity holders of the Company		17,396,088	15,453,395	7,372,725	6,946,215
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	7	43.00	36.02		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	8	37,192,587	31,042,760	33,394,105	26,866,696
Investments in subsidiaries	9	-	-	128,561	128,561
Other investments	10	130,523	130,523	130,523	130,523
Goodwill		7,871	7,871	-	-
		37,330,981	31,181,154	33,653,189	27,125,780
Current assets					
Inventories	11	24,600,685	24,560,047	24,315,257	24,222,376
Trade and other receivables	12	21,320,728	19,085,646	1,464,685	4,021,898
Cash and bank balances	13	68,840,472	61,582,582	56,137,539	47,542,694
		114,761,885	105,228,275	81,917,481	75,786,968
Total assets		152,092,866	136,409,429	115,570,670	102,912,748
Equity and liabilities					
Current liabilities					
Trade and other payables	14	8,381,888	7,165,131	12,858,344	4,618,915
Retirement benefits	15	1,300	-	1,300	-
Tax payable		1,487,564	1,616,947	195,186	349,500
		9,870,752	8,782,078	13,054,830	4,968,415
Net current assets		104,891,133	96,446,197	68,862,651	70,818,553
Non-current liabilities					
Retirement benefits	15	12,326	13,944	12,326	13,944
Deferred tax liabilities	16	696,373	585,480	679,000	568,000
		708,699	599,424	691,326	581,944
Total liabilities		10,579,451	9,381,502	13,746,156	5,550,359
Net assets		141,513,415	127,027,927	101,824,514	97,362,389
Equity attributable to equity holders of the Company					
Share capital	17	41,580,000	41,580,000	41,580,000	41,580,000
Other reserves	18	4,081,897	4,565,732	-	-
Retained profits	19	95,851,518	80,882,195	60,244,514	55,782,389
Total equity		141,513,415	127,027,927	101,824,514	97,362,389
Total equity and liabilities		152,092,866	136,409,429	115,570,670	102,912,748

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

			Non-distributable		Distributable	
		Share capital	Capital reserve	Exchange reserve	Retained profits	Total
	Note	RM	RM	RM	RM	RM
Group						
At 1 January 2016		41,580,000	499,998	3,589,873	72,141,661	117,811,532
Total comprehensive income		-	-	475,861	14,977,534	15,453,395
Dividends	20	-	-	-	(6,237,000)	(6,237,000)
At 31 December 2016		41,580,000	499,998	4,065,734	80,882,195	127,027,927
Total comprehensive income		-	-	(483,835)	17,879,923	17,396,088
Dividends	20	-	-	-	(2,910,600)	(2,910,600)
At 31 December 2017		41,580,000	499,998	3,581,899	95,851,518	141,513,415

			Distributable	
		Share capital	Retained profits	Total
	Note	RM	RM	RM
Company				
At 1 January 2016		41,580,000	55,073,174	96,653,174
Total comprehensive income		-	6,946,215	6,946,215
Dividends	20	-	(6,237,000)	(6,237,000)
At 31 December 2016		41,580,000	55,782,389	97,362,389
Total comprehensive income		-	7,372,725	7,372,725
Dividends	20	-	(2,910,600)	(2,910,600)
At 31 December 2017		41,580,000	60,244,514	101,824,514

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Operating activities				
Profit before tax	22,835,003	19,021,958	9,832,541	9,255,872
Adjustments for:				
Depreciation	1,475,190	1,322,304	1,133,458	988,737
Loss/(Gain) on disposal of property, plant and equipment	13,019	(194,226)	13,019	(194,226)
Impairment loss on trade receivables	6,256	-	-	-
Interest income from fixed deposits	(1,877,403)	(2,026,299)	(1,830,313)	(2,007,890)
Inventories written off	677,699	-	677,699	-
Reversal of impairment loss on trade receivables	(17,000)	(28,000)	-	-
Reversal of allowance for retirement benefits	-	(162,513)	-	(81,383)
Unrealised gain on foreign exchange, net	(96,004)	(132,079)	(100,493)	(44,746)
Total adjustments	181,757	(1,220,813)	(106,630)	(1,339,508)
Operating cash flows before changes in working capital	23,016,760	17,801,145	9,725,911	7,916,364
Changes in working capital:				
Inventories	(718,337)	(3,634,115)	(770,580)	(3,705,333)
Receivables	(2,224,338)	(4,953,894)	2,557,213	(3,572,760)
Payables	1,312,761	(1,160,056)	8,339,922	(4,049,277)
Total changes in working capital	(1,629,914)	(9,748,065)	10,126,555	(11,327,370)
Cash flows from/(used in) operations	21,386,846	8,053,080	19,852,466	(3,411,006)
Retirement benefits paid	(318)	(4,850)	(318)	(4,850)
Income tax paid	(4,973,570)	(3,883,842)	(2,503,130)	(2,432,965)
Net cash flows from/(used in) operating activities	16,412,958	4,164,388	17,349,018	(5,848,821)
Investing activities				
Purchase of property, plant and equipment	(7,744,378)	(1,359,613)	(7,704,868)	(1,357,166)
Proceeds from disposal of property, plant and equipment	30,982	196,226	30,982	196,226
Interest received	1,877,403	2,026,299	1,830,313	2,007,890
Short term deposits with maturity period of more than three months	(29,000,000)	-	(29,000,000)	-
Net cash flows (used in)/from investing activities	(34,835,993)	862,912	(34,843,573)	846,950
Financing activity				
Dividends paid, representing net cash flows used in financing activity	(2,910,600)	(6,237,000)	(2,910,600)	(6,237,000)
Net decrease in cash and cash equivalents	(21,333,635)	(1,209,700)	(20,405,155)	(11,238,871)
Effect of foreign exchange rate changes	(408,475)	400,839	-	-
Cash and cash equivalents at 1 January	61,582,582	62,391,443	47,542,694	58,781,565
Cash and cash equivalents at 31 December (Note 13)	39,840,472	61,582,582	27,137,539	47,542,694

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE INFORMATION

The principal activity of the Company is the manufacturing of galvanized steel products. The principal activities of the subsidiaries are described in Note 9.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur whilst the principal place of business of the Company is located at No. 11, Jalan Majistret U1/26, Seksyen U1, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The immediate holding company is Lysaght (Malaysia) Sdn. Bhd., the penultimate holding company is Chew Bros (M) Sdn. Bhd. and the ultimate holding company is CKH And LIK Family Sdn. Bhd., all of which are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 April 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

At the beginning of the current financial year, the Group and the Company adopted new and amended MFRS which are mandatory for financial periods beginning on or after the dates as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis unless otherwise stated in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") unless otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
MFRS 107 : Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 : Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014-2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Changes in accounting policies *cont'd*

(a) MFRS 107 : Disclosure Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and the Company.

(b) MFRS 112 : Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company.

(c) Annual Improvements to MFRS Standards 2014-2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRSs 2014 – 2016 Cycle	
(i) Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128 : Investments in Associates and Joint Ventures	1 January 2018
IC Interpretation 22 : Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 2 : Clarification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 4 : Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendment to MFRS 4)	1 January 2018
MFRS 9 : Financial Instruments	1 January 2018
MFRS 15 : Revenue from Contracts with Customers	1 January 2018
MFRS 140 : Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards issued but not yet effective *cont'd*

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) Amendments to MFRS 3 : Business Combinations	1 January 2019
(ii) Amendments to MFRS 11 : Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112 : Income Taxes	1 January 2019
(iv) Amendments to MFRS 123 : Borrowing Costs	1 January 2019
IC Interpretation 23 : Uncertainty over Income Tax Treatments	1 January 2019
MFRS 9 : Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 : Leases	1 January 2019
MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119 : Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
MFRS 17 : Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application, except as disclosed below:

MFRS 9 : Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group and the Company have performed the impact assessment of all three aspects of MFRS 9. The assessment 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 and the Company in 2018 when the Group and the Company adopts MFRS 9.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group and the Company will apply the option to present fair value changes in other comprehensive income ("OCI"). Upon the initial adoption of MFRS 9, positive adjustments will be made to fair value through OCI to reflect the re-measurement of the equity shares in non-listed companies, which will enhance the equity and net assets of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards issued but not yet effective *cont'd*

MFRS 9 : Financial Instruments *cont'd*

(i) Classification and measurement *cont'd*

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

(iii) Hedge accounting

The hedging requirements of MFRS 9 will not have a significant impact on the Group's and the Company's financial statements as the Group and the Company have no hedge relationships.

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 and the Company plan to adopt the new standard on the required effective date using the modified restrospective method. The directors have assessed the effects of applying the new standard on the Group's and on the Company's financial statements and have identified the following areas that will be affected:

(i) Rendering of services

The Group and the Company provide installation and delivery services to customers. These services are bundled together with the sale of galvanized steel products to customers. Currently, the Group and the Company account for the bundled sales as one deliverable and recognises revenue at a point in time. Under MFRS 15, the sale of galvanized steel products and the rendering of installation and delivery services are separate deliverables of bundled sales. The considerations received or receivable should be allocated between these deliverables based on relative stand-alone selling prices of each deliverable. The installation and delivery services will be recognised over time.

In addition, costs relating to the fulfillment of the installation and delivery services currently classified as other operating expenses and distribution expenses respectively will be reclassified as costs of goods sold under MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards issued but not yet effective *cont'd*

MFRS 15: Revenue from Contracts with Customers *cont'd*

(i) Rendering of services *cont'd*

Accordingly, the revenue will be adjusted upon the adoption of MFRS 15. The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

(ii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group and the Company have assessed that the impact of some of these disclosures will be significant. In particular, the Group and the Company expect that the notes to the financial statements will be expanded because of the disclosure of significant judgments made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

In 2017, the Group continued reviewing the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 16 : Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Basis of consolidation *cont'd*

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.7.

2.5 Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.5 Foreign currencies *cont'd*

(ii) Foreign currency transactions *cont'd*

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the other property, plant and equipment as follows:

Long term leasehold land	1.00% to 1.60%
Buildings and electrical installation	2%
Plant and machinery	10% to 20%
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Renovation	20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.7 Intangible asset

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5(iii).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.8 Impairment of non-financial assets *cont'd*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.9 Subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company have not designated any financial assets as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.10 Financial assets *cont'd*

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short term deposits with licensed bank that are readily convertible as known amount of cash and which are subject to an insignificant risk of changes in values.

2.13 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined principally on the weighted average basis except for production supplies which is determined on the first-in-first-out basis. The cost of raw materials comprises costs of purchase and incidental costs to bring the inventories to their location at reporting date. The cost of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.13 Inventories *cont'd*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.16 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). The Group's foreign subsidiary makes contributions to its statutory pension scheme, the Central Provident Fund ("CPF").

(iii) Retirement benefits

Under the agreement with the Metal Industry Employees' Union, with effect from 1 January 1983, the Group contributes directly to the Employees Provident Fund as retirement benefits for the workers based on percentages as provided in the agreement. The contributions are charged to profit or loss in the financial year to which they relate.

The provision for retirement benefits made in the financial statements is in respect of employees who joined the Group prior to 1 January 1983 in accordance with the above said agreement.

2.17 Leases

(i) As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.18(iii).

2.18 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue relating to sale of goods is recognised net of government taxes and discounts upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.18 Revenue *cont'd*

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Rental income

Rental income is recognised over the period of tenancy.

2.19 Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.19 Taxes *cont'd*

(ii) Deferred tax *cont'd*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and Services Tax ("GST")

The net amount of GST being the difference between output GST and input GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statements of financial position.

2.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.22 Fair value measurement

The Group measures financial instruments, such as, derivatives and non-financial assets at fair value model, at fair value at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.22 Fair value measurement *cont'd*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level inputs that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level inputs that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial assets, and for non-recurring measurement, such as assets held for distribution in the discontinued operation.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical judgements made in applying accounting policies

No critical judgement is made by management in the process of applying the Group's accounting policies that have significant effects on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over the asset's useful life. Management estimates the useful life of plant and machinery to be 5 to 10 years, based on the level of expected usage. Management also estimates that these assets will have minimal residual values at the end of its useful life. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 12.

4. REVENUE

Revenue for the Group and the Company represents invoiced sales after allowance for goods returned and trade discounts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

5. PROFIT BEFORE TAX

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
(a) This is arrived at after charging:				
Auditors' remuneration				
Statutory audit				
- current year	98,685	94,974	60,000	60,000
- under provision in prior year	3,000	22,360	-	22,300
Non-audit fees				
- assurance related	8,000	8,000	8,000	8,000
- tax and other non-audit services	57,950	91,210	46,650	80,510
Depreciation of property plant and equipment (Note 8)	1,475,190	1,322,304	1,133,458	988,737
Loss on disposal of property, plant and equipment	13,019	-	13,019	-
Impairment loss on trade receivables (Note 12(a))	6,256	-	-	-
Inventories written off	677,699	-	677,699	-
Rental of properties paid to				
- third party	119,202	132,001	76,500	90,000
- a related party (Note 23)	313,500	-	313,500	-
and crediting:				
Gain on disposal of property, plant and equipment	-	(194,226)	-	(194,226)
Interest income from fixed deposits	(1,877,403)	(2,026,299)	(1,830,313)	(2,007,890)
Realised gain on foreign exchange	(146,531)	(1,169,749)	(286,618)	(22,939)
Rental income				
- a subsidiary (Note 23)	-	-	(120,000)	(120,000)
Reversal of allowance for retirement benefits (Note 15)	-	(162,513)	-	(81,383)
Reversal of impairment loss on trade receivables (Note 12(a))	(17,000)	(28,000)	-	-
Unrealised gain on foreign exchange, net	(96,004)	(132,079)	(100,493)	(44,746)
(b) Employee information				
Staff cost (including directors' emoluments):				
Wages and salaries	15,548,385	12,979,497	12,825,661	10,214,448
Employees Provident Fund	1,689,809	1,569,449	1,500,071	1,373,608
Central Provident Fund	146,815	143,699	-	-
SOCSO	154,962	125,980	140,852	113,081
Other staff related expenses	243,281	184,590	224,562	170,861
	17,783,252	15,003,215	14,691,146	11,871,998

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

5. PROFIT BEFORE TAX *cont'd*

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
(c) Directors' remuneration*				
Executive:				
Salaries and other emoluments	500,160	675,403	500,160	675,403
Employees Provident Fund	166,301	172,429	166,301	172,429
Bonus	375,120	253,440	375,120	253,440
Benefits in kind	31,150	24,729	31,150	24,729
	1,072,731	1,126,001	1,072,731	1,126,001
Non-executive:				
Directors of the Company:				
Fees	480,000	478,000	480,000	478,000
Allowances	68,000	87,500	68,000	87,500
	548,000	565,500	548,000	565,500
Other directors:				
Salaries and other emoluments	778,952	706,482	-	-
Total	2,399,683	2,397,983	1,620,731	1,691,501

* The number of directors of the Company whose total remuneration during the year fall within the following bands are as follows:

	Number of directors	
	2017	**2016**
Executive directors:		
RM300,001 to RM350,000	-	1
RM750,001 to RM800,000	-	1
RM1,050,001 to RM1,100,000	1	-
	1	2
Non-executive directors:		
Below RM50,001	-	2
RM50,001 to RM100,000	5	4
RM100,001 to RM150,000	1	1
	6	7

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

6. INCOME TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Malaysian income tax:				
Current tax:				
- Current year provision	4,040,186	2,905,000	2,380,186	2,265,000
- (Over)/Under provision in prior year	(45,970)	20,163	(39,490)	27,657
	3,994,216	2,925,163	2,340,696	2,292,657
Deferred tax (Note 16):				
- Relating to origination and reversal of temporary differences	112,728	29,121	112,728	40,981
- Over provision in prior year	(1,728)	(12,121)	(1,728)	(23,981)
	111,000	17,000	111,000	17,000
Withholding tax	8,120	-	8,120	-
Foreign income tax:				
Current tax:				
- Current year provision	858,040	1,121,514	-	-
- Over provision in prior year	(16,296)	(19,253)	-	-
	841,744	1,102,261	-	-
	4,955,080	4,044,424	2,459,816	2,309,657

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% (2016 : 24%). The corporate statutory tax rate will be reduced to a range of 20% to 24% from the current year's tax rate of 24% from Year of Assessment 2017 and Year of Assessment 2018. The reduction in the income tax rate is based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment. The effect of the change in future tax rate to deferred tax of the Group and the Company is determined not to be significant.

Taxation for the other jurisdiction is calculated at the rate prevailing in the jurisdiction. During the current financial year, the income tax rate applicable to the subsidiary in Singapore is 17% (2016 : 17%).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

6. INCOME TAX EXPENSE *cont'd*

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit before tax	22,835,003	19,021,958	9,832,541	9,255,872
Taxation at applicable rate	5,480,401	4,565,270	2,359,810	2,221,409
Effect of different tax rate for foreign subsidiary	(383,818)	(508,753)	-	-
Effect of reduction in tax rate on incremental chargeable income	(211,782)	-	(6,725)	-
Income not subject to tax	(142,690)	(227,119)	(24,195)	(51,353)
Expenses not deductible for tax purposes	268,843	226,237	164,024	135,925
(Over)/Under provision of current tax in prior year	(45,970)	20,163	(39,490)	27,657
Over provision of deferred tax in prior year	(1,728)	(12,121)	(1,728)	(23,981)
Over provision of foreign income tax in prior year	(16,296)	(19,253)	-	-
Withholding tax	8,120	-	8,120	-
Tax expense for the year	4,955,080	4,044,424	2,459,816	2,309,657

7. EARNINGS PER SHARE

(a) Basic

The earnings per share has been calculated based on the Group's profit net of tax of RM17,879,923 (2016 : RM14,977,534) and on the number of ordinary shares of 41,580,000 (2016 : 41,580,000).

(b) Diluted

There is no dilutive effect on earnings per share as the Company has no potential issue of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

8. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM	Freehold land RM	Buildings and electrical installation RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment and renovation RM	Capital work-in-progress RM	Total RM
Group								
Cost								
At 1 January 2017	12,789,254	9,457,959	11,592,387	27,774,592	2,026,571	2,358,702	565,282	66,564,747
Additions	3,730,788	-	2,301,399	685,144	-	68,269	958,778	7,744,378
Disposals	-	-	-	(88,000)	-	(55,824)	-	(143,824)
Transfers	-	-	9,828	550,218	-	-	(560,046)	-
Exchange reserve	(93,888)	-	-	-	(7,129)	(7,649)	-	(108,666)
At 31 December 2017	16,426,154	9,457,959	13,903,614	28,921,954	2,019,442	2,363,498	964,014	74,056,635
Accumulated depreciation								
At 1 January 2017	2,502,793	-	3,530,877	25,785,494	1,552,061	2,150,762	-	35,521,987
Depreciation charge for the year (Note 5)	378,587	-	278,072	556,597	169,144	92,790	-	1,475,190
Disposals	-	-	-	(44,000)	-	(56,841)	-	(100,841)
Exchange reserve	(19,653)	-	-	-	(6,064)	(6,571)	-	(32,288)
At 31 December 2017	2,861,727	-	3,808,949	26,298,091	1,715,141	2,180,140	-	36,864,048
Net carrying amount								
At 31 December 2017	13,564,427	9,457,959	10,094,665	2,623,863	304,301	183,358	964,014	37,192,587

8. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Long term leasehold land	Freehold land	Buildings and electrical installation	Plant and machinery	Motor vehicles	Furniture, fittings and office equipment and renovation	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Group								
Cost								
At 1 January 2016	12,689,950	9,457,959	11,592,387	27,367,386	2,513,773	2,358,133	-	65,979,588
Additions	-	-	-	407,206	380,728	6,397	565,282	1,359,613
Disposals	-	-	-	-	(875,471)	(14,199)	-	(889,670)
Exchange reserve	99,304	-	-	-	7,541	8,371	-	115,216
At 31 December 2016	12,789,254	9,457,959	11,592,387	27,774,592	2,026,571	2,358,702	565,282	66,564,747
Accumulated depreciation								
At 1 January 2016	2,188,968	-	3,299,029	25,311,265	2,193,260	2,063,309	-	35,055,831
Depreciation charge for the year (Note 5)	295,381	-	231,848	474,229	226,757	94,089	-	1,322,304
Disposals	-	-	-	-	(873,471)	(14,199)	-	(887,670)
Exchange reserve	18,444	-	-	-	5,515	7,563	-	31,522
At 31 December 2016	2,502,793	-	3,530,877	25,785,494	1,552,061	2,150,762	-	35,521,987
Net carrying amount								
At 31 December 2016	10,286,461	9,457,959	8,061,510	1,989,098	474,510	207,940	565,282	31,042,760

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

8. **PROPERTY, PLANT AND EQUIPMENT** *cont'd*

	Long term leasehold land RM	Freehold land RM	Buildings and electrical installation RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment and renovation RM	Capital work-in-progress RM	Total RM
Company								
Cost								
At 1 January 2017	8,122,586	9,457,959	11,592,387	27,730,113	1,614,652	1,194,054	565,282	60,277,033
Additions	3,730,788	-	2,301,399	685,144	-	28,759	958,778	7,704,868
Disposals	-	-	-	(88,000)	-	(14,530)	-	(102,530)
Transfers	-	-	9,828	550,218	-	-	(560,046)	-
At 31 December 2017	11,853,374	9,457,959	13,903,614	28,877,475	1,614,652	1,208,283	964,014	67,879,371
Accumulated depreciation								
At 1 January 2017	1,748,068	-	3,530,876	25,741,015	1,291,866	1,098,512	-	33,410,337
Depreciation charge for the year (Note 5)	193,006	-	278,072	556,597	84,346	21,437	-	1,133,458
Disposals	-	-	-	(44,000)	-	(14,529)	-	(58,529)
At 31 December 2017	1,941,074	-	3,808,948	26,253,612	1,376,212	1,105,420	-	34,485,266
Net carrying amount								
At 31 December 2017	9,912,300	9,457,959	10,094,666	2,623,863	238,440	102,863	964,014	33,394,105

8. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Long term leasehold land	Freehold land	Buildings and electrical installation	Plant and machinery	Motor vehicles	Furniture, fittings and office equipment and renovation	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Company								
Cost								
At 1 January 2016	8,122,586	9,457,959	11,592,387	27,322,907	2,109,395	1,190,104	-	59,795,338
Additions	-	-	-	407,206	380,728	3,950	565,282	1,357,166
Disposals	-	-	-	-	(875,471)	-	-	(875,471)
At 31 December 2016	8,122,586	9,457,959	11,592,387	27,730,113	1,614,652	1,194,054	565,282	60,277,033
Accumulated depreciation								
At 1 January 2016	1,631,201	-	3,299,028	25,266,786	2,020,668	1,077,388	-	33,295,071
Depreciation charge for the year (Note 5)	116,867	-	231,848	474,229	144,669	21,124	-	988,737
Disposals	-	-	-	-	(873,471)	-	-	(873,471)
At 31 December 2016	1,748,068	-	3,530,876	25,741,015	1,291,866	1,098,512	-	33,410,337
Net carrying amount								
At 31 December 2016	6,374,518	9,457,959	8,061,511	1,989,098	322,786	95,542	565,282	26,866,696

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

9. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares at cost	128,561	128,561

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	% of ownership interest held by the Group* 2017	2016	Principal activities
Direct subsidiary				
Lysaght Marketing Sdn. Bhd.	Malaysia	100	100	Trading in galvanized masts, poles and other related products.
Indirect subsidiary				
** Lysaght Marketing (S) Pte. Ltd.	Singapore	100	100	Trading in galvanized lighting columns and high masts, gantries, transmission and telecommunication towers, power poles and general lattice structures.

* *Equals to the proportion of voting rights held*
** *Audited by Ernst & Young, Singapore*

10. OTHER INVESTMENTS

	Group and Company 2017 RM	Group and Company 2016 RM
Unquoted shares at cost	130,523	130,523

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

11. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
At cost				
Raw materials	13,066,324	13,623,487	13,066,324	13,623,487
Work-in-progress	5,633,778	5,014,495	5,633,778	5,014,495
Finished goods	4,851,971	5,107,835	4,566,543	4,770,164
Production supplies	794,711	476,313	794,711	476,313
	24,346,784	24,222,130	24,061,356	23,884,459
At net realisable value				
Raw materials	225,169	282,536	225,169	282,536
Production supplies	28,732	55,381	28,732	55,381
	24,600,685	24,560,047	24,315,257	24,222,376

The cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM35,474,837 (2016 : RM23,542,634) and RM35,021,965 (2016 : RM22,905,070) respectively.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade receivables				
Third parties	20,353,695	18,219,370	135	353
Allowance for impairment	(128,374)	(185,946)	-	-
	20,225,321	18,033,424	135	353
Amounts owing from subsidiaries	-	-	418,820	2,920,089
	20,225,321	18,033,424	418,955	2,920,442
Other receivables				
Other receivables	204,288	200,939	203,788	200,439
Deposits	195,367	237,402	146,190	190,894
Goods and Services Tax receivable	695,752	613,881	695,752	613,881
Amount owing from a subsidiary	-	-	-	96,242
	1,095,407	1,052,222	1,045,730	1,101,456
Total trade and other receivables	21,320,728	19,085,646	1,464,685	4,021,898
Add: Cash and bank balances (Note 13)	68,840,472	61,582,582	56,137,539	47,542,694
Less: Goods and Services Tax receivable	(695,752)	(613,881)	(695,752)	(613,881)
Total loans and receivables	89,465,448	80,054,347	56,906,472	50,950,711

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

12. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016 : 30 to 90 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Neither past due nor impaired	5,902,891	4,470,996	418,820	2,920,442
1 to 30 days past due not impaired	5,393,717	4,565,065	-	-
31 to 60 days past due not impaired	3,762,914	4,055,909	135	-
61 to 90 days past due not impaired	2,707,043	2,737,254	-	-
91 to 120 days past due not impaired	2,071,901	2,066,953	-	-
More than 121 days past due not impaired	386,855	137,247	-	-
	14,322,430	13,562,428	135	-
	20,225,321	18,033,424	418,955	2,920,442
Impaired	128,374	185,946	-	-
	20,353,695	18,219,370	418,955	2,920,442

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM14,322,430 (2016 : RM13,562,428) and RM135 (2016 :RMNil) respectively that are past due at the reporting date but not impaired. These receivables are regular customers with good payment records but slow in payment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

12. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired		Individually impaired	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade receivables-nominal amounts	128,374	185,946	-	-
Less: Allowance for impairment	(128,374)	(185,946)	-	-
	-	-	-	-

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Movement in allowance accounts:				
At 1 January	185,946	4,628,196	-	11,236
Charge for the year (Note 5)	6,256	-	-	-
Reversal of impairment losses (Note 5)	(17,000)	(28,000)	-	-
Written off	(45,886)	(4,436,339)	-	(11,236)
Exchange differences	(942)	22,089	-	-
At 31 December	128,374	185,946	-	-

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Related party balance

(i) Trade receivables

The amounts owing from subsidiaries are from normal trading transactions. The amounts are unsecured, interest free and on 30 to 90 (2016: 30 to 90) days terms.

(ii) Other receivables

The amount owing from a subsidiary in the previous financial year was unsecured, non-interest bearing and repayable on demand. The amount was repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

13. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash at banks and on hand	12,478,479	9,114,265	1,375,546	1,231,397
Short term deposits with				
- licensed financial institution	25,011,993	45,611,297	25,011,993	45,611,297
- licensed banks	31,350,000	6,857,020	29,750,000	700,000
Cash and bank balances	68,840,472	61,582,582	56,137,539	47,542,694
Less: short term deposits with maturity period more than three months	(29,000,000)	-	(29,000,000)	-
Cash and cash equivalents	39,840,472	61,582,582	27,137,539	47,542,694

Short-term deposits are made with maturity periods of 4 to 183 days (2016 : 4 to 30 days). The average interest rates of the short term deposits of the Group and of the Company during the year range between 2.75% to 4.16% (2016 : 2.55% to 3.40%) and 3.50% to 4.16% (2016 : 3.40%) per annum respectively.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade payables				
Third parties	3,503,756	2,955,060	3,329,810	2,741,098
Amount owing to a fellow subsidiary	93,017	-	93,017	-
	3,596,773	2,955,060	3,422,827	2,741,098
Other payables				
Other payables				
- Third parties	1,350,207	1,134,580	175,773	157,943
- Amounts owing to subsidiaries	-	-	7,009,058	-
Accruals	3,069,859	2,672,908	2,250,686	1,719,874
Goods and Services Tax payable	365,049	402,583	-	-
	4,785,115	4,210,071	9,435,517	1,877,817
Total trade and other payables	8,381,888	7,165,131	12,858,344	4,618,915
Less: Goods and Services Tax payable	(365,049)	(402,583)	-	-
Total financial liabilities carried at amortised cost	8,016,839	6,762,548	12,858,344	4,618,915

Trade payables

The normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2016 : 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

14. TRADE AND OTHER PAYABLES *cont'd*

Amounts owing to subsidiaries (non-trade)

The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable on demand.

15. RETIREMENT BENEFITS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
At 1 January	13,944	181,307	13,944	100,177
Paid during the year	(318)	(4,850)	(318)	(4,850)
Reversal during the year (Note 5)	-	(162,513)	-	(81,383)
At 31 December	13,626	13,944	13,626	13,944
Analysed as:				
Current	1,300	-	1,300	-
Non-current	12,326	13,944	12,326	13,944
	13,626	13,944	13,626	13,944

With effect from 1 January 1983, the Group and the Company have discontinued their retirement benefits plan. The amount vested in the eligible employees as at 1 January 1983 will be retained in the financial statements until retirement of these employees.

The amounts of RM162,513 and RM81,383 of the Group and of the Company respectively were reversed in the previous financial year to reflect the actual number of employees entitled to the retirement benefits.

16. DEFERRED TAX

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
At 1 January	585,480	568,367	568,000	551,000
Recognised in profit or loss (Note 6)	111,000	17,000	111,000	17,000
Exchange reserve	(107)	113	-	-
At 31 December	696,373	585,480	679,000	568,000
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	696,373	585,480	679,000	568,000
	696,373	585,480	679,000	568,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

16. DEFERRED TAX *cont'd*

The components and movements of deferred tax (assets) and liabilities during the financial year are as follows:

	Property, plant and equipment RM	Unrealised foreign exchange RM	Provisions RM	Total RM
Group				
Deferred tax assets				
At 1 January 2017	-	-	(52,944)	(52,944)
Recognised in profit or loss	-	-	(10,000)	(10,000)
At 31 December 2017	-	-	(62,944)	(62,944)
At 1 January 2016	-	-	(86,944)	(86,944)
Recognised in profit or loss	-	-	34,000	34,000
At 31 December 2016	-	-	(52,944)	(52,944)
Deferred tax liabilities				
At 1 January 2017	638,424	-	-	638,424
Recognised in profit or loss	97,000	24,000	-	121,000
Exchange reserve	(107)	-	-	(107)
At 31 December 2017	735,317	24,000	-	759,317
At 1 January 2016	655,311	-	-	655,311
Recognised in profit or loss	(17,000)	-	-	(17,000)
Exchange reserve	113	-	-	113
At 31 December 2016	638,424	-	-	638,424
Company				
Deferred tax assets				
At 1 January 2017	-	-	(60,000)	(60,000)
Recognised in profit or loss	-	-	(10,000)	(10,000)
At 31 December 2017	-	-	(70,000)	(70,000)
At 1 January 2016	-	-	(94,000)	(94,000)
Recognised in profit or loss	-	-	34,000	34,000
At 31 December 2016	-	-	(60,000)	(60,000)
Deferred tax liabilities				
At 1 January 2017	628,000	-	-	628,000
Recognised in profit or loss	97,000	24,000	-	121,000
At 31 December 2017	725,000	24,000	-	749,000
At 1 January 2016	645,000	-	-	645,000
Recognised in profit or loss	(17,000)	-	-	(17,000)
At 31 December 2016	628,000	-	-	628,000

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017	2016	2017	2016
			RM	RM
Authorised				
At 1 January	100,000,000	100,000,000	100,000,000	100,000,000
Effect of implementation of Companies Act 2016	(100,000,000)	-	(100,000,000)	-
At 31 December	-	100,000,000	-	100,000,000
Issued and fully paid				
At 1 January and 31 December	41,580,000	41,580,000	41,580,000	41,580,000

The Companies Act 2016 which came into operation on 31 January 2017 abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

18. OTHER RESERVES

	Non-distributable		
	Capital reserve	Exchange reserve	Total
	RM	RM	RM
Group			
At 1 January 2016	499,998	3,589,873	4,089,871
Foreign currency translation	-	475,861	475,861
At 31 December 2016	499,998	4,065,734	4,565,732
Foreign currency translation	-	(483,835)	(483,835)
At 31 December 2017	499,998	3,581,899	4,081,897

(i) Capital reserve arose from profit attributable to the shareholders of the Company capitalised by a subsidiary by way of bonus share issue.

(ii) Exchange reserve of the Group arose from the translation of a foreign subsidiary's statement of financial position and statement of comprehensive income into Ringgit Malaysia at the rate of exchange prevailing as at year end. The reserve is utilised to set-off exchange gains or losses arising from the abovementioned transactions.

19. RETAINED PROFITS

The Company may distribute dividends out of its entire retained profits as at 31 December 2017 and 31 December 2016 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

20. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Recognised during the year:				
Final dividend for 2015: 15% single tier, on 41,580,000 ordinary shares (15.00 sen per ordinary share)	-	-	-	6,237,000
Final dividend for 2016: 7% single tier, on 41,580,000 ordinary shares (7.00 sen per ordinary share)	-	2,910,600	2,910,600	-
Final dividend for 2017: 7% single tier, on 41,580,000 ordinary shares (7.00 sen per ordinary share)*	2,910,600	-	-	-
	2,910,600	2,910,600	2,910,600	6,237,000

* At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2017, of RM0.07 per ordinary share, on 41,580,000 ordinary shares, amounting to a total dividend of RM2,910,600 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

21. COMMITMENTS

(a) Operating lease commitment - as lessor

The Company has entered into a non-cancellable operating lease agreement on its property portfolio. The lease has remaining non-cancellable lease terms of 24 months (2016 : 12 months) as at year end.

The future minimum lease payments receivable under non-cancellable operating lease contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Not later than 1 year	-	-	120,000	120,000
Later than 1 year and not later than 5 years	-	-	120,000	-
	-	-	240,000	120,000
Rental income	-	-	120,000	120,000
Direct expenses generating rental income (included in administrative expenses)	-	-	(34,600)	(34,082)

21. COMMITMENTS *cont'd*

(b) Operating lease commitment - as lessee

The Company has entered into an operating lease agreement for the use of a premise for manufacturing galvanized steel products with a fellow subsidiary. The lease is negotiated for a term of 2 years and rental is fixed for the term negotiated.

The rental consideration of the lease for the Group and the Company is RM28,500 (2016: RMNil) and RM28,500 (2016: RMNil) per month respectively.

The future aggregate minimum lease payments under the operating lease contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Not later than 1 year	342,000	-	342,000	-
Later than 1 year and not later than 5 years	28,500	-	28,500	-
	370,500	-	370,500	-

(c) Capital commitments

	Group and Company	
	2017	2016
	RM	RM
Property, plant and equipment:		
Approved and contracted for	72,000	494,000
Approved and not contracted for	2,240,000	4,730,000
	2,312,000	5,224,000

22. CONTINGENT LIABILITIES

The Company has provided the following guarantee at the reporting date:

	Company	
	2017	2016
	RM	RM
Performance guarantee given to a third party in connection with projects to be performed by a subsidiary	199,885	162,500

No liability is expected to arise as the Company monitors the performance of the subsidiary to ensure it meets the contracted obligations of the projects.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

23. RELATED PARTIES

The significant related party transactions during the year are as follows:

(a) With subsidiaries

	Company Lysaght Marketing Sdn. Bhd.		Company Lysaght Marketing (S) Pte. Ltd.	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Rental of office (Note 5(a))	120,000	120,000	-	-
Sales of galvanized products	53,361,864	30,432,742	18,558,676	20,820,265
Amount owing (to)/from	(2,214,600)	2,843,197	(4,375,638)	173,134

(b) With related party

	Lysaght Corrugated Pipe Sdn. Bhd.			
	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Rental of factory	313,500	-	313,500	-
Galvanizing services	489,355	-	489,355	-
Transportation services	80,250	-	80,250	-
Fabricating services	445	-	445	-
	883,550	-	883,550	-
Amount owing to	(93,017)	-	(93,017)	-

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group and Company	
	2017	**2016**
	RM	**RM**
Short term employee benefits	2,028,205	2,627,525
Employees Provident Fund	315,908	370,634
	2,344,113	2,998,159

Included in the total compensation of key management personnel are:

	Group and Company	
	2017	**2016**
	RM	**RM**
Directors' remuneration (Note 5(c))	1,072,731	1,126,001

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

23. RELATED PARTIES *cont'd*

(d) Transaction with a director

	Group and Company	
	2017	2016
	RM	RM
Sales proceeds from disposal of motor vehicle	-	85,000

24. SEGMENT INFORMATION

Group

(a) Business segments

The Group operates within a single business segment.

(b) Geographical segments

(i) Analysis of revenue from external customers by geographical location

	2017	2016
	RM	RM
Malaysia	51,852,445	30,974,420
Singapore	25,808,526	30,180,584
New Zealand	7,876,800	2,746,239
Taiwan	2,180,578	375,345
Sri Lanka	1,098,807	321,506
Others	1,992,432	805,205
	90,809,588	65,403,299

(ii) Analysis of property, plant and equipment (non-current assets) by geographical location

	2017	2016
	RM	RM
Malaysia	33,419,557	26,913,081
Singapore	3,773,030	4,129,679
	37,192,587	31,042,760

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk, foreign exchange risk and commodity price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of the changes in the market interest rate.

The Group and the Company are exposed to interest rate risk in respect of their short term deposits with licensed banks. However, the fluctuation in interest rates, if any, is not expected to have a material impact on the financial performance of the Group and of the Company.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of tax. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	Group		**Company**	
	Increase/ Decrease in basis points	**Effect on profit net of tax Increase/ (Decrease)**	**Increase/ Decrease in basis points**	**Effect on profit net of tax Increase/ (Decrease)**
		RM		**RM**
2017	+ 25	107,088	+ 25	104,048
	- 25	(107,088)	- 25	(104,048)
2016	+ 25	99,690	+ 25	87,991
	- 25	(99,690)	- 25	(87,991)

(b) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(b) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
2017			
Group			
Financial liabilities:			
Trade and other payables	8,016,839	-	8,016,839
Company			
Financial liabilities:			
Trade and other payables	12,858,344	-	12,858,344
2016			
Group			
Financial liabilities:			
Trade and other payables	6,762,548	-	6,762,548
Company			
Financial liabilities:			
Trade and other payables	4,618,915	-	4,618,915

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 12.

Financial assets that are past due but not impaired

Information regarding trade and other receivables that are either past due but not impaired is disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign exchange risk

Foreign currency risk arises when transactions are denominated in currencies other than the functional currency of the Group, and such changes will impact the Group's profit.

The Group operates internationally and is exposed mainly to United States Dollar and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable sales and purchases give rise to foreign exchange exposures.

The Group has not used any forward contracts to hedge against its exposure to foreign currency risk.

The Group does not use any derivative financial instruments to hedge this risk.

The net unhedged financial assets/(liabilities) of the Group and of the Company that are not denominated in their functional currencies are as follows:

	United States Dollar	Singapore Dollar	Total
	RM	**RM**	**RM**
Functional currency of the Group entity			
Ringgit Malaysia			
At 31 December 2017			
Trade receivables	77,345	95,340	172,685
Cash and bank balances	100,543	1,112	101,655
	177,888	96,452	274,340
At 31 December 2016			
Trade receivables	114,617	146,020	260,637
Cash and bank balances	2,590,366	1,323	2,591,689
	2,704,983	147,343	2,852,326
Singapore Dollar			
At 31 December 2017			
Cash and bank balances	678,742	-	678,742
At 31 December 2016			
Cash and bank balances	680,777	-	680,777

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign exchange risk *cont'd*

	United States Dollar	Singapore Dollar	Total
	RM	RM	RM
Functional currency of the Company			
Ringgit Malaysia			
At 31 December 2017			
Cash and bank balances	1,812	1,062	2,874
Amount owing to a subsidiary	-	(4,375,638)	(4,375,638)
	1,812	(4,374,576)	(4,372,764)
At 31 December 2016			
Cash and bank balances	1,812	1,062	2,874
Amount owing from a subsidiary	-	173,134	173,134
	1,812	174,196	176,008

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and SGD exchange rates against the functional currency of the Group entities, with all other variables held constant.

	Effect on Profit Net of Tax Increase/(Decrease)			
	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
USD/RM				
- strengthened 3%	4,056	61,673	41	41
- weakened 3%	(4,056)	(61,673)	(41)	(41)
SGD/RM				
- strengthened 3%	2,199	3,359	(99,740)	3,972
- weakened 3%	(2,199)	(3,359)	99,740	(3,972)
USD/SGD				
- strengthened 3%	15,475	15,522	-	-
- weakened 3%	(15,475)	(15,522)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(e) Commodity price risk

The Group purchases steel on an ongoing basis as its operating activities require a continuous supply of steel to manufacture its products.

Sensitivity analysis for commodity price risk

At the reporting date, if the steel price had been 27% (2016 : 7%) higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM3,398,327 (2016 : RM763,653) lower/higher.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group and Company	
		2017	2016
	Note	RM	RM
Other investments, at cost	10	130,523	130,523

Other investments carried at cost

Fair value information has not been disclosed for the Group's other investments that are carried at cost because fair value cannot be measured reliably.

B. Determination of fair value

(i) Fair value of financial instruments that are carried at fair value

The Group does not have any financial assets and liabilities carried at fair value classified using the fair value hierarchy as at 31 December 2017 and 31 December 2016.

(ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Group	Company
	Note	Note
Trade and other receivables (current)	12	12
Amounts owing from subsidiaries (current)	-	12
Amounts owing to subsidiaries (current)	-	14
Trade and other payables (current)	14	14

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
cont'd

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group and the subsidiaries are not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at 0%. For the years ended 31 December 2017 and 31 December 2016, the Group has zero gearing.

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
Trade and other payables	14	8,381,888	7,165,131	12,858,344	4,618,915
Less: Cash and bank balance	13	(68,840,472)	(61,582,582)	(56,137,539)	(47,542,694)
Net debt		(60,458,584)	(54,417,451)	(43,279,195)	(42,923,779)
Equity attributable to the equity holders		141,513,415	127,027,927	101,824,514	97,362,389
Total capital		141,513,415	127,027,927	101,824,514	97,362,389
Gearing ratio		0%	0%	0%	0%

LIST OF PROPERTIES

31 December 2017

Location	Description	Existing Use	Approximate Land Area	Tenure	Approximate Age of Buildings (years)	Net Book Value (RM)	Date of Acquisition
Plot 66, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Office and Factory	145,829 sq ft	Leasehold 99 years expiring on 9.10.2071	31	2,282,523	31.12.1986
Plot 89, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Training Room and Factory	139,396 sq ft	Leasehold 99 years expiring on 1.9.2075	23	2,658,805	31.12.1994
Plot 9, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Office and Factory	130,005 sq ft	Leasehold 99 years expiring on 8.9.2071	45	3,251,414	1.6.2002
Plot 43, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Factory and Storage	132,311 sq ft	Leasehold 99 years expiring on 7.12.2071	5	5,042,350	1.9.2008
Plot 67, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Factory and Storage	89,998 sq ft	Leasehold 99 years expiring on 28.10.2073	1	1,184,438	1.9.2008
No.11 Jalan Majistret U1/26, Seksyen U1, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia	Freehold land with office building and warehouse	Office and Warehouse	39,945 sq ft	Freehold land	23	11,390,745	20.9.2013
Plot 8, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Factory and Storage	87,758 sq ft	Leasehold 99 years expiring on 12.10.2065	1	3,654,650	6.10.2017

SHAREHOLDING DISTRIBUTION SCHEDULE

As at 4 April 2018

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	41,580,000 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS (AS PER THE RECORD OF DEPOSITORS)

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued capital
Less than 100 Shares	15	0.87	366	0.00
100 to 1,000	293	16.93	192,800	0.46
1,001 to 10,000	1,197	69.15	4,115,934	9.90
10,001 to 100,000	212	12.25	5,276,400	12.69
100,001 to less than 5% of issued shares	12	0.69	2,640,000	6.35
5% and above of the issued shares	2	0.11	29,354,500	70.60
TOTAL	**1,731**	**100.00**	**41,580,000**	**100.00**

THIRTY LARGEST SHAREHOLDERS

As at 4 April 2018

List of 30 Largest Securities Account Holders (as per the record of depositors)

	Name of Shareholders	**No. of Shares Held**	**Percentage (%)**
1	Lysaght (Malaysia) Sdn. Bhd.	22,925,700	55.14
2	Ingli Sdn. Bhd.	6,428,800	15.46
3	Chew Mee Lee	729,800	1.76
4	Liew Swee Mio @ Liew Hoi Foo	344,400	0.83
5	CIMB Group Nominees (Tempatan) Sdn. Bhd. *MIDF Amanah Asset Management Berhad for Liew Wah Tang (SS01652)*	268,600	0.65
6	Tan Ka Lian	177,000	0.43
7	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Liew Kon Sing @ Liew Kong*	174,900	0.42
8	Bina Securities & Management Sdn. Bhd.	172,200	0.41
9	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tee Kian Hong (E-TSA)*	165,000	0.40
10	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tam Seng @ Tam Seng Sen (E-PTS)*	150,000	0.36
11	Tew Kok Kian	142,200	0.34
12	Lim Khuan Eng	110,000	0.26
13	Lim Peng Seah	103,900	0.25
14	Liew Ing Shian	102,000	0.25
15	Teo Kwee Hock	100,000	0.24
16	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lee Kin Kheong (E-IMO)*	97,500	0.23
17	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)*	94,000	0.23
18	Cimsec Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Wan Wui Kiang (MY2841)*	90,000	0.22
19	Ding Tai Mooi	90,000	0.22
20	Lee Tek Mook @ Lee Teh Moh	87,600	0.21
21	Lai Chin Loy	87,300	0.21
22	Eng Ah Thung @ Eng Bean Keng	84,000	0.20
23	Cimsec Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Ronie Tan Choo Seng (MY0690)*	75,000	0.18
24	Ong Swee Gueh	70,600	0.17
25	Teoh Ah Yet	67,900	0.16
26	Ong Yoke Meng	64,000	0.15
27	Cimsec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Boon Eng (B Tinggi-CL)*	61,900	0.15
28	Teh Chong Yan	60,800	0.15
29	TA Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lee Teo Seng*	60,000	0.14
30	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Yee Lee Ying*	58,600	0.14
	Total	**33,243,700**	**79.96**

SUBSTANTIAL SHAREHOLDERS
As at 4 April 2018

Substantial Shareholders (As per the Register of Substantial Shareholders)

		Direct Shareholdings		Indirect Shareholdings	
No.	**Name of Shareholders**	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Lysaght (Malaysia) Sdn. Bhd.	22,925,700	55.14	-	-
2	Ingli Sdn. Bhd.	6,428,800	15.46	-	-
3	Liew Swee Mio @ Liew Hoi Foo	344,400	0.83	30,454,900*1	73.24
4	Chew Mee Lee	729,800	1.76	30,069,500*2	72.32
5	Chew Bros (M) Sdn. Bhd.	-	-	22,925,700*3	55.14
6	ChewKarHeing Sdn. Bhd.	-	-	22,925,700*3	55.14
7	Yusuf Bin Jamil	-	-	23,097,900*4	55.55
8	WTWT Sdn. Bhd.	-	-	22,925,700*3	55.14
9	Janfreys Sdn. Bhd.	-	-	23,097,900*5	55.55
10	Bina Securities & Management Sdn. Bhd.	172,200	0.41	22,925,700*3	55.14
11	CKH And LIK Family Sdn. Bhd.	-	-	22,925,700*3	55.14
12	Lim Iee Kuan	-	-	22,925,700*6	55.14
13	Chew Meu Jong	-	-	22,957,200*7	55.21
14	Deborah Mun Sook Ho	-	-	22,925,700*6	55.14
15	Chew Kar Yoo @ Chew Kar Hoo	-	-	22,925,700*6	55.14

Notes:

1 *Deemed interest through Lysaght (Malaysia) Sdn. Bhd., Ingli Sdn. Bhd. and family members' direct interest in the Company*
2 *Deemed interest through Ingli Sdn. Bhd. and family members' direct and indirect interest in the Company*
3 *Deemed interest through Lysaght (Malaysia) Sdn. Bhd.*
4 *Deemed interest through Lysaght (Malaysia) Sdn. Bhd. and Bina Securities & Management Sdn. Bhd.*
5 *Deemed interest by virtue of being the holding company of Bina Securities & Management Sdn. Bhd.*
6 *Deemed interest in Lysaght (Malaysia) Sdn. Bhd. through CKH And LIK Family Sdn. Bhd.*
7 *Deemed interest in Lysaght (Malaysia) Sdn. Bhd. through CKH And LIK Family Sdn. Bhd. and her spouse's shareholdings in the Company*

DIRECTORS' SHAREHOLDINGS

As at 4 April 2018

Directors' Shareholdings (As per the Register of Directors' Shareholdings)

		Direct Shareholdings		Indirect Shareholdings	
No.	**Name of Directors**	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Dato' Ir. Wan Razali Bin Wan Muda	-	-	-	-
2	Ir. Chua Tia Bon	12,600	0.03	10,600[*1]	0.03
3	Chew Meu Jong	-	-	22,957,200[*2]	55.21
4	Ir. Aik Siaw Kong	-	-	-	-
5	Cheam Low Soo	-	-	-	-
6	Ee Beng Guan	-	-	-	-
7	Chong Sai Sin	-	-	-	-

Notes:

**1 Deemed interest through his spouse's shareholdings in the Company*

**2 Deemed interest in Lysaght (Malaysia) Sdn Bhd through CKH And LIK Family Sdn Bhd and her spouse's shareholdings in the Company*

LYSAGHT
GALVANIZED STEEL BERHAD
(CO.46426-P)

FORM OF PROXY

No. of shares held	
CDS Account No.	

I/We .... NRIC No./Passport No./Co. No. ....
(FULL NAME IN BLOCK LETTERS)

of ....
(ADDRESS)

being a member/members of LYSAGHT GALVANIZED STEEL BERHAD (46426-P), hereby appoint ....

.... NRIC No./Passport No./Co. No. ....
(FULL NAME IN BLOCK LETTERS)

of ....
(ADDRESS)

or failing him/her .... NRIC No./Passport No./Co. No. ....
(FULL NAME IN BLOCK LETTERS)

of ....
(ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 39th Annual General Meeting of the Company to be held at Emerald Hall, Level 5, Hotel Excelsior, 43, Jalan Sultan Abdul Jalil, 30300 Ipoh, Perak Darul Ridzuan on Thursday, 7 June 2018 at 10:30 a.m. and at any adjournment thereof.

	ORDINARY BUSINESS	**FOR**	**AGAINST**
1.	To approve the payment of final single tier dividend of 7 sen per share for the financial year ended 31 December 2017.		
2.	To approve the payment of Directors' Fees of RM480,000/- for the financial year ending 31 December 2018 to the Non-Executive Directors.		
3.	To approve the payment of the meeting allowances of RM107,000/- for the financial year ending 31 December 2018 to the Non-Executive Directors.		
4.	To re-elect Ir Chua Tia Bon as Director of the Company.		
5.	To re-elect Mr Ee Beng Guan as Director of the Company.		
6.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at such remuneration to be determined by the Directors of the Company.		

(Please indicate an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this .... day of .... , 2018

....
Signature(s) of member(s)
(If shareholder is a corporation, this part should be executed under seal)

Fold this flap for sealing

Then fold here

Affix
Stamp

THE COMPANY SECRETARY
LYSAGHT GALVANIZED STEEL BERHAD
c/o AD-Consult Sdn. Bhd.
Suite 13.03, 13th Floor
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

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Notes:

1. *A member whose name appear in the Record of Depositors as at 31 May 2018 shall be regarded as a member entitled to attend, speak and vote at the 39th AGM. He/She shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies) to attend and vote at the Meeting.*
2. *A proxy may but need not be a member of the Company and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies) the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
4. *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account'), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
7. *The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Registered Office at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or adjournment thereof.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of this 39th AGM will be put to vote by poll.*

LYSAGHT GALVANIZED STEEL BERHAD
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