

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	17,156	18,383	57,617	54,928
Cost of sales	(13,789)	(13,898)	(44,746)	(41,961)
Gross Profit	3,367	4,485	12,871	12,967
Other income	806	611	3,779	3,454
Administrative expenses	(2,631)	(2,355)	(9,990)	(9,844)
Selling and marketing expenses	(588)	(720)	(2,569)	(2,707)
Finance cost	(3)	(4)	(11)	(18)
Profit before tax	951	2,017	4,080	3,852
Income tax expense	(272)	(405)	(836)	(781)
Profit for the period	679	1,612	3,244	3,071
Profit for the period attributable to:				
Owners of the Company	679	1,612	3,244	3,071
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	1.63 Sen	3.88 Sen	7.80 Sen	7.39 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 twelve-month financial period ended 31 December 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/12/2021	31/12/2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	41,537	42,084
Right-of-use asset	390	389
Deferred tax asset	96	27
Intangible assets	8	8
	<u>42,031</u>	<u>42,508</u>
Current Assets		
Inventories	45,095	37,918
Trade receivables	15,179	14,989
Other receivables	602	528
Tax recoverable	1,254	844
Cash & bank balances	61,189	64,999
	<u>123,319</u>	<u>119,278</u>
TOTAL ASSETS	<u>165,350</u>	<u>161,786</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	4,706	4,106
Retained earnings	112,416	109,588
	<u>158,702</u>	<u>155,274</u>
Non-Current Liabilities		
Retirement benefits obligations	-	11
Lease liability	393	395
Deferred tax liabilities	-	413
	<u>393</u>	<u>819</u>
Current Liabilities		
Trade payables	2,070	3,008
Other Payables	3,030	2,033
Contract liabilities	1,155	652
	<u>6,255</u>	<u>5,693</u>
Total liabilities	<u>6,648</u>	<u>6,512</u>
TOTAL EQUITY AND LIABILITIES	<u>165,350</u>	<u>161,786</u>
Net assets per share attributable to ordinary equity holder of the parent	3.82	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.

LYSAGHT GALVANIZED STEEL BHD (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve-month financial period ended 31 December 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	-	-	(47)	-	(47)
Net profit for the period	-	-	-	3,071	3,071
Dividend	-	-	-	(2,079)	(2,079)
As at 31 December 2020	<u>41,580</u>	<u>500</u>	<u>3,606</u>	<u>109,588</u>	<u>155,274</u>
As at 1 January 2021	41,580	500	3,606	109,588	155,274
Currency translation differences representing net expenses recognised directly in equity	-	-	600	-	600
Net profit for the period	-	-	-	3,244	3,244
Dividend	-	-	-	(416)	(416)
As at 31 December 2021	<u>41,580</u>	<u>500</u>	<u>4,206</u>	<u>112,416</u>	<u>158,702</u>

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 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 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Cumulative Quarter ended	
	31-12-2021	31-12-2020
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	4,080	3,852
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	2,146	2,112
Finance cost	11	18
Interest income	(774)	(1,310)
Allowance for impairment loss on receivables	454	316
Inventories written off	-	244
Unrealised loss on foreign exchange	12	100
Operating profit before working capital changes	5,929	5,332
Changes in working capital:		
Increase in inventories	(7,177)	(2,674)
(Increase)/Decrease in receivables	(718)	369
Increase/(Decrease) in payables	550	(1,264)
Cash (used in)/from operations	(1,416)	1,763
Retirement benefits paid	(11)	-
Tax paid	(1,728)	(1,991)
Net cash used in operating activities	(3,155)	(228)
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(1,118)	(1,805)
Interest Income	774	1,310
Short-term deposits with maturity period more than 3 months	(41,000)	(13,927)
Net cash used in investing activities	(41,344)	(14,422)
Cash flows from Financing Activities		
Payment of lease liability	(435)	(341)
Dividend paid	(416)	(2,079)
Net cash used in financing activities	(851)	(2,420)
Net change in cash and cash equivalents	(45,350)	(17,070)
Cash and cash equivalents at beginning of financial period	64,999	38,342
Effect of changes in exchange rate on cash and cash equivalents	540	(44)
Cash and cash equivalents at end of financial period	20,189	21,228

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

	31-12-2021	31-12-2020
	RM'000	RM'000
Cash and bank balances	61,189	64,999
Less: Short-term deposits with maturity period more than 3 months	(41,000)	(43,771)
Cash and cash equivalents	20,189	21,228

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 Twelve-month financial period ended 31 December 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 23 February 2022.

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)
- Initial Application of MFRS 17 and MFRS 9-Comparative Information (Amendment to MFRS 17 Insurance Contracts)

* 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 cyclicality.

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 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 12 months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	16,993	18,213	57,103	54,408
Installation income	30	42	140	148
Delivery income	133	128	374	372
Total operating revenue	17,156	18,383	57,617	54,928

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Sundry income	1	308	1,127	1,041
Sales of scrap materials	575	188	1,792	1,130
Bank interest earned	172	215	774	1,310
Gain/(Loss) on forex	58	(106)	86	(33)
Doubtful debts recovery	-	6	-	6
	806	611	3,779	3,454

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 December 2021 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
- Malaysia	9,097	8,595	26,229	26,792
- ASEAN	6,451	5,661	22,959	16,832
- South Asia	-	589	1,542	1,980
- East Asia	296	89	865	333
- Middle East	115	1,875	314	3,031
- Australasia	1,197	1,574	5,708	5,960
	17,156	18,383	57,617	54,928

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	147	93	435	369
Fabricating services	6	12	76	76
Galvanizing services	-	-	388	-
Powder coating services	-	11	44	11
Transportation services	-	7	8	20
	<u>153</u>	<u>123</u>	<u>951</u>	<u>476</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	300
Approved but not contracted for	20,900
	<u>21,200</u>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 December 2021 that have not been reflected in the financial statements for the financial period ended 31 December 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 31 December 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 (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To- date	Preceding Year Corresponding Period		
	31/12/2021	31/12/2020	31/12/2021	31/12/2020				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Revenue	17,156	18,383	(1,227)	(7)	57,617	54,928	2,689	5
Operating Profit	951	2,017	(1,066)	(53)	4,080	3,852	228	6
Profit Before Interest & Tax	951	2,017	(1,066)	(53)	4,080	3,852	228	6
Profit Before Tax	951	2,017	(1,066)	(53)	4,080	3,852	228	6
Profit After Tax	679	1,612	(933)	(58)	3,244	3,071	173	6
Profit Attributable to Ordinary Equity Holders of the Company	679	1,612	(933)	(58)	3,244	3,071	173	6

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 2021 of RM4.08 million was RM0.23 million higher than the previous corresponding period of RM3.85 million. Net profit attributable to equity holders increased by RM0.17 million from RM3.07 million to RM3.24 million for the financial period ended 31 December 2021. The sales of poles and decorpoles comprise RM45.41 million and RM3.43 million respectively for financial period ended 31 December 2021 as compared to RM43.01 million and RM2.97 million respectively for previous corresponding period. The increase in profit was mainly due to increase in revenue for financial period ended 31 December 2021.

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

For the 4th quarter ended 31 December 2021, the Group registered a pre-tax profit of RM0.95 million, a decrease of RM1.07 million or 53% as compared to the previous year corresponding quarter pre-tax profit of RM2.02 million. Earnings attributable to equity holders decreased by RM0.93 million or 58% over the same period. The decrease in pre-tax profit was mainly due to decrease in revenue by RM1.23 million for 4th quarter ended 31 December 2021 as compared to previous corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	31/12/2021	30/9/2021	RM'000	%
Revenue	17,156	14,231	2,925	21
Operating Profit	951	2,322	(1,371)	59
Profit Before Interest and Tax	951	2,322	(1,371)	59
Profit Before Tax	951	2,322	(1,371)	59
Profit After Tax	679	1,827	(1,148)	63
Profit Attributable to Ordinary Equity Holders of the Company	679	1,827	(1,148)	63

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

The Group's pre-tax profit of RM0.95 million for the current quarter shows a decrease of RM1.37 million as compared to the pre-tax profit of RM2.32 million for the preceding quarter ended 30 September 2021. The decrease in profit was mainly due to the increase in steel price by 7% from RM2,900/mt in preceding quarter ended 30 September 2021 to RM3,100/mt in the current quarter.

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		12 Months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	454	567	1,332	1,362
- Under/(Over) provision in prior years	(14)	(73)	(14)	(48)
- Deferred Tax	(168)	(89)	(482)	(533)
	<u>272</u>	<u>405</u>	<u>836</u>	<u>781</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 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

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 43rd 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	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	679	1,612	3,244	3,071
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	1.63 Sen	3.88 Sen	7.80 Sen	7.39 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 2021 to 31 Dec 2021 RM'000	Cumulative current year from 1 Jan 2021 to 31 Dec 2021 RM'000
Interest income from fixed deposits	172	774
Realised gain on foreign exchange	87	99
Unrealised loss on foreign exchange	(28)	(12)
Auditors' remuneration:		
Statutory audit -current	(38)	(131)
-underprovision in previous year	-	(33)
Non-audit fees:		
- assurance related	(2)	(8)
- tax and other non-audit services	(41)	(82)
Depreciation of property, plant and equipment and right-of-use asset	(578)	(2,146)
Allowance for impairment loss on receivables	(454)	(454)
Finance cost	(3)	(11)
	<hr/>	<hr/>