

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
	30-6-2022 RM'000	30-6-2021 RM'000	30-6-2022 RM'000	30-6-2021 RM'000
Continuing Operations				
Revenue	18,487	10,856	35,214	26,230
Cost of sales	(13,527)	(8,710)	(26,159)	(20,390)
Gross Profit	4,960	2,146	9,055	5,840
Other income	453	393	1,012	1,322
Administrative expenses	(2,601)	(2,531)	(5,121)	(5,044)
Selling and marketing expenses	(578)	(616)	(1,125)	(1,305)
Finance cost	(6)	(3)	(12)	(6)
Profit/(Loss) before tax	2,228	(611)	3,809	807
Income tax (expense)/credit	(473)	161	(721)	(69)
Profit/(Loss) for the period	1,755	(450)	3,088	738
Profit/(Loss) for the period attributable to:				
Owners of the Company	1,755	(450)	3,088	738
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	4.22 Sen	(1.08) Sen	7.43 Sen	1.77 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 2021 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 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	30/6/2022	31/12/2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	29,177	29,421
Right-of-use asset	12,824	12,506
Deferred tax asset	328	321
Intangible assets	8	8
	42,337	42,256
Current Assets		
Inventories	44,240	44,943
Trade receivables	17,321	15,968
Other receivables	798	747
Contract assets	103	152
Tax recoverable	1,063	1,219
Fixed deposits, cash & bank balances	63,632	61,189
	127,157	124,218
TOTAL ASSETS	169,494	166,474
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	5,680	4,716
Retained earnings	115,684	112,596
	162,944	158,892
Non-Current Liabilities		
Lease liability	831	392
	831	392
Current Liabilities		
Trade payables	2,238	3,204
Other Payables	2,660	2,308
Contract liabilities	821	1,678
	5,719	7,190
Total liabilities	6,550	7,582
TOTAL EQUITY AND LIABILITIES	169,494	166,474
Net assets per share attributable to ordinary equity holder of the parent	3.92	3.82

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2022

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 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
As at 1 January 2022	41,580	500	4,216	112,596	158,892
Currency translation differences representing net expenses recognised directly in equity	-	-	964	-	964
Net profit for the period	-	-	-	3,088	3,088
Dividend	-	-	-	-	-
As at 30 June 2022	41,580	500	5,180	115,684	162,944

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 2021 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 2022
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Quarter ended	
	30-06-2022	30-06-2021
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,809	807
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	1,133	1,037
Finance cost	12	6
Interest income	(398)	(401)
Gain on disposal of property, plant and equipment	(8)	-
Unrealised loss on foreign exchange	96	11
Operating profit before working capital changes	4,644	1,460
Changes in working capital:		
Decrease/(Increase) in inventories	703	(628)
(Increase)/Decrease in receivables	(1,355)	2,388
(Decrease)/Increase in payables	(1,567)	340
Cash from/(used in) operations	2,425	3,560
Tax paid	(572)	(947)
Net cash generated from operating activities	1,853	2,613
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(414)	(194)
Proceeds from disposal of property, plant and equipment	9	-
Interest Income	398	401
Short-term deposits with maturity period more than 3 months	(32,000)	(45,000)
Net cash used in investing activities	(32,007)	(44,793)
Cash flows from Financing Activities		
Payment of lease liability	(294)	(186)
Dividend paid	-	-
Net cash used in financing activities	(294)	(186)
Net change in cash and cash equivalents	(30,448)	(42,366)
Cash and cash equivalents at beginning of financial period	61,189	64,999
Effect of changes in exchange rate on cash and cash equivalents	891	542
Cash and cash equivalents at end of financial period	31,632	23,175

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

	30-06-2022	30-06-2021
	RM'000	RM'000
Cash and bank balances	63,632	68,175
Less: Short-term deposits with maturity period more than 3 months	(32,000)	(45,000)
Cash and cash equivalents	31,632	23,175

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 2021 and the accompanying explanatory notes attached to these financial statements.

LYSAGHT GALVANIZED STEEL BHD
Registration No. 197901002195 (46426-P)

Explanatory notes pursuant to MFRS 134

For the Six-month financial period ended 30 June 2022.

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 18 August 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 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 2022.

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 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Sales of galvanized steel products	18,352	10,742	34,968	25,969
Installation income	45	42	57	95
Delivery income	90	72	189	166
Total operating revenue	18,487	10,856	35,214	26,230

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Sundry income	41	35	63	74
Sales of scrap materials	324	159	680	875
Bank interest earned	242	212	398	401
Gain/(Loss) on forex	(154)	(13)	(137)	(28)
Gain on disposal of property, plant and equipment	-	-	8	-
	453	393	1,012	1,322

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 June 2022 were as follows:

By geographical area :	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
- Malaysia	7,310	5,346	14,746	12,129
- ASEAN	8,080	4,152	14,716	10,135
- South Asia	251	509	462	1,060
- East Asia	658	2	697	462
- Middle East	605	167	731	182
- Australasia	1,583	680	3,862	2,262
	18,487	10,856	35,214	26,230

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	147	93	294	186
Fabricating services	27	14	44	39
Galvanizing services	-	-	-	388
Purchase of used motor vehicle	-	-	25	-
Powder coating services	82	-	97	44
Transportation services	-	2	-	5
	256	109	460	662

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	100
Approved but not contracted for	20,900
	21,000

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 30 June 2022 that have not been reflected in the financial statements for the financial period ended 30 June 2022.

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 2022; 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			Current Year To- date	Preceding Year Corresponding Period		
	30/6/2022	30/6/2021	30/6/2022	30/6/2021				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,487	10,856	7,631	70	35,214	26,230	8,984	34
Operating Profit/(Loss)	2,228	(611)	2,839	465	3,809	807	3,002	372
Profit/(Loss) Before Interest & Tax	2,228	(611)	2,839	465	3,809	807	3,002	372
Profit/(Loss) Before Tax	2,228	(611)	2,839	465	3,809	807	3,002	372
Profit/(Loss) After Tax	1,755	(450)	2,205	490	3,088	738	2,350	318
Profit/(Loss) Attributable to Ordinary Equity Holders of the Company	1,755	(450)	2,205	490	3,088	738	2,350	318

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 2022 of RM3.81 million was RM3.0 million higher than the previous corresponding period of RM0.81 million. Net profit attributable to equity holders increased by RM2.35 million from RM0.74 million to RM3.09 million for the financial period ended 30 June 2022. The sales of poles and masts comprise RM27.45 million and RM4.72 million respectively for financial period ended 30 June 2022 as compared to RM21.74 million and RM2.77 million respectively for previous corresponding period. The increase in profit was mainly due to increase in revenue for financial period ended 30 June 2022.

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

For the 2nd quarter ended 30 June 2022, the Group registered a pre-tax profit of RM2.23 million, an increase of RM2.84 million or 465% as compared to the previous year corresponding quarter pre-tax loss of RM0.61 million. Earnings attributable to equity holders increased by RM2.21 million or 490% over the same period. The increase in pre-tax profit was mainly due to increase in revenue by RM7.63 million for 2nd quarter ended 30 June 2022 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/%)	
	30/6/2022	31/3/2022	RM'000	%
Revenue	18,487	16,727	1,760	11
Operating Profit	2,228	1,581	647	41
Profit Before Interest and Tax	2,228	1,581	647	41
Profit Before Tax	2,228	1,581	647	41
Profit After Tax	1,755	1,333	422	32
Profit Attributable to Ordinary Equity Holders of the Company	1,755	1,333	422	32

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

The Group's pre-tax profit of RM2.23 million for the current quarter shows an increase of RM0.65 million as compared to the pre-tax profit of RM1.58 million for the preceding quarter ended 31 March 2022. The increase in profit was mainly due to increase in revenue by RM1.76 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		6 Months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
Group tax figures consist of :-				
- Current provision	346	188	728	500
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	127	(349)	(7)	(431)
	<u>473</u>	<u>(161)</u>	<u>721</u>	<u>69</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 2022.
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.

The Company had applied for an interlocutory injunction against Macsteel to injunct Macsteel from proceeding with the arbitration in Hong Kong. Thereafter, Macsteel had applied to the High Court for a stay of proceedings pursuant to the Arbitration Act 2005 for the suit before the High Court to be stayed while parties resolve the dispute by way of arbitration.

On 20 October 2021, the Company's application for an interlocutory injunction was allowed while Macsteel's application for a stay of proceedings was dismissed. Following the decision of the High Court, Macsteel is prevented from proceeding with the arbitration initiated in Hong Kong pending disposal of the suit before the High Court.

On 26 October 2021, Macsteel had appealed against the decisions of the High Court to the Court of Appeal (the "Appeal"). On 17 March 2022 Macsteel had also filed an application to the Court of Appeal for Interim Order to stay the High Court proceedings pending appeal ('Stay Pending Appeal Application'). On 6 April 2022 Macsteel had filed another interim application for stay pending the hearing of the interim order application which was dismissed on 15 April 2022 by the Court of Appeal. Following the dismissal of Macsteel's Interim Application before the Court of Appeal, Macsteel had withdrawn its Stay Pending Appeal Application. On 15 August 2022, the Appeal was heard and the Court of Appeal dismissed the Appeal.

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 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Profit/(Loss) net of tax attributable to owners of the parent used in the computation of earnings per share	1,755	(450)	3,088	738
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	4.22 Sen	(1.08) Sen	7.43 Sen	1.77 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 2022 to 30 June 2022 RM'000	Cumulative current year from 1 Jan 2022 to 30 June 2022 RM'000
Interest income from fixed deposits	242	398
Gain on disposal of property, plant and equipment	-	8
Realised loss on foreign exchange	(98)	(41)
Unrealised loss on foreign exchange	(56)	(96)
Auditors' remuneration:		
Statutory audit -current	(39)	(69)
Non-audit fees:		
- assurance related	(2)	(4)
Depreciation of property, plant and equipment and right-of-use asset	(569)	(1,133)
Finance cost	(6)	(12)
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