



**LYSAGHT GALVANIZED STEEL BERHAD**

(CO.46426-P)

## Annual Report **2018**







# TABLE OF CONTENTS

---

02	Notice of Annual General Meeting
04	Statement Accompanying Notice of Annual General Meeting
05	Corporate Information
06	Financial Highlights
07	Chairman's Statement
08	Management Discussion and Analysis of Business Operations and Financial Performance
11	Sustainability Report
19	Directors' Profile
23	Key Management Profile
25	Corporate Governance Overview Statement
31	Additional Disclosure Requirements Pursuant to the Listing Requirements
32	Statement on Risk Management and Internal Control
35	Audit Committee Report
38	Statement on Directors' Responsibility
39	Directors' Report
43	Statement by Directors
43	Statutory Declaration
44	Independent Auditors' Report
48	Statements of Comprehensive Income
49	Statements of Financial Position
51	Statements of Changes in Equity
52	Statements of Cash Flows
53	Notes to the Financial Statements
99	List of Properties
100	Shareholding Distribution Schedule
101	Thirty Largest Shareholders
102	Substantial Shareholders
103	Directors' Shareholdings
	Form of Proxy

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fortieth Annual General Meeting ("40th 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 Wednesday, 19 June 2019 at 10:30 a.m. to transact the following business:-

### AGENDA

#### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon.
2. To declare a final single tier dividend of 7 sen per ordinary share for the financial year ended 31 December 2018. **Ordinary Resolution 1**
3. To approve the payment of Directors' Fees of RM432,000/- for the financial year ending 31 December 2019 to the Non-Executive Directors. **Ordinary Resolution 2**
4. To approve the payment of the meeting allowances of RM107,000/- for the financial year ending 31 December 2019 to the Non-Executive Directors. **Ordinary Resolution 3**
5. To re-elect the following Directors who retire pursuant to Article 81 of the Company's Constitution and who have offered themselves for re-election:-
  - i. Mr Cheam Low Soo **Ordinary Resolution 4**
  - ii. Madam Chew Meu Jong **Ordinary Resolution 5**
6. To re-appoint Ernst & Young as Auditors of the Company for the financial year ending 31 December 2019 at such remuneration to be determined by the Directors. **Ordinary Resolution 6**

#### SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution, with or without modifications:

7. **Proposed amendments to the Constitution of the Company** **Special Resolution 1**  

"**THAT** approval be and is hereby given to amend the existing Constitution of the Company in its entirety by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect **AND THAT** the Board of Directors be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."
8. 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 ANNUAL GENERAL MEETING

cont'd

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** the final single tier dividend of 7 sen per ordinary share for the financial year ended 31 December 2018, if approved by shareholders at the 40th AGM, will be paid on 22 July 2019 to Depositors whose names appear in the Record of Depositors of the Company at the close of business on 8 July 2019.

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 8 July 2019 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 2019

### Notes:

1. A member whose name appear in the Record of Depositors as at 12 June 2019 shall be regarded as a member entitled to attend, speak and vote at the 40th 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 40th AGM will be put to vote by poll.

## NOTICE OF ANNUAL GENERAL MEETING

cont'd

### **Explanatory Notes:**

#### 1. **Audited Financial Statements for the financial year ended 31 December 2018**

*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. **Ordinary 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 21 February 2019, 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 22 July 2019 in accordance with the requirements under Section 132(2) and (3) of the Act.*

#### 3. **Ordinary 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 2019.*

#### 4. **Special Resolution 1 – Proposed amendments to the Constitution of the Company**

*The proposed Special Resolution 1, if passed, will bring the Company's Constitution in line with the amendments that arose from the Companies Act 2016 and the revised Main Market Listing Requirements of Bursa Malaysia Securities Berhad, to enhance administrative efficiency and provide greater clarity. In view of the substantial amount of proposed amendments to the existing Constitution ("**Proposed Amendment**"), the Directors proposed that the existing Constitution be amended in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments as set out in **Appendix A**, a copy of which is circulated together with the Notice of 40th AGM dated 30 April 2019.*

## 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 40th 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, <sup>KMN</sup>**  
*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**

### 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, <sup>KMN</sup>**

### RISK MANAGEMENT COMMITTEE

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

### COMPANY SECRETARY

**Lim Chien Joo** (*MA/CSA 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](mailto: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 : 05-210 2168  
Fax No : 05-254 1572

### PRINCIPAL BANKERS

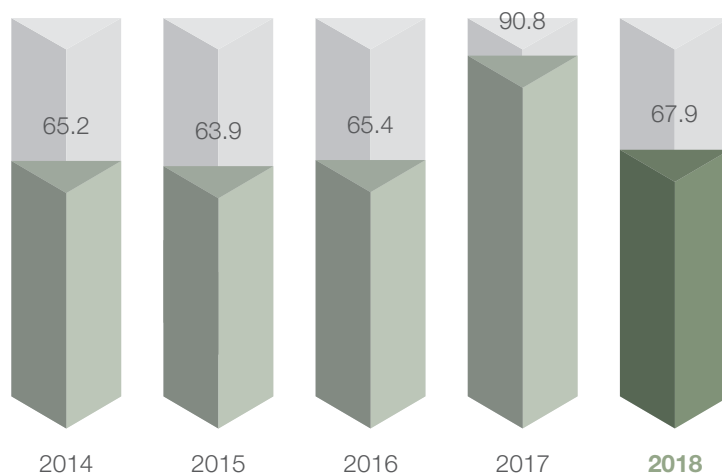
Standard Chartered Bank Malaysia Bhd.

### STOCK EXCHANGE LISTING

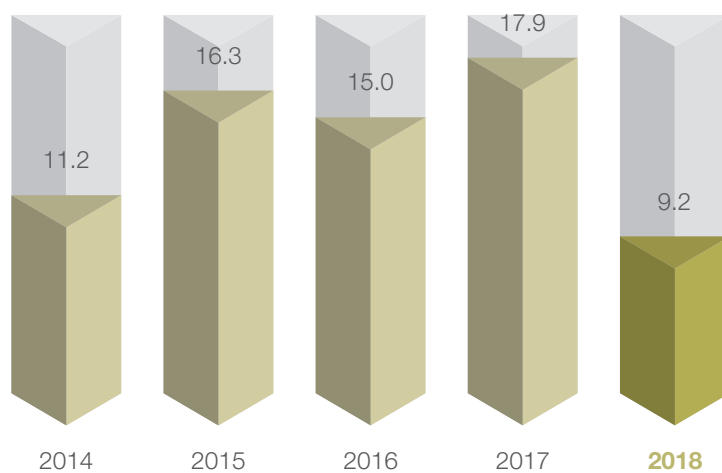
Main Market of Bursa Malaysia Securities Berhad  
Stock Name : LYSAGHT  
Stock Code : 9199

## FINANCIAL HIGHLIGHTS

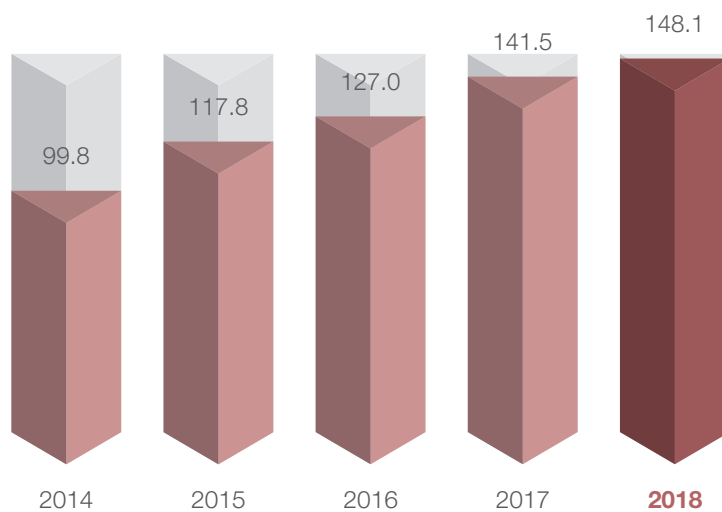
### REVENUE (RM'Mil)



### PROFIT AFTER TAX (RM'Mil)



### SHAREHOLDERS' FUND (RM'Mil)





# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

***I am pleased to pen a few words as we move ahead into financial year 2019. On behalf of the Board of Directors ("Board"), it gives me much pleasure to present to you the Annual Report and Financial Statements of our Group for the financial year ended 31 December 2018 ("FY2018").***

## OPERATING ENVIRONMENT

In contrast to 2017 when growth rose across the most advanced and emerging economies, 2018 was more challenging in many respects including the US-China trade war, tighter fiscal policies, pressure on the exchange rates especially in emerging markets, and even increased geo-political tensions. On the domestic front, the Malaysian economy growth slowed to 4.7% in 2018 as compared to 5.9% in 2017 amid the mentioned challenging external environment and fiscal consolidation initiatives by the new Government.

*(Source: Departments of Statistic Malaysia)*

The ramification of this difficult operating environment were evident in the decreased revenue of our Group in FY2018. The Group's revenue in FY2018 totalled RM67.9 million, which is 25.2% lower than the RM90.8 million recorded in the financial year ended 31 December 2017 ("FY2017"). As such, profit before taxation also decreased by 48.7% to RM11.7 million for the year under review compared to RM22.8 million in FY2017.

This decrease in sales was primarily due to the drop in sales volume and lower average selling price in FY2018 comparing to FY2017. The fact was further substantiated by the completion of one-off projects awarded in FY2017 during the first quarter of FY2018. A more in-depth review of our financial and operational performance will be reported under "Management Discussion and Analysis of Business Operations and Financial Performance ("MD&A")" in this Annual Report.

Overall, the results show the Group is resilient across all areas of the business to deliver the commendable earnings. Moving forward, we remain positive with our business outlook, driven mainly by domestic demand amid continuing fiscal rationalisation.

## DIVIDEND

Despite the current challenging operating environment, in the longer term, we remain confident on our growth trajectory. Considering our profit performance as well as short to medium term capital commitments on consolidation and amalgamation of our factories and replacing some of our current manufacturing facilities in stages as mentioned in the MD&A, the Board is recommending a final single tier dividend of 7 sen per ordinary share for FY2018. If approved at our forthcoming 40th Annual General Meeting, total dividends pay-out for the year will amount to RM2.9 million, consistent with the pay-out in FY2017.

## ACKNOWLEDGEMENT

On behalf of the Board of the Company, I would like to extend my sincere gratitude to our shareholders for their trust and confidence in our Group. I would also like to convey my deep appreciation to all employees for your dedication and commitment as we continue to grow this company together.

On behalf of the Board, I would like to thank our business partners, advisors, and the relevant government and regulatory agencies for their invaluable support and advice throughout FY2018.

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 2019

# 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 its products are suitably designed for a wide variety of applications and meet the stringent international codes and standards. These engineers graduated from diverse universities and are trained in various disciplines worldwide thus contributing to strengthening the aesthetic, quality and consistent standard of our products.

We offer sales support to and work closely with our customers to find efficient, cost-effective solutions on all our products. Our technical support readily advise on structural design, alternative design requirements to adapt to various wind conditions or limitations presented by access or existing surroundings and more.

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

### Market and products

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

Over time, requirements for our products have evolved from standard generic structures to include customised designs as customers now demand cost efficient solutions. Our production process is accredited by ISO 9001:2015 – 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 subsidiaries corporations, Lysaght Marketing Sdn Bhd and Lysaght Marketing (S) Pte Ltd, located at Shah Alam and Singapore respectively.

As part of the Group's strategic initiatives to maintain the growth momentum and ensure long-term sustainability, the Group is committed in upgrading our current manufacturing facilities as well as expansion of the existing factory. As mentioned in the previous Annual Report, the Group in 2017 acquired a piece of leasehold land together with a factory and office erected thereon located adjacent to our existing factory in Ipoh. Following the acquisition, the Group is amalgamating the two pieces of land and streamlining our operations to enhance the production flow, reduce the handling cost thereby increasing our production capacity and productivity. The said amalgamation and expansion is expected to be completed by financial year ending 31 December 2019.

Our Group has been growing from strength to strength, embracing new challenges as we expand our expertise. Being a community-focused, growth and value-oriented galvanized steel poles and masts manufacturer, we place reliability at the core of our operations and will continue to ensure better value creation for its stakeholders, focusing especially on our customers.

# MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

*cont'd*

## YEAR-ON-YEAR FINANCIAL REVIEW

The economic environment both in Malaysia and around the world took a turn for the worse in 2018. Locally, poorer sentiments were driven by concerns about the country's fiscal stability, the uncertainty brought about by the changes in government policy and continuing turmoil in global trade relationships.

### Revenue

For the financial year ended 31 December 2018 (**"FY2018"**), the revenue for the Group of RM67.9 million was 25.2% or RM22.9 million lower than that of the preceding financial year ended 31 December 2017 (**"FY2017"**). The decrease in revenue was attributable to the decline in sales volume in domestic, Singapore and New Zealand market.

Revenue by country	FY2018 RM' million	FY2017 RM' million
Malaysia	34.9	51.9
Singapore	22.3	25.8
New Zealand	5.2	7.9
Taiwan	1.3	2.1
Others	4.2	3.1
<b>Total</b>	<b>67.9</b>	<b>90.8</b>

The fact of year-on-year (**"YoY"**) decrease in revenue in FY2018 was substantiated by certain major projects which awarded and commenced in supplying during FY2017 has been completed by the first quarter of FY2018, whilst, the poor market sentiments has resulting in delays in the infrastructure and construction projects during FY2018. Hence, this has inevitably impacted our financial performance in FY2018.

### Gross profit and margin

Gross margin for FY2018 declined by 9.4% when compared to FY2017. This is attributable to the decrease in the average selling price of our products in FY2018 given the competitive operating environment, coupled with the increase in the raw materials' price. As a significant portion of the raw materials were sourced from overseas, which were denominated in United State Dollars (**"USD"**), the YoY appreciation of USD against RM during FY2018 had dampening effect on the Group's cost of sales which was reported in RM.

With the abovementioned YoY decrease in revenue and gross margin, the gross profit decreased by 44.5% or RM14.7 million to RM18.4 million in FY2018 when compared to previous financial year.

### Profit before tax

As a result of the decreased revenue in FY2018 coupled with the margin compression, the Group's profit before tax dropped by 48.7% to RM11.7 million in FY2018 from that of RM22.8 million achieved in FY2017.

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

The Group achieved a net profit of RM9.2 million for FY2018 against RM17.9 million in FY2017. In line with the decrease in profitability, the basic earnings per share for FY2018 dropped to 22.1 sen, which was 20.9 sen lower than that of 43.0 sen achieved in FY2017.

### Liquidity, capital resources and gearing

The Group's cash and cash equivalents increased from RM68.8 million as of 31 December 2017 to RM70.3 million as of 31 December 2018. In spite of the lower operating profit recorded in FY2018, the increase in cash and cash equivalents was mainly due to the lower cash outflow on capital expenditure as compared to preceding year. The summary of the Group's cash inflows and outflows during FY2018 is set out below:

- (i) Net cash generated from operating activities for FY2018 was RM3.4 million compared with that of RM16.4 million in FY2017. The reduction in inflow are mainly due to lower operating profit of RM11.7 million (FY2017: RM22.8 million) coupled with slower inventories turnover.

## MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

cont'd

- (ii) Net cash used in investing activities in FY2018 amounting to RM18.1 million as compared to RM34.8 million in FY2017. The decrease was largely due to the capital expenditure of RM1.2 million incurred by the Group in FY2018 was lower when compared to that of RM7.7 million incurred in FY2017. The Group has also reduced RM10.0 million of short-term deposits with maturity period of more than 3 months placement in FY2018. The short-term deposit with maturity period of more than 3 months was RM48.0 million as at 31 December 2018.
- (iii) The cash outflow from financing activities for both FY2018 and FY2017 was the payment of dividends of RM2.9 million (7 sen per ordinary share).

The management has allocated a capital commitment totalling of RM24.0 million for the purpose of consolidation and amalgamation of our current and new factories and replacing some of our current manufacturing facilities to improve our production efficiency.

Notwithstanding the above, the management believes after considering our cash and bank balances as well as the funds envisaged to be generated from our business operations, that we will have adequate working capital to meet our present and foreseeable day-to-day business operation requirements.

The Group has no borrowings as of 31 December 2018.

The Group's unquoted investment of 110,295 shares (2.80%) of an overseas investment was recognised at fair value of RM0.4 million as at 31 December 2018. This fair value was derived based on "Price Earnings Ratio" method as the Management was unable to conduct a comprehensive valuation on the said investment due to the limitation of investee's information made available to Management. The Management is not able to obtain relevant information from the Board of Directors of the said overseas investee company for the purpose of fair value exercise under Malaysian Financial Reporting Standards (MFRS) 9 "Financial Instruments", because the Group only owns a small percentage of shareholding in the said overseas investee company. Our Board of Directors has mandated the Management to sell the small percentage of 2.8% investment.

Save as aforementioned, we are not aware of any other known trends and events that are reasonably likely to have a material effect on our operations, performance, financial condition and liquidity.

### LOOKING AHEAD

The Malaysian economy for 2019 is expected to grow at 4.6%, slightly lower than the 2018 growth rate, according to RHB Research Institute Sdn. Bhd, as it is being challenged by on-going domestic adjustments and rising external headwinds, particularly lingering uncertainties about the state of the US-China trade disputes and further tightening of the US interest rates. Hence, public consumption and investment could be softened in view of austerity measures introduced by the new ruling government in order to curtail elevated national debt.

Notwithstanding anticipated the slower growth rate, our management observed that the growth projection weakness is confined to specific sectors and gradual recovery in commodity production will provide support to growth going into 2019. As such, the Group remains positive with the domestic demand with public sector focusing on socio-economic projects, education and on-going public infrastructure projects. As for Singapore, our biggest export market, the government expect the economy to grow 1.5 - 3.5% in 2019 (2018: 3.3%) and with its budget focusing on infrastructure spending in which the Group sees potential from it.

(Source: [www.pmo.gov.sg](http://www.pmo.gov.sg))

Albeit the positive outlook, the Group remains cautious for 2019. The Group intends to re-strategize the current business portfolio with plans to relocate its resources and expand into potential markets. The Group is in the midst of sourcing potential business partners in different markets to form strategic alliance. With the diversification of market, it opens up greater opportunity for the Group to grow internationally.

Moving forward, we will continue our journey to strengthen our Group and preparing ourselves to be even more resilient to market uncertainties and business challenges. We will continue to raise the bar of quality and variety of our products in order to penetrate geographically. In short, we have prepared ourselves to seize tomorrow's opportunities.

# SUSTAINABILITY REPORT

## COMMITMENT TO SUSTAINABILITY

Sustainability has always been a pillar of the Group's culture as we strived to achieve continuing growth and profitability in a safe, caring and sustainable environment. We recognise that sustainability practices are fast gaining importance as a criterion in investors' investment decisions.

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.

In this respect, 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.

OUR POLICY ON SUSTAINABILITY
Embrace Sustainability in Organisation Culture
Capitalise on Technology and Information
Strengthen the Core
Build Regional Global Connectivity
Foster a High Performance Organisation

The Group continued success in maintaining a sustainable business and generating long-term shareholder value is influenced by several internal and external factors. Each material factor presents unique risks and opportunities to our organisation, and is a key consideration in our approach to strategies formulation and execution as it substantially influences the assessments and decisions of our stakeholders. We regularly review these factors to assess their impacts on our business model over the near, medium and long term.



**ECONOMIC**

**Sustaining our economy**  
Delivering sustainable returns to our shareholders

Delivering quality products to achieve customers' satisfaction

**ENVIRONMENT**

**Conserving our environment**  
Protecting and preserving the environment pursuant to Environmental Quality Act

**SOCIAL**

**Building a resilient workforce**  
Ensuring a positive workplace for our employees

**Serving our community**  
Contributing to the well-being of the community around us



# SUSTAINABILITY REPORT

cont'd

## OUR SCOPE OF REPORTING

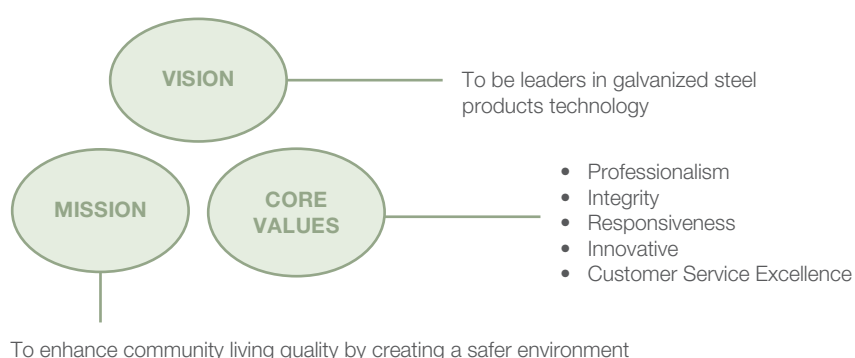
This Statement covers Lysaght Galvanized Steel Berhad and its subsidiaries. Information disclosed in this Statement encompasses our activities related to manufacturing and distribution of galvanized steel poles and masts in Malaysia as well as other countries.

This report cover data which had been compiled internally from 1 January 2018 to 31 December 2018. Where available and relevant, historical data of preceding year has been included for comparison.

## SUSTAINABILITY GOVERNANCE

### Vision, Mission and Core Value

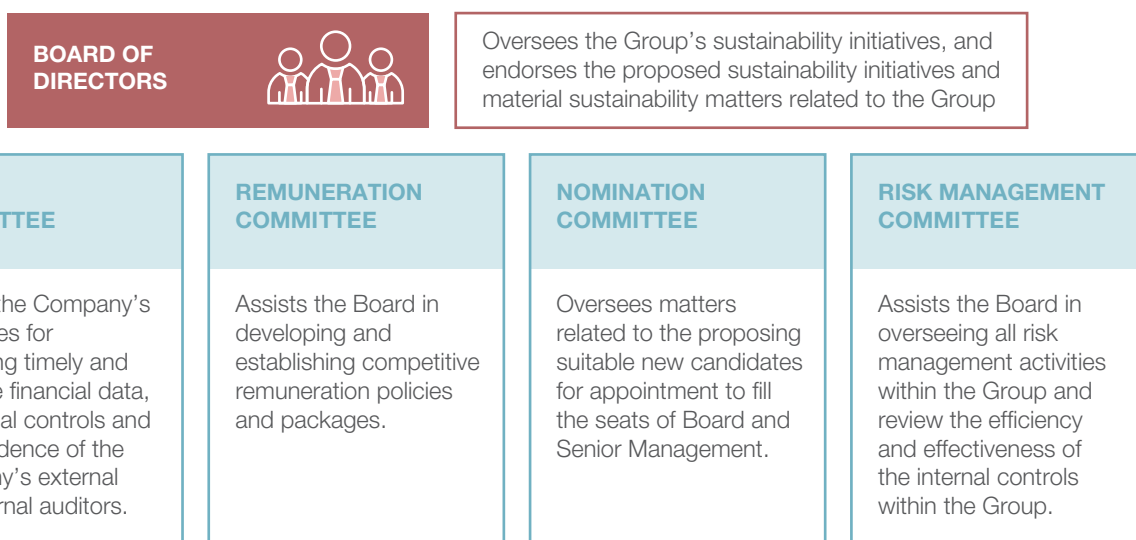
Our vision and mission are the cornerstones of our commitment to the sustainability of the Group. Our core values are the guiding principles that we upholding in day-to-day operations and conducting ourselves to support our vision and shape our culture.



### Corporate Governance

Sustainability is embedded in our organisational approach and is led from the top. The Board of Directors (“Board”) plays a vital guidance and oversight role in advancing sustainability across the organisation with the assistance from the Senior Management to oversee the implementation of the organisation’s sustainability approach and ensure that key targets are being met. Aside from this, the Group has set up a Quality Steering Council, which led by Chief Executive Officer, that also partially subsumed the responsibilities for sustainability into the day-to-day operations of the Group, particularly on the products quality and customer satisfaction.

The Board also acknowledges that risk management and internal control are integral to our corporate governance and that it is responsible for establishing a sound risk management framework and internal control system as well as to ensure their adequacy and effectiveness. The review of the adequacy and effectiveness of the risk management framework and the system of internal control is delegated by the Board to the Risk Management Committee. Asides, the Group’s performance is also tracked with the assistance of Audit Committee, Nomination Committee, and Remuneration Committee.



## SUSTAINABILITY REPORT

cont'd

The responsibility of the Board to promote and embed sustainability in the Group 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

### Ethical Business Practices

The Board recognise the importance of ethical business conduct across the operations to maintain our stakeholders' trust. Our business are conducted with integrity through good governance as mentioned by the Code of Business Ethics. Our Whistle Blowing Policy, uploaded on our website, provides all stakeholders a direct channel for reporting instances of misconduct that contradict to our Code of Business Ethics and/or other non-compliance offences.

Good governance is the bedrock of our business, led by ethical business practices and integrity. We have embedded the highest standards of governance in our business not only by complying with the law, but through processes and directives that continue to reinforce the principles.

### STAKEHOLDERS ENGAGEMENT

We continued to engage our stakeholders actively throughout the financial year as part of our sustainability assessment process. Engagement with stakeholders allow us to gain more complete understanding on our materiality issues and matters. Whilst, we are also able to capture the key aspects and impacts of our sustainability journey.

The table below lists our key stakeholder groups and their respective areas of interest as well as methods by which we engage them.

Stakeholders	Engagement Methods	Engagement Area
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual &amp; Extraordinary General Meetings</li> <li>• Bursa announcements</li> <li>• Quarterly report</li> <li>• Annual report</li> <li>• Timely update on corporate website</li> </ul>	<ul style="list-style-type: none"> <li>• Financial and operational performance</li> <li>• Dividend policy</li> <li>• Return on investments</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Compliances to laws and regulations</li> <li>• Compliances to standards and specifications</li> </ul>	<ul style="list-style-type: none"> <li>• Operations regulations</li> <li>• Bursa listing requirements</li> <li>• Companies Act</li> <li>• Labour law</li> <li>• Taxations</li> <li>• Compliance with Department of Environment ("DOE")</li> <li>• Ministry of Natural Resources and Environment Malaysia</li> <li>• Compliance to Jabatan Kerja Raya, Construction Industry Development Board, SIRIM and Majlis Bandaraya</li> <li>• Compliance with Jabatan Keselamatan dan Kesihatan Pekerjaan Malaysia requirement</li> </ul>
<b>Board of directors</b>	<ul style="list-style-type: none"> <li>• Board meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate strategy</li> <li>• Corporate governance</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Trainings</li> <li>• Performance appraisal</li> <li>• Team building activities</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational safety &amp; health</li> <li>• Remuneration policy</li> <li>• Career development</li> <li>• Performance review</li> <li>• Fair employment practices</li> <li>• Trade union</li> </ul>

## SUSTAINABILITY REPORT

cont'd

Stakeholders	Engagement Methods	Engagement Area
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Marketing activities</li> <li>• Conference</li> <li>• Presentation</li> <li>• Exhibition</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfactions</li> <li>• After-sales services</li> <li>• Quality assurance</li> <li>• Innovative product</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Quality audit on products</li> <li>• Contract negotiation</li> </ul>	<ul style="list-style-type: none"> <li>• Products' quality</li> <li>• Legal compliance</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Community events</li> </ul>	<ul style="list-style-type: none"> <li>• Social contribution</li> <li>• Job opportunities</li> <li>• Donation and financial aid</li> </ul>
<b>Analyst/Media</b>	<ul style="list-style-type: none"> <li>• Annual &amp; Extraordinary General Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Financial and operational performance</li> </ul>

### MATERIAL SUSTAINABILITY MATTERS

#### Economic

##### Shareholders

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations, and the financial performance and position of the Group, the Group's corporate website at [www.lysaghtgalvanizedsteelbhd.com](http://www.lysaghtgalvanizedsteelbhd.com) also provide a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

##### Customers & Products

The Group is committed to see that not only our shareholders' interests are taken care of but also those of our customers and suppliers. For our customers, we will supply quality products and services which meet their satisfaction and expectations through continual improvements in technology, processes and services as the case may be. In order to ensure that our products are of consistent standard and quality, our production process is accredited by ISO 9001:2015 - Quality Management System.

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 international 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) respectively. These certifications provide worldwide recognition and acceptance of the said products.

As quality is always our priority, as mentioned earlier, the Group has setup a Quality Steering Council to lead the implementation and maintenance of the Quality System in compliance to our Quality Policy. The Quality Policy enable every employee to be committed to understand, implement and maintain the Company's policy using process approach and risk based thinking. The policy will be used as a basis for setting measurable Quality objectives.

## SUSTAINABILITY REPORT

cont'd

Our products quality with international quality accreditation has gained us as one of the market leaders in this industry. Our team are well equipped with industry knowledge and manage to deliver customers' expectation.

CUSTOMERS' SATISFACTION
Internationally recognised best practices and international quality accreditation
Experienced management and equipped with industry knowledge, extensive technical support and comprehensive training services
Prompt delivery and reliable customer service
Efficient after-sales service, create an integrated and resilient workforce

### Suppliers

To our suppliers, we are committed to enhance our processes and engage with our suppliers to identify and manage risks, increase productivity and efficiency within the supply chain, underpinned by values of integrity and transparency. We look to create value, by looking for opportunities to collaborate and to share best practices with our suppliers. In compliance with ISO 9001:2015, every specification and materials involved in the production process are being closely monitored. Hence, our suppliers are filtered through careful selection ensuring only the ones with specific criteria met are engaged.

### **Environment**

#### Production

As our business involves manufacturing in which are heavily regulated by the local and federal authorities, the Group is conscious of complying with all applicable environmental laws, guidelines and regulations in relation to emission standards, noise level management and treatment of plant effluents and waste water. The Group is committed that the business do not generate any major environmental concerns.

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 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 in order to prevent rusting. As in the case of all metallurgical processes, galvanization also generates effluents. In order to ensure that these effluents are not discharged untreated, the Group operates a DOE approved effluent treatment plant to treat the said effluents before discharging them thus ensuring no environmental impact.

Our galvanized products also contribute to sustainable development as they offer long-lasting, maintenance-free corrosion protection at a reasonable cost for years.

## SUSTAINABILITY REPORT

cont'd

### Waste Management

Proper waste disposal has wide ranging implications on the environment and the surrounding communities' health. Eliminating waste altogether is obviously the ideal scenario though it is a daunting goal for the industry. The Group seeks to contribute whatever extent feasible towards its eventual realisation. Part of the Group commitment to waste management is ensuring the disposal of scheduled waste are in compliance with the Environmental Quality (Scheduled Wastes) Regulations, 2005. In this respect, the scheduled wastes will be packaged, labelled and transported in accordance with the prescribed DOE guidelines and regulations.

Paper recycling initiatives are already in progress by encouraging the employees to prioritise electronic means to share and store documents, and to reduce printing or photocopying, otherwise, to use double sided printing. Additionally, other material such as furnishing and fixture are recycled or reused where possible.

### Water Saving Initiatives

Water is a limited resource, and as the world continues to advance and the global population continues to grow, an increasing strain is being placed on the supply of clean water. Water conservation is therefore an area that our Group works hard on, both improving the efficiency with which we use our water, as well as working to educate our employees about the need to conserve it.

### **Social**

The Group recognises that employees are our greatest assets hence we proactively provide opportunities for growth and development for talent in the organisation through targeted development plans and succession planning. Ensuring our long-term sustainability, we continuously invest time and effort in recruiting (internal and external), upskilling, engaging and rewarding talents/employees of the organisation accordingly.

### Succession Planning

For critical and leadership roles, succession planning is vital to our long-term performance as part of our Group's sustainability move. Our Nomination Committee, with the assistance from Risk Management Committee, will review the Group's human resources plan including the succession management framework and activities, human resources initiatives such as jobs and salary review, and the annual manpower budget. The succession planning across the Group is implemented by stages where training programme also designed specifically for management staff. A detailed job description is established for each job level.

### Safe Workplace

The Group believes that the safety and well-being of its employees is the foundation of 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. The Group have in place an occupational safety & health policy that highlights our commitment to:

- prevent injury and ill health to our employees;
- ensure compliance to laws and regulations in relation to occupational safety and health;
- require contractors to meet our occupational safety and health standards across all operations;
- set targets and measures to drive occupational safety and health performance across the organisation; and
- promote a culture where all employees share the commitment to prevent harm to the safety and health of our employees, contractors and general public.

The Group regularly engage and educate employees to inculcate a culture of safety and compliance through safety and health training and initiatives. In this respect, the Group places utmost importance on compliance with all relevant health and safety laws and regulations such as Occupational Safety and Health Act, 1994.



## SUSTAINABILITY REPORT

cont'd

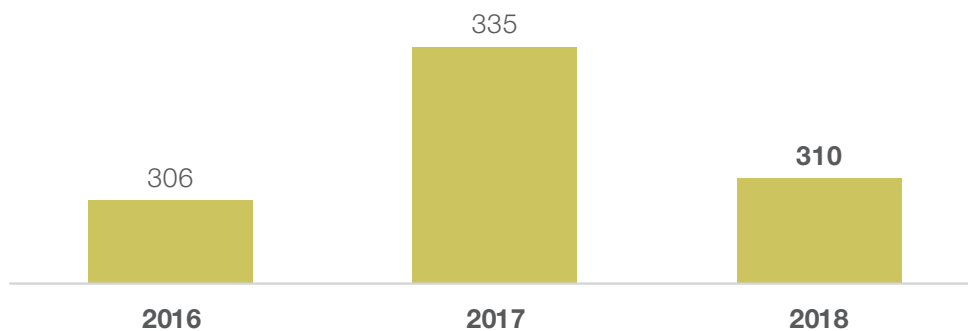
### Talent And Skill Development

Apart from safety, promoting good health, and motivation is an essential part of the Group's responsibility to our employees. The Group also recognise that the Industrial Revolution 4.0 will place pressure in organisations to continuously upskill and reskill their workforce, to stay relevant and productive. Employees are encouraged to attend internal or external training or pursue professional development to enhance their knowledge and skill for career enhancement and personal development.

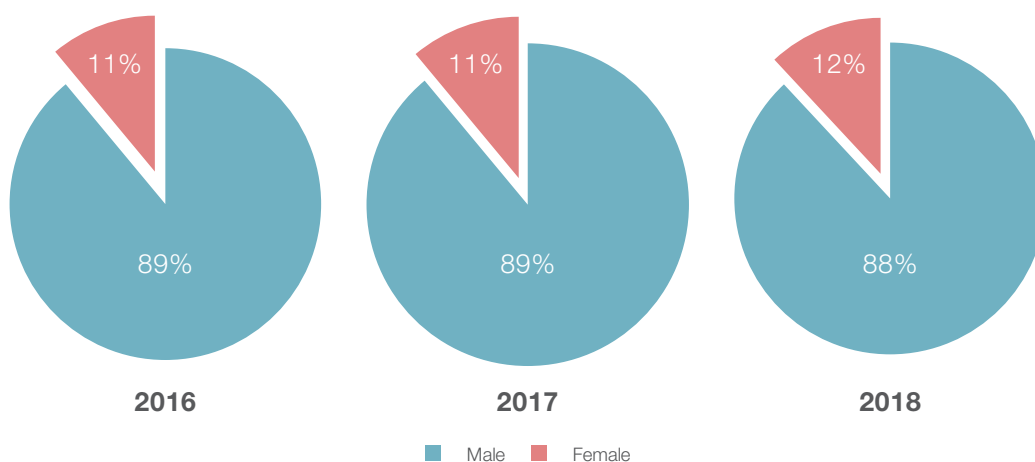
In the appointment and recruitment process, we pride ourselves on being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the work environment, all employment activities, resource allocation and all employment terms and conditions. Every employee is given equal opportunity to rise up in their careers through hard work and dedication.

We draw strength from the diversity and inclusiveness that is prevalent in our workplace. As at 31 December 2018, total number of employees stood at 310 employees (2017: 335 employees), of which 12% (2017: 11%) is female and the remaining 88% (2017: 89%) is male. Having a diverse team of employees, across gender and industry experience, encourages open-minded dialogues, broadens our positive influence and reach, helps bridge gaps, and brings in new perspectives and strategies. The graphs below illustrate the distribution of our team by gender.

### Number of staff



### Gender Diversity



SUSTAINABILITY REPORT

cont'd

Motivation is also an essential part of the Group’s responsibility to our employees. The Group has on August 2018 organised a Family Day at Ipoh, Perak. This leadership development programme provided highly personal experience that was tailored to help each leader and the subordinates get the most out of sessions by providing a safe environment for learning and skill practice and to be able to recognise stress levels amongst staff and to drive a motivated harmonious culture in the workplace.

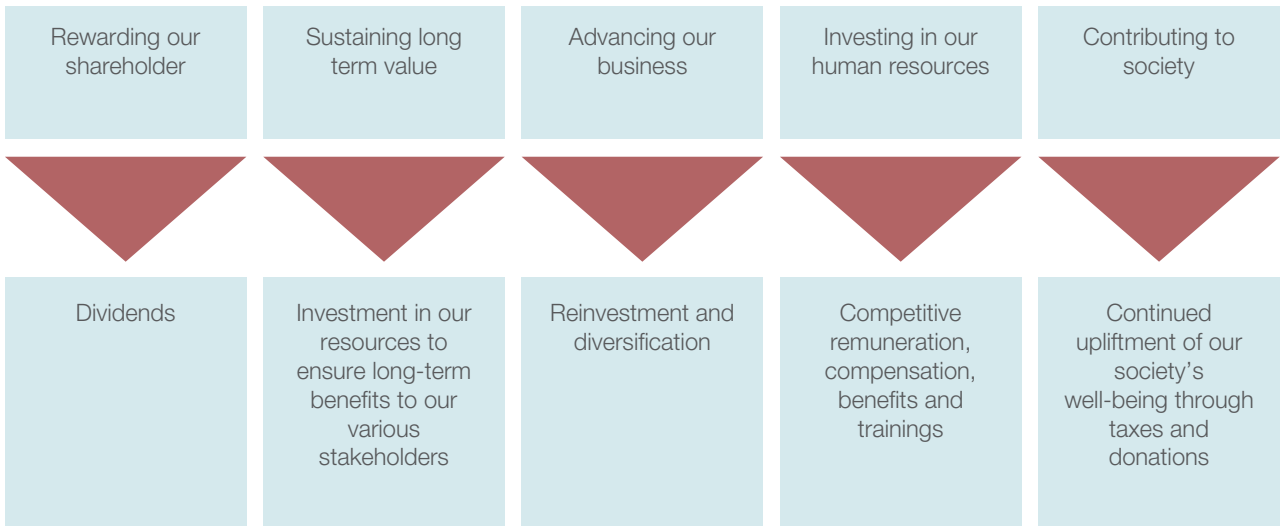


Corporate Social Responsibility

As we are deeply rooted in the community we operate, we actively engage in community outreach programmes and activities. We are proud of having the privilege to serve various segments of the community towards providing for social empowerment and helping to make a positive difference for people across all walks of life. We have from time to time made donations to various charitable organisations, helping the less fortunate members of our community is our way of giving back to society.

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*

*65 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, Nomination and Risk Management Committees.

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, a Fellow Member with Institution of Engineers Malaysia, a registered ASEAN Chartered Professional Engineer and Council Member of Road Engineering Association of Malaysia.

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 MTD Group of Companies 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 and engineering consultancy firms. He also sits on the Board of MTD ACPI Engineering Berhad.

Dato' Ir. Wan Razali has attended all five (5) Board Meetings held during the financial year ended 31 December 2018.

### IR. CHUA TIA BON

*Executive Director/  
Chief Executive Officer*

*68 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 2018.

## DIRECTORS' PROFILE

*cont'd*

### CHEW MEU JONG

*Non-Independent  
Non-Executive Director*

*63 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 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 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 also a substantial shareholder of the Company.

Madam Chew has attended four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2018.

### IR. AIK SIAW KONG, KMN

*Independent  
Non-Executive Director*

*68 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 the Chairman of our Risk Management Committee and a member of our Remuneration Committee.

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 2018.

## DIRECTORS' PROFILE

*cont'd*

### CHEAM LOW SOO

*Independent  
Non-Executive Director*

*67 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 is currently the Chairman of our Nomination Committee and a member of our Audit Committee.

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 2018.

### EE BENG GUAN

*Senior Independent  
Non-Executive Director*

*63 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 and Audit Committees.

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 2018.



## DIRECTORS' PROFILE

cont'd

### CHONG SAI SIN

*Independent*

*Non-Executive Director*

*52 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 our 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.

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 2018.

#### 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 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 regulatory bodies during the financial year ended 31 December 2018.

**4. Shareholdings**

The details of the Directors' interest in the securities of the Company are set out on page 40 of the Annual Report.

## KEY MANAGEMENT PROFILE

### FOO KOK SENG

*Senior General Manager*

*65 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.

### JOHNNY CH'NG

*Area Sales Manager/  
Director*

*56 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

*Chief Financial Officer*

*44 years of age,  
Malaysian, Female*

**Ms Ong Siew Sung** joined Lysaght Galvanized Steel Bhd in 2008 as Finance & Administration Manager. 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 Chief Financial Officer with effect from 1 September 2018 and is currently responsible for the finance, accounting, administration and compliance functions of the Company.

### LIEW SUI KUM

*Senior Technical Manager*

*66 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.

## KEY MANAGEMENT PROFILE

cont'd

### YAU CHAI FATT

QC/QA Manager

64 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

Production Manager

63 years of age,  
Malaysian, Male

**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 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 2018.

## 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 2018 (**"FY2018"**). 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 2018 (**"CG Report"**) which is available on the Group's website at [www.lysaghtgalvanizedsteelbhd.com](http://www.lysaghtgalvanizedsteelbhd.com).

The CG Report provides the explanations on how the Group applied each Practice set out in the Code during FY2018.

### 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 effective 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.

With the core values of the Group rooted in integrity and reliability, the Group has 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 has 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 the 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 FY2018 were as follows:

Director	Training Programmes/Seminars/Conferences
Dato' Ir. Wan Razali bin Wan Muda	<ul style="list-style-type: none"> <li>Advocacy Programme on CG Assessment using the revised ASEAN CG Scorecard Methodology</li> <li>Mandatory Accreditation Programme</li> <li>Updates on Malaysian Financial Reporting Standards (MFRS 1, 9 &amp; 15) Construction Sector</li> <li>Would a Business Judgement Rule Help Directors Sleep Better at Night?</li> </ul>
Ir. Chua Tia Bon	<ul style="list-style-type: none"> <li>Corporate Governance Briefing Sessions: MCCG Reporting &amp; CG Guide</li> <li>Sustainability Reporting Workshop for Practitioners</li> <li>Reaching Shareholders Through Digital Channel</li> </ul>
Chew Meu Jong	<ul style="list-style-type: none"> <li>Gearing Up for Corporate Liability</li> </ul>
Ir. Aik Siaw Kong	<ul style="list-style-type: none"> <li>Gearing Up for Corporate Liability</li> </ul>
Cheam Low Soo	<ul style="list-style-type: none"> <li>International Practices Framework for Audit Committee</li> </ul>
Ee Beng Guan	<ul style="list-style-type: none"> <li>Corporate Governance Briefing Sessions: MCCG Reporting &amp; CG Guide</li> <li>Case Study Workshop for Independent Directors: "Rethinking-Independent Directors: Board Best Practices"</li> <li>Would a Business Judgement Rule Help Directors Sleep Better at Night?</li> <li>Understanding Clients' Corporate Annual Reports &amp; its Financial Statements</li> <li>Profits from Disposal of Real Property: Chargeable Gains or Business Income?</li> </ul>
Chong Sai Sin	<ul style="list-style-type: none"> <li>International Professional Practices Framework for Audit Committee</li> <li>Practical Issues, Problems and Pitfalls in Registering a Perkongsian Liabiliti Terhad (Limited Liability Partnership)</li> <li>2019 Budget Seminar</li> <li>Sustainability Engagement Series for Directors / Chief Executive Officers</li> <li>National Tax Conference 2018</li> <li>International Professional Practices Framework for Audit Committee</li> <li>Engagement Session with Public Practitioners: Strengthening the Profession Together (Bangsar South)</li> <li>CAANZ-MICPA Audit Forum – Tech &amp; Audit: A Practitioners New Reality</li> <li>Practical Auditing Methodology for SMPs</li> <li>Implementation and Enforcement of the New Practice Review Framework</li> <li>MIA Technical Updates 2018</li> </ul>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

*cont'd*

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

### (a) Board Responsibilities *cont'd*

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.

### (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) evaluates the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director. This evaluation which is done annually is facilitated by the Company Secretary and conducted using the evaluation forms set out in Bursa Malaysia Berhad's Corporate Governance Guide (3rd Edition) covering the following aspects:

- (i) Board and Board committees
  - Board mix and composition
  - Quality of information and decision making
  - Boardroom activities
  - Board's relationship with the management
- (ii) Directors
  - Fit and proper
  - Contribution and performance
  - Calibre and personality

As for the AC, the annual evaluation is done in two components:

- (i) The AC as a whole
  - Quality and composition
  - Skills and competencies
  - Meeting administration and conduct
- (ii) Self and peer evaluation by the AC members

Based on the evaluation carried out for FY2018, 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, we will still focus on gender-balanced senior management, boardroom and workplace and hence the Board is on the lookout for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. We will also explore ways to create a better balance in today's workplace. No timeframe has been set for the search concerned.

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

### (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.

The aggregate remuneration paid or payable to the Directors by the Group and the Company during FY2018 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	13	<b>133</b>
Ir. Chua Tia Bon	500	135	208	31	-	-	<b>874</b>
Chew Meu Jong	-	-	-	-	72	10	<b>82</b>
Ir. Aik Siaw Kong	-	-	-	-	72	11	<b>83</b>
Cheam Low Soo	-	-	-	-	72	16	<b>88</b>
Ee Beng Guan	-	-	-	-	72	16	<b>88</b>
Chong Sai Sin	-	-	-	-	72	20	<b>92</b>

## 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 35 to 37 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

*cont'd*

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

### (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 manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve 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.

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FY2018 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 32 to 34 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, operations and financial performance of the Group is timely and factual and are available on an equal basis. 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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

*cont'd*

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

#### (a) Communication with Stakeholders *cont'd*

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.

#### (b) Conduct of General Meetings

The AGM serves as a principal forum for the Group's dialogue with shareholders. All shareholders are encouraged to attend the 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, business operations, and the financial performance and position of the Group.

All Directors attended the 39th AGM held on 7 June 2018. Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 40th AGM to address shareholders' queries at the meeting. 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 40th 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 on 18 April 2019.

## **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 2018 (**"FY2018"**).

### **MATERIAL CONTRACTS**

Save for the related party transactions as disclosed in Note 24 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 FY2018 or which were entered into since the end of the previous financial year ended 31 December 2017.

### **AUDIT AND NON-AUDIT FEES**

The audit fees paid or payable by the Company and the Group to the external auditors for FY2018 amounted to RM60,000 and RM97,946 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 FY2018, the amount concerned was RM52,400 and RM61,700 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 as well as to ensure their adequacy and effectiveness. The Board recognises that the Group's risk management framework and internal control system are designed to manage the Group's risks within its acceptable risk appetite, rather than to eliminate the risk of failure to achieve the Group's business and corporate objectives. As risks are inherent in all business activities, the said framework and system provide reasonable, rather than absolute assurance against the risks of material misstatement of financial information or against financial losses and fraud or breaches of laws or regulations.

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

The review of the adequacy and effectiveness of the risk management framework and the system of internal control is delegated by the Board to the Risk Management Committee (**"RMC"**).

### 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 reviews the adequacy and effectiveness of the risk management process from time to time. 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 2018 (**"FY2018"**) and as at the date of this Statement were:

Ir. Aik Siaw Kong – *Chairman (Independent Non-Executive Director)*

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

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

The risk management process involves the key management staff in each functional or 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.

The risk management framework establishes the context of risk in relation to the Group's business and sets out the process for risk identification, measurement and treatment with continuous monitoring, review and communication. All the risks are consolidated and presented for deliberation during the half yearly RMC meeting. In this respect, key business risks were identified or reaffirmed. Following this, 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 FY2018, 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 during their quarterly meetings. 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 9001:2015 - 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 FY2018 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 were 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 2019.

## 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 (“ToR”) which can be viewed on the Company’s website at [www.lysaghtgalvanizedsteelbhd.com](http://www.lysaghtgalvanizedsteelbhd.com).

Complying to Paragraph 15.20 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board has, through Nomination Committee, reviewed the terms of office and performance of the AC members annually through the AC Evaluation Form. The Board is satisfied that for the financial year ended 31 December 2018 (“FY2018”), the AC members have been able to discharge their functions, duties and responsibilities in accordance with the ToR.

### MEMBERSHIP AND MEETINGS

The members of the AC during FY2018 and as of the date of this Report together with their attendance record at AC meetings held during FY2018 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	4/4
Dato’ Ir. Wan Razali bin Wan Muda (ceased on 1 March 2018)	Member	Independent Non-Executive Chairman of the Board	1/1

\* Number of meetings held during the respective member’s tenure of office during FY2018

\*\* A member of the Malaysian Institute of Accountants

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 FY2018. The Company Secretary who is also the Secretary to the AC was in attendance during the meetings.

Executive Management, if necessary, were invited to the meetings to deliberate on matters within their purview. The external auditors are also invited to attend the AC meetings to present their audit plan and audit findings, and to assist the AC in its review of the year-end financial statements.

The AC Chairman engages on a continuous basis with Executive Management, the external and internal auditors to keep abreast of matters affecting the Group. Where significant issues are noted, the AC Chairman communicates and confers with the other members, either through emails or in meetings. After each meeting, the AC Chairman submits a report 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 FY2018:

### (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 twice during FY2018 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.
- Met the internal auditors to have a frank and candid dialogue, and to exchange free and honest views and opinions.

### (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 FY2018 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 FY2018 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 FY2018, the internal audit scope covered the review of the adequacy and effectiveness of the system of internal controls of the following processes:

- Fixed Assets Management and Control System
- Work-In-Progress System

The follow-up review carried out by the internal auditors during FY2018 was in respect of the Safety, Health and Environment System audited by them previously.

The total costs paid or payable for the internal audit function for FY2018 was RM23,500.

### **Chong Sai Sin**

Chairman of Audit Committee

18 April 2019

## 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 2018 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 2019.



## DIRECTORS' REPORT

As at 31 December 2018

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 2018.

### 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 RM	Company RM
Profit net of tax attributable to equity holders of the Company	9,195,332	1,346,418

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 2017 was as follows:

	RM
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Final single tier dividend of 7%, on 41,580,000 ordinary shares, approved on 7 June 2018 and paid on 16 July 2018	2,910,600

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2018, 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 2019.

## DIRECTORS' REPORT

As at 31 December 2018

*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:

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

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(c) 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 24 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 1.1.2018	Increase During the year	Decrease	Balance as at 31.12.2018
<b>Direct interest in Company</b>				
Chua Tia Bon	12,600	-	-	12,600
<b>Indirect interest in Company</b>				
Chua Tia Bon*	10,600	-	-	10,600
Chew Meu Jong**	22,957,200	-	-	22,957,200
<b>Ultimate holding company</b>				
<b>CKH And LIK Family Sdn. Bhd.</b>				
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

As at 31 December 2018

*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) As 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**

As at 31 December 2018

*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 2019.

**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 48 to 98 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 2018 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 2019.

**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 48 to 98 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 2019.

**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

### Qualified Opinion

We have audited the financial statements of Lysaght Galvanized Steel Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, 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 48 to 98.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 2018 and of their financial performance and 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 Qualified Opinion

As stated in Note 10 to the financial statements, the Group's and the Company's investment in an unquoted equity investment was carried at RM374,544 on the statements of financial position as at 31 December 2018. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's and the Company's investment in the unquoted equity investment as at 31 December 2018 due to the limited information available for us to satisfy ourselves that the Management's fair valuation was reasonable. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

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 qualified audit 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 recognised by the Group during the year amounted to RM67,910,651 which mainly consists of sales of galvanized steel products.



## INDEPENDENT AUDITORS' REPORT

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

### Revenue recognition *cont'd*

We considered revenue recognition to be a key audit matter due to the nature of the manufacturing operations of the Group which involves a 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.

### How our audit addressed the matter

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

- (a) We obtained an understanding of the relevant internal controls over revenue recognition;
- (b) We tested the Group's internal controls over the timing and amount of revenue recognised;
- (c) We inspected the terms of significant sales contracts to determine the point of transfer of control;
- (d) We performed cut-off tests which include inspecting supporting documents to evidence the delivery of goods to customers and to determine that sales were properly recorded in the correct period;
- (e) We performed a test of details on the recording of sales transactions during the year; and
- (f) We evaluated the adequacy of disclosures on revenue recognition as disclosed in the financial statements.

### 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in the unquoted equity investment as at 31 December 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

### 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.

## 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

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.

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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) 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.
- (e) 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.
- (f) 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

Ipoh, Perak Darul Ridzuan, Malaysia

Date: 18 April 2019

### Adeline Chan Su Lynn

No. 3082/07/2019 J

Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Revenue</b>	4	67,910,651	90,809,588	53,064,867	71,922,337
Cost of sales		(49,511,810)	(57,661,073)	(48,599,898)	(57,075,597)
<b>Gross profit</b>		18,398,841	33,148,515	4,464,969	14,846,740
<b>Other items of income</b>					
Interest income		2,135,471	1,877,403	1,961,137	1,830,313
Other income		2,322,870	2,068,306	2,435,816	2,118,830
<b>Other items of expense</b>					
Administrative expenses		(8,872,668)	(9,115,291)	(6,625,669)	(6,716,784)
Selling and distribution expenses		(2,272,435)	(4,966,619)	(255,623)	(2,069,247)
Other operating costs		-	(177,311)	-	(177,311)
<b>Profit before tax</b>	5	11,712,079	22,835,003	1,980,630	9,832,541
Income tax expense	6	(2,516,747)	(4,955,080)	(634,212)	(2,459,816)
<b>Profit net of tax</b>		9,195,332	17,879,923	1,346,418	7,372,725
<b>Other comprehensive income</b>					
Item that will be reclassified to profit and loss in the future:					
Foreign currency translation		11,344	(483,835)	-	-
<b>Total comprehensive income</b>		9,206,676	17,396,088	1,346,418	7,372,725
<b>Profit net of tax attributable to:</b>					
Equity holders of the Company		9,195,332	17,879,923	1,346,418	7,372,725
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		9,206,676	17,396,088	1,346,418	7,372,725
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
Basic	7	22.11	43.00		
Diluted	7	22.11	43.00		

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

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	37,007,208	37,192,587	33,452,695	33,394,105
Investments in subsidiaries	9	-	-	128,561	128,561
Investment in equity investment	10	374,544	130,523	374,544	130,523
Goodwill		7,871	7,871	-	-
Deferred tax assets	17	18,034	-	-	-
		37,407,657	37,330,981	33,955,800	33,653,189
<b>Current assets</b>					
Inventories	11	28,694,655	24,600,685	28,375,576	24,315,257
Trade and other receivables	12	18,124,406	21,320,728	6,286,787	1,464,685
Cash and bank balances	13	70,299,552	68,840,472	39,070,591	56,137,539
Tax recoverable		1,039,350	-	937,688	-
		118,157,963	114,761,885	74,670,642	81,917,481
<b>Total assets</b>		155,565,620	152,092,866	108,626,442	115,570,670

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	14	5,185,648	8,381,888	7,398,677	12,858,344
Contract liabilities	15	727,841	-	-	-
Retirement benefits	16	587	1,300	587	1,300
Tax payable		870,038	1,487,564	-	195,186
		6,784,114	9,870,752	7,399,264	13,054,830
<b>Net current assets</b>		111,373,849	104,891,133	67,271,378	68,862,651
<b>Non-current liabilities</b>					
Retirement benefits	16	11,739	12,326	11,739	12,326
Deferred tax liabilities	17	716,255	696,373	711,086	679,000
		727,994	708,699	722,825	691,326
<b>Total liabilities</b>		7,512,108	10,579,451	8,122,089	13,746,156
<b>Net assets</b>		148,053,512	141,513,415	100,504,353	101,824,514
<b>Equity attributable to equity holders of the Company</b>					
Share capital	18	41,580,000	41,580,000	41,580,000	41,580,000
Other reserves	19	4,337,262	4,081,897	244,021	-
Retained profits	20	102,136,250	95,851,518	58,680,332	60,244,514
<b>Total equity</b>		148,053,512	141,513,415	100,504,353	101,824,514
<b>Total equity and liabilities</b>		155,565,620	152,092,866	108,626,442	115,570,670

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 2018

	Note	Share capital RM	Non-distributable		Distributable		Total RM
			Fair value reserve RM	Capital reserve RM	Exchange reserve RM	Retained profits RM	
Group							
At 1 January 2017		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	21	-	-	-	-	(2,910,600)	(2,910,600)
At 31 December 2017		41,580,000	-	499,998	3,581,899	95,851,518	141,513,415
At 1 January 2018 (as previously stated)		41,580,000	-	499,998	3,581,899	95,851,518	141,513,415
Effect of adoption of MFRS 9 (Note 2.2)		-	244,021	-	-	-	244,021
At 1 January 2018 (as restated)		41,580,000	244,021	499,998	3,581,899	95,851,518	141,757,436
Total comprehensive income		-	-	-	11,344	9,195,332	9,206,676
Dividends	21	-	-	-	-	(2,910,600)	(2,910,600)
At 31 December 2018		41,580,000	244,021	499,998	3,593,243	102,136,250	148,053,512

		Distributable	Non-distributable	
		Share capital	Retained profits	Fair value reserve
	Note	RM	RM	RM
Total RM				
Company				
At 1 January 2017		41,580,000	55,782,389	-
Total comprehensive income		-	7,372,725	-
Dividends	21	-	(2,910,600)	-
At 31 December 2017		41,580,000	60,244,514	-
At 1 January 2018 (as previously stated)		41,580,000	60,244,514	-
Effect of adoption of MFRS 9 (Note 2.2)		-	-	244,021
At 1 January 2018 (as restated)		41,580,000	60,244,514	244,021
Total comprehensive income		-	1,346,418	-
Dividends	21	-	(2,910,600)	-
At 31 December 2018		41,580,000	58,680,332	244,021

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 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>Operating activities</b>				
Profit before tax	11,712,079	22,835,003	1,980,630	9,832,541
Adjustments for:				
Allowance for impairment loss on receivables	125,594	6,256	-	-
Depreciation	1,391,415	1,475,190	1,132,916	1,133,458
Loss on disposal of property, plant and equipment	-	13,019	-	13,019
Interest income from fixed deposits	(2,135,471)	(1,877,403)	(1,961,137)	(1,830,313)
Inventories written off	-	677,699	-	677,699
Reversal of impairment loss on trade receivables	(1,500)	(17,000)	-	-
Unrealised loss/(gain) on foreign exchange, net	1,064	(96,004)	(6,157)	(100,493)
Total adjustments	(618,898)	181,757	(834,378)	(106,630)
<b>Operating cash flows before changes in working capital</b>	11,093,181	23,016,760	1,146,252	9,725,911
Changes in working capital:				
Inventories	(4,093,970)	(718,337)	(4,060,319)	(770,580)
Receivables	3,072,228	(2,224,338)	(4,822,102)	2,557,213
Payables	(2,469,463)	1,312,761	(5,453,510)	8,339,922
Total changes in working capital	(3,491,205)	(1,629,914)	(14,335,931)	10,126,555
<b>Cash flows from/(used in) operations</b>	7,601,976	21,386,846	(13,189,679)	19,852,466
Retirement benefits paid	(1,300)	(318)	(1,300)	(318)
Income tax paid	(4,171,774)	(4,973,570)	(1,735,000)	(2,503,130)
<b>Net cash flows from/(used in) operating activities</b>	3,428,902	16,412,958	(14,925,979)	17,349,018
<b>Investing activities</b>				
Purchase of property, plant and equipment	(1,218,174)	(7,744,378)	(1,191,506)	(7,704,868)
Proceeds from disposal of property, plant and equipment	-	30,982	-	30,982
Interest received	2,135,471	1,877,403	1,961,137	1,830,313
(Placement)/Withdrawal of short term deposits more than three months	(19,000,000)	(29,000,000)	6,000,000	(29,000,000)
<b>Net cash flows (used in)/from investing activities</b>	(18,082,703)	(34,835,993)	6,769,631	(34,843,573)
<b>Financing activity</b>				
Dividends paid, representing net cash flows used in financing activity	(2,910,600)	(2,910,600)	(2,910,600)	(2,910,600)
<b>Net decrease in cash and cash equivalents</b>	(17,564,401)	(21,333,635)	(11,066,948)	(20,405,155)
<b>Effect of foreign exchange rate changes</b>	23,481	(408,475)	-	-
<b>Cash and cash equivalents at 1 January</b>	39,840,472	61,582,582	27,137,539	47,542,694
<b>Cash and cash equivalents at 31 December (Note 13)</b>	22,299,552	39,840,472	16,070,591	27,137,539

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 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 LK 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 2019.

## 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 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018:

Description	Effective for annual periods beginning on or after
MFRS 2 : Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	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
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 : Foreign Currency Transactions and Advance Consideration	1 January 2018

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.2 Changes in accounting policies *cont'd*

The nature and impact of the new and amended MFRSs are described below:

#### **MFRS 9 : Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company have applied MFRS 9 prospectively, with the initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continue to be reported under MFRS 139.

The effect of adopting MFRS 9 is as follows:

#### **(i) Classification and measurement**

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Group's financial assets:

- Trade receivables and other non-current financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Unquoted equity shares previously held as available-for-sale ("AFS") financial assets are now classified and measured as equity instruments designated at fair value through other comprehensive income. The Group and the Company elected to classify irrevocably their unquoted equity shares under this category as they intend to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

Impact on statements of financial position as at 1 January 2018:

	<b>Increase RM</b>
<b>Assets</b>	
Unquoted equity investment	244,021
<b>Equity</b>	
Fair value reserve	244,021

There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.2 Changes in accounting policies *cont'd*

#### **MFRS 9 : Financial Instruments** *cont'd*

The effect of adopting MFRS 9 is as follows *cont'd*:

##### **(ii) Impairment**

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

##### **(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 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group and the Company have adopted MFRS 15 using the modified retrospective method of adoption with the initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or any contract that are not completed at this date. The Group and the Company have elected to apply the standard to all contracts that are not completed as at 1 January 2018.

The cumulative effect of initial applying MFRS is recognised at the date of initial application as an adjustment to the opening balance of retained profits, therefore, the comparative information was not restated and continue to be reported under MFRS 118 and related interpretations.

The effects of adopting MFRS 15 are as follows:

##### **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. Previously, the Group and the Company accounted for the bundled sales as one deliverable and recognises revenue at a point in time. Upon the adoption of MFRS 15, the sale of galvanized steel products and the rendering of installation and delivery services are accounted for as 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.2 Changes in accounting policies *cont'd*

#### Rendering of services *cont'd*

As a result, cost relating to the fulfillment of the installation and delivery services that were classified as other operating expenses and distribution expenses respectively previously have been classified as cost of goods sold under MFRS 15 as follows:

	Under MFRS 118 RM	Effect of adoption of MFRS 15 RM	Under MFRS 15 RM
<b>Group</b>			
<b>31 December 2018</b>			
Cost of sales	(47,664,961)	(1,846,849)	(49,511,810)
Selling and distribution expenses	(3,985,699)	1,713,264	(2,272,435)
Other operating costs	(133,585)	133,585	-
<b>Company</b>			
<b>31 December 2018</b>			
Cost of sales	(47,198,450)	(1,401,448)	(48,599,898)
Selling and distribution expenses	(1,523,486)	1,267,863	(255,623)
Other operating costs	(133,585)	133,585	-

However, the identification of installation and delivery services as a separate deliverable of bundled sales did not have any material impact on the amount and timing of revenue recognised and hence, there were no adjustments made to the Group's and the Company's opening retained profits.

#### Contract liabilities

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

#### IC Interpretation 22 : Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 2. Summary of significant accounting policies *cont'd*

### 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
MFRS 9 : Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 : Leases	1 January 2019
MFRS 119 : Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
IC Interpretation 23 : Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 – Definition of a Business	1 January 2020
Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2020
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

#### **MFRS 9 : Prepayment Features with Negative Compensation (Amendments to MFRS 9)**

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest' on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

#### **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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

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

#### **MFRS 16 : Leases** *cont'd*

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 adopt the new standard on the required effective date using the modified retrospective approach. The Group elected to measure all of their right-of-use assets at the date of initial application at an amount equal to the lease liability.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 16 in 2019.

On the adoption of MFRS 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

#### **Annual Improvements to MFRS Standards 2015 – 2017 Cycle**

These improvements include:

#### **MFRS 3 : Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply to future business combinations of the Group.

#### **MFRS 112 : Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's and the Company's current practices are in line with these amendments, the Group and the Company do not expect any effect on their financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

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

#### IC Interpretation 23 : Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. These amendments are not expected to have impact on the Group's and the Company's financial statements.

#### Amendments to MFRS 3 – Definition of a Business

Under MFRS 3, the amendments to the definition of a business is to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

#### Amendments to MFRS 101 and 108 – Definition of Material

Under MFRS 101 and MFRS 108, the amendments were made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 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 profits. 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.4 Basis of consolidation *cont'd*

#### Business combinations *cont'd*

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 9 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 9, 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 2. Summary of significant accounting policies *cont'd*

#### 2.5 Foreign currencies *cont'd*

##### (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 2018

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

Goodwill and fair value adjustments which arose on acquisition of a 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 2. Summary of significant accounting policies *cont'd*

#### 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets designated at fair value through OCI and at amortised cost.

##### (a) Financial assets at fair value through OCI

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company elected to classify irrevocably its unquoted shares investments under this category.

##### (b) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss through the amortization process and when the financial assets are impaired or derecognised.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.10 Financial assets *cont'd*

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

### 2.11 Impairment of financial assets

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### 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 amounts of cash and which are subject to an insignificant risk of changes in values.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

### 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.

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, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

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

#### (a) 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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.15 Financial liabilities *cont'd*

#### (b) 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 2. Summary of significant accounting policies *cont'd*

#### 2.17 Leases

##### (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(v).

#### 2.18 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for the goods or services. The Group and the Company have generally concluded that they are the principals in their revenue arrangements.

##### (i) Sales of galvanized masts, poles and other related products

Revenue from sales of galvanized masts, poles and other related products is recognised at the point in time when control of the goods is transferred to the customer. Sales of galvanized masts, poles and other related products are generally on 30 to 90 days (2017: 30 to 90 days) credit terms.

##### (ii) Delivery and installation services

The Group and the Company provide installation and delivery services that are bundled together with the sale of galvanized masts, poles and other related products to a customer. The installation and delivery services can be obtained from other providers and do not significantly customise or modify the goods sold.

Contracts for bundled sales of installation and delivery services are separate performance obligations because the promises to transfer goods and provide installation and delivery services are capable of being distinct and separately identifiable. Accordingly, the Group and the Company allocate the transaction price based on the relative stand-alone selling prices of the goods, installation and delivery services.

The Group and the Company recognise revenue from installation and delivery services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group and the Company. Installation and delivery services are generally on 30 to 90 days (2017: 30 to 90 days) credit terms.

##### (iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### (iv) Interest income

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

##### (v) Rental income

Rental income is recognised over the period of tenancy.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 2. Summary of significant accounting policies *cont'd*

### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 2. Summary of significant accounting policies *cont'd*

#### 2.19 Taxes *cont'd*

##### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 2. Summary of significant accounting policies *cont'd*

### 2.22 Fair value measurement *cont'd*

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.

## 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 3. Significant accounting estimates and judgements *cont'd*

#### 3.2 Key sources of estimation uncertainty *cont'd*

##### (ii) Provision for expected credit loss of trade and other receivables

The Group and the Company use a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increase in the number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's and the Company's trade receivables is disclosed in Note 26(c).

### 4. Revenue

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue	67,910,651	90,809,588	53,064,867	71,922,337

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 4. Revenue *cont'd*

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers:

	Sales of galvanized steel products RM	Installation services RM	Delivery services RM	Total RM
<b>Group</b>				
<b>31 December 2018</b>				
<b>Geographical markets</b>				
Malaysia	33,246,267	337,453	1,269,981	34,853,701
Singapore	22,297,419	-	-	22,297,419
New Zealand	4,995,538	-	195,394	5,190,932
Taiwan	1,272,321	-	49,765	1,322,086
Sri Lanka	1,261,602	-	49,346	1,310,948
Others	2,839,283	-	96,282	2,935,565
<b>Total revenue from contracts with customers</b>	<b>65,912,430</b>	<b>337,453</b>	<b>1,660,768</b>	<b>67,910,651</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	65,912,430	-	-	65,912,430
Services transferred over time	-	337,453	1,660,768	1,998,221
	<b>65,912,430</b>	<b>337,453</b>	<b>1,660,768</b>	<b>67,910,651</b>
<b>Company</b>				
<b>31 December 2018</b>				
<b>Geographical markets</b>				
Malaysia	35,555,940	285,074	960,058	36,801,072
Singapore	15,839,509	-	424,286	16,263,795
<b>Total revenue from contracts with customers</b>	<b>51,395,449</b>	<b>285,074</b>	<b>1,384,344</b>	<b>53,064,867</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	51,395,449	-	-	51,395,449
Services transferred over time	-	285,074	1,384,344	1,669,418
	<b>51,395,449</b>	<b>285,074</b>	<b>1,384,344</b>	<b>53,064,867</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 5. Profit before tax

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
(a) This is arrived at after charging:				
Auditors' remuneration				
Statutory audit				
- current year	97,946	98,685	60,000	60,000
- under provision in prior year	-	3,000	-	-
Non-audit fees				
- assurance related	8,000	8,000	8,000	8,000
- tax and other non-audit services	53,700	57,950	44,400	46,650
Allowance for impairment loss on receivables (Note 12)	125,594	6,256	-	-
Depreciation of property, plant and equipment (Note 8)	1,391,415	1,475,190	1,132,916	1,133,458
Loss on disposal of property, plant and equipment	-	13,019	-	13,019
Inventories written off	-	677,699	-	677,699
Unrealised loss on foreign exchange, net	1,064	-	-	-
Rental of properties paid to				
- third party	42,053	119,202	-	76,500
- a related party (Note 24)	342,000	313,500	342,000	313,500
and crediting:				
Interest income from fixed deposits	(2,135,471)	(1,877,403)	(1,961,137)	(1,830,313)
Realised gain on foreign exchange	(374,801)	(146,531)	(353,337)	(286,618)
Rental income				
- a subsidiary (Note 24)	-	-	(120,000)	(120,000)
Reversal of impairment loss on trade receivables (Note 12)	(1,500)	(17,000)	-	-
Unrealised gain on foreign exchange, net	-	(96,004)	(6,157)	(100,493)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 5. Profit before tax *cont'd*

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
(b) Employee information				
Staff cost (including directors' emoluments):				
Wages and salaries	15,055,643	15,548,385	12,501,997	12,825,661
Employees Provident Fund	1,776,832	1,689,809	1,590,198	1,500,071
Central Provident Fund	118,934	146,815	-	-
SOCSSO & EIS	173,563	154,962	158,115	140,852
Other staff related expenses	284,429	243,281	249,269	224,562
	17,409,401	17,783,252	14,499,579	14,691,146
(c) Directors' remuneration*				
Executive:				
Salaries and other emoluments	500,160	500,160	500,160	500,160
Employees Provident Fund	134,624	166,301	134,624	166,301
Bonus	208,400	375,120	208,400	375,120
Benefits in kind	31,150	31,150	31,150	31,150
	874,334	1,072,731	874,334	1,072,731
Non-executive:				
Directors of the Company:				
Fees	480,000	480,000	480,000	480,000
Allowances	86,000	68,000	86,000	68,000
	566,000	548,000	566,000	548,000
Other directors:				
Salaries and other emoluments	654,297	778,952	-	-
Total	2,094,631	2,399,683	1,440,334	1,620,731

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 5. Profit before tax *cont'd*

#### (c) Directors' remuneration\* *cont'd*

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

	Number of directors	
	2018	2017
Executive directors:		
RM850,001 to RM900,000	1	–
RM1,050,001 to RM1,100,000	–	1
	<u>1</u>	<u>1</u>
Non-executive directors:		
RM50,001 to RM100,000	5	5
RM100,001 to RM150,000	1	1
	<u>6</u>	<u>6</u>

### 6. Income tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysian income tax:				
Current tax:				
- Current year provision	1,666,871	4,040,186	576,870	2,380,186
- Under/(Over) provision in prior year	19,069	(45,970)	25,256	(39,490)
	<u>1,685,940</u>	<u>3,994,216</u>	<u>602,126</u>	<u>2,340,696</u>
Deferred tax (Note 17):				
- Relating to origination and reversal of temporary differences	11,956	112,728	33,807	112,728
- Over provision in prior year	(10,096)	(1,728)	(1,721)	(1,728)
	<u>1,860</u>	<u>111,000</u>	<u>32,086</u>	<u>111,000</u>
Withholding tax	-	8,120	-	8,120
Foreign income tax:				
Current tax:				
- Current year provision	858,197	858,040	-	-
- Over provision in prior year	(29,250)	(16,296)	-	-
	<u>828,947</u>	<u>841,744</u>	<u>-</u>	<u>-</u>
	<u>2,516,747</u>	<u>4,955,080</u>	<u>634,212</u>	<u>2,459,816</u>

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% (2017 : 24%). The corporate statutory tax rate is reduced to a range of 20% to 24% from the current year's tax rate of 24% for 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 6. Income tax expense *cont'd*

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% (2017 : 17%).

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit before tax	11,712,079	22,835,003	1,980,630	9,832,541
Taxation at applicable rate	2,810,899	5,480,401	475,351	2,359,810
Effect of different tax rate for foreign subsidiary	(380,228)	(383,818)	-	-
Effect of reduction in tax rate on incremental chargeable income	-	(211,782)	-	(6,725)
Income not subject to tax	(107,449)	(142,690)	-	(24,195)
Expenses not deductible for tax purposes	213,802	268,843	135,326	164,024
Under/(Over) provision of current tax in prior year	19,069	(45,970)	25,256	(39,490)
Over provision of deferred tax in prior year	(10,096)	(1,728)	(1,721)	(1,728)
Over provision of foreign income tax in prior year	(29,250)	(16,296)	-	-
Withholding tax	-	8,120	-	8,120
Tax expense for the year	2,516,747	4,955,080	634,212	2,459,816

## 7. Earnings per share

### (a) Basic

The earnings per share has been calculated based on the Group's profit net of tax of RM9,195,332 (2017 : RM17,879,923) and on the number of ordinary shares of 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 2018

cont'd

## 8. Property, plant and equipment

Group	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
<b>Cost</b>								
At 1 January 2018	16,426,154	9,457,959	13,903,614	28,921,954	2,019,442	2,363,498	964,014	74,056,635
Additions	-	-	320,111	120,049	-	36,738	741,276	1,218,174
Written off	-	-	-	-	-	(3,202)	-	(3,202)
Transfers	-	-	-	1,123,950	-	-	(1,123,950)	-
Exchange reserve	(10,532)	-	-	-	(800)	(854)	-	(12,186)
At 31 December 2018	16,415,622	9,457,959	14,223,725	30,165,953	2,018,642	2,396,180	581,340	75,259,421
<b>Accumulated depreciation</b>								
At 1 January 2018	2,861,727	-	3,808,949	26,298,091	1,715,141	2,180,140	-	36,864,048
Depreciation charge for the year (Note 5)	371,242	-	284,474	558,211	125,609	51,879	-	1,391,415
Written off	-	-	-	-	-	(3,202)	-	(3,202)
Exchange reserve	338	-	-	-	33	(419)	-	(48)
At 31 December 2018	3,233,307	-	4,093,423	26,856,302	1,840,783	2,228,398	-	38,252,213
<b>Net carrying amount</b>								
At 31 December 2018	13,182,315	9,457,959	10,130,302	3,309,651	177,859	167,782	581,340	37,007,208

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd8. Property, plant and equipment *cont'd*

Group	Long term leasehold land RM	Freehold land RM	Buildings and electrical installation RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment and office renovation RM	Capital work-in- progress RM	Total RM
<b>Cost</b>								
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
<b>Accumulated depreciation</b>								
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
<b>Net carrying amount</b>								
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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 8. Property, plant and equipment *cont'd*

Company	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
<b>Cost</b>								
At 1 January 2018	11,853,374	9,457,959	13,903,614	28,877,475	1,614,652	1,208,283	964,014	67,879,371
Additions	-	-	320,111	120,049	-	10,070	741,276	1,191,506
Transfers	-	-	-	1,123,950	-	-	(1,123,950)	-
At 31 December 2018	11,853,374	9,457,959	14,223,725	30,121,474	1,614,652	1,218,353	581,340	69,070,877
<b>Accumulated depreciation</b>								
At 1 January 2018	1,941,074	-	3,808,948	26,253,612	1,376,212	1,105,420	-	34,485,266
Depreciation charge for the year (Note 5)	193,006	-	284,474	558,211	76,146	21,079	-	1,132,916
At 31 December 2018	2,134,080	-	4,093,422	26,811,823	1,452,358	1,126,499	-	35,618,182
<b>Net carrying amount</b>								
At 31 December 2018	9,719,294	9,457,959	10,130,303	3,309,651	162,294	91,854	581,340	33,452,695
<b>Cost</b>								
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
<b>Accumulated depreciation</b>								
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
<b>Net carrying amount</b>								
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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 9. Investments in subsidiaries

	Company	
	2018	2017
	RM	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*		Principal activities
		2018	2017	
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. Investment in equity investment

	Group and Company RM
<b>Equity instrument designated at fair value through OCI</b>	
<b>Unquoted equity investment</b>	
At 1 January 2017 and 31 December 2017 (at cost)	130,523
At 1 January 2018 (as previously stated)	130,523
Effect of adoption of MFRS 9 (Note 2.2)	244,021
At 1 January 2018 (as restated) and 31 December 2018 (at fair value)	374,544

The Company holds a non-controlling interest of 2.8% in the unquoted equity investment located outside Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 11. Inventories

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>At cost</b>				
Raw materials	16,759,613	13,066,324	16,759,613	13,066,324
Work-in-progress	4,816,031	5,633,778	4,816,031	5,633,778
Finished goods	6,008,831	4,851,971	5,689,752	4,566,543
Production supplies	875,379	794,711	875,379	794,711
	28,459,854	24,346,784	28,140,775	24,061,356
<b>At net realisable value</b>				
Raw materials	212,681	225,169	212,681	225,169
Production supplies	22,120	28,732	22,120	28,732
	28,694,655	24,600,685	28,375,576	24,315,257

The cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM28,324,516 (2017 : RM35,474,837) and RM27,988,703 (2017 : RM35,021,965) respectively.

## 12. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>Trade receivables</b>				
Third parties	16,188,071	20,353,695	1,762	135
Allowance for impairment loss	(252,468)	(128,374)	-	-
	15,935,603	20,225,321	1,762	135
Amounts owing from a subsidiary	-	-	4,143,790	418,820
	15,935,603	20,225,321	4,145,552	418,955
<b>Other receivables</b>				
Other receivables	1,430,423	204,288	1,429,322	203,788
Deposits	220,329	195,367	173,891	146,190
Goods and Services Tax receivable	538,051	695,752	538,022	695,752
	2,188,803	1,095,407	2,141,235	1,045,730
<b>Total trade and other receivables</b>	18,124,406	21,320,728	6,286,787	1,464,685
Add: Cash and bank balances (Note 13)	70,299,552	68,840,472	39,070,591	56,137,539
Less: Goods and Services Tax receivable	(538,051)	(695,752)	(538,022)	(695,752)
<b>Total financial assets carried at amortised cost</b>	87,885,907	89,465,448	44,819,356	56,906,472

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 12. Trade and other receivables *cont'd*

	Group	
	2018	2017*
	RM	RM
Movement in allowance accounts:		
At 1 January	128,374	185,946
Allowance for impairment loss (Note 5)	125,594	6,256
Reversal of impairment loss (Note 5)	(1,500)	(17,000)
Written off	-	(45,886)
Exchange differences	-	(942)
At 31 December	252,468	128,374

\* Allowance for impairment loss disclosed in comparative period is based on MFRS 139 incurred loss model.

### Related party balance

#### Trade receivables

The amounts owing from subsidiaries are from normal trading transactions. The amounts are unsecured, interest free and on 30 to 90 (2017 : 30 to 90)-day terms.

## 13. Cash and bank balances

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash at banks and on hand	7,740,283	12,478,479	2,088,765	1,375,546
Short term deposits with				
- licensed financial institution	2,175,340	25,011,993	2,175,340	25,011,993
- licensed banks	60,383,929	31,350,000	34,806,486	29,750,000
<b>Cash and bank balances</b>	70,299,552	68,840,472	39,070,591	56,137,539
Less: short term deposits with maturity period more than three months	(48,000,000)	(29,000,000)	(23,000,000)	(29,000,000)
<b>Cash and cash equivalents</b>	22,299,552	39,840,472	16,070,591	27,137,539

Short-term deposits are made with maturity periods of 4 to 184 days (2017 : 4 to 183 days). The average interest rates of the short term deposits of the Group and of the Company during the year range between 1.60% to 4.40% (2017 : 2.75% to 4.16%) and 3.50% to 4.40% (2017 : 3.50% to 4.16%) per annum respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 14. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>Trade payables</b>				
Third parties	2,423,505	3,503,756	2,322,354	3,329,810
Amounts owing to a subsidiary	-	-	2,007,583	4,375,638
Amount owing to a fellow subsidiary	34,264	93,017	34,264	93,017
	2,457,769	3,596,773	4,364,201	7,798,465
<b>Other payables</b>				
Other payables				
- Third parties	40,129	1,350,207	40,129	175,773
- Amounts owing to a subsidiary	-	-	1,032,418	2,633,420
Accruals	2,572,489	3,069,859	1,961,929	2,250,686
Goods and Services Tax payable	115,261	365,049	-	-
	2,727,879	4,785,115	3,034,476	5,059,879
Total trade and other payables	5,185,648	8,381,888	7,398,677	12,858,344
Less: Goods and Services Tax payable	(115,261)	(365,049)	-	-
<b>Total financial liabilities carried at amortised cost</b>	<b>5,070,387</b>	<b>8,016,839</b>	<b>7,398,677</b>	<b>12,858,344</b>

### Trade payables

The normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2017 : 30 to 60 days).

### Amounts owing to subsidiaries (non-trade)

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

## 15. Contract liabilities

Contract liabilities represent consideration received in advance from certain customers before the transfer of goods and services.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 16. Retirement benefits

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At 1 January	13,626	13,944	13,626	13,944
Paid during the year	(1,300)	(318)	(1,300)	(318)
At 31 December	12,326	13,626	12,326	13,626
Analysed as:				
Current	587	1,300	587	1,300
Non-current	11,739	12,326	11,739	12,326
	12,326	13,626	12,326	13,626

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.

## 17. Deferred tax

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At 1 January	696,373	585,480	679,000	568,000
Recognised in profit or loss (Note 6)	1,860	111,000	32,086	111,000
Exchange reserve	(12)	(107)	-	-
At 31 December	698,221	696,373	711,086	679,000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(18,034)	-	-	-
Deferred tax liabilities	716,255	696,373	711,086	679,000
	698,221	696,373	711,086	679,000

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 17. Deferred tax *cont'd*

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

	Property, plant and equipment RM	Unrealised foreign exchange RM	Provisions RM	Total RM
<b>Group</b>				
<b>Deferred tax assets</b>				
At 1 January 2018	-	-	(62,944)	(62,944)
Recognised in profit or loss	-	(41,315)	8,572	(32,743)
At 31 December 2018	-	(41,315)	(54,372)	(95,687)
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)
<b>Deferred tax liabilities</b>				
At 1 January 2018	735,317	24,000	-	759,317
Recognised in profit or loss	57,125	(22,522)	-	34,603
Exchange reserve	(12)	-	-	(12)
At 31 December 2018	792,430	1,478	-	793,908
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
<b>Company</b>				
<b>Deferred tax assets</b>				
At 1 January 2018	-	-	(70,000)	(70,000)
Recognised in profit or loss	-	-	(9,708)	(9,708)
At 31 December 2018	-	-	(79,708)	(79,708)
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)
<b>Deferred tax liabilities</b>				
At 1 January 2018	725,000	24,000	-	749,000
Recognised in profit or loss	64,316	(22,522)	-	41,794
At 31 December 2018	789,316	1,478	-	790,794
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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 18. Share capital

	Number of ordinary shares		Amount	
	2018	2017	2018	2017
			RM	RM
<b>Issued and fully paid</b>				
At 1 January and 31 December	41,580,000	41,580,000	41,580,000	41,580,000

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.

## 19. Other reserves

	Non-distributable			
	Fair value reserve	Capital reserve	Exchange reserve	Total
	RM	RM	RM	RM
<b>Group</b>				
At 1 January 2017	-	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
As 1 January 2018 (as previously stated)	-	499,998	3,581,899	4,081,897
Effect of adoption of MFRS 9 (Note 2.2)	244,021	-	-	244,021
At 1 January 2018 (as restated)	244,021	499,998	3,581,899	4,325,918
Foreign currency translation	-	-	11,344	11,344
At 31 December 2018	244,021	499,998	3,593,243	4,337,262
<b>Company</b>				
As 1 January 2018 (as previously stated)	-	-	-	-
Effect of adoption of MFRS 9 (Note 2.2)	244,021	-	-	244,021
At 1 January 2018 (as restated) and at 31 December 2018	244,021	-	-	244,021

- (i) Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets designated at fair value through other comprehensive income until they are disposed of or impaired.
- (ii) Capital reserve arose from profit attributable to the shareholders of the Company capitalised by a subsidiary by way of a bonus share issue.
- (iii) The exchange reserve represents exchange differences arising from the translation of the financial statements of a foreign subsidiary whose functional currencies are different from that of the Group's presentation currency.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 20. Retained profits

The Company may distribute dividends out of its entire retained profits as at 31 December 2018 and 31 December 2017 under the single tier system.

### 21. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>Recognised during the year:</b>				
Final dividend for 2016 :				
7% single tier, on 41,580,000 ordinary shares (7.00 sen per ordinary share)	-	-	-	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	-
Final dividend for 2018 :				
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	2,910,600

\* At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2018, 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 2019.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 22. 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 12 months (2017 : 24 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	
	2018	2017	2018	2017
	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
	-	-	120,000	240,000
Rental income	-	-	120,000	120,000
Direct expenses generating rental income (included in administrative expenses)	-	-	(34,600)	(34,600)

### (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 (2017 : RM28,500) and RM28,500 (2017 : RM28,500) 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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Not later than 1 year	28,500	342,000	28,500	342,000
Later than 1 year and not later than 5 years	-	28,500	-	28,500
	28,500	370,500	28,500	370,500

### (c) Capital commitments

	Group and Company	
	2018	2017
	RM	RM
<b>Property, plant and equipment:</b>		
Approved and contracted for	3,000,000	72,000
Approved and not contracted for	21,000,000	2,240,000
	24,000,000	2,312,000

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 23. Contingent liabilities (unsecured)

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

	Company	
	2018	2017
	RM	RM
Performance guarantee given to a third party in connection with projects to be performed by a subsidiary	199,885	199,885

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.

### 24. Related parties

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

#### (a) With subsidiaries

	Lysaght Marketing Sdn. Bhd.		Lysaght Marketing (S) Pte. Ltd.		Total Company	
	2018	2017	2018	2017	2018	2017
	RM	RM	RM	RM	RM	RM
Rental of office (Note 5(a))	120,000	120,000	-	-	120,000	120,000
Sales of galvanized products	36,759,971	53,361,864	16,263,795	18,558,676	53,023,766	71,920,540
Amount owing from/(to), net	3,111,372	(2,214,600)	(2,007,583)	(4,375,638)	1,103,789	(6,590,238)

#### (b) With related party

	Lysaght Corrugated Pipe Sdn. Bhd.			
	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Rental of factory	342,000	313,500	342,000	313,500
Galvanizing services	-	489,355	-	489,355
Transportation services	36,000	80,250	36,000	80,250
Fabricating services	50,270	445	50,270	445
	428,270	883,550	428,270	883,550
Amount owing to	(34,264)	(93,017)	(34,264)	(93,017)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 24. Related parties *cont'd*

### (c) Compensation of key management personnel

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

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Short term employee benefits	1,803,577	2,028,205
Employees Provident Fund	283,096	315,908
	<b>2,086,673</b>	<b>2,344,113</b>

Included in the total compensation of key management personnel are:

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Directors' remuneration (Note 5(c))	874,334	1,072,731

## 25. 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

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Malaysia	34,853,701	51,852,445
Singapore	22,297,419	25,808,526
New Zealand	5,190,932	7,876,800
Taiwan	1,322,086	2,180,578
Sri Lanka	1,310,948	1,098,807
Others	2,935,565	1,992,432
	<b>67,910,651</b>	<b>90,809,588</b>

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

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Malaysia	33,490,829	33,419,557
Singapore	3,516,379	3,773,030
	<b>37,007,208</b>	<b>37,192,587</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 26. 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 abovementioned 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) RM	Increase/ Decrease in basis points	Effect on profit net of tax Increase/ (Decrease) RM
<b>2018</b>	+ 25	118,863	+ 25	70,265
	- 25	(118,863)	- 25	(70,265)
<b>2017</b>	+ 25	107,088	+ 25	104,048
	- 25	(107,088)	- 25	(104,048)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 26. Financial risk management objectives and policies *cont'd*

### (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.

#### 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
<b>2018</b>			
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	5,070,387	-	5,070,387
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	7,398,677	-	7,398,677
<b>2017</b>			
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	8,016,839	-	8,016,839
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	12,858,344	-	12,858,344

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

## 26. Financial risk management objectives and policies *cont'd*

### (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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, and product type, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Gross carrying amount RM	Expected credit loss RM	Net carrying amount RM
<b>Group</b>			
<b>31 December 2018</b>			
Current (not past due)	7,065,830	101,673	6,964,157
30 to 60 days past due	3,752,884	38,205	3,714,679
61 to 90 days past due	2,436,114	18,837	2,417,277
91 to 120 days past due	1,951,148	43,461	1,907,687
121 to 150 days past due	193,693	9,920	183,773
>150 days	788,402	40,372	748,030
Total	16,188,071	252,468	15,935,603

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 26. Financial risk management objectives and policies *cont'd*

### (d) Foreign exchange risk *cont'd*

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 RM	Singapore Dollar RM	Total RM
<b>Functional currency of the Group entity</b>			
<b>Ringgit Malaysia</b>			
<b>At 31 December 2018</b>			
Trade receivables	1,228,090	7,386	1,235,476
Cash and bank balances	213,284	1,073	214,357
	<u>1,441,374</u>	<u>8,459</u>	<u>1,449,833</u>
<b>At 31 December 2017</b>			
Trade receivables	77,345	95,340	172,685
Cash and bank balances	100,543	1,112	101,655
	<u>177,888</u>	<u>96,452</u>	<u>274,340</u>
<b>Singapore Dollar</b>			
<b>At 31 December 2018</b>			
Cash and bank balances	1,084,640	-	1,084,640
<b>At 31 December 2017</b>			
Cash and bank balances	678,742	-	678,742
<b>Functional currency of the Company</b>			
<b>Ringgit Malaysia</b>			
<b>At 31 December 2018</b>			
Cash and bank balances	1,812	1,062	2,874
Amounts owing to a subsidiary	-	(2,007,583)	(2,007,583)
	<u>1,812</u>	<u>(2,006,521)</u>	<u>(2,004,709)</u>
<b>At 31 December 2017</b>			
Cash and bank balances	1,812	1,062	2,874
Amounts owing to a subsidiary	-	(4,375,638)	(4,375,638)
	<u>1,812</u>	<u>(4,374,576)</u>	<u>(4,372,764)</u>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

cont'd

### 26. Financial risk management objectives and policies *cont'd*

#### (d) Foreign exchange risk *cont'd*

##### 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	
	2018 RM	2017 RM	2018 RM	2017 RM
USD/RM				
- strengthened 3%	32,863	4,056	41	41
- weakened 3%	(32,863)	(4,056)	(41)	(41)
SGD/RM				
- strengthened 3%	193	2,199	(45,749)	(99,740)
- weakened 3%	(193)	(2,199)	45,749	99,740
USD/SGD				
- strengthened 3%	24,730	15,475	-	-
- weakened 3%	(24,730)	(15,475)	-	-

#### (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 0.4% (2017 : 27%) higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM52,091 (2017 : RM3,398,327) lower/higher.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
cont'd

## 27. Fair value of financial instruments

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

	Quoted prices in active markets for identical assets Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
<b>Group and the Company</b>				
<b>At 31 December 2018</b>				
Asset measured at fair value				
Investment in equity investment	-	-	374,544	374,544

#### **Level 3 fair value**

The level 3 fair value is estimated using unobservable inputs for the investment in unquoted equity investment. The non-observable input to the model include assumptions regarding the financial performance in the investee.

### (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 Note	Company 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 2018

cont'd

### 28. 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 2018 and 31 December 2017.

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 2018 and 31 December 2017, the Group has zero gearing.

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Trade and other payables	14	5,185,648	8,381,888	7,398,677	12,858,344
Less: Cash and bank balance	13	(70,299,552)	(68,840,472)	(39,070,591)	(56,137,539)
Net debt		(65,113,904)	(60,458,584)	(31,671,914)	(43,279,195)
Equity attributable to the equity holders		148,053,512	141,513,415	100,504,353	101,824,514
Total capital		148,053,512	141,513,415	100,504,353	101,824,514
Gearing ratio		0%	0%	0%	0%

**LIST OF PROPERTIES**

31 December 2018

<b>Location</b>	<b>Description</b>	<b>Existing Use</b>	<b>Approximate Land Area</b>	<b>Tenure</b>	<b>Approximate Age of Buildings (years)</b>	<b>Net Book Value (RM)</b>	<b>Date of Acquisition</b>
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	32	2,207,116	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	24	2,582,191	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	46	3,205,387	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	6	5,223,605	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	2	1,162,903	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	24	11,347,842	20.9.2013
Plot 8, Medan Tasek, Tasek Industrial Estate, Ipoh, Perak Darul Ridzuan, Malaysia	Industrial Land With Factory Building	Office and Factory	8,153 sq ft	Leasehold 99 years expiring on 12.10.2065	2	3,578,512	6.10.2017

# SHAREHOLDING DISTRIBUTION SCHEDULE

As at 4 April 2019

## 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	14	0.82	352	0.00
100 to 1,000	309	18.00	203,200	0.49
1,001 to 10,000	1,176	68.49	4,031,148	9.69
10,001 to 100,000	202	11.76	4,899,000	11.78
100,001 to less than 5% of issued shares	14	0.82	3,091,800	7.44
5% and above of the issued shares	2	0.11	29,354,500	70.60
<b>TOTAL</b>	<b>1,717</b>	<b>100.00</b>	<b>41,580,000</b>	<b>100.00</b>

# THIRTY LARGEST SHAREHOLDERS

As at 4 April 2019

## 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 Islamic Nominees (Tempatan) Sdn. Bhd. <i>MIDF Amanah Asset Management Berhad for Liew Wah Tang (SS01652)</i>	268,600	0.65
6	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tee Kian Hong (E-TSA)</i>	230,000	0.55
7	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Kin Kheong (E-IMO)</i>	190,100	0.46
8	Tan Ka Lian	182,300	0.44
9	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Liew Kon Sing @ Liew Kong</i>	174,900	0.42
10	Bina Securities & Management Sdn. Bhd.	172,200	0.41
11	Lim Khuan Eng	165,000	0.40
12	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tam Seng @ Tam Seng Sen (E-PTS)</i>	150,000	0.36
13	Tew Kok Kian	142,200	0.34
14	Teo Kwee Hock	122,400	0.29
15	RHB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Yee Lee Ying</i>	117,900	0.28
16	Liew Ing Shian	102,000	0.25
17	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)</i>	97,000	0.23
18	Ding Tai Mooi	90,000	0.22
19	Lee Tek Mook @ Lee Teh Moh	87,600	0.21
20	Lai Chin Loy	87,300	0.21
21	Lim Jit Lee	86,800	0.21
22	Eng Ah Thung @ Eng Bean Keng	84,000	0.20
23	Aun Shiok Yong	81,100	0.19
24	Cimsec Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ronie Tan Choo Seng</i>	75,000	0.18
25	Ong Swee Gueh	70,600	0.17
26	Teoh Ah Yet	67,900	0.16
27	Ng Sey Hoe	65,000	0.16
28	Ong Yoke Meng	64,000	0.15
29	Cimsec Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Boon Eng (B Tinggi-CL)</i>	61,900	0.15
30	Teh Chong Yan	60,800	0.15
	<b>Total</b>	<b>33,525,300</b>	<b>80.63</b>

## SUBSTANTIAL SHAREHOLDERS

As at 4 April 2019

### Substantial Shareholders (As per the Register of Substantial Shareholders)

No.	Name of Shareholders	Direct Shareholdings		Indirect Shareholdings	
		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 <sup>1</sup>	73.24
4	Chew Mee Lee	729,800	1.76	30,069,500 <sup>2</sup>	72.32
5	Chew Bros (M) Sdn. Bhd.	-	-	22,925,700 <sup>3</sup>	55.14
6	ChewKarHeing Sdn. Bhd.	-	-	22,925,700 <sup>3</sup>	55.14
7	Yusuf Bin Jamil	-	-	23,097,900 <sup>4</sup>	55.55
8	WTWT Sdn. Bhd.	-	-	22,925,700 <sup>3</sup>	55.14
9	Janfreys Sdn. Bhd.	-	-	23,097,900 <sup>5</sup>	55.55
10	Bina Securities & Management Sdn. Bhd.	172,200	0.41	22,925,700 <sup>3</sup>	55.14
11	CKH And LIK Family Sdn. Bhd.	-	-	22,925,700 <sup>3</sup>	55.14
12	Lim lee Kuan	-	-	22,925,700 <sup>6</sup>	55.14
13	Chew Meu Jong	-	-	22,957,200 <sup>7</sup>	55.21
14	Deborah Mun Sook Ho	-	-	22,925,700 <sup>6</sup>	55.14
15	Chew Kar Yoo @ Chew Kar Hoo	-	-	22,925,700 <sup>6</sup>	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 2019

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

No.	Name of Directors	Direct Shareholdings		Indirect Shareholdings	
		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 <sup>*1</sup>	0.03
3	Chew Meu Jong	-	-	22,957,200 <sup>*2</sup>	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





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. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her \_\_\_\_\_ NRIC No./Passport 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 Fortieth Annual General Meeting ("40th AGM") of the Company to be held at Emerald Hall, Level 5, Hotel Excelsior, 43, Jalan Sultan Abdul Jalil, 30300 Ipoh, Perak Darul Ridzuan on Wednesday, 19 June 2019 at 10:30 a.m. and at any adjournment thereof.

ORDINARY BUSINESS		Resolution	FOR	AGAINST
1.	To declare a final single tier dividend of 7 sen per ordinary share for the financial year ended 31 December 2018.	Ordinary Resolution 1		
2.	To approve the payment of Directors' Fees of RM432,000/- for the financial year ending 31 December 2019 to the Non-Executive Directors.	Ordinary Resolution 2		
3.	To approve the payment of the meeting allowances of RM107,000/- for the financial year ending 31 December 2019 to the Non-Executive Directors.	Ordinary Resolution 3		
4.	To re-elect Mr Cheam Low Soo as Director of the Company.	Ordinary Resolution 4		
5.	To re-elect Madam Chew Meu Jong as Director of the Company.	Ordinary Resolution 5		
6.	To re-appoint Ernst & Young as Auditors of the Company for the financial year ending 31 December 2019 at such remuneration to be determined by the Directors.	Ordinary Resolution 6		
SPECIAL BUSINESS				
7.	To approve the proposed amendments to the Constitution of the Company.	Special Resolution 1		

(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.)

Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy.

First named proxy \_\_\_\_\_ % Second named proxy \_\_\_\_\_ %

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2019

\_\_\_\_\_  
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

1st fold here

**Notes:**

1. A member whose name appear in the Record of Depositors as at 12 June 2019 shall be regarded as a member entitled to attend, speak and vote at the 40th 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 40th AGM will be put to vote by poll.

**LYSAGHT GALVANIZED STEEL BERHAD** (CO.46426-P)

No. 11, Jalan Majistret U1/26 Seksyen U1,  
Hicom-Glenmarie Ind. Park  
40150 Shah Alam PO Box No. 7818,  
40728 Shah Alam  
Selangor Darul Ehsan, Malaysia.

Tel : +603-7880 3750

Fax : +603-7880 3720

Email : [lysaght\\_sales@lysaghtmarketing.com.my](mailto:lysaght_sales@lysaghtmarketing.com.my)

