

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	18,383	18,677	54,928	75,916
Cost of sales	(13,898)	(13,607)	(41,961)	(54,394)
Gross Profit	4,485	5,070	12,967	21,522
Other income	611	711	3,454	3,849
Administrative expenses	(2,355)	(2,552)	(9,844)	(9,984)
Selling and marketing expenses	(720)	(889)	(2,707)	(3,645)
Finance cost	(4)	-	(18)	-
Profit before tax	2,017	2,340	3,852	11,742
Income tax expense	(405)	(518)	(781)	(2,567)
Profit for the period	1,612	1,822	3,071	9,175
Profit for the period attributable to:				
Owners of the Company	1,612	1,822	3,071	9,175
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	3.88 Sen	4.38 Sen	7.39 Sen	22.07 Sen
(ii) Diluted, for profit for the period	N/A	N/A	N/A	N/A

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/12/2020	31/12/2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,084	42,065
Right-of-use asset	389	-
Intangible assets	8	8
	42,481	42,073
Current Assets		
Inventories	38,100	35,488
Trade receivables	14,967	15,806
Other receivables	234	396
Tax recoverable	658	-
Cash & bank balances	65,079	68,186
	119,038	119,876
TOTAL ASSETS	161,519	161,949
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,106	4,153
Retained earnings	109,588	108,596
	155,274	154,329
Non-Current Liabilities		
Retirement benefits obligations	11	11
Lease liability	395	-
Deferred tax liabilities	200	724
	606	735
Current Liabilities		
Trade payables	3,165	2,583
Other Payables	1,851	2,947
Tax payable	-	28
Contract liabilities	623	1,327
	5,639	6,885
Total liabilities	6,245	7,620
TOTAL EQUITY AND LIABILITIES	161,519	161,949
Net assets per share attributable to ordinary equity holder of the parent	3.73	3.71

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the twelve-month financial period ended 31 December 2020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The figures have not been audited.

	Share capital	Capital reserve	Exchange reserve	Fair value reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	41,580	500	3,593	244	102,136	148,053
Transfer upon disposal of unquoted investment designated at FVOCI	-	-	-	(244)	244	-
Currency translation differences representing net expenses recognised directly in equity	-	-	60	-	-	60
Net profit for the period	-	-	-	-	9,175	9,175
Dividend	-	-	-	-	(2,911)	(2,911)
As at 31 December 2019	41,580	500	3,653	0	108,644	154,377
As at 1 January 2020	41,580	500	3,653	-	108,596	154,329
Currency translation differences representing net expenses recognised directly in equity	-	-	(47)	-	-	(47)
Net profit for the period	-	-	-	-	3,071	3,071
Dividend	-	-	-	-	(2,079)	(2,079)
As at 31 December 2020	41,580	500	3,606	-	109,588	155,274

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Cumulative Quarter ended	
	31-12-2020 RM'000	31-12-2019 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,852	11,742
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	2,112	1,389
Finance cost	18	-
Interest income	(1,310)	(2,087)
Gain on disposal of unquoted investment	-	(63)
Property, plant and equipment written off	-	1
Allowance for impairment loss on receivables	401	49
Bad debts written off	93	-
Inventories written off	244	-
Unrealised loss on foreign exchange	80	88
Operating profit before working capital changes	5,490	11,119
Changes in working capital:		
Increase in inventories	(2,856)	(6,794)
Decrease in receivables	507	1,874
(Decrease)/ Increase in payables	(1,298)	856
Cash from operations	1,843	7,055
Retirement benefits paid	-	(1)
Tax paid	(2,000)	(2,392)
Net cash (used in)/ generated from operating activities	(157)	4,662
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(1,819)	(6,444)
Proceeds from disposal of unquoted investment	-	438
Interest Income	1,310	2,087
Short-term deposits with maturity period more than 3 months	(41,000)	(30,000)
Net cash used in investing activities	(41,509)	(33,919)
Cash flows from Financing Activities		
Payment of lease liability	(341)	-
Dividend paid	(2,079)	(2,911)
Net cash used in financing activities	(2,420)	(2,911)
Net change in cash and cash equivalents	(44,086)	(32,168)
Cash and cash equivalents at beginning of financial period	68,186	70,299
Effect of changes in exchange rate on cash and cash equivalents	(21)	55
Cash and cash equivalents at end of financial period	24,079	38,186

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

	31-12-2020 RM'000	31-12-2019 RM'000
Cash and bank balances	65,079	68,186
Less: Short-term deposits with maturity period more than 3 months	(41,000)	(30,000)
Cash and cash equivalents	24,079	38,186

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Twelve-month financial period ended 31 December 2020.

1. Corporate information

Lysaght Galvanized Steel Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 March 2021.

2. Changes in Accounting Policies

2.1 Adoption of Standards, Amendments and Issues Committee (IC) Interpretations and changes in accounting policies.

Adoption of Standards, Amendments and IC Interpretations

The Group adopted the following Standards, Amendments and IC interpretations:-

- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- MFRS 16 : Leases
- Amendments to MFRS 119 “Employee Benefits”: Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to MFRS Standards 2015-2017 Cycle
- IC Interpretation 23: Uncertainty over Income Tax Treatments
- Amendments to References to the Conceptual Framework in MFRS Standards
- Definition of a Business (Amendments to MFRS 3: Business Combinations)
- Definition of Material (Amendments to MFRS 101: Presentation of Financial Statements and MFRS 108: Accounting Policies, Changes in Accounting Estimates & Errors)
- Interest Rate Benchmark Reform (Amendments to MFRS 9: Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)

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

2.2 Standards issued but not yet effective

- Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- MFRS 17 : Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101: Presentation of Financial Statements)
- Covid-19-Related Rent Concessions (Amendment to MFRS 16: Leases)
- Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018-2020”

- Reference to the Conceptual Framework (Amendments to MFRS 3: Business Combinations)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116: Property, Plant and Equipment)
- Onerous Contracts- Cost of Fulfilling a Contract (Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets)
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)
- Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
- Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

3. Changes in estimates

There were no changes in estimates that have had a material effect in the current interim results.

4. Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding annual financial statements was not subject to any qualification.

5. Comments about Seasonal or Cyclical Factors

The Group's operations were not affected by seasonality or cyclicity.

6. Unusual Items due to their Nature, Size or Incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the financial period ended 31 December 2020.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

8. Dividend Paid

No dividend was paid during the current quarter.

9. Operating Revenue

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	18,213	18,455	54,408	75,260
Installation income	42	24	148	96
Delivery income	128	198	372	560
Total operating revenue	18,383	18,677	54,928	75,916

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Sundry income	308	14	1,041	39
Sales of scrap materials	188	219	1,130	1,648
Bank interest earned	215	491	1,310	2,087
(Loss) on foreign exchange	(106)	(76)	(33)	(30)
Gain on disposal of property, plant and equipment	-	-	-	42
Gain on disposal of unquoted investment	-	63	-	63
Doubtful debts recovery	6	-	6	-
	611	711	3,454	3,849

11. Segmental Information

The Group operates within a single business segment.

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

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
- Malaysia	8,595	8,963	26,792	37,462
- ASEAN	5,661	6,271	16,832	24,535
- South Asia	589	551	1,980	2,461
- East Asia	89	101	333	506
- Africa	-	-	-	29
- Middle East	1,875	399	3,031	4,305
- Australasia	1,574	2,392	5,960	6,618
	18,383	18,677	54,928	75,916

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	93	86	369	342
Fabricating services	12	68	76	161
Powder coating services	11	-	11	-
Transportation services	7	9	20	14
	123	163	476	517

The directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

13. Capital Commitments

	RM'000
Property, plant and equipment:	
Approved and contracted for	-
Approved but not contracted for	23,000
	23,000

14. Subsequent Event

With reference to Note 27 on "Material Litigation", the Company had filed a civil suit before the High Court of Malaya on 14 January 2021 against Popeye Resources Sdn Bhd and Macsteel International Far East Limited for, amongst others, that the three alleged contracts for the sale of steel coils in January 2020 and February 2020 were forgeries and/or fraudulently prepared.

On 25 March 2021, the Company had obtained an ad interim injunction against Macsteel from proceeding with the arbitration in Hong Kong pending the disposal of the interlocutory injunction application filed by the Company.

15. Carrying Amount of Revalued Assets

There were no valuations of property, plant and equipment during the period. Valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

16. Derivatives

- a) There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the financial period ended 31 December 2020; and
- b) The Group has not entered into any type of derivatives not disclosed in the previous financial year.

17. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

18. Changes in Composition of the Group

There are no changes in the composition of the Group.

19. Operating Segment Review

Table 1: Financial review for current quarter and financial year to date

	Individual Period (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To- date	Preceding Year Corresponding Period		
	31/12/2020	31/12/2019	31/12/2020	31/12/2019				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,383	18,677	(294)	(2)	54,928	75,916	(20,988)	(28)
Operating Profit	2,017	2,340	(323)	(14)	3,852	11,742	(7,890)	(67)
Profit Before Interest & Tax	2,017	2,340	(323)	(14)	3,852	11,742	(7,890)	(67)
Profit Before Tax	2,017	2,340	(323)	(14)	3,852	11,742	(7,890)	(67)
Profit After Tax	1,612	1,822	(210)	(12)	3,071	9,175	(6,104)	(67)
Profit Attributable to Ordinary Equity Holders of the Company	1,612	1,822	(210)	(12)	3,071	9,175	(6,104)	(67)

a) Current Year-to-date vs. Previous Year-to-date (refer Table 1)

The Group's pre-tax profit for the financial period ended 31 December 2020 of RM3.85 million was RM7.89 million lower than the previous corresponding period of RM11.74 million. Net profit attributable to equity holders decreased by RM6.10 million from RM9.17 million to RM3.07 million for the financial period ended 31 December 2020. The sales of poles and decorpoles comprise RM43.01 million and RM2.97 million respectively for financial period ended 31 December 2020 as compared to RM57.00 million and RM8.25 million respectively for previous corresponding period. The decrease in profit was mainly due to decrease in revenue by RM20.99 million for financial period ended 31 December 2020, as a result of implementation of Movement Control Order (MCO) nationwide which was enforced from 18/3/2020 to 3/5/2020, Conditional MCO from 4/5/2020 to 9/6/2020, Recovery MCO from 10/6/2020 to 12/1/2021, MCO 2.0 from 13/1/2021 to 4/3/2021 and Conditional MCO from 5/3/2021 to 31/3/2021.

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

For the 4th quarter ended 31 December 2020, the Group registered a pre-tax profit of RM2.02 million, a decrease of RM0.32 million or 14% as compared to the previous year corresponding quarter pre-tax profit of RM2.34 million. Earnings attributable to equity holders decreased by RM0.21 million or 12% over the same period. The decrease was mainly due to decrease in revenue by RM0.29 million for 4th quarter ended 31 December 2020 as compared to previous corresponding quarter.

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

	Current Quarter 31/12/2020	Immediate Preceding Quarter 30/9/2020	Changes (Amount/%)	
	RM'000	RM'000	RM'000	%
Revenue	18,383	15,549	2,834	18
Operating Profit	2,017	1,050	967	92
Profit Before Interest and Tax	2,017	1,050	967	92
Profit Before Tax	2,017	1,050	967	92
Profit After Tax	1,612	746	866	116
Profit Attributable to Ordinary Equity Holders of the Company	1,612	746	866	116

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

The Group's pre-tax profit of RM2.02 million for the current quarter shows an increase of RM0.97 million as compared to the pre-tax profit of RM1.05 million for the preceding quarter ended 30 September 2020. The increase in profit was mainly due to increase in revenue by RM2.83 million.

20. Commentary on Prospects

The coming quarters will remain challenging for the Group, given the foreign exchange volatility and increase in competition with lower quality products. Safety and health became immediate priorities to deal with Covid-19 pandemic, and the Group's operations only resumed progressively during Conditional MCO. Disruption of economic activities have affected supply chain networks and buying behaviour, with reduced consumer spending and liquidity tightening across the markets. The Group constantly reviews its operations with a view to increase productivity and enhance profitability.

21. Profit forecast/profit guarantee

No explanatory notes will be provided as the Group has not provided any profit forecast or profit guarantee.

22. Income Tax Expense

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Group tax figures consist of :-				
- Current provision	567	502	1,362	2,562
- Under/(Over) provision in prior years	(73)	-	(48)	(30)
- Deferred Tax	(89)	16	(533)	35
	<u>405</u>	<u>518</u>	<u>781</u>	<u>2,567</u>

23. Quoted securities
 (i) There were no purchases or sales of quoted securities for the financial period under review.
 (ii) There were no investments in quoted securities as at 31 December 2020.
24. Corporate Proposals
 There were no outstanding corporate proposals at the date of issue of this quarterly report.
25. Borrowing
 There were no group borrowings and debt securities as at the end of the reporting period.
26. Off Balance Sheet Financial Instruments
 There were no off balance sheet financial instruments at the date of issue of this quarterly report.

27. Material Litigation

The Company was served with a Notice of Arbitration on 15 December 2020 from Macsteel International Far East Limited's solicitors, Ince & Co. in connection with a dispute relating to three alleged contracts for the sale of steel coils in January 2020 and February 2020 amounting to USD1,555,656.12. The Company denied and refuted the allegations of liability and stated that the alleged contracts were forgeries.

Subsequently, the Company had filed a civil suit before the High Court of Malaya on 14 January 2021 as disclosed in Note 14 on "Subsequent Event".

28. Dividend Payable

A final single tier dividend of 1 sen per ordinary share amounting to RM415,800 has been recommended for the quarter under review to be approved by the shareholders at the coming 42nd Annual General Meeting.

29. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the number of ordinary shares in issue during the period.

	Individual Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31Dec 2019 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	1,612	1,822	3,071	9,175
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	3.88 Sen	4.38 Sen	7.39 Sen	22.07 Sen

30. Profit Before Tax

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

	Individual current quarter from 1 Oct 2020 to 31 Dec 2020 RM'000	Cumulative current year from 1 Jan 2020 to 31 Dec 2020 RM'000
Interest income from fixed deposits	215	1,310
Realised (loss)/gain on foreign exchange	(5)	47
Unrealised loss on foreign exchange	(101)	(80)
Auditors' remuneration:		
Statutory audit -current year	(20)	(125)
-underprovision in prior year	(11)	(11)
Non-audit fees:		
- assurance related	(2)	(8)
- tax and other non-audit services	(23)	(94)
Depreciation of property, plant and equipment and right-of-use asset	(546)	(2,112)
Allowance for impairment loss on receivables	(401)	(401)
Bad debts written off	(93)	(93)
Inventories written off	(244)	(244)
Finance cost	(4)	(18)
Rental expenses to a related party	-	(28)
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