

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the twelve-month financial period ended 31 December 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		12 MONTHS ENDED	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	15,934	17,156	70,410	57,617
Cost of sales	(11,529)	(14,269)	(51,427)	(45,226)
Gross Profit	4,405	2,887	18,983	12,391
Other income	1,155	790	2,531	3,763
Administrative expenses	(2,375)	(2,637)	(10,098)	(9,996)
Selling and marketing expenses	(516)	(96)	(2,186)	(2,077)
Finance cost	(5)	(3)	(23)	(11)
Profit before tax	2,664	941	9,207	4,070
Income tax expense	(793)	(82)	(2,116)	(646)
Profit for the period	1,871	859	7,091	3,424
Profit for the period attributable to:				
Owners of the Company	1,871	859	7,091	3,424
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	4.50 Sen	2.07 Sen	17.05 Sen	8.23 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 twelve-month financial period ended 31 December 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/12/2022	31/12/2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,942	29,421
Right-of-use asset	12,453	12,506
Deferred tax asset	247	321
Intangible assets	8	8
	41,650	42,256
Current Assets		
Inventories	43,600	44,943
Trade receivables	12,838	15,968
Other receivables	402	747
Contract assets	138	152
Tax recoverable	1,067	1,219
Fixed deposits, cash & bank balances	74,356	61,189
	132,401	124,218
TOTAL ASSETS	174,051	166,474
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,580	41,580
Other reserves	7,186	4,716
Retained earnings	119,271	112,596
	168,037	158,892
Non-Current Liabilities		
Lease liability	548	392
Deferred tax liability	658	-
	1,206	392
Current Liabilities		
Trade payables	1,684	3,204
Other Payables	1,846	2,308
Contract liabilities	1,278	1,678
	4,808	7,190
Total liabilities	6,014	7,582
TOTAL EQUITY AND LIABILITIES	174,051	166,474
Net assets per share attributable to ordinary equity holder of the parent	4.04	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.

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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	-	-	610	-	610
Net profit for the period	-	-	-	3,424	3,424
Dividend	-	-	-	(416)	(416)
As at 31 December 2021	<u>41,580</u>	<u>500</u>	<u>4,216</u>	<u>112,596</u>	<u>158,892</u>
As at 1 January 2022	41,580	500	4,216	112,596	158,892
Currency translation differences representing net expenses recognised directly in equity	-	-	2,470	-	2,470
Net profit for the period	-	-	-	7,091	7,091
Dividend	-	-	-	(416)	(416)
As at 31 December 2022	<u>41,580</u>	<u>500</u>	<u>6,686</u>	<u>119,271</u>	<u>168,037</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 2021 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Cumulative Quarter ended	
	31-12-2022	31-12-2021
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	9,207	4,070
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	2,279	2,146
Finance cost	23	11
Interest income	(1,033)	(774)
Gain on disposal of property, plant and equipment	(8)	-
Allowance for impairment loss on receivables	-	454
Unrealised loss/(gain) on foreign exchange	18	(49)
Operating profit before working capital changes	10,486	5,858
Changes in working capital:		
Decrease/(Increase) in inventories	1,343	(7,025)
Decrease/(Increase) in receivables	3,481	(1,781)
(Decrease)/Increase in payables	(2,392)	1,485
Cash from/(used in) operations	12,918	(1,463)
Retirement benefits paid	-	(11)
Tax paid	(1,231)	(1,740)
Net cash generated from/(used in) operating activities	11,687	(3,214)
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(847)	(1,123)
Proceeds from disposal of property, plant and equipment	9	-
Interest Income	1,033	774
Short-term deposits with maturity period more than 3 months	(8,000)	(43,479)
Net cash used in investing activities	(7,805)	(43,828)
Cash flows from Financing Activities		
Payment of lease liability	(588)	(435)
Dividend paid	(416)	(416)
Net cash used in financing activities	(1,004)	(851)
Net change in cash and cash equivalents	2,878	(47,893)
Cash and cash equivalents at beginning of financial period	61,189	64,999
Effect of changes in exchange rate on cash and cash equivalents	2,289	604
Cash and cash equivalents at end of financial period	66,356	17,710

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

	31-12-2022	31-12-2021
	RM'000	RM'000
Cash and bank balances	74,356	61,189
Less: Short-term deposits with maturity period more than 3 months	(8,000)	(43,479)
Cash and cash equivalents	66,356	17,710

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 Twelve-month financial period ended 31 December 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 23 February 2023.

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:-

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)
- Reference to the Conceptual Framework (Amendments to MFRS 3: Business Combinations)
- Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
- Amendments to Illustrative Examples accompanying MFRS 16: Leases (Annual Improvements to MFRS Standards 2018-2020)
- Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets- Onerous Contracts- Cost of Fulfilling a Contract

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

- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101: Presentation of Financial Statements)
- Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)
- Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 Leases)
- Non-Current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)

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 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		Cumulative Quarter	
	3 months ended		12 months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	15,810	16,993	69,896	57,103
Installation income	32	30	104	140
Delivery income	92	133	410	374
Total operating revenue	15,934	17,156	70,410	57,617

10. Other Income

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Sundry income	1	1	66	1,127
Sales of scrap materials	791	575	1,702	1,792
Bank interest earned	422	172	1,033	774
Gain/(Loss) on forex	(59)	58	(278)	86
Gain on disposal of property, plant and equipment	-	-	8	-
Total other income	1,155	806	2,531	3,779

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 December 2022 were as follows:

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	8,075	9,097	32,013	26,229
- ASEAN	5,650	6,451	28,305	22,959
- South Asia	193	-	655	1,542
- East Asia	3	296	811	865
- Middle East	24	115	803	314
- Australasia	1,989	1,197	7,823	5,708
	<u>15,934</u>	<u>17,156</u>	<u>70,410</u>	<u>57,617</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	147	147	588	435
Fabricating services	8	6	107	76
Galvanizing services	-	-	-	388
Purchase of used motor vehicle	-	-	25	-
Powder coating services	19	-	226	44
Transportation services	-	-	-	8
	<u>174</u>	<u>153</u>	<u>946</u>	<u>951</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	100
Approved but not contracted for	19,500
	<u>19,600</u>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 December 2022 that have not been reflected in the financial statements for the financial period ended 31 December 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 31 December 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 (4th quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Correspon- ding Quarter			Current Year To- date	Preceding Year Correspon- ding Period		
	31/12/2022	31/12/2021	31/12/2022	31/12/2021				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	15,934	17,156	(1,222)	(7)	70,410	57,617	12,793	22
Operating Profit	2,664	941	1,723	183	9,207	4,070	5,137	126
Profit Before Interest & Tax	2,664	941	1,723	183	9,207	4,070	5,137	126
Profit Before Tax	2,664	941	1,723	183	9,207	4,070	5,137	126
Profit After Tax	1,871	859	1,012	118	7,091	3,424	3,667	107
Profit Attributable to Ordinary Equity Holders of the Company	1,871	859	1,012	118	7,091	3,424	3,667	107

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 2022 of RM9.21 million was RM5.14 million higher than the previous corresponding period of RM4.07 million. Net profit attributable to equity holders increased by RM3.67 million from RM3.42 million to RM7.09 million for the financial period ended 31 December 2022. The sales of poles and masts comprise RM56.77 million and RM9.14 million respectively for financial period ended 31 December 2022 as compared to RM45.41 million and RM8.63 million respectively for previous corresponding period. The increase in profit was mainly due to increase in revenue for financial period ended 31 December 2022.

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

For the 4th quarter ended 31 December 2022, the Group registered a pre-tax profit of RM2.66 million, an increase of RM1.72 million or 183% as compared to the previous year corresponding quarter pre-tax profit of RM0.94 million. Earnings attributable to equity holders increased by RM1.01 million or 118% over the same period. Although revenue decreased by 7% for 4th quarter ended 31 December 2022 as compared to previous year corresponding quarter, the increase in pre-tax profit was mainly due to increase in the average selling price of standard poles.

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

	Current Quarter 31/12/2022	Immediate Preceding Quarter 30/9/2022	Changes (Amount/%)	
	RM'000	RM'000	RM'000	%
Revenue	15,934	19,262	(3,328)	(17)
Operating Profit	2,664	2,734	(70)	(3)
Profit Before Interest and Tax	2,664	2,734	(70)	(3)
Profit Before Tax	2,664	2,734	(70)	(3)
Profit After Tax	1,871	2,132	(261)	(12)
Profit Attributable to Ordinary Equity Holders of the Company	1,871	2,132	(261)	(12)

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

The Group's pre-tax profit of RM2.66 million for the current quarter shows a decrease of RM0.07 million as compared to the pre-tax profit of RM2.73 million for the preceding quarter ended 30 September 2022. The decrease in profit was mainly due to decrease in revenue by RM3.33 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 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Group tax figures consist of :-				
- Current provision	323	457	1,360	1,335
- Under/(Over) provision in prior years	42	18	23	18
- Deferred Tax	428	(393)	733	(707)
	<u>793</u>	<u>82</u>	<u>2,116</u>	<u>646</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 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.

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 against the grant of the anti-arbitration injunction and dismissal of the stay pending arbitration applications (the "**Appeal**"). On 15 August 2022, the Appeal was heard and the Court of Appeal dismissed the Appeal.

On 13 September 2022, Macsteel filed 3 notices of motion to the Federal Court for leave to appeal against the decision of the Court of Appeal for dismissing the Appeal. Macsteel's motion before the Federal Court was fixed for hearing on 16 February 2023 and the Federal Court had dismissed Macsteel's motion for leave to appeal to the Federal Court.

28. Dividend Payable

A final single tier dividend of 3 sen per ordinary share amounting to RM1,247,400 has been recommended for the quarter under review to be approved by the shareholders at the coming 44th 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		Cumulative Quarter	
	3 Months ended		12 Months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	1,871	859	7,091	3,424
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	4.50 Sen	2.07 Sen	17.05 Sen	8.23 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 2022 to 31 Dec 2022 RM'000	Cumulative current year from 1 Jan 2022 to 31 Dec 2022 RM'000
Interest income from fixed deposits	422	1,033
Gain on disposal of property, plant and equipment	-	8
Realised loss on foreign exchange	(73)	(261)
Unrealised gain/(loss) on foreign exchange	13	(18)
Auditors' remuneration:		
Statutory audit -current	(44)	(157)
Non-audit fees:		
- assurance related	(2)	(8)
Depreciation of property, plant and equipment and right-of-use asset	(574)	(2,279)
Finance cost	(5)	(23)
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