

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month financial period ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		6 MONTHS ENDED	
	30-6-2021	30-6-2020	30-6-2021	30-6-2020
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	10,856	6,281	26,230	20,996
Cost of sales	(8,710)	(5,310)	(20,390)	(15,653)
Gross Profit	2,146	971	5,840	5,343
Other income	393	703	1,322	1,677
Administrative expenses	(2,531)	(2,366)	(5,044)	(4,971)
Selling and marketing expenses	(616)	(529)	(1,305)	(1,254)
Finance cost	(3)	(6)	(6)	(10)
(Loss)/Profit before tax	(611)	(1,227)	807	785
Income tax credit/ (expense)	161	325	(69)	(72)
(Loss)/Profit for the period	(450)	(902)	738	713
(Loss)/Profit for the period attributable to:				
Owners of the Company	(450)	(902)	738	713
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	(1.08) Sen	(2.17) Sen	1.77 Sen	1.71 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 2020 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 six-month financial period ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	30/6/2021	31/12/2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	41,475	42,084
Right-of-use asset	209	389
Deferred tax asset	54	27
Intangible assets	8	8
	41,746	42,508
Current Assets		
Inventories	38,546	37,918
Trade receivables	12,394	14,989
Other receivables	735	528
Tax recoverable	1,290	844
Cash & bank balances	68,175	64,999
	121,140	119,278
TOTAL ASSETS	162,886	161,786
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,713	4,106
Retained earnings	110,326	109,588
	156,619	155,274
Non-Current Liabilities		
Retirement benefits obligations	-	11
Lease liability	214	395
Deferred tax liabilities	9	413
	223	819
Current Liabilities		
Trade payables	2,282	3,008
Other Payables	2,649	2,033
Contract liabilities	1,113	652
	6,044	5,693
Total liabilities	6,267	6,512
TOTAL EQUITY AND LIABILITIES	162,886	161,786
Net assets per share attributable to ordinary equity holder of the parent	3.77	3.73

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The figures have not been audited.

	Share capital	Capital reserve	Exchange reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	41,580	500	3,653	108,596	154,329
Currency translation differences representing net expenses recognised directly in equity	-	-	352	-	352
Net profit for the period	-	-	-	713	713
Dividend	-	-	-	-	-
As at 30 June 2020	41,580	500	4,005	109,309	155,394
As at 1 January 2021	41,580	500	3,606	109,588	155,274
Currency translation differences representing net expenses recognised directly in equity	-	-	607	-	607
Net profit for the period	-	-	-	738	738
Dividend	-	-	-	-	-
As at 30 June 2021	41,580	500	4,213	110,326	156,619

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 2020 and the accompanying explanatory notes at to these interim financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2021****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

The figures have not been audited.

	Quarter ended	
	30-06-2021 RM'000	30-06-2020 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	807	785
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	1,037	1,024
Finance cost	6	10
Interest income	(401)	(813)
Unrealised loss on foreign exchange	11	19
Operating profit before working capital changes	1,460	1,025
Changes in working capital:		
Increase in inventories	(628)	(3,892)
Decrease in receivables	2,388	3,394
Increase/ (Decrease) in payables	340	(1,212)
Cash from/(used in) operations	3,560	(685)
Tax paid	(947)	(1,143)
Net cash generated from/(used in) operating activities	2,613	(1,828)
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(194)	(1,488)
Interest Income	401	813
Short-term deposits with maturity period more than 3 months	(45,000)	(41,000)
Net cash used in investing activities	(44,793)	(41,675)
Cash flows from Financing Activities		
Payment of lease liability	(186)	(155)
Dividend paid	-	-
Net cash used in financing activities	(186)	(155)
Net change in cash and cash equivalents	(42,366)	(43,658)
Cash and cash equivalents at beginning of financial period	64,999	68,186
Effect of changes in exchange rate on cash and cash equivalents	542	328
Cash and cash equivalents at end of financial period	23,175	24,856

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

	30-06-2021 RM'000	30-06-2020 RM'000
Cash and bank balances	68,175	65,856
Less: Short-term deposits with maturity period more than 3 months	(45,000)	(41,000)
Cash and cash equivalents	23,175	24,856

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 2020 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

Explanatory notes pursuant to MFRS 134

For the Six-month financial period ended 30 June 2021.

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 19 August 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)
- Annual Improvements to MFRS Standards 2018-2020 Cycle
- 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)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)

* International Accounting Standards Board

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

3. Changes in estimates

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

4. Auditors' Report on Preceding Annual Financial Statements

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

5. Comments about Seasonal or Cyclical Factors

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

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

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the financial period ended 30 June 2021.

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 6 months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	10,742	6,226	25,969	20,775
Installation income	42	9	95	81
Delivery income	72	46	166	140
Total operating revenue	10,856	6,281	26,230	20,996

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
Sundry income	35	261	74	282
Sales of scrap materials	159	101	875	538
Bank interest earned	212	367	401	814
Gain/(Loss) on foreign exchange	(13)	(26)	(28)	43
	393	703	1,322	1,677

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 June 2021 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
- Malaysia	5,346	2,609	12,129	9,099
- ASEAN	4,152	2,461	10,135	8,013
- South Asia	509	-	1,060	488
- East Asia	2	5	462	179
- Middle East	167	506	182	854
- Australasia	680	700	2,262	2,363
	10,856	6,281	26,230	20,996

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	93	93	186	183
Fabricating services	14	4	39	32
Galvanizing services	-	-	388	-
Powder coating services	-	-	44	-
Transportation services	2	9	5	12
	<u>109</u>	<u>106</u>	<u>662</u>	<u>227</u>

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

13. Capital Commitments

	RM'000
Property, plant and equipment:	
Approved and contracted for	1,000
Approved but not contracted for	21,000
	<u>22,000</u>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 30 June 2021 that have not been reflected in the financial statements for the financial period ended 30 June 2021.

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 30 June 2021; 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 (2nd quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter	RM'000	%	Current Year To- date	Preceding Year Corresponding Period	RM'000	%
	30/6/2021	30/6/2020			30/6/2021	30/6/2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	10,856	6,281	4,575	73	26,230	20,996	5,234	25
Operating Profit/(Loss)	(611)	(1,227)	616	50	807	785	22	3
Profit/(Loss) Before Interest & Tax	(611)	(1,227)	616	50	807	785	22	3
Profit/(Loss) Before Tax	(611)	(1,227)	616	50	807	785	22	3
Profit/(Loss) After Tax	(450)	(902)	452	50	738	713	25	4
Profit/(Loss) Attributable to Ordinary Equity Holders of the Company	(450)	(902)	452	50	738	713	25	4

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

The Group's pre-tax profit for the financial period ended 30 June 2021 of RM0.81 million was RM0.02 million higher than the previous corresponding period of RM0.79 million. Net profit attributable to equity holders increased by RM0.03 million from RM0.71 million to RM0.74 million for the financial period ended 30 June 2021. The sales of poles and decorpoles comprise RM21.74 million and RM1.65 million respectively for financial period ended 30 June 2021 as compared to RM15.28 million and RM0.71 million respectively for previous corresponding period. The increase in profit was mainly due to increase in revenue for financial period ended 30 June 2021.

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

For the 2nd quarter ended 30 June 2021, the Group registered a pre-tax loss of RM0.61 million, an increase of RM0.62 million or 50% as compared to the previous year corresponding quarter pre-tax loss of RM1.23 million. Loss attributable to equity holders decreased by RM0.45 million or 50% over the same period. The decrease in pre-tax loss was mainly due to higher revenue in the current quarter.

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

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	30/6/2021	31/3/2021	RM'000	%
Revenue	10,856	15,374	(4,518)	(29)
Operating (Loss)/Profit	(611)	1,418	(2,029)	(143)
(Loss)/Profit Before Interest and Tax	(611)	1,418	(2,029)	(143)
(Loss)/Profit Before Tax	(611)	1,418	(2,029)	(143)
(Loss)/Profit After Tax	(450)	1,188	(1,638)	(138)
(Loss)/ Profit Attributable to Ordinary Equity Holders of the Company	(450)	1,188	(1,638)	(138)

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

The Group's pre-tax loss of RM0.61 million for the current quarter shows a decrease of RM2.03 million as compared to the pre-tax profit of RM1.42 million for the preceding quarter ended 31 March 2021. The decrease in profit was mainly due to decrease in revenue by RM4.52 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. 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/ (Credit)

	Current Quarter		Cumulative Quarter	
	3 Months ended		6 Months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	188	66	500	433
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	(349)	(391)	(431)	(361)
	<u>(161)</u>	<u>(325)</u>	<u>69</u>	<u>72</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 30 June 2021.
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 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 amounting to USD1,555,656.12 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.

28. Dividend Payable
 No dividend has been proposed for the quarter under review.

29. Earnings Per Share

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

	Individual Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Profit/(Loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(450)	(902)	738	713
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	(1.08) Sen	(2.17) Sen	1.77 Sen	1.71 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 Apr 2021 to 30 June 2021 RM'000	Cumulative current year from 1 Jan 2021 to 30 June 2021 RM'000
Interest income from fixed deposits	212	401
Realised loss on foreign exchange	(54)	(17)
Unrealised gain/(loss) on foreign exchange	41	(11)
Auditors' remuneration:		
Statutory audit -current	(59)	(92)
-underprovision in previous year	(33)	(33)
Non-audit fees:		
- assurance related	(2)	(4)
- tax and other non-audit services	(7)	(15)
Depreciation of property, plant and equipment and right-of-use asset	(534)	(1,037)
Finance cost	(3)	(6)
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