

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The figures have not been audited.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		6 MONTHS ENDED	
	30-6-2024	30-6-2023	30-6-2024	30-6-2023
	RM'000	RM'000	RM'000	RM'000
Revenue	23,833	19,767	46,315	36,755
Cost of sales	(17,917)	(15,441)	(33,510)	(26,685)
Gross Profit	5,916	4,326	12,805	10,070
Other income	1,100	1,468	2,333	2,255
Administrative expenses	(2,964)	(2,665)	(5,800)	(5,385)
Selling and marketing expenses	(574)	(537)	(1,161)	(1,072)
Finance cost	(10)	(2)	(18)	(6)
Profit before tax	3,468	2,590	8,159	5,862
Income tax expense	(676)	(212)	(1,774)	(795)
Profit for the period	2,792	2,378	6,385	5,067
Profit for the period attributable to:				
Owners of the Company	2,792	2,378	6,385	5,067
Earnings per share attributable to owners of the Company:				
(i) Basic, for profit for the period	6.71 Sen	5.72 Sen	15.36 Sen	12.19 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 2023 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 six-month financial period ended 30 June 2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The figures have not been audited.

	Quarter ended	
	30/6/2024	31/12/2023
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,368	27,795
Right-of-use asset	11,591	12,077
Deferred tax asset	247	247
Intangible assets	8	8
	39,214	40,127
Current Assets		
Inventories	30,424	31,054
Trade receivables	21,023	19,978
Other receivables	473	735
Contract assets	39	88
Tax recoverable	-	822
Fixed deposits, cash & bank balances	103,381	94,525
	155,340	147,202
TOTAL ASSETS	194,554	187,329
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	41,580	41,580
Other reserves	9,916	9,938
Retained earnings	134,409	128,024
	185,905	179,542
Non-Current Liabilities		
Lease liability	110	390
Deferred tax liability	1,341	1,424
	1,451	1,814
Current Liabilities		
Trade payables	2,747	1,860
Other Payables	2,908	2,753
Tax payable	922	846
Contract liabilities	621	514
	7,198	5,973
Total liabilities	8,649	7,787
TOTAL EQUITY AND LIABILITIES	194,554	187,329
Net assets per share attributable to owners of the Company	4.47	4.32

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 2024

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 2023	41,580	500	6,690	119,271	168,041
Currency translation differences representing net expenses recognised directly in equity	-	-	2,142	-	2,142
Net profit for the year	-	-	-	5,067	5,067
Dividend	-	-	-	(1,247)	(1,247)
As at 30 June 2023	<u>41,580</u>	<u>500</u>	<u>8,832</u>	<u>123,091</u>	<u>174,003</u>
As at 1 January 2024	41,580	500	9,438	128,024	179,542
Currency translation differences representing net expenses recognised directly in equity	-	-	(22)	-	(22)
Net profit for the year	-	-	-	6,385	6,385
Dividend	-	-	-	-	-
As at 30 June 2024	<u>41,580</u>	<u>500</u>	<u>9,416</u>	<u>134,409</u>	<u>185,905</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 2023 and the accompanying explanatory notes at to these interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month financial period ended 30 June 2024

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The figures have not been audited.

	Cumulative Quarter ended	
	30-6-2024 RM'000	30-6-2023 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	8,159	5,862
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	1,169	1,135
Finance cost	18	6
Interest income	(1,500)	(1,159)
Loss/(Gain) on disposal of property, plant and equipment	3	(14)
Unrealised loss/(gain) on foreign exchange	10	(3)
Operating profit before working capital changes	<u>7,859</u>	<u>5,827</u>
Changes in working capital:		
Decrease in inventories	630	5,036
Increase in receivables	(798)	(3,787)
Increase/(Decrease) in payables	1,149	(500)
Cash from operations	<u>8,840</u>	<u>6,576</u>
Tax paid	<u>(959)</u>	<u>(628)</u>
Net cash generated from operating activities	<u>7,881</u>	<u>5,948</u>
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(232)	(144)
Proceeds from disposal of property, plant and equipment	2	14
Interest Income	1,500	1,159
Short-term deposits with maturity period more than 3 months	(21,500)	(10,000)
Net cash used in investing activities	<u>(20,230)</u>	<u>(8,971)</u>
Cash flows from Financing Activities		
Payment of lease liability	(297)	(294)
Dividend paid	-	-
Net cash used in financing activities	<u>(297)</u>	<u>(294)</u>
Net change in cash and cash equivalents	(12,646)	(3,317)
Cash and cash equivalents at beginning of financial period	94,525	74,356
Effect of changes in exchange rate on cash and cash equivalents	2	2,142
Cash and cash equivalents at end of financial period	<u>81,881</u>	<u>73,181</u>

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

	30-6-2024 RM'000	30-6-2023 RM'000
Cash and bank balances	<u>103,381</u>	<u>83,181</u>
Less: Short-term deposits with maturity period more than 3 months	(21,500)	(10,000)
Cash and cash equivalents	<u>81,881</u>	<u>73,181</u>

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 2023 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 Six-month financial period ended 30 June 2024.

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 15 August 2024.

2. **Changes in Accounting Policies**

The Quarterly Report has been prepared in accordance with the reporting requirements outlined in the MFRS 134 issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Listing Requirements of Bursa Securities Malaysia Berhad and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2023.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2023.

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:-

- Lease Liability in a Sale and Leaseback (Amendments to MFRS 16: Leases)
- Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)
- Supplier Finance Arrangements (Amendments to MFRS 107 Statement of Cash Flows 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

- Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates)
- MFRS 18: Presentation and Disclosure in Financial Statements
- MFRS 19: Subsidiaries without Public Accountability -Disclosures
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to MFRS 9: Financial Instruments and MFRS 7: Financial Instruments - Disclosures)

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 2024.

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 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Sales of galvanized steel products	23,769	19,704	46,188	36,646
Installation income	64	63	127	109
Total operating revenue	23,833	19,767	46,315	36,755

10. Other Income

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Sundry income	-	1	14	393
Sales of scrap materials, zinc ash & dross	279	344	816	722
Bank interest earned	821	679	1,500	1,159
(Loss)/Gain on forex	-	430	6	(33)
(Loss)/Gain on disposal of property, plant and equipment	-	14	(3)	14
	<u>1,100</u>	<u>1,468</u>	<u>2,333</u>	<u>2,255</u>

11. Segmental Information

The Group operates within a single business segment.

The geographical segment revenue for the financial period ended 30 June 2024 were as follows:

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
By geographical area :				
- Malaysia	11,034	8,829	20,502	16,432
- ASEAN	11,548	7,130	22,342	12,785
- South Asia	60	128	60	128
- East Asia	-	22	307	124
- Middle East	-	12	120	569
- Australasia	1,191	3,646	2,984	6,717
	<u>23,833</u>	<u>19,767</u>	<u>46,315</u>	<u>36,755</u>

12. Related Party Disclosures

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Rental of factory paid	149	147	297	294
Fabricating services	87	7	111	7
Powder coating services	25	45	53	101
Transportation services	1	-	1	-
Purchase of goods	1,751	1,530	3,543	2,903
	<u>2,013</u>	<u>1,729</u>	<u>4,005</u>	<u>3,305</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:
Contracted but not provided for

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14. Subsequent Event

There were no material events subsequent to the end of the financial period ended 30 June 2024 that have not been reflected in the financial statements for the financial period ended 30 June 2024.

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 30 June 2024; 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 27, there were no changes in contingent liabilities or contingent assets from those disclosed in 2023 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 (2nd quarter)		Changes (Amount/%)		Cumulative Period		Changes (Amount/%)	
	Current Year Quarter	Preceding Year Correspon- ding Quarter			Current Year To- date	Preceding Year Correspon- ding Period		
	30/6/2024	30/6/2023	30/6/2024	30/6/2023				
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	23,833	19,767	4,066	21	46,315	36,755	9,560	26
Operating Profit	3,468	2,590	878	34	8,159	5,862	2,297	39
Profit Before Interest & Tax	3,468	2,590	878	34	8,159	5,862	2,297	39
Profit Before Tax	3,468	2,590	878	34	8,159	5,862	2,297	39
Profit After Tax	2,792	2,378	414	17	6,385	5,067	1,318	26
Profit Attributable to Ordinary Equity Holders of the Company	2,792	2,378	414	17	6,385	5,067	1,318	26

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 2024 of RM8.16 million was RM2.30 million higher than the previous corresponding period of RM5.86 million. Net profit attributable to equity holders increased by RM1.32 million from RM5.07 million to RM6.39 million for the financial period ended 30 June 2024. The sales of poles and masts comprise RM35.65 million and RM7.58 million respectively for financial period ended 30 June 2024 as compared to RM29.34 million and RM5.62 million respectively for previous corresponding period. The increase in profit was mainly due to increase in revenue for financial period ended 30 June 2024.

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

For the 2nd quarter ended 30 June 2024, the Group registered a pre-tax profit of RM3.47 million, an increase of RM0.88 million or 34% as compared to the previous year corresponding quarter pre-tax profit of RM2.59 million. Earnings attributable to equity holders increased by RM0.41 million or 17% over the same period. The increase in pre-tax profit was mainly due to increase in revenue by RM4.07 million for 2nd quarter ended 30 June 2024 as compared to previous corresponding quarter.

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

	Current Quarter 30/6/2024	Immediate Preceding Quarter 31/3/2024	Changes (Amount/%)	
	RM'000	RM'000	RM'000	%
Revenue	23,833	22,482	1,351	6
Operating Profit	3,468	4,691	(1,223)	(26)
Profit Before Interest and Tax	3,468	4,691	(1,223)	(26)
Profit Before Tax	3,468	4,691	(1,223)	(26)
Profit After Tax	2,792	3,593	(801)	(22)
Profit Attributable to Ordinary Equity Holders of the Company	2,792	3,593	(801)	(22)

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

The Group's pre-tax profit of RM3.47 million for the current quarter shows a decrease of RM1.22 million as compared to the pre-tax profit of RM4.69 million for the preceding quarter ended 31 March 2024. Although revenue increased slightly by 6%, the decrease in profit was mainly due to decrease in average selling price of poles by around 4% in the current quarter.

20. Commentary on Prospects

The coming quarters will remain challenging for the Group, given the foreign exchange volatility, slowing global economy with geopolitical tensions, inflationary cost pressures and increase in competition with lower quality products. Global factors such as volatility in commodities and crude oil prices will affect our suppliers pricing for raw materials sourced from overseas. The Group will remain vigilant on the movement of steel prices and focus on prudent procurement strategies and inventory management to optimise cost 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 6 Months ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Group tax figures consist of :-				
- Current provision	676	516	1,847	893
- Under/(Over) provision in prior years	10	-	10	-
- Deferred Tax	(10)	(304)	(83)	(98)
	<u>676</u>	<u>212</u>	<u>1,774</u>	<u>795</u>
Effective tax rate (%)	19.2%	8.2%	21.6%	13.6%

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 30 June 2024.

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. However, Macsteel had then appealed against the decisions of the High Court to the Court of Appeal (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.

As Macsteel had exhausted all rights to appeal, Macsteel applied to the High Court to amend their Defence to include a Counterclaim against the Company for breach of contract of USD1,555,656.12. Macsteel's amendment application was allowed and the Company had filed its Defence to counterclaim. Macsteel has previously applied for a discovery of document before the High Court. Macsteel subsequently withdrew the application with agreement between parties, which was recorded before the High Court on 18 July 2024. The trial for the case is rescheduled to take place on 3rd to 5th June 2025 and 10th to 11th June 2025.

28. Dividend Payable

The Board of Directors approved and declared an interim single tier dividend of 8 sen per ordinary share for the financial year ending 31 December 2024 to be paid on 27 September 2024 to the shareholders of the Company whose names appear in the Record of Depositors on 6 September 2024.

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 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Profit net of tax attributable to owners of the Company used in the computation of earnings per share	2,792	2,378	6,385	5,067
Number of ordinary shares in issue	41,580	41,580	41,580	41,580
Basic Earnings per share	6.71 Sen	5.72 Sen	15.36 Sen	12.19 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 2024 to 30 June 2024 RM'000	Cumulative current year from 1 Jan 2024 to 30 June 2024 RM'000
Interest income from fixed deposits	821	1,500
Realised gain on foreign exchange	2	16
Unrealised loss on foreign exchange	(2)	(10)
Loss on disposal of property, plant & equipment	-	(3)
Depreciation of property, plant and equipment and right-of-use asset	(586)	(1,169)
Finance cost	(10)	(18)