

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the nine-month financial period ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		9 MONTHS ENDED	
	30-9-2021	30-9-2020	30-9-2021	30-9-2020
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
Revenue	14,231	15,549	40,461	36,545
Cost of sales	(10,567)	(12,410)	(30,957)	(28,063)
<b>Gross Profit</b>	3,664	3,139	9,504	8,482
Other income	1,651	1,166	2,973	2,843
Administrative expenses	(2,315)	(2,518)	(7,359)	(7,489)
Selling and marketing expenses	(676)	(733)	(1,981)	(1,987)
Finance cost	(2)	(4)	(8)	(14)
<b>Profit before tax</b>	2,322	1,050	3,129	1,835
Income tax expense	(495)	(304)	(564)	(376)
<b>Profit for the period</b>	1,827	746	2,565	1,459
<b>Profit for the period attributable to:</b>				
Owners of the Company	1,827	746	2,565	1,459
<b>Earnings per share attributable to owners of the Company:</b>				
(i) Basic, for profit for the period	4.39 Sen	1.79 Sen	6.17 Sen	3.51 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 nine-month financial period ended 30 September 2021

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The figures have not been audited.

	Quarter ended	
	30/9/2021	31/12/2020
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	41,733	42,084
Right-of-use asset	532	389
Deferred tax asset	27	27
Intangible assets	8	8
	42,300	42,508
<b>Current Assets</b>		
Inventories	42,941	37,918
Trade receivables	14,946	14,989
Other receivables	566	528
Tax recoverable	1,362	844
Cash & bank balances	64,297	64,999
	124,112	119,278
<b>TOTAL ASSETS</b>	166,412	161,786
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	41,580	41,580
Other reserves	4,553	4,106
Retained earnings	111,737	109,588
	157,870	155,274
<b>Non-Current Liabilities</b>		
Retirement benefits obligations	-	11
Lease liability	536	395
Deferred tax liabilities	99	413
	635	819
<b>Current Liabilities</b>		
Trade payables	3,648	3,008
Other Payables	3,298	2,033
Contract liabilities	961	652
	7,907	5,693
<b>Total liabilities</b>	8,542	6,512
<b>TOTAL EQUITY AND LIABILITIES</b>	166,412	161,786
Net assets per share attributable to ordinary equity holder of the parent	3.80	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 nine-month financial period ended 30 September 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	-	-	(29)	-	(29)
Net profit for the period	-	-	-	1,459	1,459
Dividend	-	-	-	(2,079)	(2,079)
As at 30 September 2020	41,580	500	3,624	107,976	153,680
As at 1 January 2021	41,580	500	3,606	109,588	155,274
Currency translation differences representing net expenses recognised directly in equity	-	-	447	-	447
Net profit for the period	-	-	-	2,565	2,565
Dividend	-	-	-	(416)	(416)
As at 30 September 2021	41,580	500	4,053	111,737	157,870

*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.*

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month financial period ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Cumulative Quarter ended	
	30-09-2021	30-09-2020
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,129	1,835
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	1,568	1,566
Finance cost	8	14
Interest income	(602)	(1,095)
Unrealised gain on foreign exchange	(16)	(21)
Operating profit before working capital changes	4,087	2,299
Changes in working capital:		
Increase in inventories	(5,023)	(3,728)
Decrease in receivables	5	2,025
Increase/ (Decrease) in payables	2,230	(554)
Cash from operations	1,299	42
Tax paid	(1,396)	(1,371)
Net cash used in operating activities	(97)	(1,329)
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(897)	(1,668)
Interest Income	602	1,095
Short-term deposits with maturity period more than 3 months	(45,000)	(29,000)
Net cash used in investing activities	(45,295)	(29,573)
Cash flows from Financing Activities		
Payment of lease liability	(288)	(248)
Dividend paid	(416)	(2,079)
Net cash used in financing activities	(704)	(2,327)
Net change in cash and cash equivalents	(46,096)	(33,229)
Cash and cash equivalents at beginning of financial period	64,999	68,186
Effect of changes in exchange rate on cash and cash equivalents	394	(12)
Cash and cash equivalents at end of financial period	19,297	34,945

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

	30-09-2021	30-09-2020
	RM'000	RM'000
Cash and bank balances	64,297	63,945
Less: Short-term deposits with maturity period more than 3 months	(45,000)	(29,000)
Cash and cash equivalents	19,297	34,945

*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 Nine-month financial period ended 30 September 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 22 November 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 September 2021.

7. Debt and Equity Securities

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

8. Dividend Paid

An interim single tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2020 amounting to RM415,800 was paid on 16 July 2021.

9. Operating Revenue

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	14,141	15,420	40,110	36,195
Installation income	15	25	110	106
Delivery income	75	104	241	244
<b>Total operating revenue</b>	<b>14,231</b>	<b>15,549</b>	<b>40,461</b>	<b>36,545</b>

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Sundry income	1,052	451	1,126	733
Sales of scrap materials	342	404	1,217	942
Bank interest earned	201	281	602	1,095
Gain on foreign exchange	56	30	28	73
	<b>1,651</b>	<b>1,166</b>	<b>2,973</b>	<b>2,843</b>

11. Segmental Information

The Group operates within a single business segment.

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

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
- Malaysia	5,003	9,098	17,132	18,197
- ASEAN	6,373	3,158	16,508	11,171
- South Asia	482	903	1,542	1,391
- East Asia	107	65	569	244
- Middle East	17	302	199	1,156
- Australasia	2,249	2,023	4,511	4,386
	<b>14,231</b>	<b>15,549</b>	<b>40,461</b>	<b>36,545</b>

12. Related Party Disclosures

	Current Quarter		Cumulative Quarter	
	3 Months ended		9 Months ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	102	93	288	276
Fabricating services	31	32	70	64
Galvanizing services	-	-	388	-
Powder coating services	-	-	44	-
Transportation services	3	1	8	13
	<u>136</u>	<u>126</u>	<u>798</u>	<u>353</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	400
Approved but not contracted for	21,000
	<u>21,400</u>

14. Subsequent Event

With reference to Note 27 on "Material Litigation", on 20 October 2021, the Company had obtained an interlocutory injunction against Macsteel from proceeding with the arbitration proceeding in Hong Kong until the disposal of the suit before the Kuala Lumpur High Court. The Kuala Lumpur High Court also dismissed Macsteel's application for a stay of proceedings pending arbitration.

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 September 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 (3rd quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To- date	Preceding Year Corresponding Period		
	30/9/2021	30/9/2020	30/9/2021	30/9/2020				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	14,231	15,549	(1,318)	(8)	40,461	36,545	3,916	11
Operating Profit	2,322	1,050	1,272	121	3,129	1,835	1,294	71
Profit Before Interest & Tax	2,322	1,050	1,272	121	3,129	1,835	1,294	71
Profit Before Tax	2,322	1,050	1,272	121	3,129	1,835	1,294	71
Profit After Tax	1,827	746	1,081	145	2,565	1,459	1,106	76
Profit Attributable to Ordinary Equity Holders of the Company	1,827	746	1,081	145	2,565	1,459	1,106	76

### 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 September 2021 of RM3.13 million was RM1.29 million higher than the previous corresponding period of RM1.84 million. Net profit attributable to equity holders increased by RM1.11 million from RM1.46 million to RM2.57 million for the financial period ended 30 September 2021. The sales of poles and decorpoles comprise RM32.64 million and RM2.16 million respectively for financial period ended 30 September 2021 as compared to RM27.99 million and RM1.87 million respectively for previous corresponding period. The increase in profit was mainly due to increase in revenue for financial period ended 30 September 2021.

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

For the 3rd quarter ended 30 September 2021, the Group registered a pre-tax profit of RM2.32 million, an increase of RM1.27 million or 121% as compared to the previous year corresponding quarter pre-tax profit of RM1.05 million. Earnings attributable to equity holders increased by RM1.08 million or 145% over the same period. The increase in pre-tax profit was mainly due to more delivery of higher margin products of masts in the current quarter.

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

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	30/9/2021	30/6/2021	RM'000	%
Revenue	14,231	10,856	3,375	31
Operating Profit/(Loss)	2,322	(611)	2,933	480
Profit/(Loss) Before Interest and Tax	2,322	(611)	2,933	480
Profit/(Loss) Before Tax	2,322	(611)	2,933	480
Profit/(Loss) After Tax	1,827	(450)	2,277	506
Profit/(Loss) Attributable to Ordinary Equity Holders of the Company	1,827	(450)	2,277	506

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

The Group's pre-tax profit of RM2.32 million for the current quarter shows an increase of RM2.93 million as compared to the pre-tax loss of RM0.61 million for the preceding quarter ended 30 June 2021. The increase in profit was mainly due to increase in revenue by RM3.37 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

	Current Quarter		Cumulative Quarter	
	3 Months ended		9 Months ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	378	362	878	795
- Under/(Over) provision in prior years	-	25	-	25
- Deferred Tax	117	(83)	(314)	(444)
	<u>495</u>	<u>304</u>	<u>564</u>	<u>376</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 September 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.

On 20 October 2021, the Company had obtained an interlocutory injunction against Macsteel from proceeding with the arbitration proceeding in Hong Kong until the disposal of the suit before the Kuala Lumpur High Court. The Kuala Lumpur High Court also dismissed Macsteel's application for a stay of proceedings pending arbitration.

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 9 Months ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	1,827	746	2,565	1,459
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	4.39 Sen	1.79 Sen	6.17 Sen	3.51 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 July 2021 to 30 Sep 2021 RM'000	Cumulative current year from 1 Jan 2021 to 30 Sep 2021 RM'000
Interest income from fixed deposits	201	602
Realised gain on foreign exchange	28	12
Unrealised gain on foreign exchange	28	16
Auditors' remuneration:		
Statutory audit -current	(1)	(93)
-underprovision in previous year	-	(33)
Non-audit fees:		
- assurance related	(2)	(6)
- tax and other non-audit services	(26)	(41)
Depreciation of property, plant and equipment and right-of-use asset	(531)	(1,568)
Finance cost	(2)	(8)
	<hr/>	<hr/>