

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month financial period ended 31 March 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 3 MONTHS ENDED	
	31-3-2023 RM'000	31-3-2022 RM'000	31-3-2023 RM'000	31-3-2022 RM'000
Continuing Operations				
Revenue	16,988	16,727	16,988	16,727
Cost of sales	(11,244)	(12,632)	(11,244)	(12,632)
Gross Profit	5,744	4,095	5,744	4,095
Other income	787	559	787	559
Administrative expenses	(2,720)	(2,520)	(2,720)	(2,520)
Selling and marketing expenses	(535)	(547)	(535)	(547)
Finance cost	(4)	(6)	(4)	(6)
Profit before tax	3,272	1,581	3,272	1,581
Income tax expense	(583)	(248)	(583)	(248)
Profit for the period	2,689	1,333	2,689	1,333
Profit for the period attributable to:				
Owners of the Company	2,689	1,333	2,689	1,333
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	6.47 Sen	3.21 Sen	6.47 Sen	3.21 Sen
(ii) Diluted, for profit for the period	N/A	N/A	N/A	N/A

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

LYSAGHT GALVANIZED STEEL BHD

Registration No. 197901002195 (46426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month financial period ended 31 March 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	31/3/2023	31/12/2022
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,615	28,942
Right-of-use asset	12,248	12,453
Deferred tax asset	247	247
Intangible assets	8	8
	41,118	41,650
Current Assets		
Inventories	43,044	43,669
Trade receivables	13,471	12,970
Other receivables	587	406
Contract assets	72	68
Tax recoverable	986	1,067
Fixed deposits, cash & bank balances	78,625	74,356
	136,785	132,536
TOTAL ASSETS	177,903	174,186
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	41,580	41,580
Other reserves	7,733	7,190
Retained earnings	121,960	119,271
	171,273	168,041
Non-Current Liabilities		
Lease liability	404	547
Deferred tax liability	864	658
	1,268	1,205
Current Liabilities		
Trade payables	2,498	1,046
Other Payables	2,519	2,616
Contract liabilities	345	1,278
	5,362	4,940
Total liabilities	6,630	6,145
TOTAL EQUITY AND LIABILITIES	177,903	174,186
Net assets per share attributable to owners of the Company	4.12	4.04

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 For the three-month financial period ended 31 March 2023

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 2022	41,580	500	4,216	112,596	158,892
Currency translation differences representing net expenses recognised directly in equity	-	-	208	-	208
Net profit for the year	-	-	-	1,333	1,333
Dividend	-	-	-	-	-
As at 31 March 2022	<u>41,580</u>	<u>500</u>	<u>4,424</u>	<u>113,929</u>	<u>160,433</u>
As at 1 January 2023	41,580	500	6,690	119,271	168,041
Currency translation differences representing net expenses recognised directly in equity	-	-	543	-	543
Net profit for the year	-	-	-	2,689	2,689
Dividend	-	-	-	-	-
As at 31 March 2023	<u>41,580</u>	<u>500</u>	<u>7,233</u>	<u>121,960</u>	<u>171,273</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 2022 and the accompanying explanatory notes at to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month financial period ended 31 March 2023

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Cumulative Quarter ended	
	31-3-2023	31-3-2022
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,272	1,581
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	568	564
Finance cost	4	6
Interest income	(480)	(156)
Gain on disposal of property, plant and equipment	-	(8)
Unrealised loss on foreign exchange	14	53
Operating profit before working capital changes	3,378	2,040
Changes in working capital:		
Decrease/(Increase) in inventories	1,899	(760)
Decrease in receivables	241	1,110
Decrease in payables	(1,828)	(1,514)
Cash from operations	3,690	876
Tax paid	(296)	(226)
Net cash generated from operating activities	3,394	650
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(1)	(155)
Proceeds from disposal of property, plant and equipment	-	9
Interest Income	480	156
Short-term deposits with maturity period more than 3 months	(8,000)	(41,000)
Net cash used in investing activities	(7,521)	(40,990)
Cash flows from Financing Activities		
Payment of lease liability	(147)	(147)
Dividend paid	-	-
Net cash used in financing activities	(147)	(147)
Net change in cash and cash equivalents	(4,274)	(40,487)
Cash and cash equivalents at beginning of financial period	74,356	61,189
Effect of changes in exchange rate on cash and cash equivalents	543	193
Cash and cash equivalents at end of financial period	70,625	20,895

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

	31-3-2023	31-3-2022
	RM'000	RM'000
Cash and bank balances	78,625	61,895
Less: Short-term deposits with maturity period more than 3 months	(8,000)	(41,000)
Cash and cash equivalents	70,625	20,895

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 2022 and the accompanying explanatory notes attached to these financial statements.

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

Explanatory notes to the interim financial statements

For the Three-month financial period ended 31 March 2023.

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 May 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:-

- 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)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)

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

- 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 March 2023.

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 3 months ended	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000	31 Mar 2023 RM'000	31 Mar 2022 RM'000
Sales of galvanized steel products	16,841	16,616	16,841	16,616
Installation income	46	12	46	12
Delivery income	101	99	101	99
Total operating revenue	16,988	16,727	16,988	16,727

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000	31 Mar 2023 RM'000	31 Mar 2022 RM'000
Sundry income	392	22	392	22
Sales of scrap materials, zinc ash & dross	378	356	378	356
Bank interest earned	480	156	480	156
(Loss)/Gain on forex	(463)	17	(463)	17
Gain on disposal of property, plant and equipment	-	8	-	8
	787	559	787	559

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 31 March 2023 were as follows:

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	7,603	7,436	7,603	7,436
- ASEAN	5,655	6,636	5,655	6,636
- South Asia	-	211	-	211
- East Asia	102	39	102	39
- Middle East	557	126	557	126
- Australasia	3,071	2,279	3,071	2,279
	<u>16,988</u>	<u>16,727</u>	<u>16,988</u>	<u>16,727</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	147	147	147	147
Fabricating services	-	17	-	17
Purchase of used motor vehicle	-	25	-	25
Powder coating services	56	15	56	15
Purchase of goods	1,370	891	1,370	891
	<u>1,573</u>	<u>1,095</u>	<u>1,573</u>	<u>1,095</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	19,400
	<u>19,500</u>

14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 31 March 2023 that have not been reflected in the financial statements for the financial period ended 31 March 2023.

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 audited 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 March 2023; 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
Other than the material litigation in Note 26, there were no changes in contingent liabilities or contingent assets from those disclosed in 2022 audited financial statements.
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 (1st 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	%
	31/3/2023	31/3/2022			31/3/2023	31/3/2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,988	16,727	261	2	16,988	16,727	261	2
Operating Profit	3,272	1,581	1,691	107	3,272	1,581	1,691	107
Profit Before Interest & Tax	3,272	1,581	1,691	107	3,272	1,581	1,691	107
Profit Before Tax	3,272	1,581	1,691	107	3,272	1,581	1,691	107
Profit After Tax	2,689	1,333	1,356	102	2,689	1,333	1,356	102
Profit Attributable to Ordinary Equity Holders of the Company	2,689	1,333	1,356	102	2,689	1,333	1,356	102

- 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 March 2023 of RM3.27 million was RM1.69 million higher than the previous corresponding period of RM1.58 million. Net profit attributable to equity holders increased by RM1.36 million from RM1.33 million to RM2.69 million for the financial period ended 31 March 2023. The sales of poles and masts comprise RM13.32 million and RM2.78 million respectively for financial period ended 31 March 2023 as compared to RM14.06 million and RM1.29 million respectively for previous corresponding period. The increase in profit was mainly due to more delivery of higher margin product of masts by additional RM1.49 million and also increase in the average selling price of standard poles.

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

For the 1st quarter ended 31 March 2023, the Group registered a pre-tax profit of RM3.27 million, an increase of RM1.69 million or 107% as compared to the previous year corresponding quarter pre-tax profit of RM1.58 million. Earnings attributable to equity holders increased by RM1.36 million or 102% over the same period. The increase in pre-tax profit was mainly due to more delivery of higher margin product of masts and also increase in the average selling price of standard poles.

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

	Current Quarter	Immediate Preceding Quarter	Changes (Amount/%)	
	31/3/2023	31/12/2022	RM'000	%
Revenue	16,988	15,934	1,054	7
Operating Profit	3,272	2,664	608	23
Profit Before Interest and Tax	3,272	2,664	608	23
Profit Before Tax	3,272	2,664	608	23
Profit After Tax	2,689	1,871	818	44
Profit Attributable to Ordinary Equity Holders of the Company	2,689	1,871	818	44

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

The Group's pre-tax profit of RM3.27 million for the current quarter shows an increase of RM0.61 million as compared to the pre-tax profit of RM2.66 million for the preceding quarter ended 31 December 2022. The increase in profit was mainly due to increase in revenue by RM1.05 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 issued any profit forecast or profit guarantee.

22. Income Tax Expense

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000	31 Mar 2023 RM'000	31 Mar 2022 RM'000
Group tax figures consist of :-				
- Current provision	377	382	377	382
- Under/(Over) provision in prior years	-	-	-	-
- Deferred Tax	206	(134)	206	(134)
	583	248	583	248
Effective tax rate (%)	17.8%	15.7%	17.8%	15.7%

Income tax is recognised based on management's estimate.

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 March 2023.

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
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 3 Months ended	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000	31 Mar 2023 RM'000	31 Mar 2022 RM'000
Profit net of tax attributable to owners of the Company used in the computation of earnings per share	2,689	1,333	2,689	1,333
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	6.47 Sen	3.21 Sen	6.47 Sen	3.21 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 Jan 2023 to 31 Mar 2023 RM'000	Cumulative current year from 1 Jan 2023 to 31 Mar 2023 RM'000
Interest income from fixed deposits	480	480
Realised loss on foreign exchange	(449)	(449)
Unrealised loss on foreign exchange	(14)	(14)
Depreciation of property, plant and equipment and right-of-use asset	(568)	(568)
Finance cost	(4)	(4)